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Foreign Real Estate Investment in Sub-Saharan Africa:

A Behavioural Approach in Countervailing the Investment Stigma by Image Analysis and Exploration of the Tanzanian Real Estate Market

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‘The land is my blanket. I wear it like my ancestors wore it.’

- Remark from a Sobantu schoolboy -

Preface

With good reason, when regarding the current international real estate investment agenda, Africa, in particular Sub-Saharan Africa, has sadly been labeled the *forgotten continent*. Although real estate related returns in Sub-Saharan Africa have risen to higher levels than in most other developing countries, clearly no other region has been avoided more obviously by both real estate research and foreign real investment activity. Surely, this cannot solely be blamed on the fact that most real estate markets within the region fail to feature the necessary maturity.

In fact, the author assumes that one of the main reasons for the low level of foreign interest in Sub-Saharan Africa's real estate markets is the region's negatively charged image as an investment destination. He therefore aims well at verifying the supposition that this image, still prevailing in foreign real estate investors' perceptions, acts as an important intervening variable for the existing afro-pessimistic behaviour within the evaluation of the region. By conducting an image analysis on the basis of empirical data, heuristics and biases are clearly identified within the investment image creation process. They serve as further possible explanations for the existing gap between high-yield investment opportunity and abundant absence of foreign real estate investment in Sub-Saharan Africa.

Needless to say, the region faces a large task in recovering its tarnished image, which, amongst many others, is a result of long periods of disastrous policies implemented by African governments in the past. Despite these set-backs and the ongoing political encumbrance, in total, real estate markets within the region have experienced positive developments over the past two decades. This is extensively documented by means of unprecedented research on the Tanzanian real estate market, which was used as a showcase for the present study. The exploration of the Tanzanian real estate market delivers a useful contribution to the attempt to counteract the existing information hold-up and low transparency level on the African real estate market.

However, the author clearly states that Sub-Saharan Africa is not to be idealised and that it is not the intention to prove that the actual conditions on the Tanzanian real estate market are better or worse than the image of the market engraved in foreign investors' perceptions. A judgment as to the appropriateness of the current image of Tanzania can lastly only ever be a subjective evaluation of the reader.

By presenting first-hand market information in addition to providing evidence of foreign real estate investors' biased images of the Tanzanian real estate market, the study at hand takes the first pioneering steps in destigmatising Sub-Saharan Africa as a real estate investment destination.

The FACULTY OF BUSINESS, ECONOMICS AND MANAGEMENT INFORMATION SYSTEMS at the UNIVERSITY OF REGENSBURG has awarded the author with a Dr. rer. pol. His unique real estate research approach will hopefully not only be of value for theory and practice, but also trigger further necessary debate on African real estate.

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Foreword

Africa has left an impact on me since the moment I first set foot on its red earth. I somewhat owe this continent a debt of gratitude, as it inspired me and shared its fatal beauty with my family and me during so many memorable moments.

Although this foreword does contain a short list of those people, who strongly supported me during the writing of my dissertation, I have - for various reasons - decided to leave them (and many others) unnamed.

Needless to say, I am more than grateful for the support of my doctoral father, who - from the very beginning - shared, fueled and broadened my vision. Without his patronage, but also his trust in me, I would not have been able to dive into this vast, unexplored field of real estate research. I wish to thank him in so many ways for so many reasons. I also truly thank my brother from another mother in Berlin, who invested a lot of time and effort into manifold topic-related discussions. He spent countless nights isolated on a hard, wooden floor in The Hague working together with me on his and my dissertation. Many warm thanks go to my Tanzanian friends, who helped me gather information and welcomed my wife and me into their homes with open hearts and minds. Furthermore, I want to say a big thank you to my second reviewer, who definitely set his wits to exploring my dissertation topic in detail. Herewith I also want to thank my parents for their support. However, my deepest gratitude goes to my understanding wife, who, although not quite sure of what I was actually writing, had my back during all times, as well as to my beloved daughters, who unwittingly brought up the patience to wait for me during most parts of our weekends.

Thank you.

Lastly, the only name to be written shall be the one to whom I dedicate this piece of work:

Ayanda Mdladlamba. My little friend, we miss you.

Frankfurt/Main, September 2010.

Steen Rothenberger

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List of Abbreviations

ABSA	Amalgamated Banks of South Africa
AfDB	African Development Bank
AFP	Agence France-Presse
AfRES	African Real Estate Society
AIIF	African Infrastructure Investment Fund
ARU	Ardhi University
ASP	Afro-Shirazi Party
AU	African Union
BEA	Bureau of Economic Analysis
BEDIA	Botswana Export Development and Investment Authority
Bn.	Billion
BOT	Bank of Tanzania
BRELA	Business Registration & Licensing Agency
BRIC	Brazil – Russia – India – China
CAR	Central African Republic
CBD	Central Business District
CCM	Chama cha Mapinduzi
CIA	Central Intelligence Agency
CMSA	Capital Markets and Securities Authority
COMESA	Common Market for Eastern and Southern Africa
CPI	Corruption Perceptions Index
CREM	Corporate Real Estate Management
CUF	Civic United Front
DEGI	Deutsche Gesellschaft für Immobilienfonds
Diss.	Dissertation
DRC	Democratic Republic of Congo
DSE	Dar es Salaam Stock Exchange
EAC	East African Community
EACT	East African Cooperation Treaty
EACU	East African Customs Union
ECOWAS	Economic Community of West African States
EIU	Economist Intelligence Unit
EPRA	European Public Real Estate Association
ERP	Economic Recovery Program
ESAF	Enhanced Structural Adjustment Facility
et al.	and others
EU	European Union
F.A.Z.	Frankfurter Allgemeine Zeitung
FDI	Foreign Direct Investment
FIAS	Foreign Investment Advisory Service

FIFA	Fédération Internationale de Football Association
FIG	Fédération Internationale des Géomètres
FONDAD	Forum on Debt and Development
FPI	Foreign Portfolio Investment
FREI	Foreign Real Estate Investment
FTD	Financial Times Deutschland
GCI	Global Competitive Index
GDH	Gross Domestic Product per Capita
GDP	Gross Domestic Product
GECS	Global Economic Crime Survey
GIPC	Ghana Investment Promotion Centre
GNI	Gross National Income
GNP	Gross National Product
GOT	Government of Tanzania
HDI	Human Development Index
HIPC	Heavily Indebted Poor Countries
HIV	Human Immunodeficiency Virus
HNWI	High Net Worth Individuals
i.e.	id est
ICA	Infrastructure Consortium for Africa
ICC	International Chamber of Commerce
ICEA	Insurance Company of East Africa
ICF	Investment Climate Facility
ICM	Institute of Commercial Management
ICRG	International Country Risk Guide
ICSID	International Center for the Settlement of Investment Disputes
IDC	Industrial Development Corporation of South Africa
IFC	International Finance Corporation
ILO	International Labour Organization
IMF	International Monetary Fund
INREV	Investors in Non-Listed Real Estate Vehicles
IPA	Investment Promotion Agency
IPD	Investment Property Databank
IRE|BS	International Real Estate Business School
IVSC	International Valuation Standards Committee
JSE	Johannesburg Stock Exchange
LAPF	Local Authorities Pensions Fund
LDC	Least Developed Country
LSE	London Stock Exchange
MDRI	Multilateral Debt Relief Initiative
MIGA	Multilateral Investment Guarantee Agency
MNC	Multinational Corporation

MPT	Modern Portfolio Theory
n.s.	not significant
NAV	Net Asset Value
NBC	National Bank of Commerce
NBS	National Bureau of Statistics
NEPAD	New Partnership for Africa's Development
NGO	Non-Governmental Organisation
NHC	National Housing Corporation
NIC	National Insurance Corporation
NIESV	Nigerian Institution of Estate Surveyors and Valuers
NIPC	Nigerian Investment Promotion Commission
NSE	Nairobi Stock Exchange
NSSF	National Social Security Fund
OECD	Organisation for Economic Co-Operation and Development
OPIC	Overseas Private Investment Corporation
p.a.	per annum
PAIDF	Pan-African Infrastructure Development Fund
PCA	Principal Component Analysis
PFMRP	Public Financial Management Reform Program
PLC	Public Limited Company
PPP	Public-Private Partnership
PPSRC	Presidential Parastatal Sector Reform Commission
PPT	Parastatal Pensions Fund
PSI	Policy Support Instrument
PSPF	Public Service Pensions Fund
PTO	Permission to Occupy
REI	Real Estate Investment
REIT	Real Estate Investment Trust
RETI	Real Estate Transparency Index
RICS	Royal Institution of Chartered Surveyors
ROE	Return on Equity
ROI	Return on Investment
RSA	Republic of South Africa
s	standard deviation
SADC	Southern African Development Community
SD	Semantic Differential
SGFSR	Second Generation Financial Sector Reforms
SME	Small and Medium-Sized Enterprise
SPA	Sale and Purchase Agreement
sqm	square metre
SSA	Sub-Saharan Africa
TANU	Tanganyika African National Union

TIB	Tanzania Investment Bank
TIC	Tanzania Investment Centre
TIVEA	Tanzania Institution of Valuers and Estate Agents
TPDC	Tanzania Petroleum Development Corporation
TRA	Tanzania Revenue Authority
TRC	Tanzania Railways Corporation
TZS	Tanzanian Shillings
U.K.	United Kingdom
U.S.	United States
U.S.A.	United States of America
UAE	United Arab Emirates
UCLAS	University College of Lands and Architectural Studies
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
UNIDO	United Nations Industrial Development Organization
UPI	United Press International
URES	United Real Estate Services
URT	United Republic of Tanzania
USD	United States Dollar
VAT	Value Added Tax
vs.	versus
WEF	World Economic Forum
WFP	World Food Programme
WTO	World Trade Organization
WUF	World Urban Forum
ZIPA	Zanzibar Investment Promotion Authority

1 Introduction

1.1 Problem Outline and Research Objectives

International real estate markets are currently subject to a significant process of change. Especially in so-called emerging markets - or rather in all of those markets effectively trying to close up to well-established business locations such as the United States of America (U.S.A.), Europe and Asia - a time of important upheaval has begun. Indeed, the upheaval cannot only be observed on national economy level, but also within particular economic sectors, most notably the real estate sector.[1]

As far as Sub-Saharan Africa (SSA) is concerned, which is placed in the focus of the present study, it can certainly be stated that major system upheavals during the previous years have released important productive forces. All in all, the economic parameters of countries within the region have undoubtedly ameliorated, which has lead to a steady increase of foreign direct investment (FDI) activity in situ.[2] However, although returns on FDI are currently higher in Sub-Saharan Africa than in other developing regions, investors still attach considerably increased importance to uncertainty and risk.[3] Uncertainty, in turn, has proven to have more adverse impact on decision-making processes of particularly those FDI that display a greater extent of irreversibility.[4] Accordingly, when regarding the usual long-termism of foreign real estate investments (FREI) in general[5], it was mandatory for this study to set out to test real estate investors' handling of uncertainty for behavioural patterns.

Real estate investors have remained more than cautious of the Sub-Saharan region, which is understandable to a certain extent, since systematic risks are still perceived to be exceptionally high. Aversive political and politico-economical influences, currency risks, illiquidity and the low degree of transparency prevailing within these markets as well as a number of everlasting institutional constraints are just a few factors to mention that still severely impair the image of Sub-Saharan Africa as a destination for real estate investment.[6] As a result of the prevailing global financial crisis, most probably these image factors have even gained importance. Thus, foreign real estate investors' perceptions remain focussed on the weaknesses and risks of Sub-Saharan Africa's investment climate instead of the development potentials in situ.[7] The obvious supposition must be made that foreign real estate investors' image creation of Sub-Saharan Africa is a mere result of bounded rational behaviour. According to recent empirical data on in-

[1] As a normal consequence of the economic dynamism of these countries' national economies, a persistently growing demand for real estate has evoked. Furthermore, these countries also profit from the ongoing globalisation and the associated offshoring processes. Offshoring, in turn, leads to the necessity to supply adequate production and administration facilities on site and can thus also be considered as a natural driver of real estate market development. See BBE GROUP (2007), p. 4, HAJEK (2007), pp. 101f., LIST (2007), p. 2, TOLDO (2007), p. 6 and KESSLER/SENFF (2008), p. 18.

[2] This has become particularly evident in the case of the Republic of South Africa (RSA) since its successful abolition of apartheid.

[3] See BHATTACHARYA/MONTIEL/SHARMA (1997), p. 5.

[4] See COLLIER/PATTILLO (2000), p. 4.

[5] See CHENG/ZIOBROWSKI/CAINES/ZIOBROWSKI (1999), p. 463. In contrast, see GRIFFITH-JONES (2002), p. 1 on short-termism of regular FDI.

[6] See TESFAYE (2008), p. 38. Also see MATIPA/BARHAM (2007), p. 78 and GLASNER (2005), p. 30.

[7] See BLANKE/SALA-I-MARTIN (2009), p. 17.

vestors' geographical selection, Sub-Saharan African real estate markets have so far been of exaggeratedly low importance.[8] The perceived risks, which clearly seem to deter potential foreign investors, could, however, well be compensated by a range of positive factors lately attributed to Sub-Saharan Africa, namely effective diversification possibilities and high-yield potential.[9] When regarding these and many other positive aspects of Sub-Saharan Africa as an investment destination, the current vague explanations for the existing gap between high-yield investment opportunity and abundant absence of FREI activity remain unsatisfactory. Existing explanations shall thus at least be complemented by a thorough examination of real estate investors' negatively charged image, as the latter is assumed to be an important variable for the prevailing afro-pessimistic real estate investment behaviour.

There is no denying, however, that recently, in the vast field of international investment activity, foreign investors have taken somewhat more notice of Sub-Saharan Africa. For this particular group of active investors the region represents "[…] much more than the ethnic clashes, coups, bouts of genocide and natural disasters that have scarred many countries in the region. It represents dazzling opportunities to make money."[10] This point of view could easily be carried forward to real estate markets in Sub-Saharan Africa, as they likewise display "[…] a scary reputation, but a good market."[11] While some countries within the region, as for example Ghana, Nigeria, Uganda, Botswana, Cameroon and even the country of Rwanda, which was struck by civil war and genocide during the last decade, increasingly attract FDI related to infrastructure and real estate[12], other countries apparently have to make up for lost time and forfeited chances of attracting foreign capital.

To some degree, this statement is also valid for Tanzania and especially for Tanzania's real estate market. One of the purposes of the present study therefore is to draw a rather accurate and objective picture of the Tanzanian real estate market via primary and secondary research methods. Furthermore, in order to substantiate the assumed difference between this picture and the picture drawn by ego-detached potential investors - namely those real estate professionals who have not experienced first-hand physical or emotional contact to an African, let alone the Tanzanian market - an image analysis of the same market shall be conducted. In the context of this analysis, much attention has to be paid to the question as to what extent potential negative image factors or even downright stigmas could have caused the prevailing foreign neglect of Tanzania's and likewise Sub-Saharan Africa's real estate market.

1.2 Relevance of the Study

To a certain extent, international investors have recognised the signs suggesting the existence of a window of opportunity to the African real estate market. This includes the Sub-Saharan re-

[8] See BBW MARKETING (2007), p. 138 and p. 163 on the allocation of real estate assets to countries without Eurocurrency.
[9] According to the results of empirical investigations, the main motivating factor for investing in foreign real estate markets is the investor's ardently hope to be able to generate higher profits than on domestic markets (see GLASNER (2005), p. 31). For additional information on diversification strategies applied within the real estate sector with a special emphasis on calculations of existing correlations see PFISTER/CHRISTEN (2005), p. 42.
[10] MCCRUMMEN (2008), p. A12.
[11] KIFLE (2008), p. 1.
[12] See MCCRUMMEN (2008), p. A12.

gion of Africa, which, from an economic point of view, had formerly been reputed as a virtually abandoned zone. According to official information, this group of international investors has recently been especially involved in the development of retail, office and leisure real estate. In addition, sovereign wealth funds, particularly funds originating from rich oil-exporting countries such as Saudi Arabia, have been keen on sustainably investing into the region's real estate markets.[13] The specific situation of Tanzania thereby as a potential destination for FREI can be regarded as relatively straightforward. Simply put, within the list of Sub-Saharan countries, Tanzania generally acquires an intermediary position.[14] Although Tanzania does not represent the most popular destination for FREI, it does not belong to the group of instable or even incalculable states of the region. As illustrated in later chapters, in terms of appropriateness for this study's intended research methodology the Tanzanian real estate market features an acceptable level of market maturity with sufficient marketable properties and reasonable transaction volumes. Moreover, the country expressively reflects distinctive real estate-specific characteristics, which are apt to be generalised and thus also deliver insight into Sub-Saharan Africa's real estate market in total.[15] This may serve as a small contribution to counteracting the information hold-up and low transparency level within the region's real estate markets.

The chosen focus on Tanzania is partly a consequence of the fact that it would not have been realisable in practice to cover several markets in Sub-Saharan Africa by means of an empirical investigation. In addition, the fact that the author was able to visit Tanzania for several months in 2006 in the course of some of the primary research activities necessary for this study as well as his personal and professional contacts in situ made it possible to create a direct local access and thus proximity to the object of study. As far as the potential scientific relevance of the empirical investigation is concerned, it can finally be stated that although image analysis has been thoroughly covered by marketing research, the latter has not been able to give an answer to the question of how the perceptions of a country and its various features (i.e. Tanzania's real estate market) influence investment behaviour.[16] In identifying and inquiring main image dimensions, it is possible to examine whether the investors' perceived images are biased or concordant with actual market conditions on-sight. Providing evidence of a biased foreign image of Tanzania may even be regarded as a small, necessary step in destigmatising Sub-Saharan Africa as a potential real estate investment destination. The identification of the so-called halo effect, a systematic behavioural mistake, which was predicted during the early stages of the present study, in connection to FREI behaviour can be regarded as virgin territory. Accordingly, an empirical investigation of such a behavioural concept has not been realised on the basis of sufficient data. The present study will thus attempt to fill the gap and hopefully contribute to a better compre-

[13] See HAIMANN (2008), p. 1.
[14] This evaluation is also supported by recent data of the HUMAN DEVELOPMENT INDEX, in which Tanzania again takes an average position among the listed Sub-Saharan states (see UNDP (2008b), p. 49 and OECD (2008), p. 583).
[15] On the contrary, focusing the investigation on a real estate market that is not at all representative for markets within the Sub-Saharan region or that could be characterised as extreme, would have caused important restrictions on the representativeness of potential investigation results. Indeed, these restrictions would have been associated with detrimental effects on the relevance of the whole study. Of course, the structures resulting in Tanzania's representativeness postulated in this study with regard to the Sub-Saharan region will be described more precisely in the course of the present study.
[16] See DUKE/HOPKINS/MITTELSTAEDT/RAYMOND (2004), p. 7.

hension of the cognitive and behavioural components playing an important role in the evaluation of potential real estate investment destinations south of the Sahara.

1.3 Research Framework

To a certain degree the research framework outlined in the following is predefined by the adopted methodological orientation described in section 1.4. Due to the study's explorative character among others, the implementation of an interdisciplinary approach is mandatory. Needless to say, at the same time a clear perimeter, both in geographical and theoretical terms, is indispensable to allow for the necessary research depth. The perimeters set are outlined in the following sections 1.3.1 and 1.3.2.

1.3.1 Theoretical Perimeter

The analysis of FREI in Sub-Saharan Africa with particular focus on Tanzania represents a genuine economic-scientific task within the interdisciplinary framework of real estate research. The interdisciplinary approach is necessary on the one hand, due to the fact that the specific topic of the present study can solely be covered by various, overlapping fields of research. On the other hand, the procedure demands a tight carve out of the theoretical perimeter. Hence, the theoretical frame of reference will predominantly contain aspects of Behavioural Real Estate and Attitude Theory, which will both be brought into connection with mostly micro-economic studies dealing with FDI in developing countries.[17]

Findings on Behavioural Real Estate, which are founded on the Principles of Bounded Rationality, will be used as a guideline for the projected analysis of FREI behaviour.[18] Attitude Theory delivered the first outlines of attitude and image as a behavioural economic construct, which was compatible with the analysis of economic coherences[19], and shall thus be used to slowly establish a clear understanding of the term and its role as an intervening variable of investment behaviour.[20] For quantification purposes within the projected image analysis it is necessary to measure image. Existing empirical image research, however, shows no sign of a standardised method for doing so. Thus, existing writings were used as references to deliver the theoretical basis for modelling an appropriate measurement technique.[21] The initial method, which can be modified to the particularities of the research objectives, is the TROMMSDORFF-Model[22], which itself is based on FISHBEIN´s compensatory attitude model.[23]

Ultimately, there is no clear dividing line to be identified between the theories and areas of research mentioned above. In fact, the contrary is the case. Much of the theoretical content used for this study either intertwines or at least overlaps. Moreover, it is important to mention that in spite of its tight theoretical perimeter, the present study's core essentially reflects an explorative

[17] Remarkably, theoretical and macro-economic modelling has ignored FDI in the past, although the dimension of FDI has attained strong macro-economic relevance. In lieu thereof, micro-economic studies have dominated the research field. See OTTO (2005), p. 22. Also see KRÜGER (2003), p. 13.
[18] See DE BRUIN/FLINT-HARTLE (2003), p. 272.
[19] See BEACH/LUNDELL/MITCHELL/SMITH (1988), p. 19. Also see NERB (2002), p. 17.
[20] See NELSON (2004), p. 29. Also see MORRELL (2004), p. 243.
[21] See MÖLLER (1996), p. 142.
[22] See KOCH (2004), p. 195.
[23] See DEML (2007), p. 3.

character. This explorative character is inevitable in virtue of two apparent reasons. First of all, the study of human behaviour has not entirely been established on the agenda of real estate research as yet. Indeed, Behavioural Real Estate research still finds itself in an early stage and thus allows space for co-determination. Secondly, the entire structures of African land markets and the associated real estate activity have only rudimentarily been analysed and therefore need to be subject to considerably more empirical research in the future.[24]

1.3.2 Geographical Perimeter

The United Republic of Tanzania (URT), which is in the focus of the present study, belongs to the so-called Sub-Saharan region. Synonymous terms commonly used are Sub-Saharan Africa as well as Black Africa[25], the latter in reference to its mostly dark-skinned population.[26] As implicated by the word itself, the states of the Sub-Saharan region are situated south of the Sahara and within the Sahel[27], which is the transition zone to the Sahara Desert. Although the Sub-Saharan region has partly been influenced by Arabic elements, it can clearly be separated from the Northern parts of the African continent, which are entirely associated with the Arabic World and considered clearly more developed. By using the above-mentioned geographical criteria, the Sub-Saharan region covers 48 states, which are Angola, Benin, Botswana, Burkina Faso, Burundi, Cameroon, Cape Verde, Central African Republic (CAR), Chad, Comoros, Republic of Congo, Democratic Republic of Congo (DRC) (formerly Zaire), Côte d'Ivoire, Djibouti, Equatorial Guinea, Eritrea, Ethiopia, Gabon, Gambia, Ghana, Guinea, Guinea-Bissau, Kenya, Lesotho, Liberia, Madagascar, Malawi, Mali, Mauritania, Mauritius, Mozambique, Namibia, Niger, Nigeria, Rwanda, São Tomé and Príncipe, Senegal, Seychelles, Sierra Leone, Somalia, Republic of South Africa (RSA), Sudan, Swaziland, Tanzania, Togo, Uganda, Zambia and Zimbabwe.

Although the region officially includes relatively small islands or island groups such as the Seychelles or Cape Verde, their inclusion into the geographical perimeter of this study is contestable, due to severe deviations regarding economic, infrastructural as well as climatic conditions from those present in continental Sub-Saharan Africa.[28] For this reason, the latter as well as the small coral island group of Zanzibar, which moreover represents an autonomous part of Tanzania, have to be excluded from the geographical scope of this study.[29]

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[24] See ANTWI/HAMMOND/PROVERBS (2008), p. 5. The authors generally refer to land policy and development in Africa and advocate an empirical evaluation of the structuring measures that have been realised in these fields within the past years.

[25] Although the term *Black Africa* is still commonly used within English-speaking literature, the present study will refrain from its use. In the light of the study's goal to contribute to a destigmatisation of the region, the use of the term is regarded counterproductive.

[26] Meanwhile, the term Sub-Saharan Africa is no longer restricted to international or English publications, but has also been established in German specialised literature, where its use has become widespread (see for instance GOLASZINSKI (2007), p. 1 and FRANZ (2008), pp. 4f.).

[27] See CANADIAN INTERNATIONAL DEVELOPMENT AGENCY (2009), Figure: Sub-Saharan Africa.

[28] See UNITED NATIONS POPULATION FUND (2006), specification of countries.

[29] Furthermore, Zanzibar is not covered here because of its insignificant amount of real estate investment activity. Compared to the continental parts of Tanzania, Zanzibar represents only a very small fraction of the GDP (see URES (2008), pp. 2f.).

Figure 1: Countries Covered within the Scope of the Present Study

The same applies to South Africa, the most southern state of Africa. According to the usual nomenclature, the Republic of South Africa belongs to Sub-Saharan Africa, however, compared to other countries within the region, it is considered highly developed. As the only country within the Sub-Saharan region, the RSA has been included into the category of newly industrialising countries, the so-called take-off countries.[30] The RSA is thus the positive exception to the rule within Sub-Saharan African countries, which for the most part have not been able to catch up with the majority of emerging markets in Latin America, Asia and Eastern Europe with regard to economic, infrastructural and social parameters.[31] South Africa, alongside North African countries, was for instance able to attract a substantial number of foreign real estate investors during previous years.[32] The discrepancies between the RSA and other countries in Sub-Saharan Africa therefore also become apparent within a real estate-specific context. These discrepancies, in turn, make it impossible to derive any kind of insight on South African real estate from the information gathered on the Tanzanian real estate market. The RSA is thus deliberately exempted from the focus of the study at hand.[33]

1.4 Methodology and Research Outline

The methodological emphasis of the present study is placed on an independent empirical investigation of the perception and the evaluation of the Tanzanian real estate market as a potential

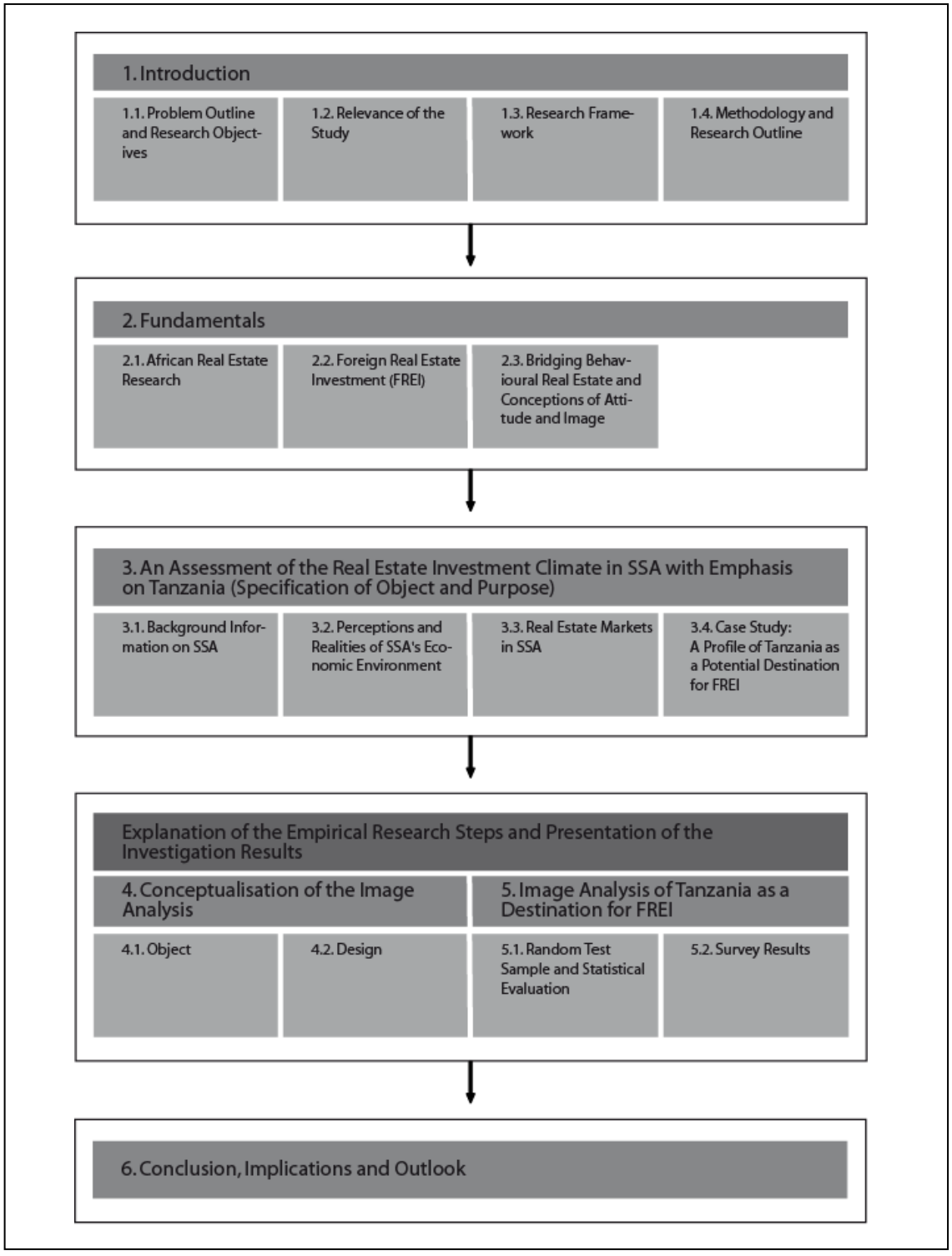
[30] See IMF WORLD ECONOMIC OUTLOOK DATABASE (2009).
[31] In view of this relatively progressive situation, for instance the RSA was picked out from a group of competitors by the FÉDÉRATION INTERNATIONALE DE FOOTBALL ASSOCIATION (FIFA) to carry out the 2010 FIFA FOOTBALL WORLD CUP.
[32] See KUSILUKA (2008), p. 1 and LIM/MCGREAL/WEBB (2006), p. 261.
[33] The geographical perimeter illustrated in colour in Figure 1 represents the countries covered within the scope of the present study.

investment target from the perspective of real estate experts. The latter will be categorised into two groups, namely those real estate experts with a direct professional reference to Tanzania (ego-involved) and those without one (ego-detached). In this context, a standardised procedure (questionnaire) was developed, which - in order to reduce the risk of content validity restrictions - also included loose and semi-standardised response options for the respondents.[34] Moreover, the classificatory items contained in the questionnaire reassured that a clear identification of the two relevant sub-groups, namely ego-involved and ego-detached respondents, could adequately be carried out.

The questionnaire was formulated in application of the Image Differential, a proclaimed enhancement of the Semantic Differential, which enabled the respondents to evaluate characteristics of Tanzania and its real estate market within categorical rating scales.[35] The process of operationalising the factors considered as relevant for the empirical investigation was conducted in such a manner that suitable facets were derived from existing literature and, if necessary, extended and adequately adapted.[36] However, for the purpose of a feedback (theory-reality), the empirically determined results were additionally validated by means of a principal component analysis (PCA). The applied PCA can be understood as a heuristic instrument of data analysis, useful for the systematical verification of presumably existent structures as well as for the identification or exploration of new structures. In this way, a comparison was made between the results theoretically expected and the actual data collected. This comparison aims at being able to guarantee a sufficient degree of analogy between these two dimensions, namely theory and reality. The validation of a potential halo effect was also executed by applying such methods as well as structural equation models.[37] The focus of the empirical analysis was primarily directed towards the question as to what extent differences between the responses of ego-involved and ego-detached participants exist, whether these possible differences are significant and whether they have a systematically dominant character. Further details as well as the entire range of descriptive- and inductive-statistical measures applied shall not be described at this point, but in the further course of this study.

[34] See KROMREY (1991), p. 125 and pp. 277f. The author emphasises that solid structures within investigation instruments are not useful per se, if the respondents' frame of reference is not sufficiently taken into account. Non-realistic data, i.e. artefacts may occur. Concerning such risks, it should also be pointed out for the present study that all respondents either have specialised knowledge of the topic or feature professional skills that enable them to realise at least general evaluations and attitudes towards a real estate market within a foreign market.
[35] See BUSS/FINK-HEUBERGER (2000), p. 256.
[36] Concerning the operationalisation concept see WOTTAWA (1980), pp. 26f.
[37] Concerning the application possibilities of the procedures see BACKHAUS/ERICHSON/PLINKE/WEIBER (2005), pp. 12f. and BORTZ (2005), p. 511.

Figure 2: Study Outline



For a steady course of action, it is essential to initially provide an adequate theoretical basis by isolating and then bridging the topic's main fields of research. A deep theoretical understanding is premise for the conceptualisation and operationalisation of the empirical investigation, which will ultimately be dealt with. Therefore, the fundamental characteristics of African Real Estate Research and FREI will at first be presented in chapter 2. Within the same chapter, both areas of research will be linked to concepts of Behavioural Real Estate, Image Research and Attitude Theory, in order to appreciate the potential role of image as an intervening variable of real es-

tate investment behaviour. The third chapter includes an extensive description of the real estate investment climate of Sub-Saharan Africa with emphasis on Tanzania. On a related note, a case study referring to Tanzania's profile as a target market of FREI was carried out. The results of the case study also shed light on organisational and practical aspects of FREI in Tanzania. The subsequent chapters 4 and 5 comprise the conceptualisation of the empirical image analysis as well as the derivation of its results. Lastly, these two sections as well as chapter 6 contain the discussion of the question as to what extent an image-related halo effect plays a role in the evaluation of a foreign real estate market. Should there be evidence of a biased foreign image of Tanzania, this might turn out to be at least a small possible incentive for foreign investors to rethink the reasonableness of their strong neglect of Sub-Saharan African real estate markets. In this context chapter 6 also contains the debate regarding the question of practical relevance of the obtained research results. Figure 2 illustrates the general methodological procedure of the study at hand.

2 Fundamentals

In attempting to analyse FREI behaviour towards Sub-Saharan Africa, it is initially necessary to follow up on existing African Real Estate Research and derive FREI-relevant insights from current investment theories and data covering FDI to developing countries. Attitudinal and image factors are considered to play a broader role for FREI than for real estate investment activity within familiar terrain. This chapter shall thus also include the attempt to bridge Behavioural Real Estate with the remotely related Attitude Theory and concepts of Image Research, in order to deliver an adequate theoretical basis for the later conceptualisation and operationalisation of an empirical analysis of the role that image plays in determining FREI behaviour towards Sub-Saharan Africa.

2.1 African Real Estate Research

In comparison to real estate-specific research on and in highly industrialised regions of the world, African real estate is still considered a young, virginal field of research. In many Sub-Saharan countries, such as Tanzania, markets in general and also specifically real estate markets have been subject to post-colonial interventionist, restrictive policies and have only gradually opened its gates for the private sector within the past two decades. Regarding the status quo of current Africa-related research, emphasis was therefore initially put on viewing this transition process from a more general economic basis, from which, however, a more specific, real estate-related research approach slowly, but surely seems to derive.

2.1.1 The Africa Debate within Economic Research

Since the 1970s the economic development of most African states had at first seemed to be disappointing. This negative development was favoured by the fact that these states were dominated by interventionist politics and centrally planned economy policies. State authorities had an important influence on price formation and allocation processes. Moreover, important market segments were state-owned and thus monopolistic, the private sector in contrast only

rudimentarily existent.[38] The development strategies of centrally planned economy systems lead to weakly diversified and internationally non-competitive economic structures in many African states, particularly within the Sub-Saharan region. In the 1980s, as a parallel development to the evident signs of weakness of the Soviet Union's and associated countries' economic systems, African national economies with similar orientation completely collapsed. This was accompanied by drastic decreases in economic performance, the ruin of national currencies and an extreme inflation.[39]

The processes mentioned above either resulted in intensified reform efforts or lead to various attempts to carry out economic-political system changes within the affected African states. The reform efforts, which were mostly introduced in the 1980s, particularly included the abolition or at least the reduction of monopolistic structures within certain market segments. Furthermore, the introduction of liberal economic principles into segments formerly state-dominated, i.e. industrial and agricultural segments, and also a number of privatisation measures were enthusiastically promoted.[40] The appropriateness and the advantages of such economic impulses by the private sector, which aimed at restricting former interventionist strategies, have indeed been and still are subject to controversial discussions in the field of economic-political research.[41]

According to empirical data - if this can at all be recognised as having been obtained in a reliable way[42] - the reforms implemented by the private sector prevented the further deterioration of large parts of Africa's national economy systems. In some cases, economic growth was even achieved. In Tanzania, by way of example, price controls by the state were loosened and private sector initiatives concerning the exploitation of agricultural land were realised. Subsequently, Tanzania's agricultural output increased. However, such reforms only started to play a role on the country's political agenda since the mid-1990s.[43] All in all, the generally positive development of African countries, which was achieved by means of such measures mentioned above, turned out to be not nearly as successful as, for example, South America's transition process.[44] Therefore, Africa's insufficient orientation towards a rigorous deregulation of economic structures was criticised on the one hand. On the other hand, experts like BERG and ADAM claim that, especially in the Sub-Saharan region, there were hardly any privatisation programs implemented during the 1990s, which had been carried out systematically. Therefore, they insist that the effectiveness of these programs must be considered as disputable. Both authors principally recommend the application of a market economy approach for African transition economies and emphasise the necessity of implementing clear, reliable public structures. They

[38] See PAULSON (1999), p. 1 and PAULSON/GAVIN (1999), pp. 12f.
[39] See RIMMER (1989), p. 175.
[40] See PAULSON/GAVIN (1999), pp. 39f.
[41] See PAULSON/GAVIN (1999), p. 14 and BARANDIARAN (1999), pp. 83f. Also see PEREIRA DA SILVA/SOLIMANO (1999), pp. 47f. and COLLIER/GUNNING (1999), pp. 64f.
[42] In the case of former Afro-Marxist states (such as Tanzania for example), when analysing the years preceding the millennium, credible and reliable data referring to the economic or socio-economic development were nearly not obtainable (see PAULSON (1999), p. 7). It also has to be pointed out that these states have partly been and still are affected by immense political and ethnic conflicts or militant disputes. Moreover, because of this detrimental situation, the application of conventional economico-scientific models and indexes had been possible only to a limited extent (see PEREIRA DA SILVA/SOLIMANO (1999), pp. 47f.).
[43] See PAULSON/GAVIN (1999), pp. 64f.
[44] See PAULSON/GAVIN (1999), p. 34.

also suggest taking non-traditional privatisation schemes, e.g. leasing, contracting-out, management contracts or internal divestitures into consideration.[45]

Controversial discussions about the appropriateness of economic development strategies for African countries, especially for those countries south of the Sahara, have continued to be a lively topic within relevant literature up until the present day. Economic experts like RAZAFIMAHEFA, director of economic affairs at the PRESIDENCY OF THE REPUBLIC OF MADAGASCAR, and HAMORI, expert in applied econometrics at the Japanese KOBE UNIVERSITY, have only recently advocated an enhancement of the trade openness for the region. These authors particularly emphasise the fact that trade openness is significantly correlated with the extent of FDI, which, in their view, represents a driving factor of economic growth for Sub-Saharan Africa.[46] Indeed, Sub-Saharan Africa attracted higher levels of FDI during the period of 2000 to 2007 than during any other period before. This positive development has been favourably taken notice of by the INTERNATIONAL MONETARY FUND (IMF), which had always emphasised the importance of private sector participation. In addition, as compared to international standards, respectable returns on investment (ROI) have partly been realised in the relevant region.[47] Even in 2008, under the conditions of the global financial crisis, this estimation of potential ROI had certainly not to be given up. However, in the case of Sub-Saharan Africa relatively broad spans of attainable returns and therefore aggravated forecast possibilities have to be stated.[48] Such returns, moreover, are always in need of a sufficiently stable and hospitable legal framework, an area, in which certainly more progress could have been achieved in the past.[49]

However, it must be critically pointed out that the main problem of African states, particularly of those states within the Sub-Saharan region, is considered to be the lack of good governance. TAYLOR, for example, describes that a great deal of foreign development aid to Africa has not been allocated to the necessary infrastructural improvement, but purely served to maintain a culture of patronage. The latter itself is regarded to be the root of the problem with governance.[50] This deficit, namely the lack of good governance, was probably compensated and thus concealed by the positive global economic conditions that had prevailed until 2007. Moreover, various national economies of the Sub-Saharan region benefited from rising commodity prices between 2003 and 2007.[51]

In the course of the international financial and economic crisis, which initially became evident in summer 2007 and took its origin in the U.S.A., the FDI inflows to Sub-Saharan African states decreased and currency depreciations had to be faced. As a consequence, the region's economic growth also decreased drastically as compared to the high growth rates witnessed before. According to present analyses of the OECD this negative development was additionally

[45] See BERG (1999), pp. 272f. and ADAM (1999), p. 316.
[46] See RAZAFIMAHEFA/HAMORI (2007), p. 162. Also see RAZAFIMAHEFA/HAMORI (2005), p. 5.
[47] See RAZAFIMAHEFA/HAMORI (2007), p. 62 and p. 163. Also see ASIEDU (2002), pp. 10f.
[48] See BECK/FUCHS/UY (2009), p. 34.
[49] See OHIORHENUAN/KELLER (2008), pp. 140f.
[50] See TAYLOR (2005), pp. 299f.
[51] See DERENZIO/AMBROSE/GRIESGRABER (2008), p. 2.

reinforced by commodity prices, which had fallen in the meantime.[52] While mobile and flexible capital can quickly be withdrawn from an investment engagement, directly invested capital with reference to infrastructural as well as real estate segments is commonly committed for a relatively long period of time. This characteristic of FREI will hopefully prevent real estate markets in Sub-Saharan Africa from suffering from a strength-sapping capital drain.[53] At present, the consequences and long-term effects of the financial crisis for the national economies of Sub-Saharan Africa cannot yet be foreseen. The same uncertainty exists concerning the question as to what extent the financial crisis will negatively influence the investment rating of the region.[54]

At the meeting of the committee of African finance ministers and central bank governors in Dar es Salaam in March 2009 the representatives pointed critically towards the risk that particularly fragile African states lack the ability to adequately respond to the financial crisis, due to severe constraints evoked by the erosion of the fiscal space.[55] One cannot rule out the possibility that interventionist strategies will be rewarded with new popularity. Undoubtedly, this would, at least in the long-run, rather be to the detriment than to the advantage of future economic development within Sub-Saharan Africa.[56] Nonetheless, according to several present analyses and studies, a reorientation of trade towards emerging markets and transition economies, debt relief and prudent macro-economic reforms have the region better placed to cope with such a crisis than compared to the situation only a decade ago.[57]

2.1.2 The Role of Sub-Saharan Africa within Current Real Estate Research

As in the previously debated areas of general economic development and policy-making, African states, and here again in particular the countries of Sub-Saharan Africa, have for decades been subject to intrusive government interventions regarding land policy and real estate activity.[58] This set-up has possibly contributed - at least within German literature - to the fact that little attention has been bestowed on questions regarding real estate within the Sub-Saharan region. In English literature, however, countless contributions exist that are concerned with the allocation of land and the development of agricultural and urban landscapes.[59] The fact that so many contributions are found from British authors and publishers, may be attributable to the pronounced involvement of Great Britain on the African continent, which had proceeded until long after the end of colonialism.

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[52] See OECD (2009), p. 2.
[53] The negative developments and capital drains have recently been described by MAIA, head of research and information of the INDUSTRIAL DEVELOPMENT CORPORATION OF SOUTH AFRICA (IDC) (see MAIA (2009), p. 1).
[54] See OECD (2009), p. 2.
[55] See AFDB (2009b), p. 2.
[56] However, even formerly strong supporters of a consequent international deregulation nowadays demonstrate a new orientation due to the financial crisis. An explicit example of this orientation is a statement by the former chief economist at the IMF, RAGHURAM RAJAN. According to RAJAN, neither a complete deregulation (in the sense of laissez-faire), nor a strong state-control have proven to be successful. Therefore, new practice-oriented solutions have to be found (see GROß (2009), p. 10).
[57] See OECD (2009), p. 2. Also see KASEKENDE/LÉONCE/TAOUFIK (2009), p. 16.
[58] See ANTWI/HAMMOND/PROVERBS (2008), p. 5.
[59] See for instance BRUCE (1986) and MABONGUNJE (1992). Also see PLATTEAU (1992) and TOULMIN/QUAN (2000). In addition, there have recently been increasing numbers of contributions within real estate-specific African literature that relate to specific questions of facility management and the optimisation of real estate maintenance in urban centres of Sub-Saharan Africa. The focus has thus been placed on rather economically desired regions of Sub-Saharan Africa (see KOMU (2008), p. 2 for example).

Already in these contributions it was considered indisputable that, alongside labour and capital, land plays a decisive role in the development of African states. This perspective is still representative for current economic research on real estate in Africa. Correspondingly, existing African real estate research still sees its responsibility in focussing on land as the basic element of real estate.[60] As poverty alleviation still remains Africa's principle task and as land is considered to be one of the determining factors in the continent's development and wealth creating process, African real estate research aims at contributing to various issues such as efficient resource allocation, land administration and management, land redistribution, valuation practices in situ, infrastructure improvement and development, land tenure security, urban development, sector development, sustainability of human settlements and even health implications (i.e. HIV) for real estate.[61] A comparatively widely accepted basic assumption of this research is that by limiting state interventionism - especially in land and real estate markets - to the level necessitated by market imperfections, Sub-Saharan Africa would clearly benefit from the wealth creation resulting from this chance to make productive use of its own resources.[62] This basic assumption should surely prove itself to be sustainable in the long-term, although it is subject to a considerable degree of uncertainty and has suffered a loss of plausibility in the period 2008/09 due to the interventionist *reflexes* caused as a consequence of the financial crisis.[63]

In the recent past, the topic of real estate in Sub-Saharan Africa has been attracting increased research interest, simultaneously to the closer attention being paid to FDI in situ.[64] Still, measured on the basis of the accessibility of relevant market information, evidently no other region has been avoided more obviously by market-oriented real estate research as yet.[65] Moreover, it has been considered as not cost-effective to invest in information gathering.[66] A constant market-oriented research approach can thus not be identified within available relevant literature, despite the fact that first-mover foreign institutional investors have discovered the region to be a rewarding property investment and development destination.[67] However, a certain change of mindset can currently be witnessed. Exemplary for the increased interest in market-oriented approaches is the slight shift of topics within the annual conferences held by the AFRICAN REAL ESTATE SOCIETY (AfRES). In 2007 the title for the conference held in Livingston still read *Sus-*

[60] See ANTWI/HAMMOND/PROVERBS (2008), p. 13.
[61] This is solely an example excerpt representing the main topics appearing in teaching agendas, papers presented during the previous AFRICAN REAL ESTATE SOCIETY (AfRES) conferences and available literature. Also see SCHULTE (2003), pp. 106f. for analysis of the role of real estate topics in education and research.
[62] See ANTWI/HAMMOND/PROVERBS (2008), p. 6. Of course, such use of resources can only sustain in relatively transparent markets that function within a clear regulatory framework, which, in turn, is conscientiously monitored by the respective governments (see TOULMIN (2003), p. vii. With special regard to Tanzania also see MAGANGA (2003), pp. 52f.). Without anticipating the further results of this work, it shall already be emphasised at this point that such a framework deserves a wider discussion, which will take place within the following theoretical and empirical passages.
[63] See IMF (2009), p. 19.
[64] See for instance LEE (2005), pp. 4f. The author conducts an analysis of international real estate markets including those within emerging markets. Up to approximately 2004, standard works such as *International Real Estate - An Institutional Approach* solely reflected on well-established markets (above all the U.S.A. and Europe) as well as Asian markets, whereas real estate markets within emerging markets and particularly African markets were not dealt with (see SEABROOKE/KENT/HOW (2003), p. vf.). In the special edition *Global Cities in an Era of Change* in the Journal of Real Estate Portfolio Management from 2002, emerging markets were already considered in much greater depth, without, however, covering African markets. Nonetheless, Africa was particularly mentioned under the heading *Europe, Middle-East and Africa*, whereas solely detailed information on Arabian and Turkish metropoles (Istanbul, Dubai) was given (see KELLY (2002), p. 82).
[65] See BECKETT/SUDARKASA (2000), p. 5.
[66] See COLLIER/PATTILLO (2000), p. 19.
[67] See RAMABODU/KOTZE/VERSTER (2007), p. 10.

tainable Human Settlements for Economic and Social Development. The conference in Johannesburg in 2008, by comparison, was held under the market-oriented topic *Developing Sustainable Property Markets in Africa*. The same direction in terms of content was followed by the conference held in Lagos at the end of 2009, which covered *Real Estate Markets in an Emerging Economy*. This was the 9th conference of this type, which aimed at explicitly working towards the further networking of African and international real estate specialists, including academics and practitioners from Africa, Europe, the U.S.A., Australia and Asia.[68] Among the main points of this 9th conference efforts to improve education and training in administering land and real estate in Sub-Saharan African countries were illustrated and discussed.[69]

All in all, with regard to real estate, Africa has evidently been viewed as the *forgotten continent* until - as a consequence of the prolonged economic growth during the past years - the demand for real estate, most notably the demand for office space, in African urban centres could no longer be met. This led to the situation that Africa's real estate markets, which are small, but display high growth and yield potential, moved into the focus of local and international real estate professionals.[70] Furthermore, within newer alignments of African economic research, the role of real estate is more intensively considered from the perspective of asset allocation, for example for pension funds and other institutional investors.[71] The opening of the corresponding real estate markets and the reduction of state interventionism, as will be explained in more detail for Tanzania in the course of this study, naturally demonstrates the basic prerequisites for such a scientific orientation.

2.2 Foreign Real Estate Investment

FREI in general and especially FREI in Sub-Saharan Africa require a differentiated approach in comparison to real estate investment within familiar, domestic terrain. In the following, the peculiarities of FREI will thus be examined by quantifying the extent of the real estate economy's ongoing internationalisation process, by differentiating between direct and indirect real estate investments and by illustrating the motivations for foreign engagement, the influencing factors of geographical selection and the systematic risks associated with foreign real estate transactions.

2.2.1 Foreign Real Estate Investment Environment

Ever since the beginnings of Modern Portfolio Theory (MPT)[72] there has been controversial debate as to whether foreign real estate assets contribute positive diversification effects within the composition of both mixed-asset as well as pure real estate portfolios.[73] Although there is no conclusive, definitive empirical measure as to the extent of diversification benefits to date[74],

[68] See TALUKHABA/MACHELI (2008), p. 2 and ANIM-ODAME/KEY/STEVENSON (2008), pp. 1f. Also see SCHULTE/SCHULTE-DAXBÖK (2008), p. 51.
[69] See, for instance, OLIMA/MWANGI/WAYUMBA/NJERU (2009), p. 1.
[70] See IMMOBILIEN ZEITUNG (2007), p. 1.
[71] See, for instance, GEHO (2001) and MOSHA (2001).
[72] Modern Portfolio Theory (MPT) was established by MARKOWITZ and states, amongst other things, that spreading risk (diversification) may generate higher returns while reducing total risk at the same time. The origin of his deliberations evolved through the observation of investors spreading their investments over various assets (see NOWAK (2005), p. 300 and MACCOWAN/ORR (2008), p. 344).
[73] See SIRMANS/WORZALA (2003), p. 1099 and LAM (2002), p. 127.
[74] See CHENG/ZIOBROWSKI/CAINES/ZIOBROWSKI (1999), p. 463.

large interest from institutional investors in tapping new investment possibilities in global real estate markets has endured. Even high net worth individuals (HNWI) are increasingly discovering the potential of foreign real estate markets, whereas the latter's foreign activity can broadly be characterised by small- to medium-sized investment volumes facilitated via indirect investment vehicles.[75] Due to globally varying market structures and cycles, the possibility of obtaining higher returns on foreign markets has evermore become attractive in phases of downturning domestic real estate markets. To allege an example, PAGLIARI, WEBB, CANTER and LIEBLICH were able to identify an average yield spread of 12.5% p.a. between U.S. American and British commercial real estate markets during the years 1985 and 1995.[76]

In the light of higher yield prospects, increased attention is therefore not only being paid to globally diversified real estate portfolio investments, but also to individual foreign direct real estate investment opportunities.[77] The globalisation process, the interlocking of global capital and real estate markets[78] and the development of internationally active real estate services firms have all contributed to the extension of the spectrum and quality of international investment opportunities and to the stimulation of additional foreign engagement.[79] This is inter alia reflected by the fact that an estimated 37% of total global capital is currently invested in international real estate assets.[80] The volume of direct real estate investments worldwide amounted to USD 700 billion in 2006, the year before the outbreak of the global financial crisis, which is equivalent to an increase of 41% compared to the preceding year. Within that figure, the percentage of foreign investments accounted for approximately 41%, which equates to USD 288 billion.[81] By comparison, total direct real estate investments amounted to USD 758 billion in 2007, of which 51% (USD 390 billion) were invested in foreign assets.[82] This equates to a 35% year-on-year growth of the volume of foreign direct real estate investments worldwide, which underlines the ongoing internationalisation trend.[83] These positive conclusions are not impaired by the fact that with regard to both general direct investments and direct real estate investments relapses as a consequence of the financial crisis had to be stated, particularly in 2008.[84]

The internationalisation trend, which has been identifiable within the real estate sector since the beginning of the 1990s, had already been observed within other industries for a considerably longer time. This is not especially remarkable, given that a direct correlation is assumed to exist between the progressing globalisation and the increase in worldwide foreign direct investment (FDI). The specific role that real estate investment plays thereby, however, still remains unclear. The proportion of real estate investments within the total volume of FDI was originally estimated

[75] See LORENZ/LÜTZKENDORF (2005), p. 300.
[76] See PAGLIARI/WEBB/CANTER/LIEBLICH (1997), p. 317.
[77] Foreign direct real estate investment has also been placed on the agenda of multinational corporations (MNCs), due to the undisputable importance of appropriate space and production facilities abroad. Corporate real estate management (CREM) is experiencing an increasingly global orientation and accordingly contributes to the total volume of FREI (see JONES LANG LASALLE (2004), p. 1).
[78] See HUI/CHIANG (2004), p. 174.
[79] See TORTO (2002), p. 38.
[80] See NEWELL/WEBB (1996), p. 103.
[81] See DEUTSCHE GESELLSCHAFT FÜR IMMOBILIENFONDS (2007), p. 17 and DEUTSCHE GESELLSCHAFT FÜR IMMOBILIENFONDS (2008), p. 17.
[82] See JONES LANG LASALLE (2008b), p. 1.
[83] See Table 1.
[84] See DEUTSCHE GESELLSCHAFT FÜR IMMOBILIENFONDS (2008), pp.10f. and AXFORD/NESS/STANLEY/WONG/TORTO (2009), p. 3.

to range between 5% and 20%.[85] However, previous figures present a different picture. The total volume of worldwide FDI accounted for USD 1,306 billion in 2006[86], whereas the total volume of foreign direct real estate investments amounted to USD 288 billion during the same year, which equates to a proportion of 22%. With a total worldwide FDI volume of USD 1,873 billion, existing figures show that the proportion of real estate-specific direct investments in relation to total FDI ranged as high as 21% in 2007.[87] According to provisional data and estimates in 2008 the total FDI worldwide, USD 1,301 billion, had fallen below the level of 2006. The proportion of foreign direct real estate investments, approximately 18% of total FDI, stayed relatively constant.[88] However, the global financial crisis certainly had reached its strongest manifestation between the summer of 2008 and the beginning of 2009. Therefore this period of time should be considered as exceptional.[89] Altogether the figures from previous years alone indicate that the real estate constituent of FDI has been, and continues to be, vastly underestimated.[90] This may well be one of the reasons why specific real estate related topics continue to be neglected within the framework of research on FDI.[91]

Table 1: Global FDI and Real Estate Investments

Global FDI and Real Estate Investments

	2005	2006	2007	2008
FDI worldwide (bn)	916	1.306	1.873	1.301
Direct REI worldwide (bn)	495	700	758	490
Direct FREI worldwide (bn)	166	288	390	231
Direct FREI in % of direct REI worldwide	34%	41%	51%	47%
Direct FREI in % of FDI worldwide	18%	22%	21%	18%

Source: Own illustration and calculation based on data from AXFORD/NESS/STANLEY/WONG/TORTO (2009), pp. 2f., UNCTAD (2009a), p. 5, UNCTAD (2007), pp. 251f., UNCTAD (2006), p. 3, UNCTAD (2005), p. 3, DEUTSCHE GESELLSCHAFT FÜR IMMOBILIENFONDS (2008), p. 17, DEUTSCHE GESELLSCHAFT FÜR IMMOBILIENFONDS (2007), p. 17 and AT KEARNEY (2008), p. 3.

The step-motherly treatment of the real estate component within the examination of FDI seems all the more remarkable in view of the extremely rapid geographical dispersal of real estate assets. In the early 1990s, investment target destinations were initially limited to European and U.S. American real estate markets. However, due to transformation processes and the accom-

[85] See LIM/MCGREAL/WEBB (2006), p. 275.
[86] See UNCTAD (2007), pp. 251f.
[87] See AT KEARNEY (2008), p. 3.
[88] See UNCTAD (2009), p. 5 and DEUTSCHE GESELLSCHAFT FÜR IMMOBILIENFONDS (2008), p. 17.
[89] See AXFORD/NESS/STANLEY/WONG/TORTO (2009), p. 1.
[90] See Table 1.
[91] See LIM/MCGREAL/WEBB (2006), p. 262.

panying development of free markets in Central and Eastern Europe, investment horizons were broadened to further, new destinations.[92] Although the present geographical realignment of the global real estate economy primarily concerns real estate markets in the Asia-region[93], growth markets with subsequently developing infrastructure have been able to increase their profile among real estate investors. These so-called emerging markets are commonly considered to feature additional risks, which in turn are mostly rewarded with above-average returns.[94]

Despite the real estate sector's increased interest towards more exotic investment destinations[95], emerging real estate markets in Africa, alongside South and Central American real estate markets, remain tabooed.[96] Rationally comprehensible reasons for the prevailing investment stigma lie inter alia within the significant differences that exist between these and more established real estate markets. Although barriers to market entry have been reduced particularly in emerging economies[97], direct real estate investments within unknown terrain may nonetheless include risks, which can be disregarded within domestic markets. In many cases, foreign real estate investors have to overcome information deficiencies mostly associated with varying property rights, differing legislative and administrative systems, low market maturity levels, irregular exit strategies and inconstant tax regulations. The analytical, standard process of a FREI[98] is therefore usually far more complex than real estate investments within familiar surroundings.[99] The potential role of irrational components in the co-determination of this FREI process will be outlined later in this chapter. Firstly, however, a differentiation between direct and indirect FREI will be carried out, alongside the illustration of motives, influencing factors and systematic risks associated with FREI.

2.2.2 Direct and Indirect Foreign Real Estate Investment

The examination of international real estate investment activity requires consensus as to what is actually meant by the term FREI. The formation of a standard definition of what exactly FREI is can make a substantial contribution to the interdisciplinary character of real estate research. This interdisciplinary character allows for the integration of external scientific approaches and thus LAPOSA suggests the use of FDI theories to expand on the bandwidth of existing real estate theories. He not only suggests using FDI theories when searching for explanations for issues arising from the continued internationalisation of the real estate business, but also views direct

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[92] See JONES LANG LASALLE (2005), pp. 12f.
[93] Foreign direct real estate investments within the Asia-region accounted for USD 30.5 billion in 2006, which equates to an increase of 56% to the previous year (see DEUTSCHE GESELLSCHAFT FÜR IMMOBILIENFONDS (2007), p. 17). This increase was interrupted abruptly by the global financial crisis. According to preliminary data the downturn was somewhat brought to an end during 2008 with regard to Asian real estate markets. Within North American and most European real estate markets signs of such a stabilisation were not yet identified (see DEUTSCHE GESELLSCHAFT FÜR IMMOBILIENFONDS (2008), p. 18).
[94] See DEUTSCHE GESELLSCHAFT FÜR IMMOBILIENFONDS (2007), p. 8. However, it has to be pointed to the fact that, possibly as a result of the global financial crisis, the market entry conditions of several Asian regions are meanwhile also reflected in a more critical manner. Stable and solid market entry conditions with a low degree of risk are attributed primarily to the comparatively established Asian real estate markets, such as Hong Kong and Singapore (see DEUTSCHE GESELLSCHAFT FÜR IMMOBILIENFONDS (2008), p. 16).
[95] See LAPOSA (2007), p. 173.
[96] See LIM/MCGREAL/WEBB (2006), p. 261.
[97] See DEUTSCHE GESELLSCHAFT FÜR IMMOBILIENFONDS (2007), p. 16.
[98] This includes three components, namely the assessment of the potential of a foreign real estate market, the analysis of the specific real estate sector within the respective foreign real estate market (i.e. residential, office, retail, industrial and/or leisure real estate) and the investment design (direct, indirect, joint venture etc.). See LEE (2005), p. 1 on this matter.
[99] See LEE (2005), p. 1.

FREI as an integrated part of the FDI paradigm and would wish for direct FREI to be perceived as such.[100] This means that a definition for direct FREI can be made by integrating a description of FDI into a real estate-specific context.

In 1996 the OECD created a definitive FDI benchmark and explained that FDI reflects 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. The lasting interest implies the existence of a long-term relationship between the direct investor and the enterprise, as well as a significant degree of influence on the management of the enterprise.[101] In addition, the OECD recommends the classification of investment flows according to sectors based on the UNITED NATIONS INTERNATIONAL STANDARD INDUSTRIAL CLASSIFICATION OF ALL ECONOMIC ACTIVITY.[102] This calls for the creation of 9 categories[103], according to which all FDI in category 5 (construction) and 8 (real estate services), as well as real estate-specific interests for the hotel sector in category 6 (wholesale and retail trade, restaurants and hotels) can be labelled as FREI. This does not allow for the exclusion of numerous investments within the other remaining categories that also have FREI traits. This can be explained by the fact that even non-real-estate-specific direct involvement includes obtaining fixed assets of a foreign entity, which in turn often contain real estate.[104] This creates problems when separating pure FREI from other FDI. Even if corporate real estate obtained within foreign company mergers and acquisitions is theoretically a part of a country's total FREI volume, it will not be considered as such within this paper, due to the fact that real estate investment in this special case can only be regarded to be an indirect product of the actual investment process. Even if the characteristics of a certain property and/or of a certain real estate market have some influence on the choice of location for a company that is neither directly nor indirectly a part of the real estate industry, they are not seen as decisive factors for an investment decision and are thus also not taken into consideration.[105]

After real estate-specific modification of the general definition of FDI it can be said that direct FREI is the desire by an investor situated in one economy to make a long-term acquisition of real estate located in another, foreign economy, in order to profit from development, renting, leasing and/or sale of said real estate. Direct FREI also includes obtaining shares in real estate companies, which are active and situated in a foreign economy. In both cases there has to be a guarantee that the direct investor has decisive influence on the management of the property and/or real estate company.[106] HYMER emphasises this and states that the fine line between direct and indirect investment can be drawn by whether the investor can exercise dominant influence on a company or not. He considers an acquisition of 25% of the shares in an investment

[100] See LAPOSA (2007), pp. 174f.
[101] See OECD (1996), p. 7.
[102] See UNITED NATIONS DEPARTMENT OF ECONOMIC AND SOCIAL AFFAIRS (2008), pp. 11f.
[103] The reference to the UNITED NATIONS INTERNATIONAL STANDARD INDUSTRIAL CLASSIFICATION OF ALL ECONOMIC ACTIVITY division into sectors is classified as follows: 1. agriculture, hunting, forestry and fishing; 2. mining and quarrying; 3. manufacturing; 4. electricity, gas and water; 5. construction; 6. wholesale and retail trade, restaurants and hotels; 7. transport, storage and communications; 8. financing, insurance, real estate and business services and 9. community, social and personal services (see OECD (1996), p. 19).
[104] See HARRINGTON (2004), p. 205.
[105] See SALMEN (2001), p. 68.
[106] See HOLSAPPLE/OZAWA/OLIENYK (2006), p. 38.

object to be a sufficiently large amount of shares for dominant influence.[107] The BUREAU OF ECONOMIC ANALYSIS (BEA), which is part of the U.S. DEPARTMENT OF COMMERCE, regards the minimum amount of shares to range at 10%. The percentage necessary for dominant influence by an investor is a matter of interpretation and also depends on the type of investment vehicle involved. However, nobody contends that dominant influence needs to be seen as a distinguishing characteristic between direct and indirect investment. It can therefore be said that dominant influence on the management of an investment object is a particular characteristic for direct FREI.[108] In order to obtain dominant influence, it is necessary to own a larger portion of a specific piece of real estate or a real estate company, which in turn brings with it a greater need for capital, greater exit difficulties and higher administrative costs.[109] These aspects of direct FREI can also be used as distinguishing characteristics between direct and indirect foreign real estate involvement.

Even if a clear distinction between direct and indirect FREI can be made based on the distinguishing characteristics listed above, the clarification of FREI as a general term to be used within this paper shall also be based on guidelines set down by HOLSAPPLE, OZAWA and OLIENYK on this very topic. While it is true that they see direct FREI as a real estate-specific variation of FDI, they also regard the unique features of real estate as an investment product to be the reason for the fact that direct FREI have features of typical portfolio investments. The direct acquisition of individual real estate objects on foreign markets is considered direct FREI. In many cases however, it has to be seen as an investment action taken within the framework of an investor's total portfolio strategy.[110] Portfolio motives, to be explained later, play a vital role in this context. HOLSAPPLE, OZAWA and OLIENYK therefore present direct FREI as a hybrid of direct and portfolio investments and will thus be treated as such within this paper.[111]

In addition to direct FREI, investors also have numerous indirect FREI products to choose from. When it comes to indirect real estate investment, the investor indirectly invests via investment vehicles into real estate and/or real estate products. The investment spectrum ranges from listed to non-listed investment vehicles. Although the interlocking of global capital and real estate markets has contributed to an expansion of the product range, the most common investment vehicles however remain to be open- and closed-ended property funds, real estate PLCs and REITs.[112] In all cases, according to BONE-WINKEL ET AL., the rights and co-determination possibilities of an investor are limited and strictly regulated.[113] Therefore, indirect FREI is considered to be the appropriation of a passive interest in properties and/or real estate companies

[107] See BARCLAY (2000), p. 19.
[108] See HOLSAPPLE/OZAWA/OLIENYK (2006), p. 38.
[109] See LING/NARANJO (2002), p. 119.
[110] SCHULTE and WAHLBRÖHL state that individual real estate objects always need to be seen as playing a role in the systematic planning of an entire portfolio, in order to create synergies between the individual objects within a portfolio (see SCHULTE/WAHLBRÖHL (2002), p. 659).
[111] See HOLSAPPLE/OZAWA/OLIENYK (2006), p. 38.
[112] See NOWAK (2005), p. 43.
[113] See BONE-WINKEL ET AL. (2005b), p. 687.

on a foreign market.[114] Properties as such are commonly substituted in the investor's perception by cash-flow analysis and alternative investment benchmarking.[115]

The persistent trend towards indirect real estate investment can partially be justified by the obvious advantages for investors, such as convenient exit possibilities, easy transferability of shares, low capital and information requirements, as well as lower administrative costs involved.[116] Nevertheless, indirect real estate investment only plays a minor role on markets in Sub-Saharan Africa, whereas the markets of the Republic of South Africa must be exempted from this observation.[117] While the financial, capital and real estate markets in the RSA have been able to reach the required level of maturity to offer foreign institutional and private investors attractive indirect real estate investment possibilities[118], the supply of indirect real estate investment vehicles within the remaining markets of Sub-Saharan Africa is limited.[119] By way of example, Tanzania has not been able to offer foreign investors one single adequate indirect real estate investment opportunity as yet.[120] One of many explanations for the lack of supply of indirect investment products is the insufficient maturity of the financial and capital markets in Sub-Saharan Africa.[121] When speaking of FREI in Sub-Saharan Africa within this paper, the term almost exclusively refers to direct investment activity, due to the fact that the momentary relevance of indirect real estate investment vehicles can be neglected for most parts of Sub-Saharan Africa. There is no doubt however, that due to the growing maturity of the financial, capital and real estate markets in Sub-Saharan Africa the development of attractive indirect real estate investment products presents a huge potential for attracting and binding foreign capital.

2.2.3 Motivational Factors of Foreign Real Estate Investment

The reasons for companies or private individuals to engage in FDI are manifold and have been supported by numerous theories. The most relevant theories regarding FDI are the Monopolistic Advantage Theory, the Oligopolistic Reaction Theory and the Eclectic Paradigm. The following will give a brief explanation as well as comment on their usefulness when analysing FREI decision-making motives.

HYMER, the initiator of the Monopolistic Advantage Theory, contradicts the simplifying assumptions of supporters of the Portfolio Investment Theory, who claim inter alia that the existence of FDI merely results from non-existent risks, uncertainties and investment barriers on foreign markets. HYMER's converse claim is based on the belief that the competitive situation on foreign

[114] See HOLSAPPLE/OZAWA/OLIENYK (2006), p. 38.
[115] See WILSON/ZURBRUEGG (2003), p. 206.
[116] See ABDUL-RASHEED/TAJUDEEN (2006), p.178.
[117] With regard to African real estate markets clear investment suitability is attributed mainly to the RSA-market. Among others, this is mainly due to to its high degree of transparency. According to present data, the real estate market in RSA has the same (high) transparency level as established real estate markets, such as Hong Kong, Singapore, Austria and Spain (see JONES LANG LASALLE (2008a), p. 2).
[118] See RAMABODU/KOTZE/VERSTER (2007), p. 17. Even during the ongoing financial crisis comparatively strong maturity indices were reported within different market segments of the RSA, particularly within the real estate sector. Although the crisis has incontestably impaired the RSA's economy, strong market maturity was also confirmed in 2008 (see MECKLAI FINANCIAL SERVICES LTD. (2009), p. 8).
[119] See BHINDA/GRIFFITH-JONES/MARTIN (1999b), p. 69.
[120] See URES (2008), p. 8.
[121] See DAUDE/FRATZSCHER (2006), p. 23. Also see OLALEYE/ALUKO/AJAYI (2007), p. 30 and ABDUL-RASHEED/TAJUDEEN (2006), p.183 on indirect real estate investments on the Nigerian property market.

markets is motivation enough for FDI, since those companies directly involved abroad benefit from monopolistic advantages gained from imperfect competition.[122] VERNON states that monopolistic advantages are regarded as the ability of a company to manufacture and/or market innovative and differentiated products. This competitive advantage is necessary due to the higher transaction costs that FDI incur.[123] When it comes to FREI this allegation is confirmed by the significant connection between the desired higher initial rate of return for FREI and the costs of overcoming market entry barriers. The latter have to be compensated by higher risk premiums or prospective profits. When aiming for higher initial rates of return the competitive advantages of a real estate investor could play an essential role.[124]

The Monopolistic Advantage Theory was developed to explain industrialised markets, which is why it was criticised for not being able to adequately explain the high FDI levels in developing countries. Product differentiation and innovation, which can be seen as a monopolistic advantage for a company, is generally not necessary in developing countries. Furthermore, it is seldom possible to compensate the higher development costs associated with product differentiation and innovation with higher prices of sale. The general lack of effective competition in developing countries also decreases the importance of monopolistic advantages. It thus only appears plausible to apply the Monopolistic Advantage Theory to FREI in Sub-Saharan Africa if technological, architectural and/or management specific know-how can be seen as a competitive advantage for a real estate company, which allows for and motivates the marketing of innovative real estate products on the Sub-Saharan African real estate market.[125]

The Oligopolistic Reaction Theory assumes that FDI is the result of a strategic reaction by an oligopolistic company to the behaviour of its competitors. Direct investment in a foreign market by a competitor is said to trigger imitative behaviour (follow the leader principle) caused by fear of an advantage that the competitor might gain from its improved position. Since this fairly defensive investment behaviour has so far only been seen among commodity producing companies, who are constantly on the look-out for new markets and sources for commodity extraction, it is difficult to place this theory into a real estate-specific context.[126]

The Eclectic Paradigm can be regarded as a summary and expansion of previous theories, since it specifies competitive advantage motivations outlined within the Monopolistic Advantage Theory, complements the latter by internalisation advantages and lastly considers location factors of foreign markets as a motivation for investing abroad.[127] DUNNING classifies the motivating factors of FDI as ownership advantages, location advantages and internalisation advantages (OLI Advantages).[128] Ownership-specific factors are a company's internal competitive advan-

[122] See BARCLAY (2000), p. 19 and CAVES (1971), pp. 1f.
[123] See VERNON (1966), pp. 190f.
[124] See DEUTSCHE GESELLSCHAFT FÜR IMMOBILIENFONDS (2007), p. 7.
[125] See HOOD/YOUNG (1979), p. 67. Also see interview within URES (2008), pp. 33f. A German real estate agent located in Tanzania explained his motivation for exercising his profession in Tanzania by emphasising his contacts to expatriates and Europeans living abroad as a competitive advantage. The resulting business possibilities motivated him to start real estate-specific activities in Tanzania.
[126] See BARCLAY (2000), p. 27.
[127] See DUNNING (1993), p. 77 and KRÜGER (2004), p. 25.
[128] See REISEN (1994), p. 130 and HOLSAPPLE/OZAWA/OLIENYK (2006), p. 38.

tages, which can be implemented on a foreign market. Among others, these include assets like know-how, product innovation or technological advantages, company image and/or access to capital markets[129], whereby DUNNING also sees a company's ability to profit from cross-border transactions as an ownership-specific factor. These include horizontal and vertical expansion possibilities[130] as well as cross-currency effects that can benefit a company due to its foreign activities.[131] Location-specific factors are characteristics of an investment location, which allow a company to implement and exploit ownership-specific advantages to their full extent. Internalisation advantages are created in turn by the possibility of a company to be able to reduce transaction costs through FDI.[132] Should management fees or agency costs for real estate-specific foreign portfolio investments be excessively high, this can stimulate direct investment, if most of the transaction costs arising from indirect investments can be avoided by the specific direct investment.[133]

DUNNING applied the Eclectic Paradigm for a study of FDI behaviour within the hotel sector.[134] Since the hotel sector significantly contributes to the real estate investment volume in Sub-Saharan Africa[135], it was possible to examine the applicability of the paradigm as a partial explanation for the motivating factors of FREI. Despite the applicability of the Eclectic Paradigm to real estate-specific investment behaviour, some motives for FREI remain insufficiently examined. Since FREI has already been labelled a hybrid of direct investment and portfolio investment in the previous chapter[136], the motives identified within the eclectic paradigm have to be expanded by those associated with real estate portfolio investments. Diversification can be regarded as one of the primary motives hereof. In addition to the search for higher returns on foreign markets, diversification is also considered as one of the two main motives for FREI.[137] Diversification means the distribution of investments to several risk carriers, which have the lowest correlation possible. The explanation for international diversified portfolios is the low correlation often identified between economies, which in turn allows for a low correlation between the returns on investments within the respective economies.[138] When it comes to real estate investments the fluctuating rents and prices over time allow investors to build up a geographically diversified real estate portfolio. The exploitation of non-simultaneous cycles in markets with asynchronous price cycles reduces the amount of risk-exposure within a portfolio.[139] Though the individual objects positioned on diverse foreign markets are acquired by direct investment, the motive for individual direct investments, however, can be found in the desire to diversify a total portfolio. GORDON proved that the international diversification of pure real estate portfolios can

[129] See LAL (1975), p. 66.
[130] See OTTO (2005), p. 24. Horizontal and vertical expansions can be the result of both market-seeking as well as non-market-seeking motives. Market-seeking expansions are driven by the speculation that the company's customer base can be expanded by servicing new markets. Non-market-seeking expansions on the other hand are motivated by more affordable production possibilities within a foreign market. Products are thus produced on foreign markets, however sold on domestic markets (see ASIEDU (2002), p. 112).
[131] See BARCLAY (2000), p. 26 and DUNNING (1993), p. 80.
[132] See SCHÜNING (1991), pp. 148f.
[133] See ROBERTSON (2002), p. 82 and HOLSAPPLE/OZAWA/OLIENYK (2006), p. 39.
[134] See DUNNING (1988), p. 288.
[135] See WARD (2007a), p. 48.
[136] See HOLSAPPLE/OZAWA/OLIENYK (2006), p. 40.
[137] See CONOVER/FRIDAY/SIRMANS (2002), p. 17 and LIM/MCGREAL/WEBB (2006), p. 268.
[138] See CHENG/ZIOBROWSKI/CAINES/ZIOBROWSKI (1999), p. 463.
[139] See DEUTSCHE GESELLSCHAFT FÜR IMMOBILIENFONDS (2007), p. 44.

reduce the amount of risk to the portfolio.[140] However, the existence of diversification advantages from FREI for mixed-asset portfolios has been raised to question as yet.[141] Nevertheless, investors are increasingly adding global real estate investments to their portfolios, since it is assumed that there is a lower correlation between FREI and domestic securities than between domestic securities and securities on foreign markets.[142]

Finally those motives for FDI and FREI have to be outlined, which empirical research has proven relevant and are not sufficiently mentioned or taken into consideration by theoretical explanations of the Eclectic Paradigm and/or the Portfolio Theory. According to KRÜGER the main motivations for FDI are gaining access to new markets, the securing of current markets, tax advantages[143], wage cost advantages, procurement advantages and government investment incentives.[144] LIM, MCGREAL and WEBB confirm the existence of some of these motives for FREI and go on to outline further real estate-specific motives, which were identified through investor surveys. The surveys reveal that in addition to risk reduction through diversification the search for higher returns, the lack of investment possibilities on domestic markets, tax advantages as well as better economic, political, and social conditions on foreign markets are the most common motives mentioned for engaging in FREI.[145]

2.2.4 Factors Influencing the Choice of Location

Due to the regionalism of real estate markets, direct FREI are bound to the general conditions of a target market on a long-term basis.[146] The analysis and the evaluation of the prevailing general conditions in situ are carried out on the basis of numerous factors.[147] The results of the target-performance comparison of the perceived criteria fulfilment on the target market directly influence the geographic selection. The relevance of individual factors for the decision-making process when evaluating potential real estate markets varies according to the investor and the decision-making situation. Nevertheless, essential influencing factors were identified based on empirical investigations. These can be classified as political, economic, socio-cultural and legal factors.[148]

While erratic political behaviour can increase the possibility and the extent of investment losses, proper political frameworks can be seen as an impetus for FDI.[149] The essential political factors, which influence the geographic selection of real estate markets, are the internal political stability of the real estate market's region, land tenure security, restrictions for foreign investors, the transparency of the regulatory system, the extent of corruption, the certainty about the future political climate and the probability of political intervention. Political stability can be regarded as

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[140] See GORDON (1991), p. 42.
[141] See ZIOBROWSKI/MCALUM/ZIOBROWSKI (1996), p. 197.
[142] See GLASCOCK/KELLY (2007), p. 369 and CONOVER/FRIDAY/SIRMANS (2002), p. 24.
[143] The situs principle applies to income from real estate. It states that income is subject to tax in the country, where it is located in (see REHKUGLER/JANDURA/MORAWSKI (2005), p. 8).
[144] See KRÜGER (2004), pp. 27f.
[145] See LIM/MCGREAL/WEBB (2006), p. 268.
[146] See BEIDATSCH (2006), p. 62.
[147] Analyses of local real estate market conditions include the examination of both hard as well as soft micro and macro location factors. Since the evaluation of real estate markets initially corresponds to macro level analysis, micro location factors will not be further discussed within this paper (see LIEBCHEN (2002), p. 31).
[148] See D'ARCY/KEOGH (1998), p. 1215 and HENISZ/ZELNER (2004), p. 156.
[149] See SCHÜNING (1991), p. 36.

one of the most important factors for an investor, whereby the degree of corruption has also proven to be a weighty and influential factor.[150] In a survey of over 3,900 companies, political stability and the amount of corruption emanating from a government were named as the second and third most common barriers for FDI.[151] Particularly due to the political instability present in some African countries[152], political factors are especially important when evaluating African real estate markets. Up until the end of the 1980s still over one third of the 53 African countries were seen as having one party rule and/or being military dictatorships.[153] Of the 48 states in Sub-Saharan Africa, the number of countries with multi-party rule has since increased to 33. Nevertheless, the political transition of Sub-Saharan Africa cannot be labelled as a straight-line process without setbacks.[154] The lack of responsible government leadership, independent legal systems, division of powers and especially political tolerance continue to endanger the economic development of African markets.[155] Foreign capital investment, which is still seen as an alleged neo-colonial intention by some African politicians, still has to orient itself within partly instable and inhospitable political conditions.[156]

The undisputed fundamental economic factor for real estate investors when evaluating a target market is the risk-return expectation.[157] The latter can either be extrapolated from previous or experience values[158] or predicted on the basis of the degree of economic freedom and market efficiency. In highly efficient markets with a high level of economic freedom, a higher level of return can be expected according to LEE.[159] Another important factor influencing the geographic selection process is a target market's level of maturity. For instance MCGREAL, PARSA and KEIVANI name four obligatory characteristics a fully mature market has to feature. These include a broad spectrum of real estate services, a barrier-free access to market information, the existence of a real estate capital investment market and strong participation of foreign investors.[160] The indicators established by KEOGH and D'ARCY within their market maturity paradigm provide a complementary or even an alternative method for determining the maturity of a real estate market. Among others, these indicators are the existence of a sufficiently large quantity of utilisation and investment possibilities, the degree of organisation of existing service companies, the level of research activity, the spatial, functional and sectoral openness of the market, the ability of the market to adapt its supply to short-term and long-term demand and the degree to which property rights and market processes have been standardised.[161] Moreover, the transparency of a target market has become a further essential influencing factor within the selection

[150] See LIM/MCGREAL/WEBB (2006), p. 268.
[151] See HENISZ/ZELNER (2004), p. 155.
[152] See WEST (2004), p. 193.
[153] See WEILAND (1994), p 15.
[154] In this context, the financial crisis, which started in 2007, has to be mentioned again. Recessive developments may bear the risk of impairing the political landscapes of some Sub-Saharan African countries (see IMF (2009), pp. 24f. and AFDB (2009a), p. 5). However, African governments have made a strong effort to mitigate the impact of the crisis (see AFDB (2009b), p. 1).
[155] See GOLASZINSKI (2007), p. 4.
[156] See GRAHAM (2005), p. 114.
[157] See LIM/MCGREAL/WEBB (2006), p. 269.
[158] Among others, these are for example price increases and alterations, vacancy rates, relevant costs, marketability, inflation rates, the specific phase of the real estate cycle, trends, capital appreciation and leverage. Based on these and other values a risk-return expectation can be formulated (see BEIDATSCH (2006), p. 76).
[159] See LEE (2005), p. 3.
[160] See MCGREAL/PARSA/KEIVANI (2002), p. 217.
[161] See KEOGH/D'ARCY (1994), pp. 215f.

process. JONES LANG LASALLE characterises a transparent real estate market as an open, clearly structured market, which is embedded in a regulatory system, which in turn can enforce rules and regulations whilst guaranteeing property rights.[162] LEE considers a real estate market to be transparent, if it offers individual market players the possibility to access complete, correct information promptly. The more transparent a real estate market, the easier it is to reduce the probability of unforeseen events and thus investment risk. LEE was able to determine a correlation of 0.91 between the level of proven corruption in a country declared within the CORRUPTION PERCEPTIONS INDEX (CPI) and the transparency of a real estate market based on the data of the JONES LANG LASALLE REAL ESTATE TRANSPARENCY INDEX (RETI) 2004. A low level of transparency in a real estate market is thus increasingly interpreted as synonymous with a high probable level of corruption.[163] The final economic factor to be named is the predicted potential market growth. Due to the inconsistent and unreliable information basis for many international real estate markets the predicted growth potential for a foreign real estate market can be derived from indicators like the average annual increase in primary energy consumption or the real annual growth in gross domestic product (GDP) etc.[164]

Socio-cultural factors mainly reflect the evaluation of the compatibility of a business culture of a foreign market with the investor's internalised business culture. This also not only includes objective evaluation criteria, such as education levels, degree of cultural diversity and the existence of language and religious barriers, but also subjective evaluation criteria like the expected industry knowledge among local real estate service providers, work and pay ethics of business partners and customers, the preparedness of contractual partners to assume responsibility and the expected reliability of market players.[165] In addition, the presence of personal contacts and connections may positively influence the selection of a target market.[166]

Due to the immobility and the long-running nature of direct FREI, as well as due to the complexity of real estate transactions in general, real estate investors long for more legal security than bond or equity investors.[167] Thus, the strong emphasis of legal factors within the geographical selection process is obvious. Real estate markets within different countries can have significant inequalities in their basic legal frameworks and their legal systems. LA PORTA ET AL. claim by way of example that a comparison between the German, English, French and Scandinavian legal systems has shown that the English legal system is considered the most expedient for the development of capital markets.[168] In addition, SHUN derives from an analysis of yields on real estate shares that real estate investments tend to produce more risk adjusted results in countries, which adhere to the English legal system, than in countries, whose legal system is based on the French civil code.[169] These examples accentuate the fact that differences in legal systems, which prevail on a foreign real estate market, may severely influence the outcome of an

[162] See JONES LANG LASALLE (2006), p. 3 and, with special regard to parts of Africa and the Middle East, JONES LANG LASALLE (2008c), p. 3.
[163] See LEE (2005), p. 7.
[164] See LEE (2005), p. 4.
[165] See LEAVY (1984), p. 141.
[166] See LIM/MCGREAL/WEBB (2006), p. 269.
[167] See GUERTZ/JAFFE (1996), pp. 117f.
[168] See LA PORTA ET AL. (1997), pp. 1130f.
[169] See SHUN (2005), pp. 226f.

investment. Thus, all legal parameters that may have a point of contact with any of the phases of the real estate investment process have to be taken into consideration when evaluating a target market. Land ownership restrictions, tenant law and tax legislation are essential relevant components of a foreign legal system, which need to be analysed as to their compatibility to real estate investors' overall investment goals. Especially within Sub-Saharan Africa, where legal systems were mainly formed under British and Francophone influence during colonialism, the legal treatment of FDI varies considerably. Tanzania's LAND ACT 1999 for example states that all land remains state-owned, is held in trust by the president and may be leased for periods of 33, 66, 99 years.[170] The TANZANIA INVESTMENT CENTRE (TIC) issues derivative land rights to foreigners, which in turn may either be of short-term (< 5 years) or long-term duration (5 to 98 years). Although land may thus not be used as collateral, which presents one of the largest barriers to real estate market development[171], the efficiency of the Tanzanian legal system is rated 3.7 out of a total of seven points possible within the GLOBAL COMPETITIVE INDEX (GCI) in the pre-financial crisis data pool.[172] In Kenya foreigners enjoy complete and unlimited access to property rights for all land not zoned for agriculture.[173] Nonetheless, the efficiency of the Kenyan legal system is rated 3.0 out of 7 points possible and accordingly ranks below the efficiency rating of the Tanzanian legal system.[174] Within the latest GCI rankings published in 2009 the efficiency of Tanzania's legal system is rated 3.4[175], whereas Kenya (3.2) receives a lower rating again.[176] Already these examples illustrate the fact that numerous aspects need to be taken into consideration when evaluating the legal factors of targeted African real estate markets.[177]

2.2.5 Systematic Risks of Foreign Real Estate Investment

While unsystematic risk solely comprises risks associated with specific real estate objects, systematic risk is used as a synonym for market and beta risk.[178] Systematic risks can thus not be diversified within a market. Foreign investors are often exposed to heightened and additional systematic risks on foreign real estate markets as opposed to domestic investors, who not only enjoy regulatory advantages, but also profit from their superior knowledge resulting from information asymmetries. In a time-series investigation of investment returns on the U.S. real estate market between 1985 and 1993, NEWELL and WEBB determined that the risk profile for foreign investors was an average of 148% higher than that of domestic investors. Similar risk disadvantages for foreign investors were observed simultaneously on Canadian, British, New Zealand and Australian real estate markets.[179] The thorough evaluation of the systematic risks particularly relevant for foreign investors thus has to be an essential part of an effective FREI decision-

[170] See LIM/MCGREAL/WEBB (2006), p. 261.
[171] See SHELLEY (2004), p. 138.
[172] See WORLD ECONOMIC FORUM (2007), p. 171.
[173] See SHELLEY (2004), p. 108.
[174] See WORLD ECONOMIC FORUM (2007), p. 145.
[175] See WORLD ECONOMIC FORUM (2009), p. 201.
[176] See WORLD ECONOMIC FORUM (2009), p. 229.
[177] With respect to the *general* GCI-index, which comprises different competitiveness-subdimensions and transforms them into one score, Tanzania's development within the country rankings 2007-2009 was successful (improvement from rank 113 to 100). Kenya's position was slightly impaired (rank 93 in 2007, rank 98 in 2009) (see WORLD ECONOMIC FORUM (2009), p. 13).
[178] See REHKUGLER/JANDURA/MORAWSKI (2005), p. 21 and HAUSER (2005), p. 107.
[179] In comparison, the risk profile for foreign investors, who invested in securities, was only 35% higher than that of domestic investors (see NEWELL/WEBB (1996), p. 110).

making process.[180] According to KEVENIDES the evaluation of systematic risk for FREI should include components such as political risks, risks from unsound monetary and fiscal policies, business risks, currency risks, inflation risks and risks from different values, lifestyles and demographics.[181] These are to be explained briefly in the following.

Political Risks reflect the possibility of negative consequences for FREI arising from the political factors outlined in the previous section. An instable political situation, a lack of land tenure security, restrictions for foreign investors, an intransparent regulatory system, corruption and political intervention in the form of expropriation are just a few exemplary risks, whose probability factor should be taken into consideration within every careful evaluation of a potential investment destination. The level of political risk within a target market is difficult to quantify. The most commonly used indicator is the extent of capital flight from a country. The allocation of liquidity beyond the reach of a government is a common reaction to political risk.[182] It can be assumed that the more private net assets in a country flow abroad, the higher is the level of political risk in the respective country. Despite representing the world's lowest per capita income, African nations, whose citizens have shifted 39% of their total private wealth abroad, display the highest level of capital flight as compared to international standards.[183]

Risks from unsound monetary and fiscal policies are directly tied to the level of political risk in a country. A government's budget deficit as a percentage of GNP can therefore be used as a risk indicator. The higher the deficit as a percentage of the GNP, the higher is the probability of political intervention, inflationary developments and/or other fiscal and monetary measures to finance the debt reduction.[184] Despite high rates of indebtedness, a few Sub-Saharan African states were able to implement measures to lower taxes and to improve their fiscal and monetary policies during previous years, in order to improve the investment climate for foreign investors.[185] This was mainly achieved by introducing measures to reinforce the independence of the central banks and by enforcing guidelines for internal and external auditing, for cash management and monitoring as well as for reporting. Tanzania, for example, was able to implement its PUBLIC FINANCIAL MANAGEMENT REFORM PROGRAMME (PFMRP), which foresees the expansion of macro-economic stability, stronger fiscal controls and the introduction of a budgetary and accounting program for all ministries, allowing Tanzania to take a leading role in improving its budgetary system.[186]

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[180] See NEWELL/MACFARLANE (1998), p. 167.
[181] See KEVENIDES (2002), p. 61.
[182] See SMITH (2006), p. 22.
[183] See COLLIER/PATTILLO (2000), p. 6.
[184] The budget deficit for Tanzania amounted to 4.4% of its GNP in 2006/2007, whereby the budget deficit for Germany came up to only 1.7% of its GNP. The difference seems even higher when considering that 42% of Tanzania's GNP was financed by international aid and its debt had already been reduced as part of the HEAVILY INDEBTED POOR COUNTRIES (HIPC) INITIATIVE (see BOHNSTEDT (2007), p. 18 and DEANE (2005), p. 29). However, with regard to some macro-economic indicators the global financial crisis provoked a revaluation. For example, within the 133 countries rated in the present GCI (2009), Tanzania's government surplus/deficit (44th) and government debts (37th) are listed above those of Germany (government surplus/deficit (49th), government debts (112th)) (see WORLD ECONOMIC FORUM (2009), p. 153 and p. 301). Of course, the *general* macro-economic stability of Germany (30th) is rated clearly stronger than that of Tanzania (77th) (see WORLD ECONOMIC FORUM (2009), pp. 16f.).
[185] See STASAVAGE (2000), pp. 278f.
[186] See OECD (2008), p. 577.

Business risks for FREI include risks arising from possible alterations to supply, demand and competition[187], the risk that the latter imply for rent levels and subsequent letting[188], infrastructural bottle necks[189], business crime[190], risks from minimal gains in a country's productivity, risks from changes in a country's natural, human and financial resources, interest rate risks, liquidity risks[191], risks associated with the localised nature of real estate and risks from changes in income growth and income distribution.[192] Management risks are also classified as business risks and result from principal-agent conflicts between the investor acting as principal and the asset management of real estate products and/or the management of real estate companies as well as partners and service providers on site acting as agents. The physical distance between principal and agent additionally fuels the principal-agent dilemma.[193] Further business risks are those arising from higher transaction costs, which appear to be more critical in Sub-Saharan Africa than elsewhere. This is not solely a result of inadequate infrastructure, but also due to the unsatisfactory legal and institutional framework to be found on site. Thus, there is a need for informal assurances to ensure that contracts are adhered to. Furthermore, additional risk premiums are charged with the aim to cover possible contractual default.[194]

Returns, costs, valuations and further value-defining factors of real estate investments are exposed to currency risks on foreign markets, where the domestic currency of a foreign real estate investor is invalid. An unfortunate development in the exchange rate between a real estate investor's domestic currency and the target market's currency can decrease the returns on an investment by way of example. Even if a specific real estate investment should grow in value in terms of a foreign currency, this may still mean a loss for an investor, when converting the investment value into his domestic currency. While it is true that there are steps that can be taken to hedge currency risks with currency-hedging methods such as currency swaps and currency options[195], these derivative instruments have proven to be exceedingly expensive for African markets.[196]

It is essentially true that real estate investments carry a lower inflation risk than alternative investments. Rising inflation tends to lead to an increase of construction costs and hence to a simultaneous rise of prices for new and pre-existing properties. In addition, lease contracts are often indexed and consequently linked to the inflation rate.[197] Nonetheless, returns from current property income may diminish as a result of inflationary processes, if the income does not rise at the same pace as the costs associated with inflation.[198] In many emerging real estate markets within Sub-Saharan Africa rents are listed in USD in lease contracts and charged accord-

[187] See WEST (2000), p. 326.
[188] See REHKUGLER/JANDURA/MORAWSKI (2005), p. 22.
[189] See BECKETT/SUDARKASA (2000), p. 139.
[190] See CONTROL RISKS GROUP (2001), p. 60.
[191] Liquidity risks are a consequence of the existing difficulty to exit direct real estate investments. This exit difficulty is a direct result of the amount of capital tied up in the investment, the heterogeneity of real estate products and the commonly high transaction costs.
[192] See KEVENIDES (2002), pp. 65f.
[193] See DEMBY (2000), p. 153.
[194] See QUALMANN/WIEMANN (2001), p. 253.
[195] See CHENG/ZIOBROWSKI/CAINES/ZIOBROWSKI (1999), p. 463.
[196] See BECKETT/SUDARKASA (2000), p. 141.
[197] See DEUTSCHE GESELLSCHAFT FÜR IMMOBILIENFONDS (2007), p. 19.
[198] See KEVENIDES (2002), p. 69.

ingly. Although in this way rental income is bound to a relatively stable currency, inflationary developments of the target country's currency may lead to an explosion of costs. As a result, costs may rise disproportionally to the rental income linked to USD.

Risks from different values, lifestyles and demographics reflect barriers which may arise from cultural differences between the investor and local players on a target market. This may lead to diverse factors such as language, religion, societal norms and values, customs as well as the level of bureaucratic involvement disrupting a smooth functioning of the investment process. Low levels of education and professional training for the working population and the resulting low number of qualified engineers, architects and managers are yet further FREI problems that investors may face. The latter especially affects Sub-Saharan Africa, since the situation is exacerbated by the so-called *Brain Drain*, the emigration of large parts of Africa's qualified working population to Europe, the U.S.A. and Asia.[199] In addition, the extremely high HIV-rate in Sub-Saharan Africa poses an economic threat, even to real estate investors, due to the resulting demographic changes it precipitates.[200] Although HIV urgently calls for increased action at a societal and humanitarian level, sadly it also needs to be taken into consideration within the evaluation of real estate investments aiming at target markets in Sub-Saharan Africa.[201]

Alongside the motives for FREI and the influencing factors of geographic selection, systematic risks associated with international real estate engagement are one of the vital factors that eventually determine the outcome of a FREI decision-making process. If one is to believe the numerous claims being raised, then the reality of African markets must be distinctly more positive than the gloomy image rooted in the minds of most foreign investors.[202] The assessment of the factors listed above must thus be subject to distortion at some point. Finding clear evidence for the assumption that the perception of Africa held by foreign real estate investors is unjustifiably negative is not within the scope of this paper. Nevertheless, it can be illustrated what specific role attitude and image play within the evaluation of a target real estate market. The following sections will thus demonstrate possible points of contact between attitude, image and the FREI decision-making process.

2.3 Bridging Behavioural Real Estate and Conceptions of Attitude and Image

The significance of attitude and image as variables for investment behaviour results in the necessity to include current attitude and image concepts into real estate-specific investment behaviour analysis. Since both Behavioural Real Estate and research on attitude and image make use of findings on consumer behaviour[203], it is not only sensible, but inevitable to bridge these two areas of research within this paper. The basics of Behavioural Real Estate will be used to sketch a sequential FREI decision-making process as well as potential heuristics.[204] Lastly, after

[199] See SANKORE (2005), p. 9.
[200] See AFRICAN STATISTICAL COORDINATION COMMITTEE (2009), p. 69.
[201] See QUALMANN/WIEMANN (2001), p. 253.
[202] See STEINFIELD (2006), p. 80.
[203] See GIBLER/NELSON (2003), p. 63 and URBIG (2003), p. 2.
[204] See GALLIMORE/HANSZ/GRAY (2000), p. 603, BYRNE (1996), p. 20 and JACOBY ET AL. (2001), p. 70.

presenting current concepts of attitude and image, it will be possible to identify their potential influence on FREI behaviour.

2.3.1 Behavioural Real Estate

The study of human behaviour within economic agenda has particularly focussed on the analysis of choice.[205] Research, which set out to describe judgment processes involved in situations of choice, turned out to be applicable to and useful for multiple disciplines[206], amongst others real estate research. Thus, behavioural decision theory and corresponding behaviour studies have been used to deliver an explanation for observed real estate decision-making behaviour. However, previous assumptions, which had been applied by real estate research to simplify the human element on the basis of neoclassical economic models, gave insufficient ground for a smooth transfer of behavioural concepts.[207] The individual decision-maker, namely the real estate professional, formerly treated as a *black box* within stimuli-response paradigms, was therefore slowly placed into a bounded rationality framework.[208] Details of this change of paradigm within real estate research and its effects on real estate decision-making will be outlined in the following passages.

2.3.1.1 Application of Behavioural Decision Theory to Real Estate Research

Although the interdisciplinary background of real estate economics is founded on the interaction of various scientific disciplines[209], the integration of theoretical behavioural approaches into real estate research occurred comparatively late.[210] It was not until the early 1990s that the synonymous terms Behavioural Real Estate, Behavioural Property Research and Real Estate Behavioural Paradigm emerged, which have each been used as collective terms for real estate-specific behavioural research ever since.[211]

KINNARD declared the explanation and improvement of decisions that concern the use of real estate-specific resources to be the principle objective of real estate research.[212] Furthermore, DIAZ established that real estate economics is formed and characterised by human behaviour. In light of this, it is necessary to adapt and further develop observations from behavioural decision research to the particularities of the real estate sector, in order to gain insight into the true character of real estate economics. At this juncture, with the help of behavioural research observations, it is possible to digress from rigid economic constructs, which assume that human behaviour is strictly rational, in order to pursue a more realistic analysis.[213] The more precise and realistic the results of real estate-specific behavioural analyses turn out to be, the easier it is to formulate effective operational directives. These are essential considering the prevalent ambiguity of market participants, which in turn is a result of the imperfect and complex nature of

[205] See GIBLER/NELSON (2003), p. 64 and ARAÑA/LÉON (2004), p. 2.
[206] See FRENCH/FRENCH (1997), p. 226 and BERG (2003), p. 412.
[207] See GIBLER/NELSON (2003), p. 63.
[208] See DRENGNER (2006), p. 47.
[209] See BONE-WINKEL ET AL. (2005a), p. 5.
[210] See HARDIN (1999), p. 333.
[211] See DIAZ (1999), p. 326.
[212] See KINNARD (2003b), p. 169.
[213] See DIAZ (1999), pp. 326f.

real estate markets.[214] Furthermore, they could be particularly beneficial for the assessment of real estate markets in Sub-Saharan Africa, where little reliable empirical evidence has hitherto been gathered about the behaviour of the market participants.[215]

As yet, the abandonment of neoclassical behavioural constructs within real estate research can solely be observed in the analysis of decision-making processes within the fields of real estate valuation and investment.[216] Existing studies in these fields primarily focus on the decision-maker, whose behaviour had been reduced to a multitude of oversimplified assumptions based on neoclassical economic models in the past.[217] Decision-makers had formerly been portrayed as omniscient, profit-maximising, homogenous market participants[218], who behave strictly rationally at all times and select standardised, non-differentiable goods after having undergone a narrow, structured and rational decision-making process.[219] Normative models[220] were constructed on the basis of these assumptions, which made it possible to optimise the theoretical progression of rational decision-making processes.[221] However, normative endeavours denied the diversity of human behaviour. Thus, artificially modelled decision-making processes diverged from actual decision-making behaviour.[222] Moreover, the normative approach overestimated the cognitive capabilities of decision-makers.[223] Due to cognitive limitations, decision-makers lack the capability to consider all available alternatives, when making a decision. This specific flaw makes it impossible for the decision-maker to entirely determine all available courses of action and assign probabilities to the respective consequences of these actions, as for instance suggested by expected utility theory.[224] Given not only the complexity of real estate-specific decisions, but also the limited transparency of real estate markets, decision-makers rather rely on heuristic techniques in hope of reducing the level of difficulty and the volume of information.[225]

Furthermore, descriptive decision analyses have shown that, contrary to the assumptions implicit in most neoclassical economic models, profit maximisation is not necessarily the only mo-

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[214] See KINNARD (2003a), p. 147.
[215] See TESFAYE (2008), p. 38.
[216] See GALLIMORE/HANSZ/GRAY (2000), p. 602.
[217] See KINNARD (2003a), p. 152. Also see WOFFORD (1985), p. 389.
[218] See GALLIMORE/GRAY (2002), p. 111.
[219] See LEISHMAN/WATKINS (2004), p. 308. Especially financial theory, which is based on the modern portfolio theory of MARKOWITZ, states that investors invariably behave rationally within a perfect market (see KISHORE (2006), p. 1).
[220] Normative decision-making analysis deals with the formulation of assumptions concerning decision-making behaviour. On the basis of models, it highlights how decisions should rationally be made (see MEYER (2000), p. 2 and LAUX (1998), p. 2). Although the majority of literature does not distinguish between prescriptive and normative analysis, FRENCH and FRENCH describe prescriptive models as an extension to normative analysis through categorical behavioural directives (see KRÜSSEL (1996), p. 61 and FRENCH/FRENCH (1997), p. 227). While normative and prescriptive analyses act as guides to optimal, rational decision-making, descriptive analyses attempt to develop an acceptable model that describes how people actually make decisions (see KIEHLING (2001), p. 12). Hence, descriptive decision-making analyses observe, report and explain actual decision-making behaviour (see RUNER (1999), p. 98). The aim thereby is to establish reliable prognoses about future decision-making behaviour through empirically-based conclusions.
[221] See DIAZ (1990), p. 1.
[222] See FRENCH/FRENCH (1997), p. 226.
[223] See DIAZ/GALLIMORE/LEVY (2004), p. 339.
[224] See EINHORN/HOGARTH (1986), p. 226.
[225] See HAMMOND/KEENEY/RAIFFA (1999), p. 91 and GALLIMORE (1994), p. 97. As early as the mid-1970s KAHNEMAN and TVERSKY´s prospect theory documented the occurrence of heuristics and distortions in the assessment of decision alternatives. Prospect theory led the way for further attempts to explain the deviation from normative decision-making models (see KAHNEMAN/TVERSKY (1982), p. 3 and BEACH/MITCHELL (1998), p. 5). NEALE and NORTHCRAFT were the first to be able to provide evidence of heuristics and biases in decision-making within a real estate-specific context (see NEALE/NORTHCRAFT (1987), p. 84).

tivation that is of relevance for decision-makers.[226] The unquantifiable, immaterial, subjective benefits, which decision-makers expect as an outcome of their choices, play a similarly pivotal role within decision-making.[227]

The more thoroughly descriptive analyses were carried out, the more discrepancies were ultimately discovered between normative models and realistic decision-making behaviour.[228] In view of this, behavioural approaches focussed their attention on the interpretation of observed behaviour patterns of decision-makers. Interpretations based on descriptive analyses eventually reinforced the resolution to discard the rationality principle of neoclassical economic models, with the intent to ensure a more realistic representation of decision-making behaviour. The majority of models that have emerged ever since is based on the principle of bounded rationality, which takes into account both heuristics and possible biases. According to the bounded rationality principle, decision-makers do intend to behave rationally, however, are subject to diverse limitations.[229] Owing to the resulting abandonment of the simplistic assumptions of neoclassical theories, it has become increasingly more complicated to construct universally accepted models. It is therefore necessary to continually reassess normative models using a descriptive examination of how realistic these models essentially are, in order to be able to gradually align them with actual decision-making behaviour. Due to this continuous convergence to actual decision-making behaviour of real estate market participants, it is possible to formulate prognoses, which in turn make it possible to complement backward-looking descriptive observations through a forward-looking perspective.[230]

2.3.1.2 Procedural Aspects of Foreign Real Estate Investment Decision-Making

Prior to the examination of real estate investment decision-making processes, which have been derived from and modelled on the basis of observations of current Behavioural Real Estate research, a decision-making situation in general as well as its necessary adjustment to the specifics of real estate will be presented as follows. The formulation of a real estate investment decision-making process does, in its basic structure, allow for the diversity of investment decisions. However, existing insights on FDI decision-making processes can deliver precise indications of the steps necessary in adjusting conventional real estate decision-making processes to the specific nature of FREI.

2.3.1.2.1 Real Estate Investment Decision-Making Processes

A decision-making situation assumes a choice of at least two alternative courses of action, between which at least one decision-maker must make a conscious decision.[231] Alternatives are courses of action, which are mutually exclusive[232], whereby the option of making no active change is also identified as an alternative.[233] In fact, most decision-making situations feature

[226] See ARAÑA/LÉON (2004), p. 2.
[227] See KINNARD (2003a), p. 153. Also see JAFFE/SIRMANS (1984), p. 382.
[228] See BEACH (1993), p. 235.
[229] See DE BRUIN/FLINT-HARTLE (2003), pp. 272f. and MUNRO (2009), p. 2. For a critical approach towards a definition of bounded rationality principles also see SELTEN (2001), pp. 15f.
[230] See BEYERLE (2003), p. 11.
[231] See DINKELBACH/KLEINE (1996), p. 1 and REHKUGLER/SCHINDEL (1990), p. 11.
[232] See BLOEDORN (2004), p. 14.
[233] See SCHMIDT (1995), p. 24 and KINNARD (2003b), p. 175.

solely two kinds of options, namely those, where an active change is made, or those, where the status quo is deliberately maintained.[234] The behaviour of a decision-maker in a situation, where these two courses of action are present, that is for example the option of either investing in a real estate market in Sub-Saharan Africa or avoiding Sub-Saharan Africa as an investment location altogether, is of particular importance in respect to the aim of this paper.

A decision situation arises with the recognition of a problem through individuals or a group of individuals, who strive for a solution by subordinating a succession of information processes to a superior strategy.[235] A decision not only includes the selection of a goal-oriented method of resolution, but also its accurate preparation.[236] Therefore, decision-making is understood to be a process, which passes through diverse phases up to the conclusive choice and implementation of an option. At this juncture, it is necessary to underline that real estate assets are attributed to the category of high-involvement-products[237], whose complexity determines the way, in which information is processed by the respective real estate market participant.[238] In contrast to decisions dealing with the purchase of low-involvement-products, which simply evoke perfunctory information processing, real estate investment decision-making demands complex and cognitive information handling.[239] Amongst other things, the complexity of real estate investment decisions mainly results from the fact that real estate assets cannot be acquired or disposed of incrementally, they are difficult to liquidate yet at the same time increasingly dependent on external market factors, they mostly imply high capital expenditure as well as transaction costs and they require acute, time-consuming supervision.[240] Complicating matters further is the lack of transparency of real estate markets. The resulting complexity is crucial for the length and number of phases of the decision-making processes undergone by real estate market participants.[241]

GALLIMORE, HANSZ and GRAY describe real estate-specific decision-making processes as sequential.[242] In contrast to simple decisions, sequential decisions are characterised by a progression of phases, which each entail further sub-decisions. Once having undergone the phases, a conclusive choice can be made.[243] Although the dominant consensus in literature is that a complex decision requires numerous processing phases, there are variations regarding the quantity, naming and sequence.[244] In accordance with the work of LEE and LEVY, who have successfully attended to identifying sequential decision-making behaviour of real estate market participants, a portrait of the individual phases of a real estate-specific investment decision-making process commonly found in literature will be examined within the following passages.[245] A conventional

[234] See MINTZBERG (1975), pp. 49f. Also see MORRELL (2004), p. 244.
[235] See SIMON (1978), p. 279.
[236] See MYŠIAK (2000), p. 80.
[237] In this instance, involvement describes the activation level or the willingness of the investor to gather and process information (see TROMMSDORFF (2004), p. 37). With regard to the concept of real estate assets as high-involvement-products also see MCKINSEY (2001), p. 5.
[238] See GIBLER/NELSON (2003), p. 64.
[239] See BAUMGARTH (2001), p. 37.
[240] See TRIPPI (1990), p. 51.
[241] See HAEDRICH/TOMCZAK (1996), p. 24.
[242] See GALLIMORE/HANSZ/GRAY (2000), p. 603.
[243] See BYRNE (1996), p. 20 and GIBLER/NELSON (2003), p. 68.
[244] See JACOBY/MORRIN/JOHAR/GÜRHAN/KÜSS/MAZURSKY (2001), p. 70.
[245] See LEE/LEVY (2004), p. 327.

real estate investment decision-making process includes the problem recognition, the specification of a requirement profile, information search and processing, as well as a concluding evaluation of the alternatives.[246]

The real estate investment decision-making process may vary according to the specific investment situation, whereby the aforementioned four phases consistently remain in their sequential progression. Merely the sub-decisions within the phases vary between decision-making situations.[247] In order to model the specific progression of a FREI decision-making process, it is necessary to compare the features and sub-decisions of a descriptive phase-model of a FDI decision-making process with the previously mentioned phases of the real estate investment decision-making process. On the basis of the findings of this comparison, the model of a conventional real estate decision-making process can be adjusted and complemented with additional features of foreign investment behaviour. This adjustment and complementation is illustrated in Figure 2 and elaborated in the following passage.[248]

2.3.1.2.2 Modelling Foreign Real Estate Investment Decision-Making Processes

BELLAS and SYKIANAKIS initially classify the FDI decision-making process into two main phases. The first main phase comprises the progression up to the point, where the definitive decision is eventually made, whether a FDI will be undertaken. Here, mainly emotions, investor attitude and the results of a preliminary macro-analysis influence the decision.[249] The second main phase includes sub-decisions that concern the implementation of the intended direct investment. In general, these two main phases can therefore be differentiated by the classification of the sub-decisions, that is to say, those that question, whether a FDI should be undertaken, and those that concern how a FDI can be operationalised. The reason for the absence of FREI in Sub-Saharan Africa must consequently have its roots in the first of the main phases described by BELLAS and SYKIANAKIS. Consequently, only the first main phase of the FDI decision-making process will be addressed and made use of for modelling a FREI decision-making process.[250] In turn, BELLAS and SYKIANAKIS divide the first main phase into sub-phases. The sequential progression includes, in the predetermined order, problem recognition, diagnosis and screening.[251]

In light of the fact that decisions are made as part of a problem-solving process, the recognition of a problem is regarded to be the origin of a decision-making process.[252] In this context, problem recognition also implies the identification of a potential investment opportunity. While external process activators (stimuli) that prompt the problem recognition phase in conventional real estate investment decision-making predominantly involve property-related acquisition opportuni-

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[246] According to FISCHER and BUNDSCHUH as well as DÖRNER and SCHAUB the decision-making process also comprises the examination and evaluation of the decision that has been met (see FISCHER/BUNDSCHUH (1994), p. 14, DÖRNER/SCHAUB (1994), p. 4, HARGITAY/YU (1993), p. 10 and MYSIAK (2000), p. 80). BLOEDORN as well as KINNARD disclaim in their analyses of the decision-making process the phase in question, since they identify the concluding choice of an alternative as the last step of a complex decision-making process (see BLOEDORN (2004), p. 21, ERTLE-STRAUB (2003), p. 155, KINNARD (2003b), p. 170, LEE/LEVY (2004), p. 327 and SALMEN (2001), p. 45).
[247] See BYRNE (1996), p. 20.
[248] For an illustrative comparison of FDI, FREI and conventional real estate investment decision-making processes see Figure 3.
[249] See LAAR/NEUBOURG (2006), pp. 209f.
[250] See BELLAS/SYKIANAKIS (2005), p. 966.
[251] See BELLAS/SYKIANAKIS (2005), p. 958.
[252] See BUGDAHL (1990), p. 11.

ties, external stimuli, which initiate FDI decision-making processes, are mostly macro-economic changes within a particular potential target market.[253] Despite varying external stimuli, the respective problem recognition phases of decision-making processes in FDI and real estate investment can be described as virtually identical. Accordingly, when shaping a general model of FREI decision-making, the recognition of a problem or of an investment opportunity can be regarded as the initial phase of FREI decision-making processes. It can be assumed that external stimuli that induce the problem recognition phase in FDI decision-making strongly resemble those that trigger FREI decision-making processes.[254]

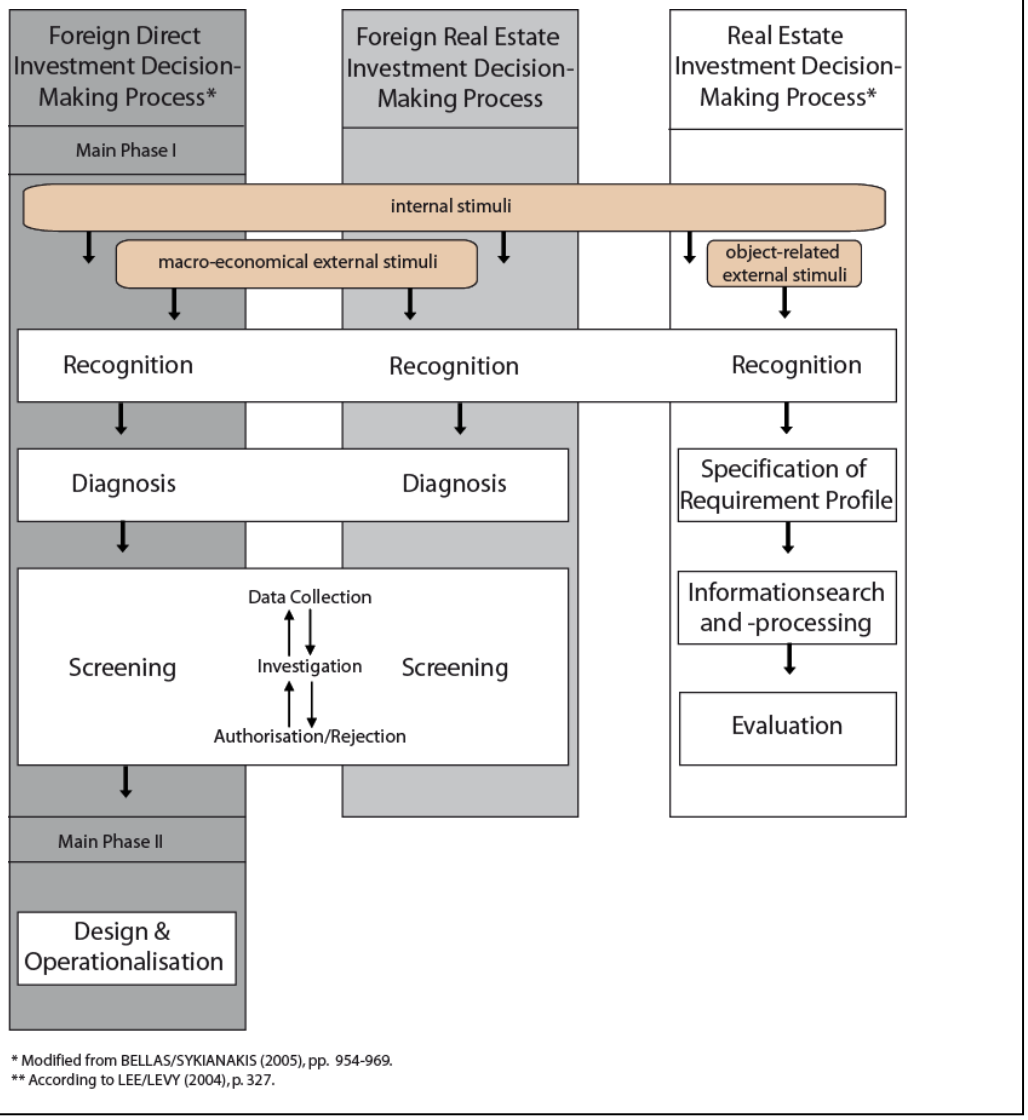
External stimuli, which initiate the problem recognition phases both in FDI decision-making as well as in conventional real estate investment decision-making, mostly also determine the context, in which the subsequent diagnosis and specification phases will occur respectively. The diagnosis phase, which follows the problem recognition phase in FDI decision-making processes, comprises the reaction to the observed external stimulus as regards content. The stimulus is hereby specified, in order to facilitate the decision-maker's consideration as to whether the decision-making process is to be continued or aborted. A subliminal comparison between the attitude towards a target market or towards the observed characteristics of the same market and the decision-maker's perceived requirements takes place during this phase. Vague, but content-related initial considerations concerning the choice of location are undertaken by preliminarily examining and cursorily processing political and macro-economic location-specific data.[255]

The second phase of a conventional real estate investment decision-making process, the specification phase, shows parallel features to the diagnosis phase of FDI decision-making processes. Both phases contain the formulation and specification of object requirements. However, in contrast to FDI decisions, where requirements for a potential target market are specified, the requirements specification within the specification phase of conventional real estate investment decision-making mostly refers to a particular real estate product. Hence, the formulation and specification of the requirement profile within real estate investment decision-making proceeds significantly more precisely. Moreover, in contrast to the diagnosis phase, there is no content-related evaluation of a specific target object in the first instance, that is, the emphasis within the specification phase is put exclusively on the creation of a requirements specification for real estate objects in general. By means of preferences, a differentiation between core and peripheral requirements is made thereby. Core requirements are defined as requirements, whose compliance is regarded to be indispensable. Peripheral requirements, on the contrary, apply to factors, which represent additional qualities of a real estate investment product and are not necessarily of significance for the decision-making.[256] Although the analysis as to whether a specific property meets the decision-maker's requirements does not yet take place within the specification phase, by formulating a general requirement profile the number of alternatives that are to be

[253] See LARIMO (1995), pp. 26f.
[254] See Figure 3.
[255] See KUMAR/STEINMANN/WASNER (1980), p. 51.
[256] See GIBSON (2000), p. 28.

analysed in the following phases is considerably reduced, as is the effort and the complexity of a decision.

Figure 3: Modelling the Progression of a FREI Decision-Making Process



In contrast to the specification phase of conventional real estate investment decision-making processes, the diagnosis phase of FDI decision-making processes includes the, albeit superficial, comparison of the requirements for a target market and the perceived satisfaction of these requirements by the potential target market.[257] Due to this comparison, a subconscious selection of target markets and/or alternative investment destinations, as the case may be, occurs prematurely, which in turn could provide an explanation for the absence of a detailed, contextual examination of real estate markets in Sub-Saharan Africa as yet. Precisely this subconscious sifting out of the option of investing into real estate in Sub-Saharan Africa prior to screening as well as information search and processing phases respectively, could explain the existing dis-

[257] See BELLAS/SYKIANAKIS (2005), p. 958.

crepancy between optimistic real estate yield forecasts and the continuing absence of FREI in Sub-Saharan Africa. As a result of this and also in view of the fact that the diagnosis phase of FDI decision-making processes, just like the FREI decision itself, deals with the evaluation of markets instead of specific real estate products, it seems plausible and expedient to implement the diagnosis phase into the model of a general FREI decision-making process.

The concluding phase of the first main phase of FDI decision-making processes, the screening phase, includes the collection of data, the analysis of information as well as the definitive approval or rejection of the investment proposal by the decision-maker. While a rough preselection of alternative target markets already occurs during the diagnosis phase, a step-by-step revision of the suitability of the various potential investment destinations takes place during the screening phase. The revision involves systematic data collection and detailed analysis of the political and macro-economic environment of those potential target markets previously approved in the diagnosis phase. It is crucial thereby that the progression between data collection, analysis of information and approval/rejection is not necessarily structured and carried out on a strictly linear basis, but rather allows for feedback and repetition of the individual steps. The screening phase, and thus the first main phase of the FDI decision-making process, is eventually concluded with the approval or rejection of an investment proposal.[258]

Irrespective of whether and to what standard investors develop a requirements specification, during the information search and processing phase of conventional real estate investment decision-making processes the already existing knowledge and prevailing investor attitudes are back-upped with additional information.[259] The information base represents a critical parameter, which comprises qualitative and quantitative property data of one or more investment alternatives.[260] Research has shown that complex information cannot be simultaneously processed, due to investors' prevalent cognitive limitations. Instead, complex coherences are predominantly processed sequentially and within linear structures. The analysis of information is therefore subject to many simplifying mechanisms, which are used unconsciously by investors and will be addressed in a later stage of this chapter.[261]

It is not until the concluding evaluation phase of a conventional real estate investment decision-making process that a choice is made between the investment alternatives by comparing the existing processed data with the requirement profile formulated in the specification phase. The evaluation of alternatives represents a complicated undertaking, as the alternatives are evaluated against diverse criteria corresponding to the real estate product requirements. In spite of the preceding information search and processing phase, the evaluation is merely weighed up upon intuitive considerations in many cases, due to its complexity.[262] Furthermore, existing decision-making models lack any inference as to the existence of feedback and repetition between the information search and processing phase and the evaluation phase. As a result, the conclu-

[258] See LARIMO (1995), p. 28 and BELLAS/SYKIANAKIS (2005), p. 957.
[259] See JACOBY/MORRIN/JOHAR/GÜRHAN/KÜSS/MAZURSKY (2001), p. 70 and GIBLER/NELSON (2003), p. 64.
[260] See SUTER (1995), pp. 44f. and FARRAGHER/KLEIMAN (1996), p. 20.
[261] See GALLIMORE (1994), p. 99.
[262] See GIBSON/LIZIERI (2000), pp. 8f and GALLIMORE/GRAY (2002), p. 120.

sion can be drawn that the information search and processing phase must first be completed before the selection of alternatives can occur within the evaluation phase.[263] After the final selection of an investment alternative, whereby the possibility of not investing also remains an alternative, the conventional real estate investment decision-making process can be considered as having been completed.

When comparing the concluding phases of FDI and real estate-specific investment decision-making processes it becomes clear that the difference between the screening phase and the coherent last two phases of the conventional real estate investment decision-making process can ultimately be attributed to no more than a few traits. For example, they differ in the diversity of information available to be researched and processed. While information about complex cultural, political, macro-economic and legislative characteristics of potential target markets play an important role in FDI decision-making, it is primarily information about the specific micro-environment and property-related characteristics that are incorporated in real estate-specific investment decisions.[264] However, the perhaps most important difference, although it cannot entirely be ruled out in conventional real estate-specific investment decision-making, is neither mentioned in literature nor specified in existing models. It is the option of feedback and repetition that is available to the decision-maker within the screening phase of the FDI decision-making process. The information search and processing phase as well as the evaluation phase of the conventional real estate investment decision-making process must be considered as distinctly separate from one another, due to their structured, sequential series connection, which leaves no space for feedback. The rigid, inflexible behaviour patterns observed within these coherent phases deviate from observed FREI decision-making. Consequently, these phases cannot be smoothly implemented into a model of a general FREI decision-making process. The screening phase of the FDI decision-making process by contrast affords the decision-maker a more flexible handling of the complex decision-making situation, owing to the consolidation of the three activities, namely data collection, analysis of information and approval/rejection, within one phase. This flexibility leaves room for feedback, reaction and repetition of the respective activities. This seems necessary and plausible for the difficult evaluation and selection of real estate target markets. The screening phase must therefore be considered an appropriate element for the model of a general FREI decision-making process.

2.3.1.3 Heuristics and Biases in Foreign Real Estate Investment Decision-Making

The less quantity and quality of information about a prospected object can be found and used to form a suitable data basis, the more probable becomes the divergence of actual behaviour from behaviour suggested within modelled decision-making processes.[265] Due to the lack of transparency of real estate markets in general[266] and due to the additional lack of relevant findings

[263] See LEE/LEVY (2004), p. 327.
[264] See BELLAS/SYKIANAKIS (2005), p. 955.
[265] See GALLIMORE/GRAY (2002), p. 111.
[266] See GALLIMORE/GRAY (2002), p. 112.

on real estate markets in Sub-Saharan Africa[267], possible factors that influence the FREI decision-making process have to be assumed as an explanation for these aberrations. Within behavioural theory and real estate research heuristics and biases have commonly been identified as possible influencing factors.[268] Whether and indeed to what extent these have an effect on FREI decision-making behaviour can only be assumed at this stage. It is however essential to either verify or falsify the assumption that heuristics and/or biases have an influencing effect on FREI decision-making behaviour within the course of this work. Irrespective of the result, it is nevertheless necessary for the comprehension and further research progression to mention and specify possible heuristics and biases at this point.

In many respects the analysis of heuristics and biases has been ignored by real estate research as yet.[269] Although behavioural research in general recognises a wide spectrum of heuristics and biases, the descriptions within this frame of research have to be limited to the few heuristics and biases that have already been applied by or are likely to be relevant for Behavioural Real Estate. Even though heuristics and biases have been identified only within certain areas of real estate research hitherto, in part, the findings can easily be transferred to research carried out in other fields of real estate studies.[270]

Limited cognitive abilities, which are characteristic for decision-makers according to the principle of bounded rationality postulated by Behavioural Real Estate research, significantly affect the progression of the decision-making process as a whole. Nonetheless, they are particularly perceivable in activities involving data collection and information analysis.[271] Cognitive limitations are ultimately regarded as the trigger for decision-makers' subconscious attempt to reduce the complexity of information by applying certain simplifying techniques.[272] These mostly involve the subconscious use of cognitive short-cuts, which are described as heuristics.[273] Although they are a logical consequence of the insuperable amount of information, heuristics and subsequent biases nevertheless are regarded as the cause for distortions in decision-making behaviour.[274]

One of the heuristic techniques applied to cope with the mass of information that has to be processed within real estate investment decision-making is known as selective perception. It may lead to the reduction of the amount of data collected within the screening phase of the FREI decision-making process. By means of psychological experiments it was discovered that decision-makers predominantly perceive information, which is in accord with their existing experience and knowledge.[275] Selective perception serves to explain why real estate investors often ignore complex information and only perceive location- and object-specific information that

[267] See ANTWI/HAMMOND/PROVERBS (2008), p. 13.
[268] For a general reflection on psychological biases of investors (real estate investors included) see BAKER/NOFSINGER (2002), pp. 112f.
[269] See GALLIMORE (1994), p. 97.
[270] See HARDIN (1999), p. 336.
[271] See DE BRUIN/FLINT-HARTLE (2003), p. 282 and KISHORE (2006), p. 8.
[272] See BOOSKE/SEINFORT (1998), p. 3.
[273] See SCHOLAND (2004), p. 156.
[274] See BLACK/DIAZ (1996), p. 287.
[275] See KARLEN (2004), p. 21.

matches their own experience as well as their subconsciously preconceived preferences and attitudes.[276]

The overconfidence effect is known to be another behavioural phenomenon identified in real estate investment decision-making. The overconfidence effect, also regarded as a miscalibration of subjective probabilities, influences the way in which data is gathered.[277] It occurs when decision-makers' subjectively felt, specialist knowledge surpasses their objectively viewed, actual knowledge. This may lead to an excessively intensive collection of data at times.[278] Not until the gathering of data, real estate investors often notice that their actual knowledge is far more limited than originally assumed. As a consequence, investors try to compensate for their newly discovered lack of specialist knowledge by collecting more information.

In some cases however, overconfidence may also lead to a simplified and shortened data collection. An example of this behaviour is the use of representativeness heuristics.[279] This is where the probability that an object belongs to a particular category is evaluated according to the similarities it has with the respective category.[280] As a result of overconfidence, investors often subconsciously assume that they are capable of evaluating entire macro-locations on the basis of inadequate, randomly selected information, which solely conceals isolated attributes of the respective macro-location. If the isolated attributes display similarities to the typical factors of a particular category of macro-locations, they are considered representative. Personal experiences and attitudes play a crucial role thereby. Should investors come across content during the collection of data that matches certain stereotypes of a category, of which they already have experience, the content will be assigned to that same category. Not only on rare occasions do real estate investors ignore entire locations, if they have already had bad experiences with individual properties in this location. In these instances, any data about the respective location will be ignored and the amount of data collected will be reduced accordingly.[281]

Additional simplification techniques, verified by real estate research, include anchoring and adjustment and constitute the disproportionately high weighting of an initially discovered piece of information, which is regarded as the reference point (anchor) for subsequent assessments and procedures. The first piece of perceived information is subsequently regarded as the initial value, which is gradually adjusted to the actual, genuine value by taking further information into account. Too much emphasis is thereby placed on the first piece of information, which in turn results in an inadequate value adjustment.[282] On the basis of empirical findings DIAZ, ZHAO and BLACK propose, for example, that the purchase price of residential real estate ends up being higher than its actual value, if the seller's original asking price is disproportionately high.[283] In this case, the seller's asking price constitutes the reference point, which, in the end, is not ade-

[276] See GALLIMORE/HANSZ/GRAY (2000), pp.605f.
[277] See GALLIMORE/HANSZ/GRAY (2000), p.605.
[278] See RAJU/LONIAL/MANGOLD (1995), pp. 157f.
[279] See SCHOLAND (2004), p. 158.
[280] See JORDAN (2001), p. 25.
[281] See WOFFORD (1985), p. 391 and KISHORE (2006), p. 6.
[282] See KARLEN (2004), p. 22.
[283] See DIAZ/ZHAO/BLACK (1999), p. 374.

quately adjusted to the genuine value of the property. Personal experience, prejudice, attitude or prevailing situations can often be held as fixing points, whose values are anchored in the real estate market participant's subconsciousness.[284] This, amongst other things, could act as an explanation for why real estate markets in Sub-Saharan Africa are ignored by foreign investors for the most part. The negatively afflicted image of Africa may have become a reference point, from which real estate investors can only gradually and insufficiently distance themselves when assessing the attributes of real estate markets in Sub-Saharan Africa.

Furthermore, various studies have drawn attention to so-called recency effects. These are conveyed during sequential information analyses, when more recently perceived pieces of data have greater influence on the outcome of the decision-making than information that dates further back.[285] First pieces of perceived information, to which higher importance is attached due to the previously mentioned anchoring and adjustment heuristics, constitute an exception.[286]

Availability heuristics, which are unconsciously employed by investors during the analysis of information, further weaken a decision's flawlessness.[287] With availability heuristics, the estimate of the probability of an event is assumed on the basis of the cognitive availability of information on that same event.[288] Cognitive availability is understood to mean the ease with which data can be recalled from memory.[289] Information that is memorable and has emotional connotations is more readily recalled than abstract, simple information.[290] The former is thus assigned a higher significance by the real estate investor and consequently also has a stronger influence on the making of a decision.[291] According to GALLIMORE, HANSZ and GRAY, information received from personal contacts plays a more substantial part within the decision-making process than information, which is publicly accessible. In being so readily available, the latter loses distinctiveness for the real estate investor and is overshadowed by more vivid, pictorial information from private contacts as a result. Since the ease of cognitive recall is no measure of the quality or relevance of a piece of information, systematic errors can arise, when more readily available information is underrated during the decision-making process. Information that could be of importance and relevance to a real estate investor is often unconsciously ignored due to the information's blandness.[292]

While the heuristics and biases previously mentioned are primarily put into practice during the screening phase of the FREI decision-making process, sentiment and attitude may have an impact on the decision-maker as early as in the diagnosis phase of the decision-making process. The sentiment approach assumes, for example, that irrational investors, so-called noise traders, base their decisions on sentiments, an effect, which in summary is termed investor sentiment. On the one side investor sentiment is formed by subjective opinions expressed by other market

[284] See HAMMOND/KEENEY/RAIFFA (1999), p. 92.
[285] See HARDIN (1999), p. 345.
[286] See GALLIMORE (1994), p. 106.
[287] See WOFFORD (1985), p. 391.
[288] See JORDAN (2001), p. 22.
[289] See BLACK/DIAZ (1996), p. 289.
[290] See KARLEN (2004), p. 21.
[291] See GALLIMORE/HANSZ/GRAY (2000), p. 605.
[292] See GALLIMORE/HANSZ/GRAY (2000), pp. 605f.

participants and investment commentaries, on the other side it emerges from spontaneous gut feelings and affective components of the investor.[293] BERNILE and LYANDRES define investor sentiment as a bias that has a positive or negative influence on investors' expectations as regards future returns on investment.[294] BAKER and WURGLER add to this definition that sentiments, which affect investors' expectations of future returns, are based on insufficiently verified facts.[295] GALLIMORE and GRAY assert that, when assessing alternative investment options, real estate investors rely on these subjective perceptions at least as much as on objective, relevant information and quantitative facts. The reason for this, in their opinion, lies in the complex nature of the relevant information and in the difficulty of its quantification.[296] BARKHAM and WARD even view investor sentiment as one of the possible causes for the observed negative deviance between the market capitalisation of publicly listed real estate companies and their respective net asset values (NAV). They also observed that noise traders place too much emphasis on subjectively perceived short term sales risks for individual assets when appraising the NAV of the entire portfolio of publicly listed real estate companies. This in turn negatively distorts the individual share prices.[297] The fact that investor sentiment plays a significant role in real estate-specific investment decision-making is already illustrated by the few examples mentioned above. Sentiment should thus be perceived and taken into account as an important parameter during the examination of potential influencing factors of FREI decision-making processes.

Although the halo effect has not yet appeared to be covered by any current real estate literature, it nonetheless counts among the considerable potential systematic mistakes that are assumed to be found in real estate investors' decision-making behaviour during the assessment of foreign real estate markets. It is therefore essential to put emphasis on its description and examination. The halo effect can be described as the existing influence of the overall attitude towards an object on the appraisal of the individual attributes of the same object.[298] The assessor thereby consistently adopts his aggregated judgement of an object for the assessment of the individual attributes of the same object.[299] JACOBS and KOZLOWSKI provide an explanation for this behaviour, stating that the overall impression of an object can be so intensive, that any discrepancy between attributes of an object and the overall impression is ignored or overlooked, as the case may be.[300] A further explanation lies in the cognitive relief for the assessor derived from this heuristic method when setting up a multiattribute assessment of an object. Often the lack of knowledge of the individual attributes of an object may evoke halo.[301] Thus, the greater the familiarity with an object and its individual attributes, the smaller the probability of the occurrence and the extent of the halo effect are regarded to be.[302] Vice versa, owing to investors' unfamiliarity with Sub-Saharan Africa as a real estate investment destination, the existence of the halo effect during the assessment of potential real estate markets in Sub-Saharan Africa is as-

[293] See BARKHAM/WARD (1999), p. 299 and TETLOCK (2007), p. 1143.
[294] See BERNILE/LYANDRES (2008), p. 27.
[295] See BAKER/WURGLER (2007), p. 129.
[296] See GALLIMORE/GRAY (2002), p. 120.
[297] See BARKHAM/WARD (1999), p. 308.
[298] See BECKWITH/KASSARJIAN/LEHMANN (1978), p. 465.
[299] See MCCANN/REIBSTEIN/WILKIE (1974), p. 280.
[300] See JACOBS/KOZLOWSKI (1985), p. 203.
[301] See LEUTHESSER/KOHLI/HARICH (1995), p. 59.
[302] See BECKWITH/KASSARJIAN/LEHMANN (1978), p. 466.

sumed to be highly probable and should therefore be examined further.[303] The attitude towards an object, in this case a particular real estate market in Sub-Saharan Africa, can be operationalised with attitude and image measurement models, which in turn make it possible to determine the overall attitude value of an object through the valuation and weighting of individual attributes of the same object. An indicator for the existence of the halo effect is a disproportionately high correlation between the valuations of the individual attributes and the overall attitude value of the object.[304] This in turn suggests that the overall attitude towards an object does not derive from the sum of the values linked to the individual attributes of the object, but rather the other way around. The overall attitude towards the object determines the values given to its individual attributes.[305] The halo effect may therefore cause a transfer of an overriding image onto a subordinated object of opinion.[306] Due to their connection with attitude measurement techniques developed on the basis of attitude theory, possible measuring techniques for the halo effect will not be examined until chapter 4 within the specification of the operationalisation of the image analysis of Tanzania.[307] However, the terms attitude and image shall be outlined and defined within the following passages.

2.3.2 Attitude and Image: Intervening Variables of Investment Behaviour

Classic behaviourism describes behaviour by reference to a deterministic stimulus-reaction-mechanism (S-R-Paradigm), in which the individual that reacts to stimuli is seen as a non-comprehensible, closed system (*black box*).[308] Behavioural determinants thus remain unexplained within the S-R-Paradigm. Neobehaviourism, therefore, has been concerned with the examination of intervening variables, so-called processes mediating between stimulus and reaction (S-O-R-Paradigm). Since it is not possible to directly observe intervening variables, they are classified as hypothetical constructs.[309] Key hypothetical constructs of this work are attitude and image, which are considered highly influential intervening variables of behaviour.

2.3.2.1 Basic Principles of Attitude

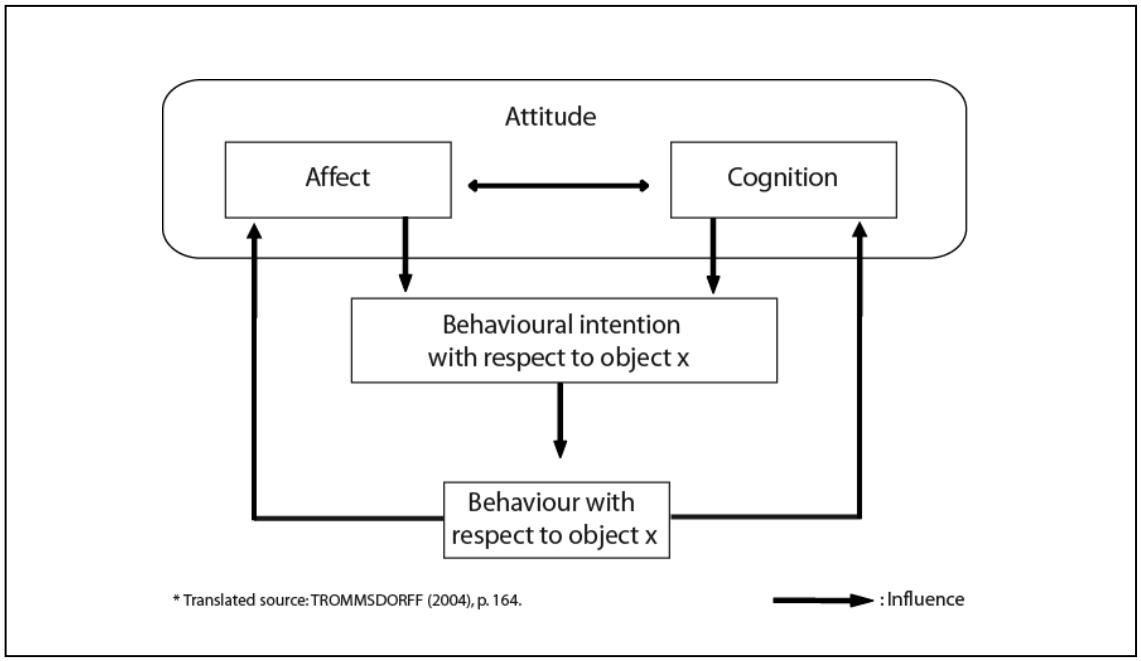
2.3.2.1.1 Terminological Basis

The terms image and attitude are often mistakenly used as synonyms.[310] First attempts to explain attitude from a psychological perspective triggered a terminological differentiation process, in which the term attitude was demarcated from the image term by stricter operationalisation possibilities and clearly more detailed definitions.[311] Nevertheless, the existing definitions link the two terms, whose illustration can be exclusively accentuated by means of the convergence of the image construct through the term attitude. Consequently, attitude concepts, which are

[303] See MÖLLER (1996), p. 109 and JAFFE/NEBENZAHL (2001), p. 60.
[304] On the basis of his studies on country-of-origin effects MÖLLER states that the image of a country affects the assessment of products originating from the respective country. If consumers extrapolate from the image of a country to the attributes of a product originating from the respective country, this can be measured on the basis of the correlation between the perceived attribute values of the country-specific dimensions of the country image and the perceived attribute values of the according products (see MÖLLER (1996), p. 102).
[305] See LEUTHESSER/KOHLI/HARICH (1995), p. 57.
[306] See JANßEN (2003), p. 37.
[307] See chapter 4 and especially section 4.1.1.
[308] See JANßEN (2003), p. 24.
[309] See WEISS RICHARD (2003), p. 16.
[310] See MESSERSCHMIDT (1991), p. 6 and WEISS RICHARD (2003), p. 16.
[311] See KROEBER-RIEL/WEINBERG (1996), pp. 196f.

one of the most commonly researched within consumer behaviour research, will initially be explained in the following.[312]

Figure 4: Modus Operandi of Affect, Cognition, Intention and Behaviour



FISHBEIN and AJZEN describe attitude as a learned inner willingness to consistently react positively or negatively to a person or object. Their definition of attitude allows for three main conclusions to be drawn, namely that attitude can be learned, that attitude is characterised by a high degree of consistency[313] and that it includes a certain degree of behavioural willingness.[314] In addition, the three-component-theory[315] claims that the attitude construct consists of a structure composed of an affective, a cognitive and a conative component.[316] The affective component is seen as most essential, as it displays the emotional evaluation of an attitudinal object.[317] The cognitive competent, in contrast, includes beliefs and subjective knowledge of an individual referred to an attitudinal object.[318] The conative component of attitude, which proceeds from the affective and cognitive component, presents an individual's behavioural intention towards an attitudinal object.[319] Since an attitude rather reflects a behavioural willingness than an actual act of behaviour towards an attitudinal object, it is necessary to differentiate between a behavioural

[312] See DRENGNER (2006), p. 76.
[313] Since attitudes are the result of a learning process, which an individual goes through over time, attitudes are considered to be relatively stable and consistent as opposed to feelings (see DIEDENHOFEN (1991), p. 63).
[314] See FISHBEIN/AJZEN (1975), p. 6. Also see JANßEN (2003), p. 25 for an almost similar definition.
[315] See KROEBER-RIEL/WEINBERG (1996), p. 170.
[316] See DRENGNER (2006), p. 77, TROMMSDORFF (2004), p. 164 and JANßEN (2003), p. 27.
[317] See FISHBEIN/AJZEN (1975), p. 11. MESSERSCHMIDT contradicts this finding however and claims in opposition that attitudes are much more the result of cognitive components (see MESSERSCHMIDT (1991), p. 6). Due to the general focus on the affective component of attitude in most of the existing literature, the claims by FISHBEIN and AJZEN are to remain untainted by the contradictory claims of MESSERSCHMIDT.
[318] See DRENGNER (2006), p. 77.
[319] See TROMMSDORFF (2004), p. 164.

intention and actual behaviour.[320] It thus allows for classification into four categories, namely affect, cognition, intention and behaviour[321], whose modus operandi is illustrated in Figure 4.

2.3.2.1.2 FISHBEIN's Compensatory Attitude Model

The implication that an attitude towards another person or an object influences an individual's behavioural intention and indirect behaviour through a combination of affective and cognitive components has come to prevail in attitude research. However, it is not without controversy, as there is not enough empirical proof as yet to fully justify the implication.[322] It is safe to say though that attitudes are definitely of affective and cognitive nature and are the result of an interlacing of feelings, beliefs and subjective knowledge.[323] Subsequently, attitude can be measured by combining affective and cognitive components. Most of the numerous attitude measurement models found in literature derive from the basic compensatory model set down by FISHBEIN[324].[325]

$$A_{ij} = \sum_{k=1}^{n} B_{ijk} * a_{ijk}$$

A_{ij} = Attitude of individual i towards object j

B_{ijk} = Probability of B estimated by individual i that object j displays the attribute k (cognitive component)

a_{ijk} = Individual i would value it at a, if object j has the attribute k (affective component)

FISHBEIN's measurement model assumes that an attitudinal object j has n attributes k. The cognitive components of attitude or rather the beliefs and the subjective knowledge of an individual i lead to his estimation that object j displays an attribute k with a probability of B. This subjective probability of B is then multiplied by the individual's i perceived valuation a of the attribute k, in order to create an attitudinal attribute value. The summation of all of the individual attitudinal attribute values represents the overall attitude A of an individual i to an object j.[326] The FISHBEIN-Model thus includes affective components a as well as cognitive components B, which are based on ratings. Affective components are set on a scale from -2 to +2 and cognitive components on a grading scale from 1 to 5. Positive attitudinal attribute values accordingly compensate for negative attitudinal attribute values for the same attitudinal object j.[327]

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[320] See FISHBEIN/AJZEN (1975), p. 12. The attitude towards an object results in the intention of an individual to act with relatively high probability in an object-related manner. However, it does not guarantee object-related behaviour (see URBIG (2003), p. 16).
[321] See FISHBEIN/AJZEN (1975), p. 12.
[322] See JANßEN (2003), p. 27.
[323] See FISHBEIN/AJZEN (1975), pp. 14f.
[324] See DICKSON/MINIARD (1978), p. 261 and FISHBEIN/AJZEN (1975), p. 29.
[325] See DIEDENHOFEN (1991), p. 65.
[326] See ETTER (1975), p. 481.
[327] See HUBER/LEONE (1979), p. 245 and TROMMSDORFF (2004), p. 162.

According to DIEDENHOFEN, multi-attribute attitude measurement procedures are more likely to be labelled relevant the more systematically behavioural and/or decision-making processes are carried out, since the correlation between the attitudinal object's attributes and a specific behavioural intention is higher and is perceived more consciously. He therefore considers the use of multi-attribute attitude measurement procedures especially appropriate for investment goods and high-involvement products.[328] When analysing FREI decisions, which are regarded to be a highly systematic process, the use of multi-attribute attitude measurement procedures is consequently justified, since the correlation between the evaluations of the attribute of a real estate market or product and an investment intention is given and clearly perceived by the decision-maker or investor.

Most illustrations of attitude conceptions are based on a one-dimensional structure. However, these can be transferred to the multi-dimensional image construct.[329] The operationalisation of the measurement procedure to be used will take place in a later stage of this paper, due to the necessary adaptations to the image construct as well as the necessary level of detail that still have to be realised.

2.3.2.2 Basic Principles of Image

2.3.2.2.1 Terminological Dissociation of Image from Attitude

Within the context of analysing the meaning of the image term, it is necessary to assume a definition for the concept of attitude at first, since image can be interpreted as the cognitively and affectively charged basis for an attitude or even as the differentiated but broad picture of an attitudinal object.[330] Even though the concepts of attitude and image have numerous common characteristics, it would be critical to regard them as synonymous terms, particularly concerning the question of their dimensionality.[331] Thereby dimensions are considered to be independent, content-related evaluation factors for object attributes.[332] While attitude is defined as a mostly one-dimensional construct[333], the majority of approaches describe image as a multi-dimensional construct.[334] Image formation is mainly the result of denotative and connotative dimensions. Hereby, denotations are composed of profound attributes, whereas connotations are composed of immaterial, emotional attributes.[335] An attitude combines the individual dimensions of an image to a one-dimensional unit. This means that image cannot solely be seen as a multi-dimensional construct, but is additionally rewarded with a rather complimentary, not competitive character in connection to the concept of attitude.[336] Image reflects the learned and relatively constant subjective impressions of an individual, which the latter associates with the attributes

[328] See DIEDENHOFEN (1991), p. 69.
[329] See WEISS RICHARD (2003), p. 18.
[330] See TROMMSDORFF (2004), p. 159.
[331] See WEISS RICHARD (2003), p. 18.
[332] While components describe how an individual processes object attributes (affectively or cognitively), dimensions are seen as a content-based description and evaluation of object attributes (see DRENGNER (2006), p. 78).
[333] See TROMMSDORFF (1975), p. 11.
[334] See JAFFE/NEBENZAHL (2001), p. 16, MÖLLER (1996), p. 12 and TROMMSDORFF (2004), p. 159.
[335] See DRENGNER (2006), p. 77.
[336] See DIEDENHOFEN (1991), p. 69.

of a certain object.[337] Within image formation, evaluative connotative and denotative impressions of an object are combined to form a whole system of impressions, which itself, in turn, reflects the image of the object.[338] BUSS and FINK-HEUBERGER interpret this image as one that is not subject to rational calculus and thus does not necessarily result in an objectively correct judgement.[339]

WEE, LIM and TAN made it possible for the first time to use findings from consumer behaviour research regarding the image construct and transfer them to the analysis of FDI decision-making. Until then, image had merely been discussed at micro-economic level in its role as a determinant of consumer behaviour within the selection of consumer goods. Very limited emphasis had been placed on the analysis of the possible significance of image at macro-economic level. WEE, LIM and TAN initially claim image to be one of the basic determining factors for the formation of preferences within the selection of potential investment destinations. They attribute equal importance to the investment destination's image, namely the country image, within an FDI decision-making process as to the influence of product or brand image within the purchase decision-making process regarding consumer goods.[340]

The assumptions made by WEE, LIM and TAN shall be used as a basis for the role of image within FREI decision-making. While it is true that the previous section mentioned during which phases of the FREI decision-making process attitude may co-determine investor behaviour[341], the role of image has remained unascertained. Only by describing the role of image as the basis for attitude formation on the one hand and by positioning image within a simplified behavioural process on the other hand, it is possible to form a holistic picture of the possible effect of image within the FREI decision-making process. Image is clearly seen as one of the central intervening variables for the explanation of behaviour and can thus be classified within the processes of the neobehaviouristic S-O-R paradigm.[342] After having explained the correlation between attitude and image, the causal effects between image, attitude and behaviour can be sketched in a simplified manner as shown in Figure 5 on the basis of an illustration by TROMMSDORFF[343].[344]

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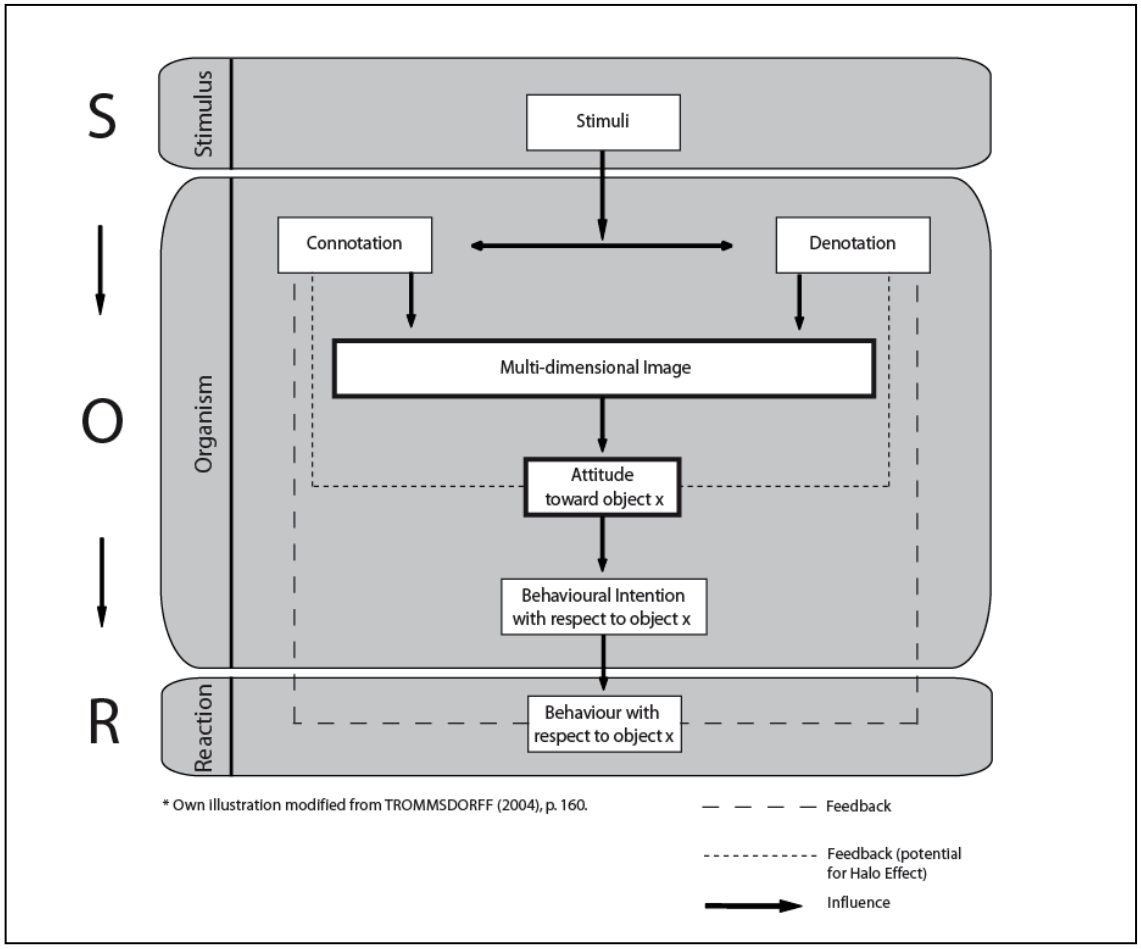
[337] See PAPADOPOULOS (1993), p. 7, JENKINS (1999), p. 1 and WEISS RICHARD (2003), p. 15.
[338] See NERB (2002), p. 17.
[339] See BUSS/FINK-HEUBERGER (2000), p. 43.
[340] See WEE/LIM/TAN (1993), pp. 333f.
[341] Attitude plays a role both during the diagnosis phase of the FREI decision-making process, in which a comparison is made between the decision-maker's attitude towards a target market and his perceived requirements for the same market, as well as during the screening phase. Within the screening phase attitude is considered to be the dominating influencing variable of the investor's decision-making behaviour. This can be explained by the fact that not only the data collection is carried out in conformity to the investor's attitude, but also the persistent evaluation processes during the information analysis are considered to be strongly influenced by attitude. The approval or refusal of an investment after having concluded the screening phase ultimately represents the sum of the results of the preceding pre-selection processes, which, in turn, are influenced by attitude (see section 2.3.1.2.2).
[342] See DIEDENHOFEN (1991), p. 71.
[343] See TROMMSDORFF (2004), p. 160.
[344] See Figure 5.

Figure 5: Causal Effects between Image, Attitude and Behaviour



The S-O-R Model (Stimulus-Organism-Reaction Model) suggests that those stimuli that have an impact on an organism trigger behavioural sequences. Denotative and connotative evaluations of the attributes of an object form an image anchored in the perception of the organism. By means of cognitive and affective processes, the numerous image dimensions are then consolidated into a one-dimensional attitude construct.[345] An organism's behavioural intention towards an object is directly determined by its attitude towards the object. The subsequent reaction can be labelled as a variable, which is indirectly dependent on attitude and is expressed in the form of a certain type of behaviour towards an object.[346] The illustration also contains possible feedback with the sequence. Newly gained experiences for instance often lead to a connotative and denotative re-evaluation of the object's attributes.[347]

2.3.2.2.2 Image Typology

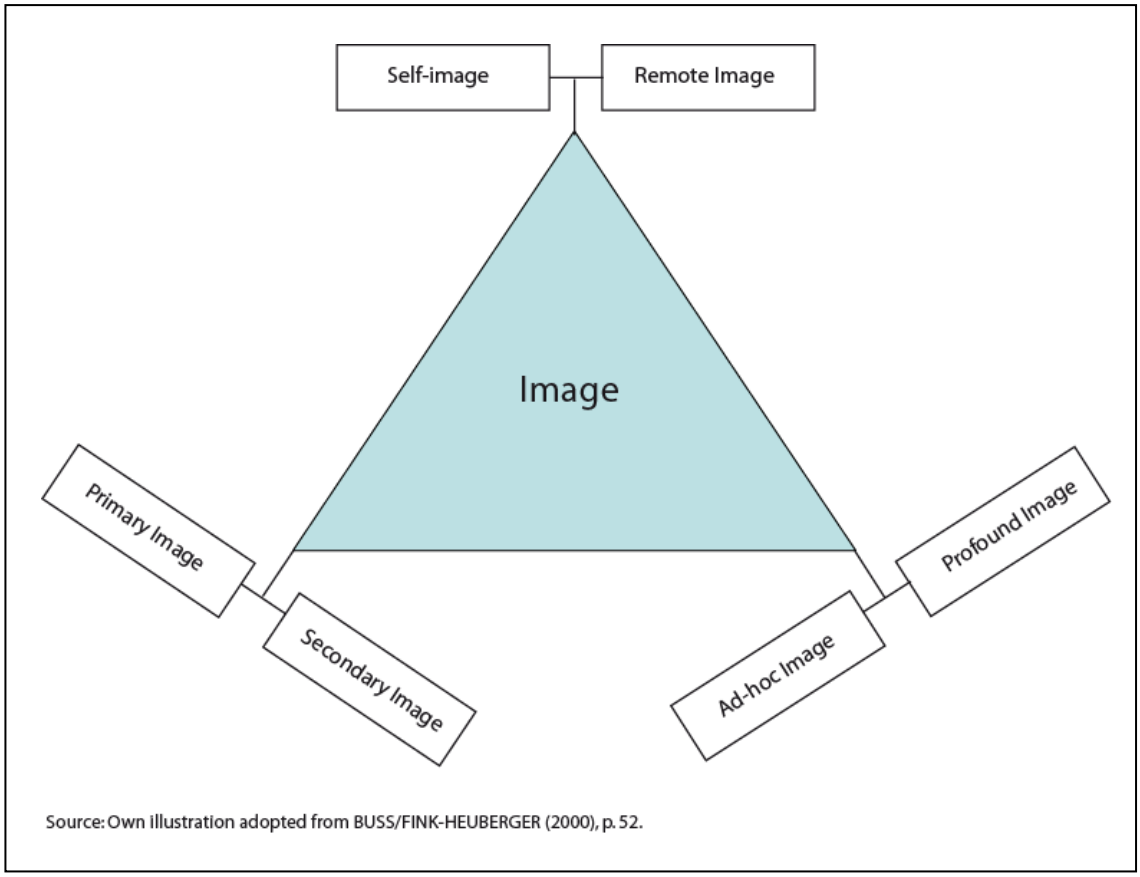
Image can be further specified by means of a typology developed by BUSS and FINK-HEUBERGER.[348] They differentiate between ad-hoc and profound image, primary and secondary image as well as close or self-image and remote image. Depending on the perspective, the total image that is anchored in an individual's perception contains at least one, but is often a combi-

[345] See DRENGNER (2006), p. 78.
[346] See JANßEN (2003), p. 27.
[347] See FISHBEIN/AJZEN (1975), p. 15.
[348] See Figure 6.

nation of several partial images. The overall image of an object, which is perceived by the general public, can thus be seen as an intersection of the partial images presented in Figure 6.[349]

The ad-hoc image of an object is regarded to be a spontaneously arising, superficial construct evoked by the reaction to a current event. It is influenced by volatile mood impressions and trends and is thus seen as relatively instable and subject to disappointment. Profound image, by contrast, symbolises a basic, clearly defined image of an object based on matured, successively learned denotative and connotative evaluations of its attributes. It is deeply rooted in personal experience. Furthermore, it is stable, resistant to disappointment and thus an enduring value-anchor in the perception of an individual.[350] While it is true that the ad-hoc image co-determines the profound image of an individual in the long-run, an overshadowing of the profound image by an opposing ad-hoc image for a short period of time will leave the foundation of the profound image unaffected.[351]

Figure 6: Partial Images



Source: Own Illustration adopted from BUSS/FINK-HEUBERGER (2000), p. 52.

The image of an object is never created without some sort of relationship to its superior unit's image. It is in fact a combination of a primary and a secondary image. The primary image is the image that can immediately be derived from the profile of an object, whereas the secondary image of the object is rubbed off by the image of the object's superior economic, social and cul-

[349] See BUSS/FINK-HEUBERGER (2000), p. 52.
[350] See HELMREICH (2004), p. 15.
[351] See BUSS/FINK-HEUBERGER (2000), p. 58.

tural context. Every primary image needs to be perceived in relation to its context. The latter's contours therefore predetermine the shape of the primary image.[352] If, for instance, the image of an African real estate market is to be investigated, the primary image is drawn from the profile shaped by the market's attributes, whereas the secondary image is inevitably drawn from market-independent country- and culture-specific characteristics of the particular African region, in which the market functions. Images of African real estate markets can thus never be completely separated from the images of their superior country-specific, even continent-specific context.[353]

The results of various country-of-origin research points to the fact that a further differentiation has to be made between an object's close image or self-image and its remote image.[354] Image constructs, which are based on subjective experience with or personal proximity to an object, are considered close images. In this case, the evaluator is accused of ego-involvement, which is expressed by experience, a high degree of observational alacrity as well as great interest in the object to be evaluated.[355] Should the evaluator be a part of the image object or should the evaluator be the image object itself, one speaks of self-image.[356] Self-image, in turn, is considered to be a form of close image. Image created within distance to an object is consequently called remote image. In this case, the evaluator is accused of ego-detachment, which reflects small interest, little experience and no identification with the image object.[357] First empirical research on country image observed that close image and thus self-image tends to turn out to be more positive than remote image. Although subsequent research was not able to definitively confirm this, clear discrepancies between close and remote image were identified. WEISS RICHARD delivers an explanation attempt by stating that individuals, who have little or no distance to an image object, are said to have more experience and knowledge of the image object. These characteristics reflect ego-involvement, which, in turn, allows for fewer stereotypical beliefs about the image object that often negatively influence the image formation. The image construct is thus primarily derived from denotations instead of connotations.[358] The differentiation between close and remote image is especially important for the design of the operationalisation of the image analysis, which will take place at a later stage of this study. The importance of this differentiation can be explained by the fact that a difference in the image results between foreign (ego-detached) and domestic (ego-involved) real estate professionals is likely and therefore predicted to occur.

2.4 Chapter Summary

The preceding chapter deals with outlining three relevant fields of research, namely *African Real Estate Research*, *research on foreign real estate investment* as well as *Behavioural Real Estate* in combination with *conceptions of attitude and image*. These fields of research are regarded to be essential for establishing an adequate theoretical basis, on top of which the in-

[352] See HELMREICH (2004), p. 15.
[353] So-called country-of-origin effects have already been increasingly examined within Consumer Behaviour Research, since intensive correlations between brand and product images and the image of the particular country of origin have been identified (see i.e. BAUGHN/YAPRAK (1993), p. 89 or JAFFE/NEBENZAHL (2001), p. 41).
[354] See WEISS RICHARD (2003), pp. 256f. and BENTELE (1992), p. 156.
[355] See BUSS/FINK-HEUBERGER (2000), p. 63.
[356] See SCHWEIGER (1992), p. 18.
[357] See HELMREICH (2004), p. 16.
[358] See WEISS RICHARD (2003), p. 115.

tended image analysis and market research can be constructed. In order to be able to understand the momentary state of *African Real Estate Research*, it was initially necessary to mirror the ongoing *Africa debate* in general. Until the 1980s, state interventionist policies were dominant within most African states. In many cases state power directed economic processes as well as the price formation within the different market segments. This interventionist orientation was often bound to corruption and nepotism, which primarily affected those states situated south of the Sahara. However, especially within the last two decades, the situation clearly changed to such an extent that liberal, free market economic impulses were able to be realised. This development resulted in an increase in solvency of the affected states. From the year 2000 until the beginning of the financial crisis in 2007 Sub-Saharan Africa was able to attract historically high levels of foreign direct investment. To some degree, these developments also evoked international interest in African real estate. Thus, real estate markets within Sub-Saharan Africa have slowly come to the fore of international research activity.[359] Nonetheless, measured on the basis of the accessibility of relevant market information, no other region in the world has been avoided more obviously by market-oriented real estate research to date. Nonetheless, a certain change of mindset can currently be witnessed. Evidentially, there has been a shift towards a market-orientated approach, which, for instance, is reflected by the topics discussed within the annual conferences held by AFRES during previous years. Moreover, this development was and still is enhanced by a certain necessity made evident by the existing economic unbalance between demand and offer. The demand for adequate real estate products, most notably the demand for prime office space and residential units, could no longer be met within the urban centres of Sub-Saharan Africa, whose growing prosperity was driven by economic dynamism. This led to the situation that Sub-Saharan Africa's real estate markets, which display high yield potential, slowly moved into the focus of local and international real estate professionals. Nevertheless, Sub-Saharan Africa still remains largely tabooed for most foreign investors as a potential destination for real estate investment. This is partly due to the limited range of indirect investment possibilities. One of the reasons for the lack of indirect real estate investment products is the insufficient maturity of the financial and capital markets within the region. Thus, the evaluation of FREI primarily refers to direct investment activity. However, due to the growing maturity of the financial, capital and real estate markets in Sub-Saharan Africa, the development and marketing of indirect real estate investment products presents a promising opportunity to attract and make use of future foreign capital resources.

Principally, the different motives for FREI, independent of the fact whether the investments refer to well-established markets or to less-developed regions like Sub-Saharan Africa, can be conceptualised by means of the *Eclectic Paradigm*. According to the results of this concept, motives for FDI, which resemble those of FREI, can be found in gaining access to new markets, securing current markets, tax advantages, wage cost advantages, procurement advantages and government investment incentives. Further motives can be seen in risk reduction strategies (i.e. diversification), the search for higher returns, the lack of investment possibilities on domestic

[359] In this context, the role of Sub-Saharan Africa within current real estate research tends to be undervalued in German-speaking countries, whereas - presumably due to historical reasons (i.e. as a consequence of the long colonisation period) - a higher number of studies and abstracts are published in English-speaking countries.

markets as well as better economic, political, legal and social conditions on foreign markets. The investment motives are inseparably linked to several factors that influence the choice of location. When evaluating potential real estate markets, the relevance of these individual factors varies according to the investor and the decision-making situation. Nevertheless, fundamental influencing factors can principally be classified as political, economic, legal and socio-cultural factors. Depending on the selected investment location, the systematic risks of FREI also vary. The evaluation of the latter should include components such as political risks, risks from unsound monetary and fiscal policies, business risks, currency risks, inflation risks and risks from different values, lifestyles and demographics.

With regard to this study's main research objectives, *Behavioural Real Estate*, which serves as the collective term for real estate-specific behavioural research, is bridged with conceptions of attitude and image developed within social psychology. The basics of *Behavioural Real Estate* are used to sketch a sequential FREI decision-making process, which contains recognition, diagnosis and screening phases. *Behavioural Real Estate* dissociates itself from the rationality principle of neoclassical economic models, in order to enable a more realistic representation of decision-making behaviour. Most models are therefore based on the *Principle of Bounded Rationality*, which takes heuristics and biases into account. Decision-makers do intend to behave rationally, but are subject to diverse limitations. With regard to the complexity of real estate investment decision-making processes, such limitations may appear in the form of the so-called *halo effect*. In its common form the latter can be described as the existing influence of the overall attitude towards an object on the appraisal of the individual attributes of the same object. The assessor thereby consistently transfers the aggregated judgement of an object to the assessment of its individual attributes. Such transfer effects and biases are primarily linked to image formation. In this context, image plays a role as an intervening variable of FREI decision-making behaviour. Existing research in this field claims image to be one of the basic factors that determine the formation of preferences within the selection of potential investment destinations. As research on image is partly built on models initially developed within *Attitude Theory* (i.e. *FISHBEIN's Compensatory Attitude Model*), the terms attitude and image are separately defined, in order to be able to outline the causal effects between image, attitude and behaviour. While attitude is considered to be a one-dimensional construct, image is mostly described as being multi-dimensional. Image formation is mainly the result of denotative (profound attributes) and connotative (immaterial, emotional attributes) dimensions. An attitude is considered to be the consolidation of all individual dimensions of an image to a one-dimensional unit. Lastly, image is further specified by means of a typology, which differentiates between ad-hoc and profound image, primary and secondary image as well as close (or self-image) and remote image.

3 An Assessment of the Real Estate Investment Climate in Sub-Saharan Africa with Emphasis on Tanzania

3.1 Background Information on Sub-Saharan Africa

Sub-Saharan Africa can be classified based on regional data and indices that not only refer to economic aspects, but also to social as well as other relevant parameters. Furthermore, the particular political and historical context of Sub-Saharan Africa has to be considered. This differs fundamentally from that of established Western countries, since many of the states of Sub-Saharan Africa have gained independence only during the previous decades. This new situation, contrary to the original hopes, was often accompanied by serious political and social ills. The latter have and still do shape parts of the framework for real estate markets in the region and shall thus also be discussed in the following.

3.1.1 Geographical Setting and Regional Data

Geographically and economically, Africa is divided into North and Sub-Saharan Africa. The latter includes all of those countries situated completely or predominantly south of the Sahara or the Sahel. North African countries are often assigned to the Middle East region within the inquiry of economic data.[360] Relevant regional data for the Sub-Saharan region can be structured according to development indicators regularly published by the WORLD BANK. These indicators are subdivided into categories, namely *People*, *Environment* as well as *States and Markets*.[361]

With regard to the category *People*, current regional data emphasises that the number of extremely poor people, measured in percent of the approximately 800 million people populating the region, decreased from 58% to 50% in the period from 1990 to 2005.[362] Certainly, the proportion of poor people in the Sub-Saharan region is considerably higher than in North Africa. Approximately 390 million people in Sub-Saharan Africa still live off less than USD 1.25 per day.[363] In spite of past intensive reform and development efforts, large material deficits, especially for education and health services, continue to shape the people's day-to-day existence.

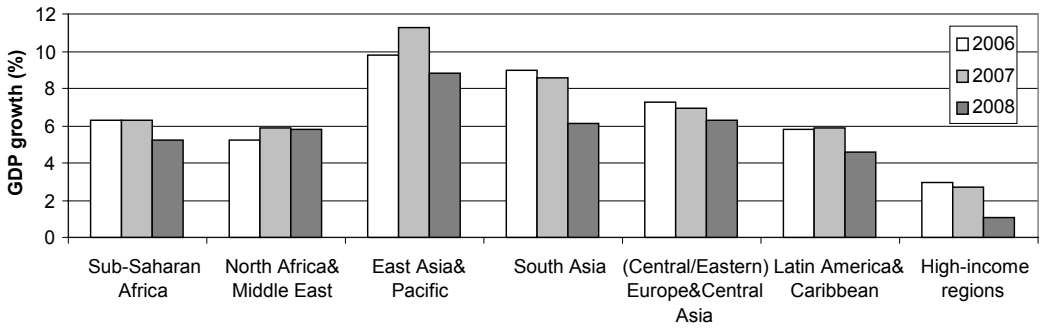
Concerning *Environment*, it must be borne in mind that Sub-Saharan Africa is doubtless a so-called rapidly urbanising region.[364] Between 1990 and 2007, the absolute number of the urban population doubled to approximately 290 million. With regard to 2007, this corresponded to approximately 36% of the total population. However, in reverse this also means that still two thirds of the population lives in rural conditions.[365] Hence, a continuation of this urbanisation process can be assumed, as it is also still consensus within African perception that urban centres fea-

[360] See WORLD BANK (2009a), p. 197. The Near East, e.g. countries like Israel, Lebanon or Syria, is mostly subsumed under the Middle-East-Region within English literature.
[361] See WORLD BANK WDI DATABASE (2009b).
[362] See WORLD BANK WDI DATABASE (2009b). Obviously beyond 2005 the extended data for these parameters cannot be regarded as sufficiently reliable.
[363] See WORLD BANK WDI DATABASE (2009b).
[364] See MABOGUNJE (2006), p. vii.
[365] See WORLD BANK WDI DATABASE (2009a).

ture a better life.[366] This urbanisation trend, in turn, presents a great challenge to urban planning as well as to real estate and infrastructure development.

The category *States and Markets* can be outlined by a number of indicators, some of which will be listed in the following. The countries of Sub-Saharan Africa - alongside those of North Africa, the Middle East and other countries characterised by emerging markets[367] - are referred to as low- and middle-income economies.[368] In comparison to other low- and middle-income economies, Sub-Saharan Africa has in the recent past been able to display similar GDP growth rates to North Africa, Central Asia, Latin America and the Middle East. The growth rates of the East Asia and Pacific region, however, were clearly fallen short of.[369] Nonetheless, the GDP increases in Sub-Saharan Africa are definitely impressive in relation to those of high-income regions, such as the U.S.A. and Western Europe as illustrated in Figure 7.

Figure 7: Income Region and GDP-Growth



Source: WORLD BANK (2009a), p. 197.

A differentiated examination of further available up-to-date information on Sub-Saharan Africa in comparison to other low- and middle-income regions implies that, at least in terms of gross national income (GNI), the value of Sub-Saharan Africa ranks significantly behind that of Latin America and the East Asia and Pacific region.[370] The proportion of services in percent of GDP stood at 53% in the Sub-Saharan region, which reflects a similar level to those of the regions compared. Even the gross capital formation of 22% of GDP is similar, at least to some extent, to the reference values of the other regions investigated. Regarding the stock market capitalisation, the corresponding values of North Africa/Middle East were significantly exceeded. However, the respective capitalisation values of the remaining regions investigated were clearly higher. Furthermore, Sub-Saharan Africa ranked in between North Africa/Middle East and South Asia in terms of total external debt, whereas the latter was considerably lower than the amounts of the other regions listed in Table 2. Moreover, an extremely high amount of net aid received was noted.[371]

[366] See KESSIDES (2006), pp. 28f.
[367] Particularly of note here are South-East Asia and Latin America.
[368] See WORLD BANK (2009a), p. 197.
[369] See WORLD BANK (2009a), pp. 197f.
[370] See WORLD BANK WDI DATABASE (2009a), p. 1.
[371] See WORLD BANK WDI DATABASE (2009a), p. 1. The high amounts of net aid received partly result from development aid as well as donations from NGOs and charitable organisations. In the past, considerable amounts of aid were di-

Despite the unmistakable economic progress[372] of the Sub-Sahara region and the consequent convergence to economic performance standards of other low- and middle-income regions, on the whole it cannot be overlooked that the proportion of low-income countries in Sub-Saharan Africa as yet is still noticeably higher than in North Africa and the Middle East by way of example. According to the global development finance report published by the WORLD BANK in the beginning of 2009, of the 45 listed countries of Sub-Saharan Africa 33 were assigned to the low-income segment (including Tanzania), 7 to the lower middle-income segment (Angola, Lesotho, Cameroon, Cape Verde, Republic of the Congo, Sudan, Swaziland) and only 5 of the countries were earmarked as an upper middle-income country (Botswana, Gabon, Mauritius, Seychelles, Republic of South Africa). On the contrary, of the 10 states listed for North Africa and the Middle East, 8 were assigned to the lower middle-income segment, while only one state each was assigned to the low-income segment (Yemen) and the upper middle-income segment (Lebanon).[373]

Table 2: Macro-Economic Outline of Sub-Saharan Africa in Comparison to Other Low- and Middle-Income Regions in 2008

Indicator	Region					
	Sub-Saharan Africa	North Africa & Middle East	East Asia & Pacific	South Asia	(Central/ Eastern) Europe & Central Asia	Latin America & Caribbean
GNI (bn. USD)	761	883	4.173	1.339	2.679	3.252
Services (% of GDP)	53	49	41	53	60	61
Gross capital formation (% of GDP)	22	28	38	35	25	22
Stock market capitalisation (bn. USD)	570	203	3.244	680	722	1.168
Total external debt (bn. USD)	195	136	741	305	1.262	826
Net aid received (bn. USD)	35,4	17,6	8,6	10,4	5,8	6,8

Source: WORLD BANK WDI DATABASE (2009a), p. 1.

rected towards the region, whereas it was critically pointed out that obviously a discrepancy existed between the amounts paid and the amount of services arisen from these payments (see, for example, ERKENS (2005), p. 1).

[372] Some authors view this progress nevertheless very critically and point out the problems that are seen as a cause of the neo-liberal structures slowly implemented in African countries (see CARMODY (2007), p. 12 and RODRIK (2002), pp. 3f.).

[373] See WORLD BANK (2009b).

3.1.2 Historical and Political Context

The overcoming of colonialism in the 1950s and 1960s was accompanied by pronounced and somewhat euphoric expectations regarding the improvement of living conditions and the possibilities of political and economic restructuring.[374] However, these expectations were often seriously disappointed. Instead of prosperity and growth, civil wars, ethnic hostilities, corruption, political mismanagement and countless human rights violations had to be witnessed.[375] In part, these problems and undesirable developments can be attributed to the *ethnic fractionalisation* within individual countries, which often resulted in (and still lead to) conflicts between ethnic groups, tribes and clans.[376] By way of example, a catastrophic culmination of such politically and ethnically motivated hostilities occurred in 1994 in Rwanda, which ended in genocide of the Tutsis by the population majority of Hutus.[377] Admittedly, the factor of ethnic fractionalisation alone cannot be viewed as the cause of said problems. For example, based on the estimation of the ETHNO-LINGUISTIC FRACTIONALIZATION INDEX in the 1990s, countries of the Sub-Saharan region, such as Tanzania, Uganda, Cameroon and the RSA, were given quite high index values and were thus categorised as ethnically extremely fragmented. Nonetheless, these countries today show relatively successful political and economic development.[378]

The Sub-Saharan region has been and still is characterised by extremely complex interactions between ethnic-cultural, political and economic factors. From a more recent historical perspective, the lack of good governance has proven to be another crucial problem on both political and economic level.[379] After the achievement of independence - instead of implementing power sharing and reliable political structures - formerly colonial structures were often replaced by individual leaders characterised by a so-called *strong man syndrome*. Such leaders took their place at the top of the system overruling people, the parliament and the judiciary.[380] In some cases, these government principles resulted in blatant nepotism and state-collapses within Sub-Saharan Africa, which were observed until well into the 1990s.[381] Until the millennium, this went hand in hand with a marginalisation of the political-scientific reflection of these states within international relations theory.[382]

Stronger consideration and also actual implementation of good governance was able to be achieved in Africa during previous years, among others due to the implementation of the long-prepared NEPAD-Initiative in 2001. The latter is an internationally embedded and supported program, in which African states set their own standards and peer review those components

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[374] See APRAKU (2007), p. 35.
[375] See FOSU (2003), pp 68f.
[376] See EASTERLY/LEVINE (1997), p. 1203 and TECOLA/SCANLAN (2007), p. 1.
[377] See MAMDANI (2001), pp. 98f. The exact number of victims is likely never to be recorded. According to reliable research, however, at least half a million and a maximum of one million Tutsis and moderate Hutus were murdered (see DES FORGES (2002), p. 34).
[378] See TECOLA/SCANLAN (2007), p. 1.
[379] See APRAKU (2007), pp. 35f. and GAHLER (2007), p. 39. Also see GONZÁLEZ AIMÉ (2008), p. 2.
[380] See SEWANYANA (2007), pp. 49f.
[381] This formulation could suggest that the problems mentioned were solved in the meantime. It is indisputable that, despite all setbacks, reforms have been realised in the very recent past. However, it can in no way be spoken of a complete or even extensive overcoming of the deficits.
[382] See DUNN (2001), p. 2.

against which they measure themselves.[383] The advantage of peer reviews is that states, which commit themselves voluntarily to co-operation, are more likely to follow the stipulations of the NEPAD-bodies than perhaps follow directives from the IMF, the WORLD BANK or the EU.[384] The NEPAD regulations were compiled collectively by the African states. The efficiencies of such programs, however, have suffered since 2007 as a direct result of the conditions caused by the far-reaching international financial and economic crisis. Nonetheless, it can be stated that not only economic, but also significant political progress was able to be achieved.[385] The improvements made in the recent past can be observed in terms of political democratic governance[386], economic governance[387], social economic governance[388] and corporate governance[389].[390]

From a modern historical perspective there has been an increasing understanding that political pluralism can only be sustainable through the effective establishment and maintenance of democratic institutions and a trustworthy judiciary. This includes a functioning legislature, strong political parties, independent electoral authorities, strong civil organisations and lastly an independent media.[391] Ghana, for instance, has been a leading positive example of a national process of reflection on what went wrong after independence, which resulted in the implementation of a concept of good governance.[392] Political stabilisation, as witnessed in Ghana, could also be observed in other Sub-Saharan states in the last few years. For example, in Tanzania unmistakable and successful efforts were undertaken to punish offences against good governance on both political and business level. In addition, the fight against corruption was intensively pressed ahead. Independent media has been playing an essential role as a political corrective in this process of political change.[393]

Although in 2008 still nearly half of all Sub-Saharan African states were categorised as so-called *fragile* or *failed states*[394] by various studies and inquiries[395], in overall perspective the conclusion can be drawn that on a political level these countries have been able to achieve clear situational improvements during the past two decades.[396] This conclusion finds itself strengthened within newer historical and political-scientific literature concerning Africa.[397] In this context, authors such as GONZÁLEZ AIMÉ from the AFRICAN STUDIES GROUP OF THE UNIVERSITY

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[383] See GAHLER (2007), p. 39.
[384] See GOUNDEN/NGUBANE (2002), p. 44.
[385] See JAKOBEIT (2006), p. 24 and SIDIROPOULOS (2007), p. 47.
[386] By this the acceptance for the rule of law, protection of civil and human rights and basic freedoms of religions, associations and media is meant.
[387] This includes sharing the normative order to promote greater development for all, reducing poverty and taking care of human needs.
[388] Especially with regard to the sensitivities that exist in Sub-Saharan Africa around ethnicity and tribalism, care has to be taken with the distribution of national resources. Furthermore, social economic governance includes the acceptance of social programs and activities, which ensure that particular social or ethnic classes will not get richer at the expense of the poor.
[389] This includes the acceptance of clearly defined rules, which govern business activities, including adjudication and arbitration.
[390] See APRAKU (2007), p. 36.
[391] See APRAKU (2007), p. 36.
[392] See GAHLER (2007), p. 39. Also see KUSIMI/FOBIL/ATUGUBA/ERAWOC/ODURO (2006), p. 218.
[393] See HÄUßLER (2008), pp. 2f. and MWAMUGOBOLE (2008), p. 3.
[394] The concept or possibly even stereotype of *fragile/failed states* represented in some Western media has lately been subject to criticism.
[395] See GONZÁLEZ AIMÉ (2008), p. 1.
[396] In an economic-political context the statement is also of interest. According to inquiries by the WORLD BANK, three of the *top ten reformers in business 2007/08* are Sub-Saharan African states (Senegal, Burkina Faso, Botswana). See WORLD BANK WDI DATABASE (2009b).
[397] See GONZÁLEZ AIMÉ (2008), pp. 1f. and DOORNBOS (2006), p. 74.

OF MADRID pointed out the danger of remaining too tied up in traditional views of Sub-Saharan Africa's political environment. This could easily result in negatively charged perceptions of the region, which does not necessarily bear relation to the actual political situation in situ.[398] The difference between perceptions and realities on economic level, in turn, will be discussed in the following.

3.2 Perceptions and Realities of Sub-Saharan Africa's Economic Environment

While one of Sub-Saharan Africa's key challenges in attracting foreign investment still remains to be the improvement of its economic and political fundamentals, it seems similarly important to ensure that investors' perceptions are gradually aligned to these improvements.[399] Investors' particularly averse reaction towards the region has begun to spark attention towards the search for an explanation for this so-called afro-pessimism. Insofar, in assessing Sub-Saharan Africa's investment climate, it is necessary to contrast commonly perceived with actual facts. The following passages will report on and give reasons for Sub-Saharan Africa's image crisis and attempt to present relevant excerpts of the broad spectrum of economic facts on Sub-Saharan Africa.

3.2.1 Investment Stigma: Sub-Saharan Africa's Image Crisis

Although Sub-Saharan Africa has increasingly been appreciated as a potential destination for foreign capital flows, its image endures at variance with investment opportunities at hand. For all that has been stated on its continuously developing economic prominence, the adverse variance between investors' perceptions and the realities of the region's investment climate remains. Despite the U.S. Government's OVERSEAS PRIVATE INVESTMENT CORPORATION's (OPIC's) and the WORLD BANK's observations that Africa offers the highest rate of return on FDI[400], Sub-Saharan Africa has not been able to realise its investment potential.[401] In 2008 the region solely attracted 8.8% of the total FDI inflows to least developed countries,[402] which equated to only 3.2% of the total volume of FDI worldwide.[403] Amongst others, COLLIER and PATTILLO as well as MEIER-EWERT hold the perceived image of Sub-Saharan Africa responsible for this prevailing low volume of investment inflow.[404] Even a flagship-country like Botswana, which has continuously been receiving an *investment-grade A rating* within STANDARD & POOR'S sovereign credit ratings, still struggles in shaking off the persistent negatively trenched view of Sub-Saharan African markets.[405] Although private-public partnerships, such as the INVESTMENT CLIMATE FACILITY (ICF), as well as various Investment Promotion Agencies (IPAs) have positively contributed to

[398] See GONZÁLEZ AIMÉ (2008), p. 2.
[399] See JASPERSEN/AYLWARD/KNOX (2000), p. 92.
[400] See MOGAE (2007), pp. 68f. and DLAMINI-ZUMA (2004), p. 21.
[401] See UNIDO (2003), p. 2.
[402] See UNCTAD/UNDP (2007), p. 12.
[403] The calculations are based on published data from UNCTAD (2007), pp. 251f. and UNCTAD (2009), p. 42 and pp. 247f. Total FDI inflows to Sub-Saharan Africa came up to USD 54.6 billion in 2008 (according to this data FDI in Sub-Saharan Africa showed a better performance in the years 2006-2008 than FDI in other world regions, which, in most cases, were negatively influenced by the financial crisis). Due to the geographical perimeters defined within this study, FDI inflows to the Republic of South Africa are deliberately excluded from the total value of inward FDI to Sub-Saharan Africa previously mentioned. In addition, FORD adds that once the figures of investment flows into oil, gas and telecommunication sectors are extracted from the overall FDI inflows to Sub-Saharan Africa, the remaining FDI figures are substantially smaller (see FORD (2006), p. 29).
[404] See COLLIER/PATTILLO (2000), p. 19.
[405] See STANDLEY (2006b), p. 130.

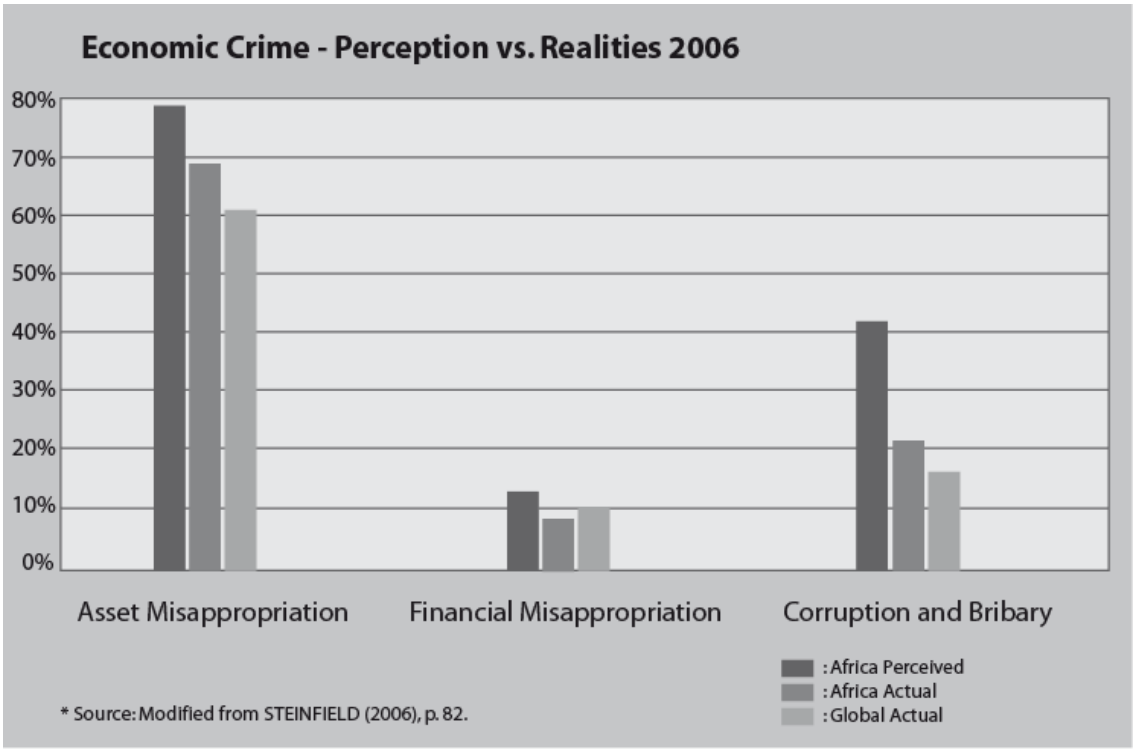
promoting the improvement of the region's investment climate, investors still consider Sub-Saharan Africa to be trapped inside a vicious cycle of poverty, corruption, warfare, under-development, disease, low transparency, high costs and instability.[406] DLAMINI-ZUMA states that risks of investing in the region, including unpredictable legal and policy environments, currency volatility, ingrained corruption, rigid bureaucracies, high dependency on personalities rather than on institutions, conflict, poor infrastructure and a general low skills basis, cannot be denied. However, he adds that the level of risk is consistently misconceived and thus exaggeratedly interpreted by potential investors.[407] This so-called afro-pessimism, agitated by crisis-orientated western media coverage, is commonly expressed as an explanation for the prevailing investment stigma, which reveals itself in the form of the limited volume and direction of investment, the application of excessive hedging-strategies[408] and the current suboptimal investment pace.[409]

Afro-pessimism is regarded to be partially caused by the lack of valid information obtained by potential foreign investors. For the most part, foreign investors only have limited region-specific knowledge due to the prevailing cost-ineffectiveness of information gathering within Sub-Saharan Africa.[410] For instance, most of the region's countries lack sovereign credit ratings, which play an important part in benchmarking risk for debt and structured finance in global capital markets.[411] This and many other information deficits, in turn, encourage speculative opinion-making. The image creation process is therefore either controlled by the information, which investors are subconsciously exposed to (i.e. media), or is driven by irrelevant benchmarks and/or based on the little country-level information derived from published country reports, indexes and rankings available.[412] Commonly accessed data sources such as the ECONOMIST INTELLIGENCE UNIT (EIU)[413], the INTERNATIONAL COUNTRY RISK GUIDE (ICRG)[414], TRANSPARENCY INTERNATIONAL'S CORRUPTION PERCEPTIONS INDEX (CPI)[415], the GLOBAL COMPETITIVENESS INDEX (GCI)[416] and the HUMAN DEVELOPMENT INDEX (HDI)[417] are just a few among many to mention. Unsurprisingly, poor index ratings are negatively correlated with foreign investment rates.[418] All the more worrying are the flaws identified within the indexes and rankings, since these have direct negative effects on the value of inward investment to Sub-Saharan Africa. Possible corruption index and ranking flaws as well as consequent misconceptions of the actual corruption level in

[406] See WILLIAMS (2006), p. 37.
[407] See DLAMINI-ZUMA (2004), p. 21.
[408] For instance, the time-horizon of foreign investments in Sub-Saharan Africa is noticeably shorter in comparison to the time-periods of capital commitments of foreign investments in other developing regions. By increasingly searching for finance from domestic institutions and by securitising this debt with local real assets, investors seek to repatriate their initial investment immediately (see BHINDA/GRIFFITH-JONES/MARTIN (1999a), p. 49). Furthermore, short term foreign exchange risk hedging is frequently carried out in form of purchasing USD denominated government papers (see GRIFFITH-JONES (2002), p. 4).
[409] See STEINFIELD (2006), p. 80.
[410] See MEIER-EWERT (2007) and COLLIER/PATTILLO (2000), p. 19. Also see BHINDA/GRIFFITH-JONES/MARTIN (1999b), p. 72 and MOSS (2005), p. 113.
[411] The UNDP and STANDARD & POOR'S have initiated new sovereign credit ratings in Sub-Saharan Africa recently. As yet, 11 Sub-Saharan African countries have received ratings by STANDARD & POOR'S (see STANDLEY (2006b), p. 130). Solely 15 of the 47 countries in Sub-Saharan Africa excluding RSA have foreign currency debt ratings (see CHIKOLWA (2007), p. 7).
[412] See BHINDA/GRIFFITH-JONES/MARTIN (1999b), p. 72.
[413] See EIU (2008), pp. 1f. for an exemplary country report. Also see BHINDA/GRIFFITH-JONES/MARTIN (1999c), p. 97.
[414] See COLLIER/PATTILLO (2000), p. 7.
[415] See TRANSPARENCY INTERNATIONAL (2008a), pp. 1f.
[416] See WORLD ECONOMIC FORUM (2008), p. 3.
[417] See UNDP (2008a), p. 229.
[418] See COLLIER/PATTILLO (2000), p. 9.

Sub-Saharan Africa shall be described within the following passage and used as an example to demonstrate how the sole reliance on indexes and rankings may deliver a distorted picture of the factors composing the investment climate in Sub-Saharan Africa.[419]

Figure 8: Economic Crime - Perception vs. Reality 2006



TRANSPARENCY INTERNATIONAL for instance, an international coalition founded to challenge corruption, has found Africa to be the most corrupt continent during previous years. In 2008 African countries repeatedly took last places on the CPI, receiving scores between 5.8 (Botswana) and 1.0 (Somalia) on a scale from 10 (highly clean) to 0 (highly corrupt).[420] The average score of 2.9 in 2008 as well as the fact that 34 countries received a score below 3 indicate that corruption is still perceived to be a serious challenge across the continent. However, TRANSPARENCY INTERNATIONAL acknowledges flaws within its CPI. Owing to the fact that the CPI is based on three years of data, the impact of changes enforced by governments and policy-makers to reduce corruption is not portrayed in the respective index scores soon enough. Furthermore, the index is based on the corruption perceptions of a few elite institutions and expert panels. However, a recent study conducted in eight francophone Sub-Saharan African countries concluded that expert opinion is weakly linked to the countries' actual level of corruption experienced by their general population. It is rather linked to the respective countries' image as an investment location perceived by foreign observers in general. On average the expert panel estimated that 54% of the respondents would claim to have experienced acts of corruption. In fact, only 13.1%

[419] An excerpt of the distorted picture is illustrated in Figure 8.
[420] By comparison, top-performers Denmark, Sweden, Singapore, New Zealand and Finland received a score between 9.0 and 9.4 in 2007-2008 (see TRANSPARENCY INTERNATIONAL (2008b), p. 1 and TRANSPARENCY INTERNATIONAL (2008c), pp. 1f.).

declared to have had first-hand contact with such incidences of corruption.[421] Furthermore, as evidenced by the GLOBAL ECONOMIC CRIME SURVEY (GECS), perception levels of corruption in Africa turn out to be higher than actual levels, due to the fact that the potential economic impact of corruption is regarded to be large and consequently experts' estimates are driven by exaggeration.[422] The negative economic effect of corruption in Sub-Saharan Africa cannot be denied, as empirical results suggest that the corruption within the region not only occasions additional costs, but also negatively influences product, process and organisational innovation.[423] Moreover, survey findings state that 31% of all African companies interviewed claim to have lost at least one opportunity to competitors, who have made use of paying bribes.[424] On national level corruption is estimated to cost African countries 25% of their combined national income.[425] These figures clearly give evidence of the negative economic impact of corruption and thus partially explain the high level of exaggeration within investors' perceptions. Although actual figures of the level of corruption in Sub-Saharan Africa give reason for concern, the perceived extent of corruption remains disproportionally high[426], which, among other indicators, suggests the prevalence of afro-pessimism.

Besides investors' sole reliance on limited information sources, another factor said to be responsible for the persistent existence of false perceptions among foreign investors is the negative portrait of the region produced by western media. In light of the fact that an estimated 80% of all information released by media worldwide stems from four major western news agencies, namely REUTERS, AGENCE FRANCE-PRESSE (AFP), UNITED PRESS INTERNATIONAL (UPI) and the ASSOCIATED PRESS AND INTERNATIONAL CABLE NEWS NETWORKS, their contribution to forming the image of Sub-Saharan Africa is apparent.[427] Common accusations include the allegation that predominantly negative content as well as events of limited importance are given too much prominence and superficial, irrelevant content is intertwined with significant facts. A sensational, so-called *coups and earthquakes* style of news coverage has lead to a neglect of sympathetic content. For instance, research analysing the Sub-Saharan African image portrayed in the German elite press during a 20-year period between 1979 and 1999 concludes that the same amount and style of negative arguments raised during the 1970s were still raised during the presentation of the region during the 1990s, in spite of increased political stability and improved economic performance.[428] In addition, one of many other accusations stated is that western media fails to recognise the necessity of differentiating between the various countries of Sub-Saharan Africa.[429] Due to this generalisation, information on the achievements of individual countries is readily blurred by the mischief of the usual aberrants. Consequently, Sub-Saharan Africa is pictured as being one homogenous troubled entity.[430] VERSI believes that foreign investors, who generally rely on their own media for information, are allegedly exposed to western

[421] See STEINFIELD (2006), pp. 80f.
[422] The opposite applies for economic crimes, where the economic impact is regarded to be small.
[423] See MAHAGAONKAR (2008), p. 14. Also see MCARTHUR/TEAL (2002), p. 2.
[424] See PRICEWATERHOUSECOOPERS (2007), p. 32. The launch of the present GECS-findings (GECS 2009) was scheduled for the end of 2009 (see PRICEWATERHOUSECOOPERS (2009), p. 1).
[425] See TRANSPARENCY INTERNATIONAL (2005), p. 1.
[426] See MCKAY (2004), p. 9.
[427] See OJO (2002), p. 1.
[428] See MAWUGBE (2002), p. 184.
[429] See DLAMINI-ZUMA (2004), p. 21.
[430] See MWAKIKAGILE (2007), p. 58 and BHINDA/GRIFFITH-JONES/MARTIN (1999a), p. 49.

media's narrow and generalised point of view.[431] ATIME adds that western media falls short of in-depth analysis and thus follows patterns that result in a pessimistic, unconstructive, discouraging and crisis-orientated coverage of content related to Sub-Saharan Africa.[432]

In search of explanations for the existing media bias identified within western news agencies' coverage of Sub-Saharan Africa, an analysis of the relationship between media and image construction is inevitable. GUIRGUIS sees an image bestowed on a region through manipulative functions performed by media. In selecting and emphasising excerpts of reality, media promotes a specific, either favourable or unfavourable picture of a region.[433] The selection of the excerpts to be projected reflects the existing cultural relationship between the projector's country of origin and the region portrayed. Accordingly, information released by media is regarded to be a cultural symbol that transports values through the projection of constructed images.[434] The constructed image of a region in turn is dependent on the region's cultural proximity to the respective media entity's country of origin.[435] Cultural resemblance positively influences the effectiveness and substance of media communication. Cultural differences by contrast retard the information flow and increase the probability of a distorted image construction.[436] A similar effect can be observed as regards the economic proximity of a nation to the media entity's state of origin. ROSENGREN describes that the economic significance of a region not only determines the amount of content attributed to a region[437], but also influences the manner in which a region's image is selected and portrayed by western media.[438] The more economic significance a region has to another nation, the more prominently and favourable its events will be covered.[439] The fact that neither cultural nor economic proximity are given between the major media entities' countries of origin and Sub-Saharan Africa serves as an explanation for the distortion of content released by western media concerning Sub-Saharan Africa.

As outlined above, the lack of valid information processed by foreign investors during their conscious and/or unconscious assessment of Sub-Saharan African markets, which is caused by investors' exposure to distorted media content, the cost-ineffectiveness of information gathering, as well as the consequent reliance on a limited amount of information sources, significantly contributes to the prevailing existence of afro-pessimistic behaviour. All the more replicable is the aroused enthusiasm regarding the attempt to rebrand Sub-Saharan Africa in the perception of the developed world and to improve the flow and content of information.[440]

3.2.2 Patterns of an African Renaissance

The attempt to trace patterns of the acclaimed *African Renaissance* by briefly subsuming the current economic environment and typical operative investment barriers across a region that

[431] See VERSI (2000), p. 45.
[432] See ATIME (2008), p. 8.
[433] See GUIRGUIS (1998), p. 26.
[434] See MAWUGBE (2002), p. 94.
[435] See ZAHAROPOULOS (1990), pp. 190f.
[436] See MAWUGBE (2002), p. 90.
[437] OJO states that only 20% of news content communicated worldwide is devoted to developing countries, in spite of the fact that these almost inhibit three quarters of the world's population (see OJO (2002), p. 1).
[438] See ROSENGREN (1974), p. 145.
[439] See MAWUGBE (2002), p. 90.
[440] See VERSI (2006), p. 15.

comprises 47 countries is naturally at risk of expressing a far too subjective, generalised view of Sub-Saharan Africa (excluding RSA). Nonetheless, region-wide data in combination with consciously selected exemplary country-based data excerpts may outline a sufficiently detailed picture. Several indicators of Sub-Saharan Africa's economic environment as well as the most commonly perceived investment barriers shall therefore be presented in the following, in order to allow for a preliminary impression of the region's potential in attracting foreign investments.

3.2.2.1 Current Economic Environment

Alongside and in contrast to the negatively trenched perceptions of Sub-Saharan Africa's economic environment, voices have previously been raised declaring Africa the next relevant business frontier. After the economic collapse between 1975 and 1985 and the stagnation phase between 1985 and 1995, the region's economic performance since 1995 has lead to a consensus projection of sustainable economic improvement. Among others, the fact that Sub-Saharan Africa has previously experienced comparatively lower inflation rates between 6.1% and 8.9% between the years 2000-2007 as well as its highest economic growth since the 1970s averaging an annual real GDP growth rate of 5.9% within the time period mentioned above has fuelled the region's confidence.[441] Although statistical sources seem to present apparent evidence of the economic resurgence of Sub-Saharan Africa,[442] a generalising view of the region may give a false impression. The variance between Sub-Saharan Africa's countries' real GDP growth rates for instance remains disproportionately high, which underlines the commonly uttered description of a *two-speed Africa*. Some economies experience a so-called African Renaissance, while others continue to justify the prevailing afro-pessimism with their poor economic performances.[443] A randomly selected comparison between Angola and Zimbabwe, the first and last country on an alphabetically ordered list of the states of Sub-Saharan Africa, already gives justifiable reason to assume severe differences in growth rates within the region. Angola recorded annual real GDP growth rates of 18.6% in 2006, 20.3% in 2007 and an estimated 14.8% in 2008[444], whereas Zimbabwe's downswing has sadly continued with annual real GDP growth rates of -5.4% in 2006 and an estimated -6.1% in 2007 (no reliable data available for 2008 with regard to the problematic political situation in Zimbabwe).[445] While commonly referred to as two-speed Africa, due to the exuberantly high growth rates of oil-exporting countries, a further differentiation has to be undertaken into slow-growth economies (36.7% of Sub-Saharan Africa's population), diversified sustained-growth economies (35.6% of Sub-Saharan Africa's population) and oil-exporting countries (27.7% of Sub-Saharan Africa's population).[446] However, despite the variances in economic performance, Table 3 shows that over half of Sub-Saharan Africa's population now lives in countries that have experienced an economic growth of at least 4% p.a. between 1996 and 2007.

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[441] See WORLD BANK (2008a), p. 1 and WORLD BANK (2009c).
[442] See DA COSTA (2006), p. 12.
[443] See DA COSTA (2005), p. 18.
[444] Angola's oil production has averagely contributed an estimated 85% to the country's GDP (see CENTRAL INTELLIGENCE AGENCY (2009), p. 1).
[445] See AFRICAN STATISTICAL COORDINATION COMMITTEE (2009), p. 42. Also see WORLD BANK (2008b), pp. 1f. and CENTRAL INTELLIGENCE AGENCY (2009), pp. 1f.
[446] See Table 3. Please note that the GDP growth rates are compound annual averages and are mainly based on data from WORLD BANK (2008a), p. 2. The states listed as oil-exporting economies do not represent the complete list of states in Sub-Saharan Africa producing oil, but rather a list of those states, where oil revenues largely contribute to the respective GDP.

Table 3: Average GDP Growth Rates in Sub-Saharan Africa between 1996 and 2007

Average GDP Growth Rates in Sub-Saharan Africa between 1996 and 2007

Slow growth economies (GDP growth < 4% p.a.)		Diversified, sustained-growth economies (GDP growth 4% p.a. or more)		Oil-exporting economies	
Country	% GDP growth	Country	% GDP growth	Country	% GDP growth
Zambia	4.00	Mozambique	8.30	Equitorial Guinea	29.00
Guinea	3.60	Rwanda	7.60	Chad	8.20
Niger	3.60	São Tomé & Prin.	7.60	Angola	9.50
Malawi	3.70	Botswana	6.50	Sudan	6.60
Mauritania	3.60	Uganda	6.30	Nigeria	4.50
Togo	3.40	Cape Verde	5.80	Congo, Rep.	3.30
Madagascar	3.40	Mali	5.70	Gabon	1.30
Lesotho	3.30	Tanzania	5.40		
Kenya	3.20	Ethiopia	5.70		
Eritrea	2.40	Sierra Leone	5.30		
Seychelles	2.80	Burkina Faso	5.00		
Comoros	2.10	Mauritius	4.80		
Centr. Afric. Rep.	0.70	Ghana	4.90		
Guinea Bissau	0.10	Benin	4.60		
Burundi	0.80	Senegal	4.40		
Congo, D.R.	0.60	Cameroon	4.10		
Zimbabwe	-2.30	Gambia, The	4.40		
		Namibia	4.10		

* Source: WORLD BANK (2008), p. 2 and own calculations based on data from the AFRICAN STATISTICAL COORDINATION COMMITTEE (2009), p. 42 and WORLD BANK (2009c).

Although Sub-Saharan Africa's high average real GDP growth rate is partly driven by the oil revenues of oil-exporting states[447] and sceptics regard the high growth rates of non-oil-exporting countries partly to be a result of the upturn in commodity markets[448], the consistency of overall growth gives reason to believe in the region's general economic improvement.[449] This notion is reflected in the IMF's prediction of an average annual GDP growth of at least 5.6% until 2012.[450] Nevertheless, a comparison of the competitiveness of Sub-Saharan Africa with that of other developing regions allows only for a less optimistic conclusion.

[447] Approximately 10% of the world's crude oil reserves can be found in Sub-Saharan Africa's oil-exporting states, namely Chad, Equatorial Guinea, Cameroon, Nigeria, Angola, the Republic of Congo, Côte d'Ivoire, Gabon, Sudan and Mauritania (see F.A.Z. (2007), p. 21).
[448] See SYNGE (2005), p. 118.
[449] See MWAKIKAGILE (2007), p. 67.
[450] See F.A.Z. (2007), p. 21.

Table 4: Development Indicators

Development Indicators	SSA[1]	Highest score (country)	Lowest score (country)	Tanzania
Population 2008 (millions)	808.9	151.5 (Nigeria)	0.1 (Seych.)	41.5
Economically active population 2008 (millions)	311.8	46.5 (Nigeria)	0.5 (São Tomé & P.)	20.5
Proportion of females of the economically active population 2008 (%)	42.6	55.9 (Mozamb.)	30.6 (Côte d'Ivoire)	49.8
Population growth 2008 (annual, %)	2.6	4.5 (Liberia)	0.1 (Zimb.)	2.9
Rural population 2005 (% of total population)	64.7	90.0 (Burundi)	13.9 (Djibouti)	75.8
Life expectancy at birth 2007 (total years)	52.0	73.0 (Seych.)	42.0 (Mozamb.)	55.0
Access to safe water 2007 (% of population)	61.0	100.0 (Maurit.)	29.0 (Somalia)	55.0
Tuberculosis: immunisation 2007 (% of population)	81.5	99.0 (Benin, B. Faso, Ghana, Madag., Senegal, Seych., Zimb.)	52.0 (Somalia)	89.0
Diphtheria: vaccination 2007 (% of population)	81.2	99.0 (B. Faso, Burundi, Seych.)	39.0 (Somalia)	83.0
Measles: vaccination 2007 (% of population)	81.6	99.0 (Burundi, CAR, Seych.)	34.0 (Somalia)	90.0
Prevalence of undernourishment in (% of population)	28.3	75.0 (Eritrea)	5.0 (Gabon, Maurit.)	44.0
Pupils-teachers-ratio 2007 (primary stage)	41.6	69.0 (Rwanda)	12.0 (Seych.)	52.0
Pupils-teachers ratio 2007 (secondary stage)	27.2	54.2 (Ethiopia)	12.8 (Seych.)	---[2]
Internet users 2008 (per 100 people)	4.3	37.1 (Seych.)	0.3 (Sierra L.)	1.2
Average ratio of paved to total roads 2000-05 (%)	---[3]	100.0 (Maurit.)	1.8 (DRC)	8.6
General macroeconomic stability 2007 (1 low to 7 high)	4.4	5.7 (Botswana, Namibia, Nigeria)	3.3 (Malawi)	4.3
Average annual real GDP growth 2000-07 (%)	5.9	22.5 (Eq. Guinea)	–5.2 (Zimb.)	6.8
Average annual GDP per capita growth 2000-07 (%)	3.7	21.0 (Eq. Guinea)	–4.8 (Zimb.)	4.7
GDP at current market prices 2008 (Mio. USD)	761,839	216,755 (Nigeria)	160 (São Tomé & P.)	18,346
Merchandise trade 2008 (% of GDP)	64.1	180.6 (Lesotho)	25.1 (CAR)	47.9
Exports of goods and services 2008 (% of GDP)	36.9	131.0 (Seych.)	6.0 (Eritrea)	21.0
Imports of goods and services 2008 (% of GDP)	40.0	153.0 (Seych.)	22.0 (Sudan)	27.0
Gross capital formation 2007 (% of GDP)	22.4	41.3 (Congo)	5.5 (Angola)	29.6
Balance of payments 2008: Account balance as % of GDP	2.8	24.0 (Eq. Guinea)	–40.9 (Seych.)	–14.8
Fiscal balance 2008 as % of GDP	2.5	41.5 (São Tomé & P.)	–10.0 (Ghana)	0.0
Consumer Price Index 2008 (2000 = 100)	189.3	1,730.6 (Angola)	120.4 (Gabon)	160.8
Transparency of government policymaking 2008 (1 low to 7 high)	4.1	5.0 (Gambia)	3.2 (Senegal)	4.0
Intensity of local competition 2008 (1 low to 7 high)	4.5	5.4 (Nigeria, Senegal)	3.1 (Chad)	4.3
Financial transactions 2007: Strength of investor protection (0 low to 10 high)	4.5	6.0 (Ghana. Mozamb.)	2.7 (Gambia)	5.0
Financial transactions 2007: Strength of legal rights (0 low to 10 high)	4.4	8.0 (Kenya)	1.0 (Burundi, Madag.)	5.0
Total tax rate 2007 (% of profits)	39.6	73.3 (Benin)	16.1 (Zambia)	44.3
Number of procedures required to start a business 2007	10.1	19.0 (Chad)	5.0 (Madag.)	12.0
Number of days required to start a business 2007	44.3	108.0 (Botswana)	7.0 (Maurit., Madag.)	29.0
Strength of investor protection index 2008 (0 low to 10 high)	4.2	7.7 (Maurit.)	2.0 (Swaziland)	5.0
Rigidity of employment index 2008 (0 least rigid to 100 most rigid)	37.5	69.0 (Angola)	7.0 (Nigeria)	51.0
Ease of doing business 2008 (rank over 181 countries, worldwide) (high ranks indicate complications in doing business)	141.0	181.0 (DRC)	24.0 (Maurit.)	127.0
Trading across borders 2008 (rank over 181 countries, worldwide) (high ranks indicate complications in trading)	131.0	176.0 (Congo)	20.0 (Maurit.)	103.0
Getting credit 2008 (rank over 181 countries, worldwide) (high ranks indicate complications in getting credit)	122.3	172.0 (Djibouti, Eritrea, Madag.)	5.0 (Kenya)	84.0

[1] Sub-Saharan Africa (RSA was generally excluded for the reasons mentioned further above).
[2] No reliable data available.
[3] No reliable data available.

Source: Own illustration based on data from AFRICAN STATISTICAL COORDINATION COMMITTEE (2009), OECD (2008), TRANSPARENCY INTERNATIONAL (2008a), UNCTAD (2007), WORLD BANK (2008a), WORLD BANK (2009c), WORLD BANK (2009d), WORLD BANK/INTERNATIONAL FINANCE CORPORATION (2009), WORLD ECONOMIC FORUM (2008), WORLD ECONOMIC FORUM/WORLD BANK/AFRICAN DEVELOPMENT BANK (2009), WTO (2007), WTO (2008).

The WORLD ECONOMIC FORUM'S 2009-2010 GLOBAL COMPETITIVENESS INDEX ranks 18 of the 25 listed Sub-Saharan African nations among the 34 weakest performers (100-134 within the ranking list) of all 133 countries included in the index. Solely Mauritius (57th), Botswana (66th), Namibia (74th), Gambia (81th), Senegal (92th), Kenya (98th) and Nigeria (99th) are listed within the

countries ranked below 100. The index also indicates that in direct comparison with Latin America, South-East Asia and BRIC countries (Brazil, Russia, India and China) Sub-Saharan Africa is outperformed in terms of economic competitiveness.[451] Accordingly, economic prospects still remain to be at stake. In spite of the fact that ARBACHE and PAGE conclude that the probability of observing growth acceleration improved from 0.25 between 1975 and 2005 to 0.42 between 1995 and 2005, growth volatility is still said to be five times higher in Sub-Saharan Africa than in other low and middle income countries.[452] Thus, further economic performance improvements stay to be in question and strongly depend on a variety of factors, as exemplified by the facts and figures listed within the following passage.

To begin with, a large fraction of the region's previous improvements can be attributed to beneficial cyclical exogenous economic circumstances. Not only has annual global economic growth remained steady during the previous years averaging 3.3% between 1995 and 2007, in addition, total global FDI in percent of the world's GDP increased from 1.15% in 1995 to 3.54% in 2008.[453] Simultaneously, investors have placed more emphasis on emerging markets in developing countries in search of higher returns.[454] An average annual 6.2% increase of global trade exports between 1995 and 2007 combined with an increase of the developing countries' share of global trade exports from 29% in 1996 to approximately 36% in 2006/2007 additionally fostered Sub-Saharan Africa's economic growth.[455] Moreover, the sustainability of the region's improved economic performance is highly dependent on further non-influenceable externalities. The risks of these externalities become even more apparent, when regarding the fact that ⅔ of the region's countries rely on maximal two products for at least 60% of their total export revenues.[456] For example, in view of the fact that crude oil exports momentarily amount to half of Sub-Saharan Africa's total exports, decreasing prices for oil will retard the region's further overall growth. On the contrary, momentary low inflation rates may only be sustained by decreasing oil prices. The course of commodity prices will also partly determine Sub-Saharan Africa's economic outcome, since its performance has highly benefitted from previous favourable commodity markets.[457] On a related note it must be stated that although a contingent removal of agricultural subsidies in western economies will benefit agricultural African exporters in the long run, it will also lead to a short-term price increase of food imports, which, in turn, will fuel inflation. A possible further weakening of the USD will place additional pressure on the revenues of exporting nations.[458] The rise of competition on textile and clothing markets, caused by the discontinuation of preferential quotas for developing countries, may also level down export revenues. Another commonly regarded major impediment for growth is the region's recent anew problematic political development. The prevailing Ethiopian-Eritrean border conflict, Somalia's and Zim-

[451] The overall index is composed of 9 sub-indexes representing the evaluation of the respective countries' institutions, infrastructure, macroeconomy, health and primary education, higher education and training, market efficiency, technological readiness, business sophistication and innovation (see WORLD ECONOMIC FORUM (2008), p. 8 and WORLD ECONOMIC FORUM (2009), pp. 13f.).
[452] At the same time, the probability of growth deceleration decreased from 0.22 between 1975 and 2005 to 0.12 between 1995 and 2005 (see ARBACHE/PAGE (2007), p. 12).
[453] See WORLD BANK (2008a), p. 1, UNCTAD (2009b) and WORLD BANK (2009c).
[454] See JASPERSEN/AYLWARD/KNOX (2000), p. 77.
[455] See WTO (2007), p. 2 and WTO (2008), pp. 7f.
[456] See WORLD BANK (2008a), p. 68.
[457] See F.A.Z. (2007), p. 21. Also see SYNGE (2005), p. 118.
[458] See MOSS (2005), p. 112.

babwe's political concourse, tribe-related riots and anti-democratic developments in Kenya, the recent political coup in Mauritania, conflicts in Sudan and Côte d'Ivoire as well as rebel activity in Northern Uganda and the Democratic Republic of Congo (DRC) are just a few to mention among current acts of political failure, mismanagement and lack of accountability. A recent study states that 25% of MNCs interviewed by UNCTAD expect FDI inflows to Sub-Saharan Africa to decline due to these and other current worrying political events.[459] Although these examples are just a few to list when assessing the vulnerability of Sub-Saharan Africa's economies, they sufficiently indicate that the so-called *African Renaissance* is not exclusively a result of policy improvements and economic governance, but is and will remain also strongly dependent on favourable global economic conditions.

The intention of presenting the preceding paragraph's content is clearly not to dampen any existing euphoria regarding the acclaimed *African Renaissance*, but rather to place it into perspective. Furthermore, the region's economic potential cannot be subsumed exclusively on the basis of the statistical excerpts and content presented above. In fact, a wider spectrum of indicators has to be taken into consideration. A selection of development indicators based on data from diverse current publications is compiled in Table 4, in order to give further insight into Sub-Saharan Africa's general and economic performance as well as its potential suitability for domestic and foreign investment.

3.2.2.2 Operative Investment Barriers

Within the assessment of Sub-Saharan Africa as a potential investment destination, it is important to specify and examine typical operative investment barriers. Depending on the investor, naturally some barriers are more relevant than others. Nonetheless, all operative barriers listed in the following directly contribute to the low level of investment activity in Sub-Saharan Africa and are thus noteworthy to both domestic and foreign investors. Burdensome access to capital, inadequate physical infrastructure and administrative barriers are foreign and domestic investors' most commonly reported impediments and shall be briefly highlighted within the following.[460]

While foreign aid still serves as Sub-Saharan Africa's public sector's main source of finance, the burdensome access to capital remains to be especially one of the private sector's major investment constraints. MNCs have increasingly been able to lure, partly variable, external debt as well as occasional local bank financing.[461] However, most of the private sector's small and medium-sized enterprises (SMEs) are still denied access to finance.[462] Banking penetration has traditionally been low across Sub-Saharan Africa and reached its peak at 19% in terms of assets as a percentage of GDP.[463] Referring to present data, with a few exceptions African financial systems still belong to the smallest in the world, both in absolute terms and relative to eco-

[459] See DA COSTA (2006), pp. 12f.
[460] See BHINDA/GRIFFITH-JONES/MARTIN (1999a), p. 53, LEE (2005), p. 372, EMERY/SPENCE (2000), p. 10, EBOHON/FIELD/MBUGA (2002), p. 8 and MOSHA (2006), p. 210.
[461] See GRIFFITH-JONES (2002), p. 4.
[462] See STANDLEY (2006b), p. 130.
[463] In comparison, the European Union's banking sector's assets amounted to over 300% of GDP (see FORMBY (2005), p. 111 and RICHARDSON (2006), p. 108).

nomic activity. African financial systems are often smaller than mid-sized banks in Europe, in some cases with total assets less than USD 1 billion.[464] Mostly state-owned banks had formerly dominated the market following poor lending practices and using outdated banking systems. Most of these state-owned banks have now been privatised, which has lead to a substantial growth of the banking sector.[465] It is now largely controlled by South African banks, whose overall asset weight comprised 55% of all African banks' total assets in 2005, the four largest banks being STANDARD BANK INVESTMENT CORPORATION, the AMALGAMATED BANKS OF SOUTH AFRICA (ABSA), NEDBANK and FIRSTRAND.[466] Both as a direct consequence of privatisation measures and the market entrance of new banking institutions, improvement schemes and an innovation agenda were implemented, in order to meet international standards and regulations. According to NORBROOK and SMITH this financial innovation and the decreasing demand from Asia's economies will increasingly draw the attention of international finance and investment institutions to Sub-Saharan Africa, which, in turn, will consequently facilitate the access to capital.[467] Already, international, predominantly South African banks have increased their lending volumes in local currencies via their domestic subsidiaries. Nonetheless, the access to credit is still obstructed by considerably high domestic interest rates.[468] Furthermore, the average debt maturity in Sub-Saharan Africa has increased, which is reflected in the fall of the ratio of short-term to total debt. This, in turn, may be an indication of a shift in international banks' risk perception of Sub-Saharan Africa.[469]

On the whole, the internationalisation of the region's financial markets alongside the continuous establishment and expansion of stock markets show signs of the ongoing development of Sub-Saharan Africa's capital markets by way of example.[470] For instance, prior to 1989 there were solely 4 stock markets active in Sub-Saharan Africa, whereas in 2007 as much as 14 stock markets with an average market capitalisation of 27% of GDP stood the test in providing the necessary investment vehicles for attracting capital.[471] Not only has this development facilitated privatisation programs of the region's governments, but is has rewarded private domestic and foreign investments with a compound average annual growth of 22% per stock between 1995 and 2005.[472] In addition, foreign investors benefitted from positive diversification effects, due to correlations close to zero with developed markets.[473] However, the markets' liquidities remain to be a major limitation. Most markets trade at less than 10% of their value, which, alongside their

[464] See BECK/FUCHS/UY (2009), p. 33.
[465] For instance the privatisation of the NATIONAL BANK OF COMMERCE (NBC) in Tanzania has lead to an overall modernisation of Tanzania's banking sector and the emergence of 20 new registered banks (see FORMBY (2005), p. 110).
[466] See RICHARDSON (2006), p. 109. BARCLAY's acquisition of ABSA in 2005 as well as the fact that HSBC and CITIBANK have announced to be interested in acquiring some of the remaining market share indicates that, although the African banking sector apparently seems to be controlled by South African banks, the market will be successively dominated by international banking corporations.
[467] See NORBROOK/SMITH (2008), p. 92.
[468] See WORLD BANK (2008a), p. 63, BHINDA/GRIFFITH-JONES/MARTIN (1999a), p. 53 and EBOHON/FIELD/MBUGA (2002), p. 15.
[469] See GRIFFITH-JONES (2002), p. 6.
[470] See STANDLEY (2006b), p. 130.
[471] See YARTEY/ADJASI (2007), p. 7.
[472] See MWAKIKAGILE (2007), p. 68 and MOSS (2005), p. 112. However, as a result of the financial crisis the market capitalisation of companies listed within Sub-Saharan Africa's stock exchanges drastically decreased from 2007 to 2008 (see WORLD BANK 2009c).
[473] See DEMBY (2000), p. 159.

low market capitalisation[474], explains why Sub-Saharan African stock markets still play a minor role in providing adequate access to capital.[475]

Infrastructure provision has remained an indispensable building block of sustained economic growth, particularly in Sub-Saharan Africa. Notably, the poor state of Sub-Saharan Africa's physical infrastructure, both in terms of reliability and availability, persists as a further major investment disincentive perceived by potential investors.[476] The infrastructure gap, mostly revealed in the shape of poorly developed road and rail networks, inefficient ports, unreliable energy sources, scanty telecommunication coverage, unsafe water as well as inadequate sanitation services, continues to cut down economic efficiency and productivity. In order to narrow this infrastructure gap, estimates state that governments will need to invest an annual average of 5% of GDP into new infrastructure assets and an additional 4% of GDP into their maintenance.[477] In total, an estimated USD 37 billion ought to be invested annually into infrastructure development, the energy sector taking the largest share, in order to meet foreign investment climate standards.[478] Hitherto, infrastructure projects have largely been financed by central governments, which, in turn, have mainly depended on international donor agencies' financing, grants or part loans.[479] For instance, the newly-established INFRASTRUCTURE CONSORTIUM FOR AFRICA (ICA) alone committed USD 10 billion in development assistance and non-concessional lending in 2007. In spite of such efforts and although African and international governments as well as institutions like the NEW PARTNERSHIP FOR AFRICA'S DEVELOPMENT (NEPAD) have highlighted Africa's infrastructure improvement on their agendas, project finance remains a major hurdle to take.[480] As a consequence of these financial straits, private sector participation is considered evermore sought-after for the development and maintenance of Sub-Saharan Africa's infrastructure assets. Interest in African infrastructure was formerly limited to development finance institutions, bond funds and other specialised investors, whereas meanwhile pension funds, sovereign wealth funds, insurance companies and private equity investors have included Sub-Saharan Africa's infrastructure assets into their portfolios.[481] In addition, several Africa-specific infrastructure funds, such as the ACTIS INFRASTRUCTURE FUND, MACQUARIE BANK's and OLD MUTUAL's AFRICAN INFRASTRUCTURE INVESTMENT FUND (AIIF) and the AFRICAN DEVELOPMENT BANK'S (AFDB) PAN-AFRICAN INFRASTRUCTURE DEVELOPMENT FUND (PAIDF) among others, have emerged. Consequently, the number of privatised, formerly public infrastructure enterprises has rapidly risen and an increase of public-private partnerships (PPPs) for the development of new assets has been recorded.[482] The private sector's enthusiastic participation in infrastructure provision has not only proven that investment in the region's infrastructure assets is lucrative, but

[474] In total, Sub-Saharan Africa's 14 stock markets reached a market capitalisation of only USD 39.2 billion in 2005. In comparison, Africa's largest stock exchange, the JOHANNESBURG STOCK EXCHANGE (JSE), reached a market capitalisation of USD 565.9 billion in 2005 (see STANDLEY (2006a), p. 128).
[475] See MOSS (2005), p. 112.
[476] See ASIEDU (2002), p. 113 and BECKETT/SUDARKASA (2000), p. 33. Naturally, the poor state of Sub-Saharan Africa's infrastructure itself poses an investment opportunity for both foreign and domestic investors on the contrary.
[477] See NANKANI (2006), p. 79.
[478] See GRIFFITHS (2008), p. 60.
[479] See MOSHA (2006), p. 215 and NNADOZIE (2008), p. 77.
[480] See SYNGE (2007), p. 86.
[481] See MOSER (2008), p. 64.
[482] See CHIKOLWA (2007), p. 1.

has in fact played a major part in clearly improving the state of and the prospects for Sub-Saharan Africa's physical infrastructure.

In spite of the economic liberalisation and policy reforms undertaken in countries across Sub-Saharan Africa, investors, especially foreign investors, are still confronted with deterring administrative complexities. Africa's past era of wide-ranging state control over the private sector has left visible marks.[483] Vast numbers of licenses, permits, approvals and other requirements result in undue delays, feasibility uncertainty and incalculable costs. Low investment rates and even investment retraction are just a few of the consequences attached.

Ghana, for instance, was previously forced to witness realisation rates for new investments of less than 20% among firms registering new projects.[484] Due to these tedious constraints, foreign investors are often left with no other option but to rely on local partners or intermediaries to overcome administrative obstacles and necessary payoffs. Consequently, there are few 100-percent-foreign-owned investment projects in Sub-Saharan Africa to date. Procedural constraints are predominantly apparent within company and foreign investment registration, securing investment incentives and business licensing, tax registration, documentation of the intended investment, gaining access to land, receiving construction permits and municipal licenses, getting necessary utilities services connected, importing material, guiding safety inspections and conforming to the requirements of employment formalities.[485] These general approvals, licenses and registration procedures almost always involve high administrative costs and an excessively large amount of time.

Costs for registering a company in Mozambique, for instance, typically amounts to 10% of the capital invested. On average it takes 308 days to receive a construction permit in Tanzania and 315 days to register a property in Rwanda.[486] The average costs of simply registering a property in Zimbabwe amount to 25% of the respective property's value.[487] Moreover, in addition to the general requirements having to be met, investments in some sectors require specialised approvals, which aggravate administration procedures even more. Tourism, for instance, is one of those sectors affected by sectoral licensing, which, in its essence, must be regarded as a form of state regulation. Tanzania's regime towards hotel investments, for example, seems disadvantageously aligned when comparing it to that of other sectors. Taxes of up to 20% of receipts as well as special screening and licensing procedures for foreign managers are just two of many factors that contribute to Tanzania's high room rates. Annual sectoral licensing requirements from the respective MINISTRIES OF ENVIRONMENT AND TOURISM for hotel investments in Ghana, Mozambique and Namibia reveal a similar situation.[488]

[483] See TESFAYOHANNES (1998), p. 23.
[484] See EMERY/SPENCE (2000), p. 17.
[485] See MATIPA/BARHAM (2007), p. 78, SHELLEY (2004), p. 35 and TESFAYOHANNES (1998), pp. 24f.
[486] See WORLD BANK/INTERNATIONAL FINANCE CORPORATION (2008a), pp. 5f. and WORLD BANK/INTERNATIONAL FINANCE CORPORATION (2008b), p. 12.
[487] See WORLD BANK/INTERNATIONAL FINANCE CORPORATION (2008a), p. 13.
[488] See EMERY/SPENCE (2000), pp. 50f.

On the whole, administrative barriers like these essentially affect the ease of investing and doing business in Sub-Saharan Africa. The country ranking within the DOING BUSINESS 2009 report[489], which indicates the ease of doing business in 181 countries in 2007/2008, states that the average country rank of Sub-Saharan African countries (including RSA) is 138 (excluding RSA: rank 141 in 2008).[490] This again places Sub-Saharan Africa clearly behind other developing regions like Latin America (average rank: 92) and South Asia (average rank: 111). However, although investors face greater administrative burdens and receive less protection of property and investment rights, the report also presents that Sub-Saharan African economies implemented more reforms and administrative improvements in 2007/2008 than in any year before. 3 of the 10 top-reformers world-wide in 2007/2008 stem from Sub-Saharan Africa, namely Senegal, Burkina Faso and Botswana. Mauritius is ranked within the 25 top-countries as regards the ease of doing business. Rwanda was awarded one of the most active policy reformers world-wide within the past decade.[491]

Furthermore, previous investment climate improvements reported in earlier reports imply that regulative and administrative reform has gained momentum. It took an average of six months to register a business in Sub-Saharan Africa in 2000, whereas the time period for business registration solely amounted to 2 months in 2005. Burkina Faso, for instance, reduced both the number of procedures for starting a business from 12 to 8 and the time to start a business from 45 to 34 days. The time required to register property in Côte d'Ivoire plummeted from 397 to 32 days. Tanzania cut the costs of registering a business by 40%. Kenya switched from paper-based administration to an electronic data system and thus improved administration procedures.[492] These examples show that Sub-Saharan Africa's policy makers have genuinely understood the necessity to reduce their economies' administrative red tape.

[489] The ranking is based on 10 factors, namely the ease of starting a business, dealing with construction permits, employing workers, registering property, getting credit, protecting investors, paying taxes, trading across borders, enforcing contracts and closing a business.
[490] See Table 4.
[491] See WORLD BANK/INTERNATIONAL FINANCE CORPORATION (2008c), pp. 1f.
[492] See WORLD BANK/INTERNATIONAL FINANCE CORPORATION (2006), pp. 2f.

Table 5: 2008 Index of Economic Freedom: Sub-Saharan Africa

2008 Index of Economic Freedom: Sub-Saharan Africa

2008 World Rank	2008 Regional Rank SSA	Country	Econ. Freed. 2008	Change from 2007	Business Freedom	Trade Freedom	Fiscal Freedom	Government Size	Monetary Freedom	Investment Freedom	Financial Freedom	Property Rights	Freedom from Corruption	Labour Freedom
18	1	Mauritius	72.3	3.1	81.6	80.6	92.1	81.4	75.7	70	60	60.0	51.0	70.6
36	2	Botswana	68.6	0.1	68.7	67.6	76.4	61.8	69.7	70	70	70.0	56.0	75.9
52	3	Uganda	64.4	0.7	56.3	72.0	80.5	86.0	78.5	50	70	30.0	27.0	93.9
57	4	South Africa	63.2	-0.2	71.2	74.2	69.5	76.8	77.2	50	60	50.0	46.0	57.5
65	5	Madagascar	62.4	1.3	56.0	79.6	80.9	86.4	72.2	70	50	50.0	31.0	47.9
72	6	Namibia	61.0	-2.1	73.8	87.4	67.9	71.0	76.8	30	50	30.0	41.0	82.4
82	7	Kenya	59.6	-0.4	65.3	75.0	78.2	84.8	72.2	50	50	35.0	22.0	63.2
86	8	Swaziland	58.9	-1.7	69.0	69.0	71.4	62.4	76.0	50	40	50.0	25.0	75.7
88	9	Cape Verde	58.4	1.3	55.1	41.2	66.2	60.5	78.7	60	50	70.0	40.0	62.3
91	10	Senegal	58.2	0.1	54.5	71.6	65.2	82.3	81.4	50	50	50.0	33.0	43.6
94	11	Ghana	56.7	-0.7	53.1	63.0	83.7	71.5	68.0	50	50	50.0	33.0	44.2
95	12	Gambia, The	56.6	-0.8	57.1	62.6	72.5	72.8	73.9	50	50	30.0	25.0	72.1
96	13	Mozambique	56.6	0.7	53.0	72.8	78.1	85.2	73.6	50	50	30.0	28.0	45.0
97	14	Tanzania	56.4	-0.4	47.9	73.2	80.5	79.9	75.4	50	50	30.0	29.0	48.1
99	15	Zambia	56.4	-0.8	62.4	71.2	72.6	80.3	62.9	50	50	40.0	26.0	48.2
103	16	Burkina Faso	55.6	0.6	49.8	66.6	77.5	85.9	78.8	40	50	30.0	32.0	45.7
104	17	Mali	55.5	0.8	41.9	68.6	69.3	81.5	79.9	50	40	30.0	28.0	66.0
105	18	Nigeria	55.5	-0.5	52.6	63.4	84.4	68.1	73.8	30	40	30.0	22.0	90.6
109	19	Mauritania	55.0	1.5	38.9	70.2	75.4	66.3	77.1	60	50	30.0	31.0	51.2
110	20	Benin	55.0	0.1	47.7	65.2	67.5	86.4	77.5	40	60	30.0	25.0	50.8
111	21	Ivory Coast	54.9	-1.0	47.0	59.8	52.3	88.1	80.7	40	60	30.0	21.0	70.5
116	22	Rwanda	54.1	1.7	51.8	70.6	76.9	75.6	73.3	40	40	30.0	25.0	58.2
117	23	Cameroon	54.0	-1.4	39.9	57.0	71.8	93.6	72.3	50	50	30.0	23.0	52.5
120	24	Malawi	53.8	-0.2	52.1	64.6	70.2	44.3	69.9	50	50	40.0	27.0	70.1
122	25	Gabon	53.6	-0.6	52.8	56.4	61.7	85.6	74.6	40	40	40.0	30.0	54.6
124	26	Ethiopia	53.2	-1.2	58.3	63.0	77.2	80.9	69.4	40	20	30.0	24.0	69.5
127	27	Guinea	52.8	-1.7	44.9	59.6	70.1	88.7	54.3	40	50	30.0	19.0	71.1
128	28	Niger	52.7	-0.4	36.0	64.4	66.4	89.3	86.0	50	40	30.0	23.0	42.2
129	29	Equat. Guin.	52.5	-1.6	47.1	52.2	75.4	82.0	81.1	30	50	30.0	21.0	56.2
131	30	Djibouti	52.3	-1.2	37.5	28.2	80.8	57.8	78.3	50	60	30.0	30.0	70.6
132	31	Lesotho	51.9	-1.2	56.9	56.4	67.2	46.8	75.4	30	50	40.0	32.0	64.0
139	32	Sierra Leone	48.9	1.3	49.4	60.2	81.0	81.8	74.4	30	40	10.0	22.0	40.3
140	33	Togo	48.8	-0.9	36.1	69.2	53.9	88.8	78.2	30	30	30.0	24.0	48.2
141	34	Cen. Afr. Rep.	48.2	-2.1	40.7	51.4	65.5	91.6	72.5	30	40	20.0	24.0	46.7
142	35	Chad	47.7	-2.3	34.6	60.0	49.9	94.9	73.6	40	40	20.0	20.0	44.2
143	36	Angola	47.1	1.9	36.5	73.0	85.2	72.8	57.8	20	40	20.0	22.0	44.1
145	37	Burundi	46.3	-0.7	35.5	50.2	72.1	59.4	74.7	30	30	30.0	24.0	57.4
146	38	Congo, Rep.	45.2	0.8	45.3	54.6	60.1	83.1	73.0	30	30	10.0	22.0	44.0
147	39	Guin.–Bissau	45.1	-1.7	24.8	56.8	88.4	56.5	75.7	30	30	20.0	10.0	58.5
155	40	Zimbabwe	29.8	-2.0	41.0	55.4	57.8	24.1	0.0	10	20	10.0	24.0	56.0
1		Singapore	87.4	0.2	97.8	90.0	90.3	93.9	88.9	80	50	90.0	94.0	99.0
5		U.S.A.	80.6	-0.3	91.7	86.8	68.3	59.8	83.7	80	80	90.0	73.0	92.3
10		U.K.	79.5	-0.5	90.8	86.0	61.2	40.1	80.7	90	90	90.0	86.0	80.7
23		Germany	71.2	-0.4	88.9	86.0	58.4	34.0	81.4	80	60	90.0	80.0	52.8
134		Russia	49.9	-2.5	52.8	44.2	79.2	69.5	64.4	30	40	30.0	25.0	64.2
		S.-S. Africa	54.5		50.6	64.0	72.3	75.4	72.4	43.3	46.3	33.9	28.0	58.8
		Europe	66.8		75.9	82.6	69.3	47.0	78.6	65.4	66.3	62.1	57.3	63.4
		Americas	61.6		63.4	72.2	78.0	73.8	73.8	52.8	52.8	46.2	38.9	63.9
		Middle East/ North Africa	58.7		60.8	70.5	86.5	68.2	73.7	42.4	42.9	40.9	41.9	59.5
		Asia/Pacific	58.7		62.1	69.1	76.5	79.6	72.3	41.3	42.7	40.8	38.4	64.5

Source: Modified and based on data from ROBERTS/KIM (2008), pp. 58f.

Sub-Saharan Africa's openness to investment, especially foreign investment, and the scope of its investment barriers are both well reflected in the results on the degree of investment freedom

published within the HERITAGE FOUNDATION'S INDEXES OF ECONOMIC FREEDOM.[493] Investment freedom is measured within the assessment of the free flow of capital and is based on factors such as restrictions on foreign ownership of companies, restrictions on foreign ownership of land, the amount of administrative procedures necessary, the existence of equal treatment under the law for both foreign and domestic companies, restrictions on repatriation of earnings and the availability of local financing among others. Sub-Saharan Africa's average investment freedom score within the 2008 report ranges at 43.3%, which, according to the HERITAGE FOUNDATION, means that investment remains somewhat restricted, expropriation of property is rare, transfers as well as capital transactions are subject to considerable limitations and administrative procedures remain burdensome.[494] Yet, in comparison to other developing regions, with Asia and the Pacific receiving 41.3% and the Middle East/North Africa receiving only 42.4% in total investment freedom scores[495], Sub-Saharan Africa has managed to draw level, at least in terms of investment freedom.[496] On the whole, gradual infrastructure improvement, accumulation of financial reserves, further development of the region's capital markets and the continuous implementation of macro-economic and structural reforms contribute to the acceleration of the ongoing positive economic development and the emergence of Sub-Saharan Africa's appeal as an investment destination.

3.3 Real Estate Markets in Sub-Saharan Africa

Real estate accounts for an estimated 45-75% of Sub-Saharan Africa's wealth.[497] The efficient functioning of real estate markets is thus a priority agenda across the region's nations. Yet, the accomplishment of this goal is highly dependent on how real estate resources are being made available for transaction purposes, which in turn is dictated by the nations' governments' policies that regulate the markets.[498] Insofar, it is necessary to observe the state of current land policies in Sub-Saharan Africa before examining their effects on the access to land for foreigners and prior to attending to real estate market parameters across the region.

3.3.1 Land Policies in Sub-Saharan Africa

Land tenure has undoubtedly remained to be one of Sub-Saharan Africa's most state intervened policy frameworks.[499] Three generations of land policy reforms have resulted in an inscrutable mixture of private, public and communal land ownership. Officially, however merely in theory, two types of land supply currently exist in Sub-Saharan Africa, namely formal land tenure systems (statutory tenure), which were introduced by colonial administration and based on

[493] See LEE (2005), p. 372. Economic freedom, as defined by the HERITAGE FOUNDATION, is quantified on the basis of 10 specific freedoms, namely business freedom, trade freedom, fiscal freedom, labour freedom, government size, monetary freedom, financial freedom, property rights, freedom from corruption and investment freedom (see BEACH/KANE (2008), p. 40 and LAURILA (2002), p. 19). For results on economic freedom measurements see Table 5, which is based on data from ROBERTS/KIM (2008), pp. 57f.
[494] As also reflected in other performance indicators, the average score for investment freedom in Sub-Saharan Africa is composed of strongly varying individual scores. For instance, Botswana, Mauritius and Madagascar received scores of 70%, whereas Angola only received 20%, Zimbabwe an alarmingly low 10%.
[495] In comparison, the Americas (including U.S.A.) received 52.8%, the U.S.A. by itself 80% and Europe (including Russia) 65.4% in total investment freedom scores.
[496] All data is based on ROBERTS/KIM (2008), p. 72.
[497] See GALAL/RAZZAZ (2001), p. 2.
[498] See HAMMOND (2006), p. 6.
[499] See ANTWI/HAMMOND/PROVERBS (2008), p. 6.

property law, and indigenous landholding systems (customary tenure).[500] While an estimated 10% of land resources in Sub-Saharan Africa are owned under freehold title, the remaining 90% of land is either held under leasehold title or has no statutory protection, remains unregistered and is communally owned under customary tenure.[501] The latter disallows private, individual land ownership. In fact, it is based on traditional tribal beliefs that land is to be shared collectively among the ancestral, living and unborn members of a lineage.[502] Title to land is therefore vested within communities, whereas individual members are allocated inherent rights to benefit from the respective community's land resources. Property under customary tenure is predominantly unregistered and undocumented by cadastral surveys, which makes it difficult to administer within a legal system. It is mostly governed informally by lineage or tribal leaders of the associated landowning groups (i.e. tribes, clans, families).[503] Although the majority of African countries officially acknowledge customary tenure as a legal category of land rights, land claims still lack adequate statutory protection.[504] In consequence of their insecurity, customary property rights are considered invalid as collaterals within formal banking practice.[505] Among others, this is reflected in the share of housing credit to total investment, which amounts to less than 10% in Sub-Saharan Africa.[506] Major parts of Sub-Saharan Africa's land resources are therefore deemed idle capital. To that effect, weak statutory protection and the lack of possible asset collateralisation remain the main stumbling blocks of functioning land markets under customary tenure. However, despite the non-market nature of communal, customary tenure, there is prevalent evidence of strong activity within informal land markets.[507] Informal housing alone amounts to more than 65% of Sub-Saharan Africa's total housing stock.[508] Some of the previous land policy reforms have attempted to convert customary into state-approved individual property rights, formalised in registered title and tradable through a market.[509] Common practice however shows that most attempts to date have failed.[510] Without exception, all Sub-Saharan African land markets still feature manifold systems of land supply. In addition to informal indigenous and formal statutory tenure systems, governmental land allocation procedures and various illegal modes of land supply prevail.[511] In order to comprehend the coexistence of these land supply systems, it is necessary to trace their origin, which shall be briefly done in the following by outlining three generations of land policy reforms in Sub-Saharan Africa.

The historical origin of current customary tenure systems lies in pre-colonial, indigenous landholding traditions, which, in their essence, still resemble many of today's practices of customary tenure. Land had spiritual significance and was therefore not considered to be a physical entity, but rather a link between generations held in trust by individuals for the members of their com-

[500] See ABDULAI (2006a), p. 7.
[501] See DEININGER (2003), p. 62 and NGOMBE/MOOBELA/MATIPA (2006), p. 11.
[502] See NGOMBE/MOOBELA/MATIPA (2006), p. 10.
[503] See ABDULAI (2006b), p. 19.
[504] See DEININGER (2003), p. 63.
[505] See EBOHON/FIELD/MBUGA (2002), p. 11 and DE SOTO (2000), p. 29.
[506] See TESFAYE (2008), p. 37.
[507] See CHIMHOWU/WOODHOUSE (2006), p. 352 and MBILIKITA (2007), p. 5.
[508] See TESFAYE (2008), p. 37.
[509] See CHIMHOWU/WOODHOUSE (2006), p. 347 and DEININGER (2003), p. 79.
[510] See ABDULAI (2006a), p. 13.
[511] See YAHYA (1990), p. 157 and RAKODI (1997), p. 18.

munity.[512] Initial efforts to replace the traditional idea of communal ownership with private ownership schemes were made by colonial powers by enforcing the first generation of land policy changes. Hence, the imposition of colonial rule implied the introduction of land titling, since the ownership of land, as it later transpired, was considered the colonisers' key element in maintaining their economic and political dominance. The implementation of western legal and administrative property regulations was considered the first attempt to vigorously transform indigenous land rights into state controlled individual land ownership. British colonial dependencies implemented the *Reception Clause*, which was based on common law, French dependencies received the French *Code Civil* and Roman-Dutch law was enforced in Southern African dependencies alongside Portuguese law in Mozambique and half of Cameroon.[513] The increase of land transaction costs, caused by the introduction of legal requirements and covenants required for the sale and purchase of land, resulted in the emergence of first informal land markets, which have remained active until today.[514]

The independence achieved by most African nations during the mid 20th century saw the introduction of the second generation of land policy reforms.[515] Postcolonial governments, and the following military regimes in some cases, not only placed emphasis on attempting to undo the injustices of colonial land distribution, but also on demonstrating the potential of their recently liberated economies. Both intentions were only considered to be accomplishable by abolishing communal and private land ownership, which resulted in vast land expropriation and nationalisation programs. In addition, statutory controls regarding land transactions were not only retained, but aggravated.[516] Nigeria's postcolonial government passed its LAND USE ACT OF 1975, with which it nationalised all lands in the country. In Ethiopia, where an estimated 5% of the people owned 95% of the land in the early 1970's, the revolutionary government limited each family to one house and nationalised all remaining land.[517] Uganda's LAND REFORM DECREE OF 1975 converted all land rights into public land, Senegal's government held on to state ownership of all unregistered land by administering the PROPERTY LAW OF 1964, in Zambia freehold was converted into leasehold tenure and Tanzania's, Burkina Faso's and Côte D'Ivoire's postcolonial administrations placed all of the country's land into the hands of their governments. Among others, these exemplary nationalisation procedures contributed to the result that by the mid 1980's half of Sub-Saharan Africa's countries had nationalised all land and disestablished private property rights.[518] Nonetheless, these land nationalisation procedures only had moderate effects on the continuous activity within the prevailing informal land markets.

The emerging democratic climate in Sub-Saharan Africa during the 1980's stimulated a trend towards a democratisation of land policy processes. Among others, these third generation policy reforms were mainly initiated by the WORLD BANK and other international development agen-

[512] See RAKODI (1997), p. 3.
[513] See ANTWI/HAMMOND/PROVERBS (2008), p. 9 and CHIKHWENDA (2006), p. 97.
[514] See MABOGUNJE (1989), p. 83, ANTWI/ADAMS (2003), p. 67 and MAHAMA/ANTWI (2006), p. 1.
[515] See NGOMBE/MOOBELA/MATIPA (2006), p. 10.
[516] See HAMMOND (2006), p. 15.
[517] See RAKODI (1997), p. 5.
[518] See GOUGH/YANKSON (2000), p. 2487 and ANTWI/HAMMOND/PROVERBS (2008), p. 10.

cies.[519] One of the intentions was to guarantee security of land rights under customary tenure.[520] In seeming contrast, further common goals agreed upon were to set a framework for real estate investment activity, to reduce transaction costs, to attract capital inflows and thus allow for real estate markets to stimulate Sub-Saharan Africa's development process.[521] For the most part, reforms involved structural adjustments, large-scale land registration and titling programs as well as redistributive procedures. The general opinion was that, although traditional tenure systems were to be retained, they needed to be integrated into a modern tenure system. However, the question whether the current dual system of customary tenure alongside mainly leasehold tenure systems based on principles of individualisation will contribute to developing Sub-Saharan Africa's real estate markets remains unanswered.[522] RAKODI concludes that African land policies are still complex and comprise different systems of rights and practices with different degrees of legitimacy, information on land is scarce and unclear, land administration is overcentralised and overchallenged, policies are incoherent and land registration to date is more than fragmentary. On the whole, land policies provide the breeding ground for the facilitation of a coexistence of formal, informal and illegal land markets.[523]

3.3.2 Foreign Access to Land

The consequences of current land policies for foreign investors are mirrored either in the ease or the complicacy with which foreigners receive access to Sub-Saharan African real estate assets. In most parts of the region, foreign investors are not permitted to obtain freehold title. As the exception proves the rule, many francophone African countries issue a so-called *titre foncier* to foreign investors, which is considered equivalent to a freehold title.[524] Although most foreign real estate in Sub-Saharan Africa is consequently held under leasehold tenure, land access possibilities as well as restrictions are diverse and naturally differ from country to country. Accordingly, it is neither possible to utter a generalised conclusion on the nature and degree of access possibilities to real estate, nor is it feasible to list all of the 47 country policies relevant to foreign investors. In fact, the following passages will solely contain brief excerpts of a few selected countries' regulations regarding foreign access to land, namely those of Ghana, Mozambique, Kenya, Namibia, Uganda, Nigeria and Botswana.[525] This course of action is regarded to be convenient in giving an impression of the variance of policies affecting foreign investors' access to land.

There are three land categories in Ghana, namely public, communal and private. The 1992 constitution states that all customary land granted to individuals before 1992 is considered private land and may be transferred under freehold tenure. Although it is possible for foreign real estate investors to obtain freehold title, private land is limited. Accordingly, most FREI imply the obtainment of government land. Foreign investors must file an application to the EXECUTIVE

[519] See ANTWI/HAMMOND/PROVERBS (2008), p. 11.
[520] See MOLEN (2007), pp. 2f. and ABDULAI (2006a), p. 11.
[521] See HAMMOND (2006), p. 23.
[522] See NGOMBE/MOOBELA/MATIPA (2006), p. 11.
[523] See RAKODI (1997), p. 19.
[524] See EMERY/SPENCE (2000), p. 56.
[525] A detailed description of Tanzania's land policies will be given within Tanzania's real estate market profile presented in the later course of this work (see section 3.4.2.2).

SECRETARY OF LANDS COMMISSION or, depending on the location of the parcel, to a REGIONAL LANDS OFFICER. The government's LANDS COMMISSION leases titles to foreigners as far as up to 50 years.[526] These must be officially registered, which currently takes to 34 days on average and involves costs of approximately 1% of the properties' values.[527]

In contrast to land ownership structures in Ghana, all land in Mozambique remains state owned, whereas the government has announced to revise its land policies. Concessions are granted to foreigners for periods of no longer than 50 years, whereas these are renewable for a further 50 years.[528] Concessions (and land use proposals) must be approved by various government agencies, which are the cause of undue time delays and, in some cases, issue several titles for the same parcels of land. This, in turn, clearly compromises land tenure security in Mozambique. Furthermore, land is not permitted to be made subject of commercial transactions, which also includes its use as collateral against bank loans. Buildings and other constructions, however, may be privately purchased, sold and lent on mortgage. On average, it takes 42 days to register property in Mozambique, whereby the registration process accounts for approximately 13% of the property value in terms of costs. Also noteworthy is the fact that property rights in Mozambique are regarded highly complex and insecure, due to the country's malfunctioning judicial system.[529]

By comparison, land in Kenya is both accessible via freehold or leasehold title, whereas the largest part of Kenya's land resources is owned by the state. Government land may be leased by foreigners for periods between 50 and 99 years. However, foreigners are conditioned to obtain *commercial class* land only, which is to be held exclusively for income generating purposes. As it is only possible for foreigners to acquire registered property and large areas of the country remain unregistered to date, foreign access to land remains limited. Registering property in Kenya currently takes an average of 64 days and accounts for 4.10% of the property value in terms of costs on average. Likewise, amounting to only 6.76% of the property value, average total real estate transaction costs in Kenya are considered to be one of the lowest in Sub-Saharan Africa alongside Uganda (3.03%) and Botswana (5.00%).[530]

Not only are total average real estate transaction costs in Namibia noticeably higher (16.06%) than in the previous examples, but also land policies are considered to be comparatively complex. Its land classification system contains five categories, namely private agricultural land, private urban land, declared governmental land available for private purchase as well as urban and rural land in former communal areas. The percentage of public land to total land amounts to 13%, whereas 43% of Namibia's land is communal and relatively large parts are held privately under freehold title (44%). The latter are accessible without restrictions for non-citizens, with the exception of agricultural land, for which foreign investors need special permission from the

[526] See SHELLEY (2004), p. 200 and EMERY/SPENCE (2000), p. 58.
[527] See WORLD BANK/INTERNATIONAL FINANCE CORPORATION (2008d), p. 12.
[528] See SHELLEY (2004), p. 237.
[529] See FOREIGN INVESTMENT ADVISORY SERVICE (1996), p. 46 and WORLD BANK/INTERNATIONAL FINANCE CORPORATION (2008a), p. 13.
[530] See YAHYA (1990), p. 157, GLOBAL PROPERTY GUIDE (2008) and WORLD BANK/INTERNATIONAL FINANCE CORPORATION (2008b), p. 12.

MINISTRY OF LANDS. Foreign investors are suggested to make sure that title deeds are endorsed *non-residency*, in order to allow for an unconditional transferral of any real estate transaction proceeds out of the country. Most foreign real estate investors to date have obtained private land with freehold title, instead of attempting to secure access to public or communal land. Landowners of the latter are issued a *Permission to Occupy (PTO)* by the government, which is valid for a period of 20 years and includes 5-year renewal options. However, Namibian commercial banks do not accept PTOs as collaterals for loans. On average, property registration takes 23 days in Namibia, with average costs adding up to 9.90% of property value.[531]

In contrast to Namibia, land access for foreigners in Uganda is far more restricted. Freehold land is only available in urban areas around the capital Kampala, where approximately 65% of Uganda's commercial real estate lies invested. Foreign real estate investors, however, are not permitted to obtain freehold title, given that the 1995 constitution does not grant land ownership rights to foreigners. Land may solely be leased by foreign investors for periods of 49 or 99 years. Redistribution policies have enforced the return of large parts of land around Kampala to the BUGANDA KINGDOM, of which traditional leaders have established a land board for the provision of land leases. Foreign investors may also purchase land in joint venture agreements, whereas Ugandans must hold the majority stake. On the whole, various laws restrict foreign access to land in Uganda. For instance, the PUBLIC LANDS ACT prohibits government land to be leased to non-Ugandans outside urban areas. The LAND TRANSFER ACT states that the MINISTRY OF LANDS must approve all land transactions between Ugandan citizens and foreigners. Furthermore, the PROPERTIES AND BUSINESS ACQUISITION DECREE grants the government the right to nationalise property under given reason at any time, which has a substantial negative impact on land tenure security. Further constraints for foreign investors are the time delays caused by strenuous property registration procedures. The average time to register property amounts to 227 days, whereas costs are relatively low, averaging at 4.10% of property value.[532]

Foreign investors are confronted with a similarly complicated situation in Nigeria as regards land access. All land was converted into state-owned land within the LAND USE ACT OF 1975. Accordingly, no freehold land is available in Nigeria. Land leases are issued by the GOVERNOR OF THE STATE for a maximum of 99 years to foreign investors. For this purpose, the governor's consent is needed in form of a statutory certificate, which assigns title to occupy, to use and to improve property. The sale and purchase of Nigerian real estate can consequently be considered as a mere transfer of rights. Additional applications and approvals are needed for the right to sell or sub-let real estate. As concerns the security of property rights in Nigeria, a commonly uttered opinion states that foreign real estate investors face a significant level of risk, due to uncompensated expropriation, as facilitated by and stated in the LAND USE ACT OF 1978 and the PETROLEUM ACT OF 1969. Unsettled border disputes with Cameroon and the large quantity of land undocumented by cadastral surveys additionally weaken land tenure security in Nigeria.

[531] See EMERY/SPENCE (2000), p. 59, ALDEN-WILY/MBAYA (2001), p. 115 and WORLD BANK/INTERNATIONAL FINANCE CORPORATION (2008a), p. 12.
[532] See KNIGHT/HERRIN/BALIHUTA (2004), p. 8, SHELLEY (2004), p. 153, EMERY/SPENCE (2000), pp. 60f. and WORLD BANK/INTERNATIONAL FINANCE CORPORATION (2008b), p. 13.

On a positive note, foreigners are guaranteed a free transferral of any real estate proceeds under the NIGERIAN INVESTMENT PROMOTION COMMISSION (NIPC) ACT NO. 16 OF 1995. Moreover, it takes 82 days and involves costs of 21.90% of property value on average to register property in Nigeria.[533]

Like in Ghana and various other Sub-Saharan African countries, there are three types of land ownership schemes in Botswana. Approximately 4.2% of the country's land is privately held under freehold tenure, 70.9% is tribal land held under customary tenure and 24.9% remains state-owned. Land under freehold title may be sold to foreign investors within private transactions and without LAND BOARD approval. All urban areas alongside national parks, game reserve and forest reserves, consist of state-owned land and are governed by the DEPARTMENT OF LANDS, which is entitled to write out leases to foreign-owned companies registered in Botswana. Leases are issued for a period of 50 years for commercial and industrial real estate investments and for a period of 99 years for residential use. Tribal land is administered by the LAND BOARDS, which may issue land leases to foreign investors for up to 50 years for commercial and industrial use. With only four registration procedures necessary, the average time to register property in Botswana solely amounts to 11 days and involves average costs of 5.00% of property value.[534]

Already the few examples listed convey an impression of the chances and difficulties involved in obtaining land in Sub-Saharan Africa as a foreign investor. In general, foreign access to Sub-Saharan African land is still limited. The bulk of land is either held under communal or public ownership, and may, if at all, only be obtained via leasehold title. Moreover, land tenure security, partly caused by the inconstancy of African policy making, slowly advancing land titling procedures and ongoing land disputes, remains to be an important issue, which should be taken into account by potential foreign investors. Nonetheless, a generalised conclusion will never do justice to manifold individual policy situations in situ. The examples therefore primarily imply that land policies may vary strongly between the countries across the region.

3.3.3 Real Estate Market Parameters

Real estate markets in Sub-Saharan Africa are considered highly vibrant. This current buoyancy was initially caused by the collapse of public sector investment and construction activity, a direct consequence of recent democratisation and market liberalisation processes. The enlivenment of the private sector eventually resulted in the emergence of market dynamics.[535] Moreover, the region's ongoing economic growth has evoked an increase both in domestic and international demand for high-quality space. This trend has been ascertained in office, retail, industrial, residential as well as leisure real estate markets throughout Sub-Saharan Africa. Especially office markets have had major difficulties in keeping the pace with the growing demand for modern office accommodation. Thus, new office space developments have emerged within business districts outside traditional CBD areas. Shopping centre developments, stimulated by the in-

[533] See GLOBAL PROPERTY GUIDE (2008), WORLD BANK/INTERNATIONAL FINANCE CORPORATION (2008d), p. 13 and OLALEYE/ALUKO/AJAYI (2007), p. 28.
[534] See BOTSWANA EXPORT DEVELOPMENT AND INVESTMENT AUTHORITY (2007), ALDEN-WILY/MBAYA (2001), p. 115 and WORLD BANK/INTERNATIONAL FINANCE CORPORATION (2008a), p. 12.
[535] See WELLS (2001), p. 267.

crease in spending power throughout the region, have been able to draw away evermore demand from street trading and traditional markets. Residential property prices are still being driven up by wealthy expatriate communities and a fast-growing African middle-class. Lastly, leisure real estate has remained a lucrative investment due to a booming tourism sector, which has immensely profited from the increase in political stability throughout Sub-Saharan Africa. Especially in countries, where the extractive industries (mining and oil/gas) dominate economic output, this newly witnessed demand has left its marks on the formation of prices.[536]

Despite the high rent levels foreign market participation has remained humble until recently.[537] The ongoing internationalisation of real estate investment activity has been a dominant factor in facilitating the development process of real estate markets in emerging economies across Asia, Latin America and Eastern Europe. Real estate markets in Sub-Saharan Africa, in contrast, have been comparably unsuccessful in attracting foreign real estate investors and have consequently missed out on profiting from the increased volume of global capital flows.[538] Accordingly, most real estate markets in Sub-Saharan Africa are still strongly dominated by local institutional investors and property developers, namely insurance companies and pension funds.[539] This situation is reflected in the exemplary segmentation of Ghana's real estate investment market, which reveals that only 10% market share was attributable to foreign investors in 2007.[540] As stated by MCGREAL, PARSA and KEIVANI, the degree of foreign market participation, among others, is directly linked to the degree of market maturity. The implication thereof for the evaluation of the degree of maturity of real estate markets in Sub-Saharan Africa is close at hand.[541] A fairly rough estimate of total foreign direct real estate investment inflows to Sub-Saharan Africa can be facilitated by applying the ratio of total global foreign direct real estate investments to total global FDI, which exceeded 20% in 2007.[542] FDI inflows to Sub-Saharan Africa (excluding RSA) totalled USD 28.6 billion in 2007[543], which, in turn, results in an estimated value of USD 7.2 billion in foreign direct real estate investments having flown into the region during the same year. In comparison to the volume of foreign direct real estate investments worldwide in 2007 (USD 390 billion),[544] this crudely estimated figure, which not even accounts for 2% of worldwide foreign direct real estate investments in 2007, already reflects foreign investors' general neglect of Sub-Saharan African real estate markets. The fact that LIM, MCGREAL and WEBB even suggest lower ratios between 5-20% of foreign direct real estate investment to FDI, instead of the assumed 25%, additionally strengthens this notion.[545]

[536] See KNIGHT FRANK (2007a), p. 1.
[537] See LIM/MCGREAL/WEBB (2006), p. 261.
[538] See CUSHMAN&WAKEFIELD (2006), p. 1.
[539] See KUSILUKA (2008), p. 2.
[540] See GHANA INVESTMENT PROMOTION CENTRE (2008), p. 1.
[541] See MCGREAL/PARSA/KEIVANI (2002), p. 217.
[542] See AXFORD/NESS/STANLEY/WONG/TORTO (2009), pp. 2f., UNCTAD (2008), p. 253, UNCTAD (2009a), p. 5, UNCTAD (2006), p. 3 and DEUTSCHE GESELLSCHAFT FÜR IMMOBILIENFONDS (2008), p. 17.
[543] See UNCTAD (2008), p. 253.
[544] See JONES LANG LASALLE (2008b), p. 1.
[545] See LIM/MCGREAL/WEBB (2006), p. 275.

Table 6: Sub-Saharan Africa's Real Estate Market Parameters

Sub-Saharan Africa's Real Estate Market Parameters*

Market Parameters	Nigeria	Botswana	Uganda	Tanzania	Kenya	Zambia	Zimbabwe	Malawi	Ghana	Angola
2005 Real Estate Market Strength Forecast**										
Office	3	2	4	5	6	8	7	9	-	-
Retail	2	6	5	7	4	3	8	9	-	-
Industrial	2	5	4	3	6	7	9	8	-	-
Total:	7	13	13	15	16	18	24	26	-	-
2008 Prime Rents										
Office (per sqm per month)	$65	$13,50	$17	$20	$9	$18	$4	$9,50	$22	$140
Retail (per sqm per month)	$40	$25	$30	$16	$35	$25	$8	$17,30	$40	$100
Industrial (per sqm per month)	$8	$4,50	$5	$3	$3,50	$4,50	$1,50	$5,00	$3,50	$16
Residential***	$15.000	$2.750	$4.500	$6.000	$3.500	$3.500	$1.500	$1.750	$4.000	$20.000
2008 Prime Yields (%)										
Office	9	11	10	10	10	12	8	8	10	8
Retail	8	10	11	12	12	10	7	8	8	10
Industrial	9,5	13,5	12	15	14	15	12	9,5	12	8
Residential	6	12	10	12	9	14	6	6,5	11	6
Property Indicators 2006****										
Supply	B	-	B	C	B	B	-	-	C	C
Demand	B	-	A	B	B	C	-	-	C	A
Stock/CBD	B	-	C	B	A	C	-	-	B	D
Rental Income Tax (effective) (%)	10,00	4,17	15,00	31,45	30,00	-	-	-	15,00	-
2008 Property Rights Index***	30	70	30	30	35	40	10	40	50	20
2008 Transaction Costs (%)****	23,76	5,00	3,03	15,50	6,76	-	-	-	13,58	-

* Source: Own illustration based on data from KNIGHT FRANK (2008), pp. 14f., CUSHMAN&WAKEFIELD (2006), p. 7, HAMMOND (2006), p. 7, GLOBAL PROPERTY GUIDE (2008), ROBERTS/KIM (2008), pp. 57f., KNIGHT FRANK (2007a), pp. 4f., KNIGHT FRANK (2006), pp. 3f., KNIGHT FRANK (2009a), pp. 4f. and KNIGHT FRANK (2009b), p. 15.
** Ranking of 9 real estate markets including South Africa ranging from 1 (strongest) to 9 (weakest). Ghana and Angola were not included in the ranking. South Africa received highest scores in all three categories.
*** Rent for a 4 bedroom executive house in a prime location per month.
**** The following key has been used:
Supply => A (good levels of supply, including new space), B (fair levels of space, although little speculative space), C (Grade B space only) and D (limited/none)
Demand => A (strong demand incl. non-domestic), B (good demand, although largely domestic), C (fair demand, public sector dominated) and D (limited/none)
CBD/Stock=> A (stock readily available, established core), B (identifiable submarkets, no core), C (stock largely dispersed) and D (stock highly dispersed)
***** Degree to which the country's laws protect private property rights and the degree to which a country enforces those laws ranging from 0% (absolutely insecure property rights) to 100% (absolutely secure property rights).
****** Total costs of buying and reselling property in % of property value.

Despite the previous neglect of Sub-Saharan Africa's markets, the prospects for an increase of foreign participation seem bright, as investors have recently signalled growing interest in African real estate assets.[546] KNIGHT FRANK's private equity unit, RUTLEY CAPITAL PARTNERS, in conjunction with the INSURANCE COMPANY OF EAST AFRICA (ICEA), is currently in the process of launching its USD 350 million RUTLEY CAPITAL EAST AFRICAN PROPERTY FUND. The fund will be listed on the LONDON STOCK EXCHANGE (LSE), JOHANNESBURG STOCK EXCHANGE (JSE) and/or the NAIROBI STOCK EXCHANGE (NSE) and is planning to deliver two-digit returns by focussing on office and retail assets in prime locations across Eastern Africa.[547] Moreover, due to the downturn of values across European markets and the growing opportunities in a number of Sub-Saharan African markets, CAPITALWORKS INVESTMENT PARTNERS has announced to initiate a Sub-Saharan Africa real estate fund with an equity target of USD 500 million, which is to be matched by the same amount of debt. Its main emphasis will be placed on markets in Mozambique,

[546] See HAIMANN (2008).
[547] See KNIGHT FRANK (2007b), p. 1.

Zambia, Ghana, Nigeria and Mauritius.[548] In search of alternative markets, property investment and development companies from the Middle East have recently closed a number of leisure real estate deals, which include the development and acquisition of hotels and wildlife resorts throughout the region. Particularly investors from the UNITED ARAB EMIRATES (UAE) have been noticeably active. Dubai-based NAKHEEL HOTEL & RESORTS is constructing a USD 150 million resort in Djibouti. DUBAI WORLD, a UAE sovereign-wealth fund, purchased various luxury hotels across Southern and Eastern Africa and is planning to expand its holdings to Benin, Gabon and Senegal.[549] KINGDOM HOLDINGS, PRINCE AL WALEED BIN TALAL's Saudi-Arabian holding company, recently acquired 5 luxury hotel complexes in Kenya, invested in a 96% interest in Dar es Salaam's MÖVENPICK ROYAL PALM HOTEL and is constructing a USD 60 million luxury hotel in Uganda.[550] These examples show that growing numbers of foreign real estate investors have started to take notice of the current first-mover advantages of investing in Sub-Saharan African real estate.

Many of these first-mover advantages are strongly related to the prevailing immaturity of real estate markets.[551] As it has boosted rental rates throughout the region, some investors have profited from the insufficient supply of investible and rentable space, which KEOGH and D'ARCY define as one of the main indicators of real estate market immaturity.[552] As already mentioned, due to the ongoing economic growth of the previous years and the consequent market entry of international businesses, active most notably in telecommunications, infrastructure provision and the extractive industry (mining and oil/gas), the demand for high-quality space has risen and not been able to be met by supply as yet.[553] The amount of high-quality rentable space throughout Sub-Saharan Africa is therefore limited. The same conclusion is drawn within a real estate market study conducted by CUSHMAN&WAKEFIELD covering the markets of Nigeria, Tanzania, Uganda, Zambia, Ghana, Angola and Kenya in 2006. As the property indicators listed in Table 6 point out, none of the 7 office markets covered by the study feature good levels of supply, namely sufficient *class A space*. According to the study, 4 countries feature small levels of high-quality office space, whereas Tanzania's, Ghana's and Angola's markets offer *class B space* only. In 3 of 7 cases, namely in Uganda, Tanzania and Angola, demand exceeds supply. Furthermore, the generally weak supply is faced by at least adequate demand in all markets, whereas additional strong foreign demand is evident in Uganda and Angola. Demand in all other markets is largely driven by domestic companies or, as in the case of Ghana and Zambia, the respective public sectors.[554]

The effect of the generally exceeding demand for suitable space in Sub-Saharan African real estate markets is apparent, when examining the rent levels in 2008.[555] For instance in Luanda, the strong non-domestic demand driven by the Angolan oil sector is set against a substantial

[548] See LEES-BELL (2008).
[549] See HAIMANN (2008), p. 1.
[550] See SORBARA (2007), pp. 47f. and WARD (2007b), p. 65.
[551] See IMMOBILIEN ZEITUNG (2007), p. 1.
[552] See KEOGH/D'ARCY (1994), pp. 215f.
[553] See KNIGHT FRANK (2007a), p. 1.
[554] See CUSHMAN&WAKEFIELD (2006), p. 7. Also see Table 6.
[555] See Table 7.

lack of *class A space*, which results in unreasonably high rent levels. Amounting to USD 140/sqm per month and 100/sqm per month, current office and retail prime rent levels in Angola exceed those of almost all major real estate markets in Europe, which already had been the case in 2007.[556] Although prime rent levels for office, retail, residential and industrial space are considerably lower in all other Sub-Saharan African countries compared to Angola, high prime office rent levels per month of USD 75/sqm in Kinshasa (DRC), USD 65/sqm in Lagos (Nigeria), USD 35/sqm in Malabo (Equatorial Guinea), USD 25/sqm in Lomé (Togo) and N'Djamena (Chad), USD 22/sqm in Accra (Ghana) and Yamoussoukro (Côte d'Ivoire) as well as USD 20/sqm in Dakar (Senegal) and Dar es Salaam (Tanzania) still reflect the shortage of quality space throughout the region.[557] The same applies to prime rents for retail, industrial and residential space as indicated in Table 7.[558] With a further opening and development of these markets, rent levels will most probably decrease over time, as more developed real estate markets, such as Botswana and Kenya, have proven in the past.[559]

A similar picture can be drawn from the effect of the limited amount of investible space available in Sub-Saharan Africa. In general, real estate markets across the region remain small in terms of total investible asset value. In fact, the total value of investible high-quality commercial real estate assets across Sub-Saharan Africa is estimated to solely range at approximately USD 31.8 billion.[560] When allocating this value across the 47 countries of the region, the respective countries' investible asset value is often deemed too low for the investment volumes preferred by most foreign institutional real estate investors.[561]

On the contrary, the lack of supply has boosted prices within the region, which has lead to a growing interest of both local institutional and foreign property developers. A range of property development funds has scented vast opportunities in meeting the excess demand for investible and rentable high-quality commercial assets. For instance CDC GROUP, a private equity investor from the U.K., has launched an Africa real estate development fund under the management of ACTIS. The latter have indicated particular interest in markets with low existing investible stock, their intention being to develop new high-quality assets as well as to add value to existing, in some cases distressed, properties.[562]

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[556] See IMMOBILIEN ZEITUNG (2007), p. 1.
[557] See KNIGHT FRANK (2007a), pp. 4f.
[558] See Table 7.
[559] See CUSHMAN&WAKEFIELD (2006), p. 4.
[560] The calculation is based on the procedure described in ANIM-ODAME/KEY/STEVENSON (2008), p. 31 using GDP and GDP per capita data from WORLD BANK (2008b), pp. 23f. The applied formula is:

$RE_i = GDP_i * 0{,}45\ (GDH_i / 20.000)^{1/3}$
Where:
RE_i = Value of high-quality commercial real estate assets
GDP_i = Gross Domestic Product
GDH_i = Gross Domestic Product per capita

[561] See ANIM-ODAME/KEY/STEVENSON (2008), p. 1.
[562] For instance, at a total cost of USD 40 million, ACTIS developed West Africa's first modern retail park, *Accra Mall*, which was inaugurated in mid-2008 (see ACTIS LLP (2008)).

Table 7: 2008 Prime Rents and Yields in Sub-Saharan Africa

2008 Prime Rents and Yields in Sub-Saharan Africa*

Country	Prime Rents 2008				Prime Yields 2008 (%)			
	Office**	Retail**	Industrial**	Residential***	Office	Retail	Industrial	Residential
Angola	140	100	16	20.000	8	10	8	6
Benin	15	8	2	6.000	13	14	16	8
Botswana	13,5	25	4,5	2.750	10	10	13,5	12
Cameroon	16	14	4,5	4.250	10	9	11,5	8
Centr. Afric. Rep.	18	20	2	4.500	12	8	14	9
Chad	25	25	8	3.000	12	10	16	8
Côte d'Ivoire	22	25	4,5	2.500	10	9	12	8
Congo, D.R.	75	30	12	10.000	11	15	13	10
Equatorial Guinea	35	18	8	10.000	10	9	11	7
Ghana	22	40	3,5	4.000	10	8	12	11
Kenya	9	35	3,5	3.500	10	12	14	9
Madagascar	10	15	-	3.500	13	12	-	10
Malawi	9,50	17,3	5	1.750	8	8	9,5	6,5
Mali	17,5	15	2	2.500	10	10	15	7
Mauritania	18	18	4	2.000	13	11	14	8
Mozambique	17	14	2	3.000	10	10	10	9
Namibia	15	34	5	2.000	10,5	10	11,5	10
Nigeria	65	40	8	15.000	9	8	9,5	6
Rwanda	13	15	1,5	2.500	12	12	14	6
Senegal	20	30	4,5	6.500	12	10	15	8
Tanzania	20	16	3	6.000	10	12	15	12
Togo	25	8	8	7.000	12	10	16	8
Uganda	17	30	5	4.500	10	11	12	10
Zambia	18	25	4,5	3.500	12	10	15	14
Zimbabwe	4	8	1,5	1.500	8	7	12	6

* Source: Own illustration based on data from KNIGHT FRANK (2007a), pp. 4f., KNIGHT FRANK (2008), pp. 14f. and KNIGHT FRANK (2009a), pp. 4f. Benin: Data refers to 2007. Madagascar, industrial real estate: No reliable data available.
** Rent in USD per sqm per month
*** Rent in USD for a 4 bedroom executive house in a prime location per month.

However, the immaturity evidenced throughout the region's real estate markets is also accompanied by a lack of transparency, which, in turn, remains to be a major barrier to foreign market participation.[563] Access to information in an adequately contextual and timely manner is strongly limited. Apart from Sudan, the JONES LANG LASALLE REAL ESTATE TRANSPARENCY INDEX (RETI) does not include any of the region's markets.[564] This allows for the assumption that neither the importance of Sub-Saharan Africa's real estate market nor its degree of transparency are considered sufficiently high enough to justify the additional effort of including it into the index. Although the region is left uncovered by the RETI to date, ANIM-ODABE, KEY and STEVENSON note that estimations may be made on the markets' transparencies nonetheless. Research work by the latter reports that the WORLD ECONOMIC FORUM'S GLOBAL COMPETITIVE INDEX (GCI) 2006 cor-

[563] See CUSHMAN&WAKEFIELD (2006), p. 1.
[564] The only African markets included in the RETI 2008 are Egypt, Sudan, Morocco, Algeria and South Africa (see JONES LANG LASALLE (2008a), p. 2). In July 2008 the RETI-creators published a detailed study on real estate transparency in Africa and the Middle East. The coverage has been extended to 14 markets (Abu Dhabi, Bahrain, Dubai, Egypt, Kuwait, Oman, Morocco, Qatar, Algeria, Saudi Arabia, Syria, Sudan, Pakistan and UAE). Thus, the concentration on the Northern parts of Africa and Arabic regions was maintained (see JONES LANG LASALLE (2008c), p. 9).

related at 0.82 with the RETI in the same year in those countries where scores for both indicators were existent. They suggest that estimates on the transparency of real estate markets can be derived from the respective countries' GCI scores. Syria, which took last place of the 81 countries listed within the RETI 2008, was ranked 80th within the GCI 2007/2008.[565] Apart from Botswana (76th) and Mauritius (60th), all other Sub-Saharan African countries (excluding RSA) received vastly lower GCI scores than Syria, which implies that most real estate markets in Sub-Saharan Africa may be considered even more opaque than all the markets already rated highly intransparent within the RETI 2008.[566]

On a concluding note, real estate markets in Sub-Saharan Africa, although dynamic in nature, remain to be immature, opaque and primarily driven by domestic institutional investors and property developers. The lack of high-quality supply has boosted prime rent levels and evoked two-digit yields, which, in turn, have recently begun to catch the attention of first-mover foreign real estate investors. Whether this generalised view can be transferred to individual countries in the region shall be analysed within the following case study, in which a more precise picture shall be drawn in form of a profile of Tanzania as a potential destination for FREI.

3.4 Case Study: A Profile of Tanzania as a Potential Destination for Foreign Real Estate Investment

In order to adequately illustrate Tanzania's profile as a potential destination for FREI, relevant background information on Tanzania needs to be displayed at first. Subsequently, the framework for FREI will be outlined by closely elaborating on the policies on foreign investment in general, specific land policies in situ relevant for foreign investors, tax issues that have to be taken into consideration as well as local financing conditions for foreign real estate investors. Eventually, the parameters of Tanzania's real estate market, which is effectively represented by the real estate market in Dar es Salaam, will be displayed on the basis of a categorisation into the submarkets office, retail, industrial and residential real estate.

3.4.1 Background Information on Tanzania

3.4.1.1 Geographical Setting and Country Data

Tanzania, which is part of the East African Community (EAC), counts a population of approximately 41.5 million people, which, in turn, inhabit an area of approximately 945.000 km^2.[567] The country gained its independence from Great Britain in 1961 and united three years later with the island group of Zanzibar, which is situated directly off the Eastern coast of Tanzania in the Indian Ocean. Together, Tanzania's mainland and Zanzibar form the United Republic of Tanzania.[568] However, as already mentioned above, the present study shall only concentrate on the continental part of Tanzania (mainland). The special situation of Zanzibar will not be described in detail, as the island region with its small area and its strong politico-economical autonomy

[565] See WORLD ECONOMIC FORUM (2008), p. 1.
[566] See ANIM-ODAME/KEY/STEVENSON (2008), p. 2.
[567] Status: 2009. See AFRICAN STATISTICAL COORDINATION COMMITTEE (2009), p. 30 and CENTRAL INTELLIGENCE AGENCY (2009).
[568] See NATIONAL BUREAU OF STATISTICS (2007), p. 3.

only plays a minor role for Tanzania's economic output and, as a result, for Tanzania's real estate market. In the north, Tanzania is bordered by Kenya and Uganda, in the west by Rwanda, Burundi and the Democratic Republic of Congo[569] and in the south by Zambia, Malawi and Mozambique.[570] Dodoma, which is situated more or less in the country's geographic centre, is the official capital of Tanzania. Nevertheless, Dar es Salaam, which is situated on the coast of the Indian Ocean, remains to be by far the country's biggest urban and economic centre. Although Tanzania is inhabited by various ethnic groups, the official language is *Kiswahili*, whereas also the official use of English is widely spread. Approximately 35% to 40% of the Tanzanian population are estimated to be Muslims, which primarily live in coastal and northern parts of the country. Approximately 40% to 45% of Tanzania's population practice Christianity, the rest follows traditional beliefs, most of which comprise ancestor worship and nature-based animism.[571] Tanzania's official currency is the Tanzanian Shilling (TZS), while the USD quasi represents a parallel currency system especially in those regions with substantial touristic traffic.[572]

3.4.1.2 Tanzania's Historical and Political Context

In terms of ethnic diversity, Tanzania is considered to be one of the most diverse countries in the world.[573] This is a result of centuries of foreign influence, which had shaped culture, people as well as the rural and urban landscapes throughout the two formerly sovereign countries Tanganyika (mainland) and Zanzibar (island state), which were later unified to become the United Republic of Tanzania (URT). Already by the 12th century, traders and immigrants, mainly from Arabia, Persia and India, had developed urban structures across the 800-kilometre coastline of Tanganyika. In the 16th century the Portuguese claimed control of all coastal areas including Zanzibar, which, until then, had been an Arab/Persian trading centre. The entire territory was reclaimed by Omani Arabs during the 18th century. However, it was not until the first half of the 19th century that Arab slave traders, European explorers as well as missionaries invaded Tanganyika's interior. In 1884 Germany advanced its colonial interest by initiating a series of treaties, by which tribal chiefs accepted a so-called German protection. Zanzibar, where the United Kingdom had increasingly gained political influence, was transformed into a British protectorate under the ANGLO-GERMAN AGREEMENT of 1890.[574] German colonial rule over Tanganyika ended after WORLD WAR I and control of most of the territory was passed to the United Kingdom under a LEAGUE OF NATIONS mandate. After WORLD WAR II Tanganyika became a UN trusteeship under British control. Nonetheless, Tanganyika gradually shifted towards a self-governing, independent state during the following years, essentially under the influence of MWALIMU[575] JULIUS K. NYERERE and his TANGANYIKA AFRICAN NATIONAL UNION (TANU) party. On the basis of a newly established constitution Tanganyika eventually claimed independence in 1961.[576] In the follow-

[569] Until 1997 considered as Zaire.
[570] See NATIONAL BUREAU OF STATISTICS (2007), p. 7.
[571] See NATIONAL BUREAU OF STATISTICS (2007), p. 22 and U.S. DEPARTMENT OF STATE (2008).
[572] In the beginning of the 1990s, the exchange rate (TZS:USD) still ranged at approximately 300 TZS for a price of 1 USD. Until 2002, the exchange rate was strongly weakened and was finally fixed at a level of 1,000 TZS to 1 USD. Ever since, the TZS has shown a far more stable structure. In June 2009, the exchange rate (TZS:USD) ranged at approximately 1,300:1 (see CENTRAL INTELLIGENCE AGENCY (2009).
[573] See UNCTAD/UNDP (2007), p. 165.
[574] See INTERNATIONAL BUSINESS PUBLICATIONS (2005), pp. 26f.
[575] The direct translation of the Swahili word *Mwalimu* is teacher. NYERERE, who is considered to be the father of the Tanzanian nation, is commonly referred to simply as *Mwalimu*, since he had formerly been a school teacher.
[576] See KILAWE (2003), p. 27.

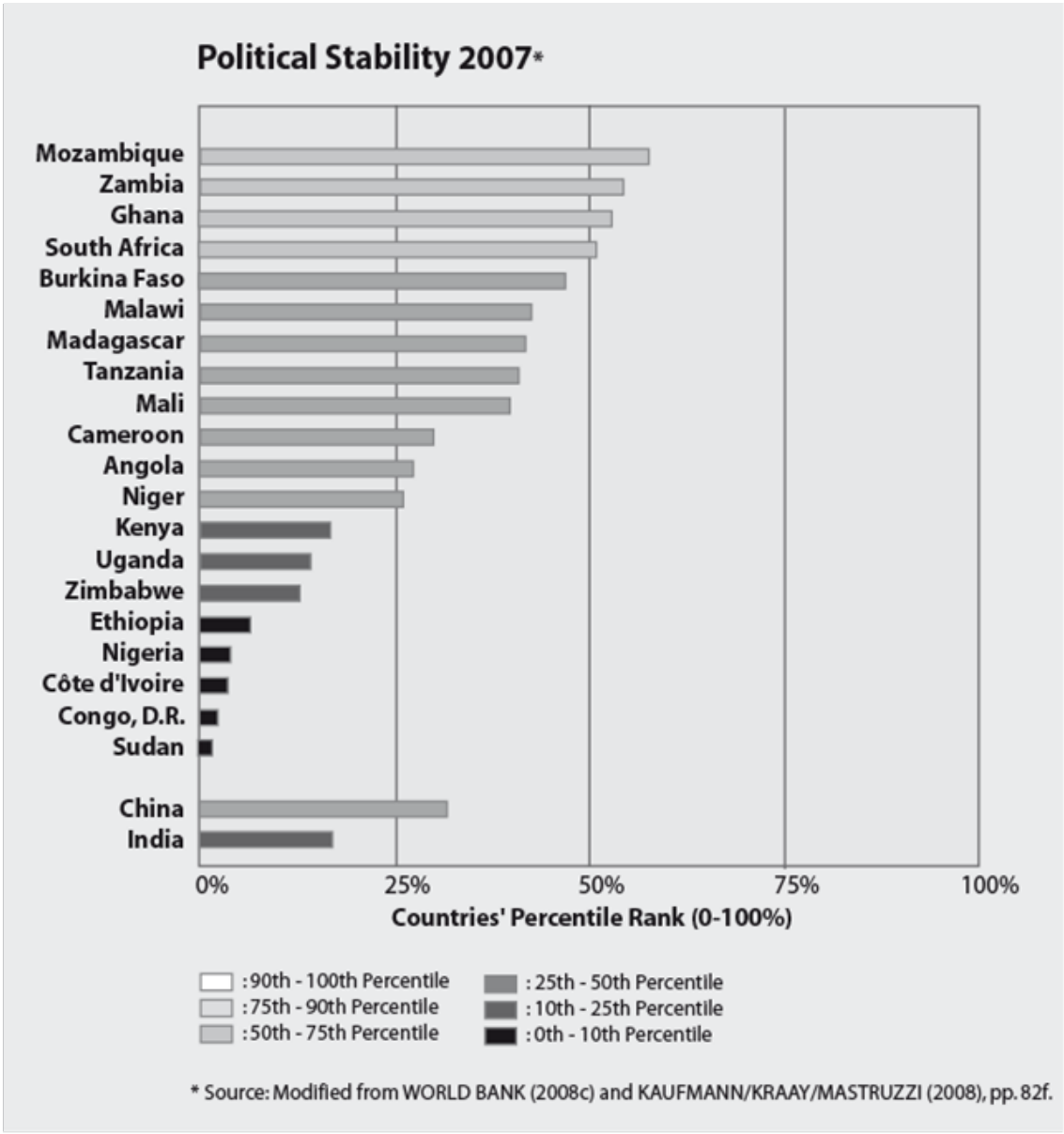
ing year it was accorded the status of a republic within the COMMONWEALTH and NYERERE was elected president of the newly constituted United Republic of Tanganyika. Zanzibar received its independence from the United Kingdom as a constitutional monarchy under the Omani sultan in 1963. The latter, however, was overthrown a few weeks later by the African majority of Zanzibar. A new government was formed by the AFRO-SHIRAZI PARTY (ASP), which was led by ABAID KARUME as the President of Zanzibar and Chairman of the REVOLUTIONARY COUNCIL. In 1964 Tanganyika and Zanzibar merged to form the URT, whereas until today Zanzibar has retained extensive local autonomy.[577]

From post-independence until today, Tanzania's political progression can be divided into two phases, namely the socialist state-centric phase that lasted from 1961 until the mid-1980s and the society-centric approach that has been persisting since the mid-1980s.[578] The state-centric approach, which was based on the principles of NYERERE's ARUSHA DECLARATION of 1967, is often referred to as *ujamaa*[579], an African socialistic political ideology aiming at national self-reliance (*kujitegemea*), non-exploitative development, social solidarity and collective sacrifice.[580] Shortly after the promulgation of the ARUSHA DECLARATION, all banks and large industrial entities were nationalised by the regime. In 1977 the ruling parties of both Tanzania's mainland (TANU) and Zanzibar (ASP) joined to form the CHAMA CHA MAPINDUZI (CCM)[581] as the sole ruling party for both parts of the union. Although NYERERE's so-called *socialist experiment* undoubtedly achieved to unify Tanzania's ethnic and cultural diversity by, among others, propagating *umoja*[582] and imposing *Kiswahili* as the republic's national language, *ujamaa socialism* had a strong negative impact on Tanzania's economic and social development. The flipside effects of *ujamaa* have remained apparent even until today, especially when considering the commonly criticised absence of entrepreneurial spirit, Tanzania's uncompleted privatisation process and its obsolete land policies by way of example.[583] Struck by the economic crisis in the 1980s, the Tanzanian government was eventually forced to accept conditional loans from the IMF. This was not only the official acknowledgement of political failure, but it was also the trigger for structural adjustments, such as the liquidation of public sector assets and the deregulation of Tanzania's financial and agricultural markets. Under NYERERE's successor, ALI HASSAN MWINYI, a number of further political and economic reforms was undertaken, which heralded the start of a new political mind-set and the implementation of a society-centric approach. This, in turn, was manifested in the overhaul of Tanzania's constitution in 1984. The ECONOMIC RECOVERY PROGRAM (ERP) was launched in 1986, which comprised measures to liberalise the republic's economy and encourage both foreign and domestic private investment. Several initiatives followed, such as the dismantlement of state economic controls, the abolition of price controls, the restructuring of the financial sector and the improvement of monetary control. Moreover, the trend towards economic liberalisation was complemented by a strong democratic notion. In

[577] See UNCTAD/ICC (2005), pp. 7f. and NATIONAL BUREAU OF STATISTICS (2007), p. 3.
[578] See MUSHI (2001), p. 2. Also see MWAPACHU (2005), pp. 5f. on NYERERE's political influence on Tanzania and Africa in general.
[579] The Swahili word *Ujamaa* can be translated as familyhood or extended family.
[580] See IBHAWOH/DIBUA (2003), p. 59.
[581] The direct translation of CHAMA CHA MAPINDUZI is revolutionary party.
[582] *Umoja* is commonly translated as the spirit of togetherness.
[583] See SHELLEY (2004), p. 127.

1992, the CCM announced to pass legislation for the conversion of the previous single-party rule into a multi-party democracy, which has prevailed until today.[584] Although the composition of the current NATIONAL ASSEMBLY clearly evidences the ongoing dominance of the CCM, which holds approximately 82% of all seats, there are currently 17 opposition parties with formal status.[585] Of these, however, as yet only the CIVIC UNITED FRONT (CUF) is considered to be of note, as it boasts a large number of supporters in Zanzibar. The current president, JAKAYA KIKWETE (CCM), who was elected for a five-year term in 2005 by 80.3% of all votes, is both chief of state and head of government.[586]

Figure 9: Political Stability 2007



In spite of its radical political turnaround during the mid-1980s, Tanzania's current political system is widely regarded as one of the AFRICAN UNION's (AU) flagship-democracies. Although

[584] See INTERNATIONAL BUSINESS PUBLICATIONS (2005), p. 30.
[585] See UNCTAD/ICC (2005), p. 8.
[586] See CENTRAL INTELLIGENCE AGENCY (2009), p. 1.

NYERERE's political approach failed and is strongly criticised by both sympathetic and antagonistic observers in retrospect,[587] NYERERE's regime undoubtedly achieved to create a common denominator for a nation that comprises two former sovereign states, over 130 different tribes and three major religious orientations.[588] Tanzania benefits from a strong spirit of national unity, which has successfully held together a highly heterogeneous republic. In comparison to its neighbouring states, the URT has witnessed fairly peaceful relations among its numerous ethnic groups to date. Furthermore, Tanzania has been able to keep political debate free from tribal animosities, which, as the recent tribal clash in Kenya has proven, pose a threat to political stability. However, Zanzibar's semi-autonomous status has put pressure on Tanzania's unification process. Separatist ambitions and the existence of a strong opposition (CUF) in Zanzibar have led to litigious elections since 1995, which international observers claim to have featured voting irregularities. Moreover, Tanzania still hosts more than a half-million refugees, mainly from Burundi, Rwanda, the DRC and recently Kenya, which, as the current violent actions against refugees in South Africa demonstrate, may potentially threaten the country's political stability. However, no signs thereof have been ascertained to date.[589] Former border disputes with Malawi concerning LAKE NYASA (LAKE MALAWI) and the SONGWE RIVER also remain inactive. In general, Tanzania has built up a firm reputation among its neighbouring countries and has contributed to the resolution of ongoing disputes within the region (i.e. the conflicts in Burundi and the DRC). As a founding member of the EAST AFRICAN COMMUNITY (EAC), which was formerly intended only to become a customs union and now aims at further reaching political, economic and social cooperation, Tanzania has maintained particularly close ties to its member states, namely Uganda, Kenya, Burundi and Rwanda.[590] As the only country from East Africa, Tanzania is also a member of the SOUTHERN AFRICAN DEVELOPMENT COMMUNITY (SADC), an alliance of Southern African states with the aim to coordinate development, enhance economic growth, share political values and promote peace across the region. All these and many more factors have contributed to the various risk assessment results of Tanzania's political climate, which, as the results generally show, is considered to be reasonably stable in comparison to other countries in Sub-Saharan Africa. Although various political risk rankings that cover Tanzania exist, the results vary widely, as the rankings take different factors into account. The WORLD BANK INSTITUTE has modelled an indicator for political stability, which is aggregated on the basis of several data sources and risk rankings and is thus able to deliver a broad picture of Tanzania's (and other countries') perceived political stability.[591] The results are presented in form of a percentile rank, which indicates the percentage of countries worldwide that rank below the respective country in

[587] See IBHAWOH/DIBUA (2003), p. 60.
[588] See SHELLEY (2004), p. 127.
[589] See CENTRAL INTELLIGENCE AGENCY (2009), p. 1.
[590] The cooperation was manifested with the signing of the EAST AFRICAN COOPERATION TREATY (EACT) in 1999 and the establishment of an improved EAST AFRICAN CUSTOMS UNION (EACU) in 2004 (see MUSOKE (2005), p. 19). Burundi and Rwanda joined the EAC and thereby the customs union as full members in 2007 (see U.S. DEPARTMENT OF STATE (2008)).
[591] The WORLD BANK INSTITUTE's aggregated indicator values are based on data from the following sources: OECD DEVELOPMENT CENTER AFRICAN ECONOMIC OUTLOOK http://www.oecd.org/dev/aeo, GLOBAL INSIGHT GLOBAL RISK SERVICE http://www.globalinsight.com, ECONOMIST INTELLIGENCE UNIT http://www.eiu.com, WORLD ECONOMIC FORUM GLOBAL COMPETITIVENESS SURVEY http://www.weforum.org, CINGRANELLI-RICHARDS HUMAN RIGHTS DATABASE & POLITICAL TERROR SCALE http://www.humanrightsdata.com, IJET COUNTRY SECURITY RISK RATINGS https://worldcue.ijet.com/tic/login.jsp, MERCHANT INTERNATIONAL GROUP GRAY AREA DYNAMICS http://www.merchantinternational.com, POLITICAL RISK SERVICES INTERNATIONAL COUNTRY RISK GUIDE http://www.prsgroup.com and GLOBAL INSIGHT BUSINESS CONDITIONS AND RISK INDICATORS http://www.globalinsight.com (see WORLD BANK INSTITUTE (2008), p. 3).

terms of political stability. Higher percentile values thus indicate a higher political stability in comparison to other countries. Tanzania's percentile for 2007 ranked at approximately 39.9%, which means that according to the WORLD BANK INSTITUTE an estimated 39.9% of countries worldwide were considered to be politically more instable than Tanzania in 2007. When regarding the fact that Sub-Saharan Africa's regional average percentile ranked at approximately 34.2% in the same year, Tanzania's political stability can be considered to be slightly above average.[592] This is also reflected in Figure 9, which shows the 2007 percentile ranks of the 20 most populous countries in Sub-Saharan Africa (including RSA) as well as those of two exemplary popular emerging real estate markets outside of the region, namely China and India.[593]

3.4.1.3 Economic Environment

In attempting to create a profile of the real estate market in Tanzania, it is also important to initially assess the economic environment, in which it functions. As already outlined within the previous section, Tanzania witnessed a radical policy turnaround in the mid-1980s. After more than two decades of command economic policy making, Tanzania's government began aligning its economy to free-market structures. The ERP launch in 1986, the passage of the NATIONAL INVESTMENT (PROMOTION AND PROTECTION) ACT in 1990, the inauguration of an independent privatisation agency in 1992 (PRESIDENTIAL PARASTATAL SECTOR REFORM COMMISSION (PPSRC)), the establishment of the ENHANCED STRUCTURAL ADJUSTMENT FACILITY (ESAF) in 1996 and the recent 2007 reform program under the IMF POLICY SUPPORT INSTRUMENT (PSI) were just a few systematic steps among others taken by the Tanzanian Government to facilitate the privatisation process. By 2005 more than 300 former public enterprises had been successfully privatised, whereas profitless unviable public enterprises were subject to liquidation and closure.[594] Owing to the consistent implementation of privatisation measures and economic reforms, Tanzania has ever since been able to attract a considerable amount of donor agencies and foreign investors. The increasing volume of donor funding and FDI is a clear acknowledgement of the success of Tanzania's policy reforms. Tanzania received a total of USD 1.5 billion in economic aid alone in 2005. From 2006 to 2007, the volume of FDI inflows increased from USD 522 million to approximately USD 600 million. According to the TANZANIA INVESTMENT CENTRE (TIC), the volume of FDI was expected to surpass an estimated USD 750 million in 2008. This 25% increase in FDI is mainly attributable to the accelerated growth of both the mining and tourism sector.[595] Also domestic private investment has been on the rise, owing partly to the improved access to local finance and partly to the encouragement taken from foreign capital inflows. Moreover, Tanzania's economy in total has continuously grown at average yearly GDP growth rates above 6% since 2000. Despite the recent harsh climatic conditions and resultant power shortages[596], real GDP rose from 6.7% in 2006 to 7.1% in 2007 at an inflation rate of 6.3% in 2006/2007. The prospects for Tanzania's economic performance seem bright, as it is expected

[592] See KAUFMANN/KRAAY/MASTRUZZI (2008), pp. 82f. and WORLD BANK (2008c).
[593] See Figure 9, which is based on data from KAUFMANN/KRAAY/MASTRUZZI (2008), pp. 82f. and WORLD BANK (2008c).
[594] See UNCTAD/ICC (2005), p. 10.
[595] See REUTERS (2008).
[596] These were caused by the absence of sufficient rainfall in 2005 and 2006, which led to inadequate water levels for Tanzania's hydropower dams, which are still the main source of electrical power. In general, investment in power production has not been able to keep pace with economic growth. Thus, power shortage may remain a stumbling block for economic performance (see OECD (2008), p. 573).

to maintain its momentum at estimated real GDP growth rates of 6.5% for 2008 and 6.7% for 2009.[597]

Despite these promising figures, Tanzania's economy is still in a precarious state and its population undoubtedly remains poverty-stricken. In fact, an estimated 90% of Tanzanians currently live in poverty and 36% live below the national poverty line.[598] Measured on the basis of gross national income per capita, Tanzania ranked within the 20 poorest countries worldwide at an average amount of USD 297 p.a. between the years 2000 to 2005. This figure is notably lower than Sub-Saharan Africa's (excluding RSA) average gross national income per capita, which amounted to USD 362 during the same time-period.[599] Tanzania's poverty crisis is also reflected in the 2009 HUMAN DEVELOPMENT REPORT, which ranks Tanzania 151st within the 2009 HUMAN DEVELOPMENT INDEX out of all 182 countries listed.[600] Further common adverse criticism claims that Tanzania's economy is highly fragile, due to its strong dependence on externalities. Above all, this is a result of the agriculture sector's dominance, which contributed 42.5% to GDP[601] and employed 80% of all workforces in 2007. The republic's economic outlook is thus heavily dependent on agricultural performance, which, in turn, is vulnerable to global price structures and climatic conditions. In addition, Tanzania's industrial sector, which mainly features the processing of raw materials, agricultural products and light consumer goods, remains to be one of the smallest in Africa.[602] In spite of the increase in construction, mining and manufacturing activity, the industrial sector only accounted for approximately 19% of GDP in 2007. Tanzania's services sector, by contrast, has clearly prospered and amounted to 38.5% of GDP in 2007.[603] The service sector's growth is largely driven by the tourism industry, which has forecasted a further increase of its earnings from USD 700 million in 2007 to USD 1.0 billion in 2010. Alongside the tourism industry, the most rapidly expanding service sub-sectors are real estate and business services, which have also considerably contributed to the service sector's growth.[604]

The agriculture sector's dominance, as mentioned above, is naturally also reflected in Tanzania's export structure. In 2007, goods worth approximately USD 2.2 billion were exported mainly to China (9.9%), India (9.3%), the Netherlands (6.2%), Germany (6.1%) and the UAE (4.7%). These exports largely consisted of gold, minerals, sisal, coffee, tobacco, cashew nuts, cotton and a small amount of manufactures. Agricultural products accounted for approximately 80% of total exports. Accordingly, effort has been put forth into the attempt to diversify the economy's export structure, in order to reduce Tanzania's dependency on externalities.[605] In this context, it can be regarded as a blessing that significant gas discoveries were made in a number of regions (i.e. Songo Songo and Mnazi Bay) and geological information reveals signs of an active petroleum system. Both Tanzania's public and private sectors have therefore placed emphasis

[597] See AFRICAN STATISTICAL COORDINATION COMMITTEE (2009), p. 42, OECD (2008), p. 573, CENTRAL INTELLIGENCE AGENCY (2009), AUSWÄRTIGES AMT (2008) and U.S. DEPARTMENT OF STATE (2008).
[598] See AUSWÄRTIGES AMT (2008) and CENTRAL INTELLIGENCE AGENCY (2009).
[599] See WORLD BANK (2008a), p. 29.
[600] In the 2007 HUMAN DEVELOPMENT REPORT Tanzania ranks 159th of the 177 countries listed. Thus, a slight improvement can be stated for the recent years (see OECD (2008), p. 583 and UNDP (2009)).
[601] Tanzania's GDP in 2007 amounted to an estimated USD 14.2 billion (see AUSWÄRTIGES AMT (2008)).
[602] See CREDIT GUARANTEE INSURANCE CORPORATION OF AFRICA (2008), p. 1.
[603] See CENTRAL INTELLIGENCE AGENCY (2009).
[604] See OECD (2008), p. 574.
[605] See AUSWÄRTIGES AMT (2008).

on and nourished hope in the development of gas and crude oil extracting industries. Further accomplishments in this field could not only fuel exports, but also relieve Tanzania's trading deficit, which stood at USD 2.6 billion in 2007 and was mainly caused by a sudden rise in crude oil costs. Besides crude oil, major imports into Tanzania include consumer goods, machinery and transportation equipment, industrial raw materials as well as building and construction materials.[606] Tanzania's major import partners in 2007 were China (11.9%), Kenya (7.9%), South Africa (7.6%), India (6.8%) and the UAE (5.8%).[607]

In summary, the outlook on Tanzania's economic performance is encouraging, despite its strong dependence on several, partly non-influenceable factors. These factors shall be deliberately listed in the following by way of example. To begin with, large potential lies in further development achievements within Tanzania's gas and crude oil extracting industries. Moreover, the continuation of sectoral diversification efforts aiming at stabilising the economy is essential, as they have already shown success.[608] The agreement on facilitating access for exports from EAC members to duty free and quota free markets in the EU may positively contribute to Tanzania's export performance. Tanzania's economy may derive the expected benefit from the establishment of a common market and monetary union between EAC member states planned for 2010. Although the reduction of external debt to USD 4.9 billion in 2007, which was a result of the MULTILATERAL DEBT RELIEF INITIATIVE (MDRI) and the HIGHLY INDEBTED POOR COUNTRIES (HIPC) INITIATIVE, was already a well-received first step in balancing the state budget, the debt relief process must be expedited. In addition, inflationary pressure caused by recent increases in oil and domestic food prices must continuously be contained by Tanzania's central Bank, the BANK OF TANZANIA (BOT). A further expansion of the service sector is imperative. Notably, the tourism industry, which is currently serving some 600.000 tourists per year, has not yet exploited its full potential.[609] This becomes apparent, when considering neighbouring Kenya's achievement in attracting more than 2 million tourists in 2007 despite its recent political turmoil.[610] The inadequate transportation and communication network as well as the unreliable supply of energy remain to be major barriers for economic growth and must be cleared earliest possible.[611] Privatisation endeavours, which have been on the top of the economic reform agenda, must be anticipated, as deadlines for the divesture of public enterprises have seldom been met in the past. However, the successful privatisation of TANZANIA RAILWAYS CORPORATION (TRC), the completed restructuring of TANZANIA INVESTMENT BANK (TIB) and the publicly announced intention to privatise Tanzania's largest insurance company, the NATIONAL INSURANCE CORPORATION (NIC), have been important milestones during the previous year. Furthermore, following the first generation of reforms, the shortly envisaged SECOND GENERATION FINANCIAL SECTOR REFORMS (SGFSR) will address the sector's remaining constraints. This may hopefully have the necessary impact on lowering one of the economy's main investment hurdles, namely

[606] See SHELLEY (2004), p. 129.
[607] See CENTRAL INTELLIGENCE AGENCY (2009).
[608] The formerly large volume of traditional agricultural exports has gradually been reduced and replaced by gold and mineral exports (see OECD (2008), p. 578).
[609] See CREDIT GUARANTEE INSURANCE CORPORATION OF AFRICA (2008), p. 1.
[610] See MINISTRY OF TOURISM (2008).
[611] The Tanzanian government has recently received a USD 698 million grant from the U.S. GOVERNMENT'S MILLENNIUM CHALLENGE CORP for developing energy, road and water projects (see CREDIT GUARANTEE INSURANCE CORPORATION OF AFRICA (2008), p. 1).

the burdensome access to finance.[612] Lastly, the government's focus on improving the framework for both foreign and domestic investment must be carried forward. To what extent previous efforts in doing so have been successful, will be exemplified within the following passages by examining the framework conditions for FREI.

3.4.2 Framework for Foreign Real Estate Investment in Tanzania

3.4.2.1 Policies on Foreign Investment

Tanzania has strongly encouraged foreign investment ever since its implementation of economic reforms starting from the mid-1980s. It has therefore formally opened its gates to foreign investors in all sectors including real estate. The TANZANIA INVESTMENT ACT NO. 26 of 1997 specifies a number of major policy guidelines for both foreign and domestic investment.[613] However, the act does not apply to investments to Zanzibar, which, in turn, is governed under separate legislation.[614] In order to stimulate investment, the TANZANIA INVESTMENT CENTRE (TIC) was established under the TANZANIA INVESTMENT ACT NO. 26. The TIC coordinates, promotes and facilitates all investment matters and serves as the single point of contact for foreign investors.[615] Among others, it offers assistance within the obtainment of the required licenses and permits. Selected senior officers from all relevant government departments and agencies, namely from the LANDS DEPARTMENT, the TANZANIA REVENUE AUTHORITY (TRA), the IMMIGRATION DEPARTMENT, the LABOUR DIVISION, the DIRECTORATE OF TRADE and the BUSINESS REGISTRATION & LICENSING AGENCY (BRELA), are stationed and offer their services at the TIC. The latter are required by law to fully assist both the TIC and foreign investors in all matters that concern the implementation of investment projects in Tanzania. As it serves as the gateway to all relevant government departments and agencies, the TIC has been well accepted by both domestic and foreign investors as an efficient one-stop-shop.[616] The TIC grants formal *investment certificates of incentives* for foreign investors on approved projects that exceed USD 300.000. These serve as an official recognition of an individual's or company's investment status.[617] Possible benefits and incentives granted under the TANZANIA INVESTMENT ACT NO. 26 that apply to FREI include zero customs duty and deferred value added tax (VAT) on capital goods for infrastructure investments, 5% customs duty and deferred VAT on investments in commercial property and commercial real estate development, exemption from corporate income tax for up to 5 years as well as a number of other income tax benefits. These include allowing interest deduction on capital loans, the removal of the 5-year limit for carrying forward losses and 100% capital allow-

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[612] See OECD (2008), p. 580.
[613] The act does not apply to mining and petroleum explorations. These are covered by the PETROLEUM ACT OF 1980 and the MINING ACT OF 1998 respectively. The act does also not apply to foreign investments below an amount of USD 300,000 and domestic investments below an amount of USD 100,000 (see U.S. DEPARTMENT OF STATE (2008)). Further relevant legal acts and policies include the BUSINESS LICENSING ACT NO. 25 of 1972, bilateral investment treaties, double taxation agreements, the LAW OF CONTRACT ACT, the COMPANIES ACT NO. 12 of 2002, the INCOME TAX ACT NO. 11 of 2004, the VALUE ADDED TAX ACT NO. 24 of 1997, the FOREIGN EXCHANGE ACT NO. 1 of 1992, the FINANCIAL LAWS ACT NO. 27 of 1997, the URBAN PLANNING ACT of 2006 and several land policies, which are outlined in section 3.4.2.2 (see TANZANIA INVESTMENT CENTRE (2008)).
[614] Investments to Zanzibar are regulated by the ZANZIBAR INVESTMENT PROMOTION AUTHORITY (ZIPA), which was established under the ZANZIBAR INVESTMENT AND PROTECTION ACT NO. 11 of 2004. The latter, in turn, specifies all foreign and domestic investment regulations (see ZANZIBAR INVESTMENT PROMOTION AUTHORITY (2007), pp. 11f.).
[615] See TANZANIA INVESTMENT CENTRE (2002), p. 12.
[616] Although foreign investors are obliged to apply to the TIC before acquiring real estate, current practice has shown that direct investments via joint venture constellations with local partners are also possible (see URES (2008), p. 3).
[617] See SHELLEY (2004), p. 132.

ance deduction in the years of income. Furthermore, a 6% capital deduction is permitted for hotel real estate investments.[618] The TIC's decision upon whether or not these incentives are granted is made on a case-by-case basis, whereas the decision-making process must follow existing guidelines.[619]

Apart from its limiting land policies, which will eventually be outlined in section 3.4.2.2, the Tanzanian government imposes no major restrictions on foreign investors. Once having obtained a business license through the BRELA, foreign real estate investors may freely establish private entities and acquire both movable and immovable property. Under the TANZANIA INVESTMENT ACT NO. 26 foreign investors are also permitted to transfer net profits, remit proceeds and reimburse foreign loans, fees and/or royalties unconditionally. As yet, there are no equity requirements for foreign investors and consequently no limitations on the amount of foreign share in Tanzanian companies. In addition to the continuous abolishment of restrictions for foreign investors, the government has put effort into providing sufficient investment security.[620] In consequence, guarantees against nationalisation and expropriation have been established by law. Furthermore, Tanzania has signed agreements with the OVERSEAS PRIVATE INVESTMENT CORPORATION (OPIC) in 1996, in order to make OPIC insurance programs available for investors. Tanzania has also become an active member of both the INTERNATIONAL CENTER FOR THE SETTLEMENT OF INVESTMENT DISPUTES (ICSID) and the MULTILATERAL INVESTMENT GUARANTEE AGENCY (MIGA). The latter has enabled foreign investors to make use of MIGA guarantees. Any disputes between foreign investors and the government may be settled through the ICSID, MIGA and/or various other international organisations. Disputes may be presented for arbitration under various international agreements such as the CONVENTION ON THE SETTLEMENT OF INVESTMENT DISPUTES BETWEEN STATES AND NATIONALS OF OTHER STATES or the PARIS CONVENTION FOR THE PROTECTION OF INDUSTRIAL PROPERTY signed by Tanzania in 1994 among others.[621] Moreover, the establishment of the COMMERCIAL COURT OF TANZANIA IN 1999 has been an effective step towards the protection and enforcement of protection rights by facilitating an adequate litigation of commercial disputes.[622]

3.4.2.2 Land Policies and Foreign Access to Land

As a relict of the socialist era, all land in Tanzania has remained state-owned since 1967[623] and is still vested in the president as the trustee for and behalf of Tanzania's citizens as regulated in the LAND ACT NO. 4 of 1999 and as amended in 2002. In consequence thereof, free-hold title does not exist and land ownership remains strongly restricted. This continues to be a considerable barrier to both FREI as well as foreign investment in general. Current legislation classifies three types of public land, namely general land, village land and reserved land.[624] Under the LAND ACT NO. 4 section 19 (1) (b) the president may grant derivative rights of occupancy to non-

[618] See KILAWE (2003), p. 64.
[619] Zanzibar offers relatively similar incentives, which are granted by the ZIPA (see U.S. DEPARTMENT OF STATE (2008)).
[620] The Tanzanian government has not nationalised and/or expropriated foreign property since 1985.
[621] See UNCTAD/ICC (2005), p. 48.
[622] See TANZANIA INVESTMENT CENTRE (2008), UNCTAD/ICC (2005), p. 51, U.S. DEPARTMENT OF STATE (2008) and SHELLEY (2004), p. 133.
[623] Land and property nationalisation was enabled by both the enactment of the ARUSHA DECLARATION of 1967 and the following ACQUISITION OF BUILDINGS ACT in 1971 (see KUSILUKA (2008), p. 2).
[624] See KAYUZA (2006), p. 86 and EMERY/SPENCE (2000), pp. 59f.

citizens, whereas these *derivative titles* are issued by the TIC. Applications have to be directed through the TIC to the COMMISSIONER FOR LANDS. *Derivative titles* include the right to occupy and use the land, whereas foreigners are obliged to do so for investment purposes only. *Derivative titles* are granted for periods of 5 to 98 years, whereas the leases are terminable or renewable at the end of each period. The TIC administers a portfolio of designated pieces of land, which are made available for foreign investors.

Access to land may also be obtained by means of joint venture agreements with Tanzanian citizens and/or local companies, in which case the Tanzanian side provides the right to use the land, but retains its ownership. Furthermore, as granted rights of occupancy held by locals and *derivative rights* of foreigners are both transferable, land may also be accessed by foreign investors via sub-leases from the private sector, whereas permission of the TIC is required.[625] In this case it is commonly suggested to make use of a lawyer's service, which should comprise the draft of the sale and purchase agreement (SPA) and the confirmation of the legitimacy of the seller's right of occupancy or *derivative title* including the clearance of any encumbrance. The notarised SPA is then sent to the LAND OFFICE, where the buyer is obliged to pay all necessary fees, in order to have the land registered in the respective buyer's name at the OFFICE OF THE REGISTRAR OF TITLES. The average time to register property in Tanzania currently amounts to 73 days, whereas registration costs are relatively low, averaging at 4.40% of the respective property's value.[626] The lawyer must also prepare a transfer deed, which is to be submitted to the MUNICIPAL LAND OFFICE with the SPA, in order to receive a *certificate of occupancy*.[627] The LAND ACT NO. 4 from 1999 states that all land titles, irrespective of whether they were obtained via sub-leases from the private sector or directly granted from the government, may now be used for securing bank loans. Nonetheless, common practice in Tanzania has shown that banks do not accept land as such as collateral for mortgage loans. As yet, loans are only issued on capital improvements on the land, namely buildings, structures and/or other developments.[628]

3.4.2.3 Taxation of Foreign Real Estate Investments

Business executives questioned within the WORLD ECONOMIC FORUM's AFRICA COMPETITIVENESS REPORT 2007 ranked tax rates as the fourth and tax regulations as the fifth most problematic factors for doing business in Tanzania.[629] Thus, it is inevitable to outline those tax rates and regulations that strongly relate to FREI. In Tanzania, real estate investments are subject to various taxes, such as property tax, capital gains tax, corporate income tax, withholding tax, VAT on rental income from non-residential real estate as well as land rent.[630] Land rent is payable on an annual basis on all parcels of land held under the right of occupancy as stated under the LAND ACT NO. 4 of 1999 section 33 (1). Section 33 (4) implies that the amount of land rent payable depends on the location, use, value and size of the property. In Dar es Salaam's city centre

[625] Foreign investors are not permitted to acquire land directly from indigenous land holders within informal customary markets.
[626] See WORLD BANK/INTERNATIONAL FINANCE CORPORATION (2008a), pp. 12f.
[627] See ODGAARD (2003), pp. 76f., GLOBAL PROPERTY GUIDE (2008), SHELLEY (2004), p. 139.
[628] See OECD (2008), p. 580, U.S. DEPARTMENT OF STATE (2008) and UNCTAD/UNDP (2007), p. 158.
[629] See WORLD ECONOMIC FORUM (2007), p. 170. According to the AFRICAN COMPETITIVENESS REPORT 2009 the situation in Tanzania has slightly improved. The executives questioned ranked tax rates as the 6th and tax regulations as the 7th most problematic factors (see WORLD ECONOMIC FORUM/WORLD BANK/AFRICAN DEVELOPMENT BANK (2009), p. 228).
[630] See KAYUZA (2006), p. 85.

the current average annual land rent charged per sqm amounts to TZS 150 for residential property, TZS 225 for commercially held residential property and TZS 450 for plain commercial property.[631] The Tanzanian government has continued to place great emphasis on the levy of property tax, as it is increasingly perceived to be an untapped source of fiscal revenue.[632] According to the URBAN AUTHORITIES (RATING) ACT of 1983, property tax rates are solely based on land improvements. They are derived from the capital value of assets such as buildings, structures and/or other developments situated on parcels of land that are subject to property tax. As all land in Tanzania is state-owned, land value is not taken into account within the computation of the property tax basis.[633] Section 22 (1) of the URBAN AUTHORITIES (RATING) ACT of 1983 stipulates that the rateable capital value of assets shall equate to their open market value or, in cases where the market value cannot be determined, the replacement costs of the respective buildings, structures and/or developments.[634] Property tax is commonly levied over the area of a municipal's or city council's jurisdiction in form of a rate chargeable as a percentage of the assessed value of the individual assets. However, local authorities are also authorised to levy so-called *tax flat rates* in areas, where the values of assets have not been determined. Current average annual property tax rates range at approximately 0.15% of the asset value for residential properties and 0.2% of the asset value for commercial properties. Given that average annual property tax rates in countries such as South Africa, Botswana and Namibia range between 1% to 2% of total capital value of land and land improvements, property tax rates in Tanzania are widely considered to be modest.[635] Moreover, real estate investors are subject to corporate income tax. As stated under the INCOME TAX ACT of 2004, foreign investors are obliged to pay 30% corporate income tax on taxable income, which, in turn, is computed by deducting all expenditure incurred from gross income.[636] Corporate income tax is paid in two stages, whereas the provisional tax is paid in the beginning and the final tax at the end of the fiscal year. The amount of provisional tax payable is based on taxpayers' own estimates. The final tax payment is due after the official assessment of the total income generated during the fiscal year. Due to corporate income tax holidays, which may be granted as an investment incentive to foreign investors by the TIC for up to 5 years, a large part of foreign-owned real estate in Tanzania has been held for no longer than 5-year periods. In addition to the taxes mentioned above, foreigners are also obliged to pay 15% withholding tax on after-tax profits from rental income, interests and/or dividends.[637] Furthermore, under the VALUE ADDED TAX ACT of 1997 VAT is levied on a wide range of goods and services at a rate of 20%. VAT may also be charged on rental income received from non-residential real estate. Lastly, realised capital gains from the disposal of real estate assets and/or real estate company shares are subject to capital gains tax. The latter is charged at 20% and 30% of the net gain after inflationary adjustments for foreign individuals

[631] See URES (2008), p. 47.
[632] See MCCLUSKEY/FRANZSEN (2005), p. 65.
[633] In contrast, the property tax basis of most other countries in Sub-Saharan Africa consists of the value of land and the value of land improvements (see KELLY/MUSUNU (2000), p. 3 and KAYUZA (2006), p. 94).
[634] See MCCLUSKEY/FRANZSEN (2005), p. 53.
[635] See KAYUZA (2006), p. 153.
[636] For instance, depreciation allowances for buildings range at 4%, whereas up to 6% depreciation is possible for industrial and hotel real estate. Furthermore, a 20% investment allowance is permitted for expenditures on industrial and hotel real estate including the machinery installed (see TANZANIA REVENUE AUTHORITY (2008)).
[637] Annual rental income from residential real estate of up to TZS 500,000 is exempted (see TANZANIA REVENUE AUTHORITY (2008)).

and foreign companies respectively.[638] The net gain is computed by deducting acquisition costs from gross selling prices.[639]

Although Tanzania's tax policies are commonly regarded as a constraint to private investment, the government has actively worked on improving the transparency, efficiency and capacity of Tanzania's tax system. Furthermore, tax incentives, granted by the TIC, have increasingly been appreciated by foreign real estate investors, which have inter alia benefitted from reduced customs duty and deferred VAT on investments in infrastructure and commercial real estate, corporate income tax holidays for up to 5 years, the removal of the 5-year limit for carrying forward losses as well as a 100% capital allowance deduction in the years of income.[640]

3.4.2.4 Access to Local Finance

Among the factors hindering the sustenance of Tanzania's real estate market is the limited access to local finance.[641] According to the AFRICAN COMPETITIVENESS REPORT 2009 executives questioned ranked the general access to finance as the 4th most problematic factor of doing business in Tanzania.[642] Tanzania's financial sector is still in its early stages of development and inter alia currently consists of the BANK OF TANZANIA (BOT), a few non-bank financial institutions, approximately 10 insurance companies[643] and 25 registered commercial banks with a total of 216 branches. Several well-reputed multinational bank institutions, such as CITIBANK, STANDARD CHARTERED, BARCLAYS, STANBIC BANK and ABSA[644], have established financial business in Tanzania.[645] However, in spite of the financial sector's liberalisation efforts, during which the sector was opened to private domestic and foreign capital under the BANKING AND FINANCIAL INSTITUTIONS ACT NO. 12 in 1991, the private commercial banking sector has not yet been able to play the anticipated dominant role in financing Tanzania's economic growth.[646] In fact, access to bank financing was rated the second most problematic factor for doing business in Tanzania within the WORLD ECONOMIC FORUM's AFRICA COMPETITIVENESS REPORT 2007.[647] Accordingly, the credit market remains to be small, which may partly be a side-effect of the strict regulations that have been imposed by the BOT.[648] The latter pegged minimum reserve ratios at a high 10% level, limiting thereby the lending capacity and consequently the amount available for lending.[649] In July 2008 commercial bank deposits amounted to approximately USD 4.17 billion with a private sector loan to deposit ratio of 65%, which equates to approximately USD 2.71 bil-

[638] Exemptions are made for DAR ES SALAAM STOCK EXCHANGE (DSE) shares held by foreign companies, which are less than 25% of total shares (see TANZANIA REVENUE AUTHORITY (2008)).
[639] See GLOBAL PROPERTY GUIDE (2008) and URES (2008), p. 47.
[640] See KILAWE (2003), p. 64.
[641] See CHIRAGI (2000), p. 1.
[642] See WORLD ECONOMIC FORUM/WORLD BANK/AFRICAN DEVELOPMENT BANK (2009), p. 228.
[643] The insurance industry was liberalised under the INSURANCE ACT NO. 18 in 1996 and a number of private insurance companies have been licensed ever since, such as RELIANCE INSURANCE CO. LTD, ALLIANCE INSURANCE CORPORATION LTD, LION OF TANZANIA INSURANCE CO. LTD, ROYAL INSURANCE TANZANIA LTD and IMPERIAL INSURANCE CO. LTD among others (see TANZANIA INVESTMENT CENTRE (2002), p. 12).
[644] ABSA took over the former state-owned commercial bank NBC Ltd.
[645] See SANGA (2004), p. 6, BANK OF TANZANIA (2008a) and UNCTAD/ICC (2005), p. 22.
[646] See UNCTAD/UNDP (2007), p. 148.
[647] The inadequate supply of infrastructure was the only factor rated more problematic for doing business in Tanzania than the burdensome access to financing (see WORLD ECONOMIC FORUM (2007), p. 170).
[648] See KILAWE (2003), p. 37.
[649] The opening of Tanzania's financial markets naturally resulted in the necessity of implementing an active monetary policy. In this context, the BOT also liberalised interest rates with effect from 1993 (see TANZANIA INVESTMENT CENTRE (2002), p. 11).

lion.[650] When considering that real estate related lending as a percentage of total commercial bank lending ranged below 3.5% between the years 1990 and 2000, the faint-hearted approach of Tanzania's banking sector towards real estate financing becomes apparent.[651] As a result, Tanzania's commercial banks have only been able to cover a small share of the real estate sector's overall financing need.

In fact, large parts of Tanzania's real estate assets remain completely equity financed.[652] Furthermore, an estimated 98% of all houses in Tanzania are financed informally.[653] Despite this financing gap, which was additionally widened by the collapse of the TANZANIA HOUSING BANK in 1995, the mortgage market is still undeveloped.[654] As yet, mortgage finance has not been perceived to be attractive enough by Tanzania's real estate sector, which is partly due to the commonly harsh financing conditions imposed by commercial banks. The narrowness of the lending market has clearly had its negative impact on interest and lending rates. These have remained high, as lenders had and still have to compensate for the previous large volumes of non-performing loan write-offs and the high risks attributed to the real estate (development) business. Although overall lending rates, which peaked at 24% in 2005, severely declined within recent years, average rates still ranged at approximately 15% in July 2008. However, the average negotiated lending rates to corporate borrowers and prime customers dropped to approximately 11% in the same month.[655] Furthermore, stringent repayment schedules and collateral requirements as well as stipulated advance and interim payments within real estate financing have also kept potential credit users at distance. Although LAND ACT NO. 4 from 1999 allows for the use of land titles as collateral, Tanzania's inefficient land delivery system remains to be a further major barrier to mortgage finance. The system's inefficiency is most apparent when considering the shortage of planned, surveyed, serviced and registered parcels of land as well as the insecurity of tenure status. Few Tanzanian landowners are in possession of a certificate of occupancy. In consequence, large numbers of potential credit users have not considered mortgage financing as an option, as the process of officially gaining title to land is too cumbersome.[656] Moreover, common banking practice in Tanzania has shown that banking institutions are not willing to accept undeveloped land as collateral. Loans are solely issued on capital improvements of land, namely on buildings, structures and/or other finalised developments.[657] Consequently, access to mortgage finance remains restricted for Tanzania's real estate development sector, as much of the sector's activity consists of developments on untilled parcels of land.[658] In attempting to countervail the prevailing financial straits, a CONSTRUCTION INDUSTRY

[650] See BANK OF TANZANIA (2008b), p. 2.
[651] See GOVERNMENT OF TANZANIA/UN-HABITAT (2003), p. 42.
[652] See KIRONDE (2005), p. 6.
[653] See URES (2008), p. 53.
[654] Under Tanzania's LAND ACT OF 1999 section 112 (1) a mortgage is an interest in the right of occupancy securing the payment of money (see UNCTAD/UNDP (2007), p. 158).
[655] See BANK OF TANZANIA (2008b), p. 3 and UNCTAD/UNDP (2007), p. 158.
[656] The demand for land coupled with authorities' inability to allocate land titles in an efficient manner has led to the emergence of informal real estate markets in Tanzania, in which land titles are being traded. However, these informal tenure rights have no economic value, as they are not legally transferable. Thus, large parts of Tanzania's land cannot be used as accepted and reliable collateral (see GOVERNMENT OF TANZANIA/UN-HABITAT (2003), p. 64).
[657] See OECD (2008), p. 580.
[658] See UNCTAD/UNDP (2007), p. 158.

TRUST FUND was established to provide registered contractors and developers with credit facilities.[659]

Commonly uttered reasons for the banking sector's neglect of the credit market are manifold and mainly involve Tanzania's poor loan servicing culture, the high costs of managing loans, the excessively high structural risks, a poor underwriting system and the juvenileness of Tanzania's banking industry in general.[660] In addition, the absence of adequate foreclosure laws continues to place lenders in a difficult position. Despite the existence of a commercial court, financial institutions feel insecure about their chances of successfully recovering capital in the event of default, as borrowers enjoy disproportionately high protection. Furthermore, there are no credit agencies currently active in Tanzania as yet, which, in turn, could contribute to establishing the necessary degree of transparency within the credit market.[661] In the light of the banking sector's current cautious mindset, solvent foreign real estate investors enjoy a good reputation and have allegedly experienced easier access to credit than local private investors both at local banks as well as the INTERNATIONAL FINANCE CORPORATION (IFC). Nonetheless, foreign real estate investors questioned within a survey replied that at least 60% of their total capital invested in Tanzanian real estate assets consists of equity. In some cases, an equity-debt-ratio of up to 4:1 was reported and justified with the unacceptably high lending rates charged by local banks.[662] This situation reflects the prevailing unpopularity of local commercial bank lending and the necessity of high equity ratios when investing in real estate in Tanzania.

The Tanzanian government has placed great effort into forming an appropriate regulatory framework for a sustainable capital market, as the latter is expected to increasingly facilitate the flow of capital into Tanzania's economy. In this context, the CAPITAL MARKETS AND SECURITIES AUTHORITY (CMSA) was created under the CAPITAL MARKETS AND SECURITIES ACT in 1994 and was awarded the mandate to promote, regulate and supervise Tanzania's capital market development.[663] As one of the first measures, the DAR ES SALAAM STOCK EXCHANGE (DSE) was established in 1996. However, to date the DSE has not gained sufficient liquidity needed to provide a reliable exit mechanism for both domestic and foreign investors.[664] The DSE's market capitalisation in 2008/2009 solely ranged between approximately USD 2.7 and 3.9 billion.[665] The meagre market capitalisation has remained one of the reasons why the DSE has not been able to adequately improve investor's access to capital.[666] In the long run, Tanzania's capital market must provide access to medium- and long-term funds through secondary mortgage markets and securitisation systems, in order to fulfil foreign real estate investors' capital requirements.[667]

[659] See GOVERNMENT OF TANZANIA/UN-HABITAT (2003), p. 42.
[660] See URES (2008), p. 48.
[661] See UNCTAD/UNDP (2007), p. 158.
[662] See URES (2008), p. 38.
[663] See UNCTAD/ICC (2005), p. 22.
[664] See KILAWE (2003), p. 38.
[665] See DAR ES SALAAM STOCK EXCHANGE (2008) and DAR ES SALAAM STOCK EXCHANGE (2009), p. 2.
[666] See UNCTAD/UNDP (2007), p. 158.
[667] See GOVERNMENT OF TANZANIA/UN-HABITAT (2003), p. 59.

3.4.3 Parameters of Tanzania's Real Estate Market

As already shortly mentioned above, from an economic and historical point of view the economy of (East) African countries witnessed a development from state interventionism to liberalisation. Relating thereto, the development of the Tanzanian real estate market must be divided into two notable eras, namely the *ujamaa era* and the *post trade liberalisation era*.[668] The first era was characterised by strict governmental control over the main sectors of Tanzania's economy, including the real estate sector. This inclination resulted in a relatively inactive real estate market.[669] During the *post trade liberalisation era*, which began in the 1980s, more activity was able to develop within the country's land and property markets.[670] During this time substantial investment into Tanzanian real estate was recorded. As a result, pronounced developments within the real estate sector were realised, especially in the urban centres of Dar es Salaam as well as in Arusha (northern Tanzania) and in Mwanza, a city located next to Lake Victoria in the north-western part of the country.[671] The massed concentration of substantial real estate investments in Tanzania, however, has been and still is situated in Dar es Salaam, which, although it is not the official capital of the country, is undoubtedly Tanzania's economic centre.[672] Thus, most available real estate investment records and relevant real estate data for Tanzania are those of marketable properties in Dar es Salaam.[673] Compared to other urban and economic centres in East Africa, rents and capital values in Dar es Salaam have traditionally been very high. Over long time periods, the city has maintained relatively low levels of vacant *grade A* office accommodation.[674]

Although Dar es Salaam can be typified as the economic and real estate heart of Tanzania, it is also noteworthy that about 75% of houses in urban areas of the country, among them houses within the Dar es Salaam region, are informal settlements. Details of these properties remain undocumented. Properties of this non-substantial category are often regarded as dead capital, embedded in poorly accessible localities. Consequently they are not notified by serious local (and international) investors and thus shall not be covered within the scope of this study.[675] By contrast, substantial real estate in Tanzania is often categorised into four sub-sectors, namely office, retail, residential and industrial real estate.[676]

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[668] See KONGELA (2005).
[669] See KUSILUKA (2006), p. 13.
[670] See GEHO (2004), pp. 60f. Strictly speaking, real estate investments in Tanzania were intensified in the 1990s. This was the time when parastatal organisations, based on the PUBLIC CORPORATIONS ACT OF 1992, were allowed to make own investment decisions concerning business opportunities available in the market (see URES (2008), p. 2). However, it must be generally taken into account that all land in Tanzania remains state-owned property vested in the President, who acts as a trustee. Therefore anyone occupying land in Tanzania has a leaseholder function (see KIRONDE (2009), pp. 11f.).
[671] See KUSILUKA (2006), pp. 13f.
[672] As yet, there has been far less demand for office space in the Tanzanian capital Dodoma than on the important real estate market in Dar es Salaam (see KNIGHT FRANK (2007a), p. 30).
[673] See URES (2008), p. 2.
[674] See KNIGHT FRANK (2006b), p. 14.
[675] See SHEUYA (2004), p. III.
[676] See KNIGHT FRANK (2007a), p. 30. This categorisation, however, ignores the fact that leisure real estate has been playing and still plays an important role especially for foreign investors, who have been active in hotel development during previous years.

Table 8: Supply of Office Space in Dar es Salaam

Supply of Office Space in Dar es Salaam*

Name of Building	Date of Completion	Lettable Office Space (sqm)	Vacancy Rate (%)**	Remarks
IPS Building	1970	5.500	0	Multi-let to small tenants
NIC Investment House	1974	13.000	0	Multi-let to small tenants
Telecoms Building	1978	8.500	0	Multi-let to small tenants
ATC House	1975	3.500	60	Awaiting refurbishment
TDFL I	1980	3.125	0	Refurbished 2002
Issa Batengas House	1987	1.200	7	Multi-let
NIC Life House	1991	6.750	0	Multi-let to small tenants
Sukari House	1993	4.300	0	Multi-let
TDFL II	1996	1.830	0	Multi-let
Raha Towers	1994	3.100	10	Multi-let space increasingly deteriorating
PPF House	1996	5.000	0	Partly owner-occupied
Haidery Plaza	1997	5.800	8	Owner-occupied
50 Mirambo Street	1997	3.300	0	Multi-let
Samora House	1997	2.500	60	Formerly let to TRA
JM Mall	1998	15.000	0	Struggling with poor design and construction
Maktaba Complex	1998	3.800	0	Partly let to Nat. Library, rest multi-let
NSSF Nyerere Tower	1998	5.600	5	Partly owner-occupied
International House	1998	6.300	0	Dar es Salaam's prime office space, multi-let
PPF Tower	1999	14.500	0	Multi-let, largest tenant (BOT) has terminated lease
Hassan Mwinyi Road 40	1995 (refur.)	1.000	0	Let to WFP
Utalii House	2001	770	0	Let to Ernst & Young
Barclay's House	2002	6.150	0	65% let after 12 months
Umoja House	2003	5.500	0	Let by EU, British, German and Dutch governments
Mafuta House	2007	14.000	0	Partly owner-occupied (NSSF, TPDC)
ILO Building	2007	2.950	0	Owner-occupied by ILO
Millenium Tower	2003	2.500	10	Total lettable space 6.500sqm (hotel, retail)
Ubungo Plaza	2005	16.000	50	Total lettable space 23.000sqm (retail)
Waterfront House	2004	10.100	0	Multi-let
Stanbic House	2005	4.000	0	Let to Stanbic Bank
Alfa House	2007	2.100	0	Multi-let to small tenants

* Source: Based on data from field research as well as URES (2008), pp. 19f. and KNIGHT FRANK (2008), p. 30.
** As of June 2007.

As to Tanzania's office real estate market, main locations in Dar es Salaam are situated in the traditional central business district (CBD) in the *Upanga-Kisutu-area* of the city and the so-called *Gardens Area*, which lies in proximity to the eastern parts of the CBD.[677] During previous years, the prime office location has increasingly moved away from the CBD to the *Gardens Area*. Furthermore, demand for quality office accommodation has increased. Some new developments in the office sector have been proposed and activities to refurbish existing poor-quality space have been intensified. In Dar es Salaam high-standard office accommodation (*grade A*) currently[678] achieves a maximum net rent of USD 20 per sqm per month. However, this rental level can only be achieved by high-quality office space, which is completely fitted out. On average, net rents for high-standard office accommodation range from USD 16-19 per sqm per month. Currently however, real estate experts assume that with expected new office space developments, especially in Dar es Salaam, occupancy levels may slightly fall and monthly rents for prime office

[677] See KNIGHT FRANK (2006b), p. 14.
[678] The following data, exclusively collected by URES (2008) and KNIGHT FRANK (2009a), pp. 4f., mainly refers to the years 2007 and 2008. This data can be characterised as timely and solid. However, owing to the financial crisis, rents and capital values may have dropped also in Tanzania.

space will stabilise at approximately USD 15 per sqm per month.[679] For *grade B* office space net rents between USD 12-14 per sqm per month may be achieved, however, also with a clearly falling trend. Net rents between USD 8-10 per sqm per month are currently being paid for lower office grades.[680] According to market surveys, the construction costs/sqm for office developments in the period of 2003 to 2007 ranged at approximately USD 600 to 1,300 depending on the standard.[681] In recent years, the annual prime office yields in Dar es Salaam and other Tanzanian cities like Arusha averaged between 10-13% and capitalisation rates therefore amounted to approximately 8%-10%.[682]

As yet, it has not been possible to establish the total lettable space in Dar es Salaam in a reliable manner, due to the fact that records for most of the sub-standard buildings are not available. The NATIONAL HOUSING CORPORATION (NHC), which owns most of the rundown properties in Tanzania, does not publish reliable records of lettable space of its real estate portfolios.[683] For all known substantial commercial buildings, however, Table 8 covers relevant parameters and provides an outline of the office market in Dar es Salaam. Corresponding to the short references to the development of Tanzania's real estate sector during the last decades mentioned above, the data in Table 8 indicates a strong accumulation of building projects in the 1990s. The data also indicates very low vacancy rates for existing substantial office buildings.

Table 9: Prime Retail Space in Dar es Salaam

Name of building	Date of completion	Lettable space (sqm)	Rent
Oyster Bay Hotel	1960s	2,265	USD 1.5 - 7.7 per sqm per month
Shopper's Plaza	1998	4,000	USD 15 - 22 (ground floor), USD 10 - 14 (first floor), USD 7 (second floor) per sqm per month
JM Mall	1999	5,000	USD 6.5 - 12 per sqm per month
Golden Tulip	2002	389	USD 15 per sqm per month (pretentious hotel project with several retail units)
Mayfair Plaza	2004	13,000 (estim.)	USD 14 - 24 per sqm per month
LAPF Millennium Tower	2004	4,000	USD 7 per sqm per month (also used as a hotel)
Slipway	First phase 1995 Second phase 2004	7,515	Up to USD 33 per sqm per month

Source: Based on data from URES (2008), pp. 23f.

The only reasonable retail real estate market in Tanzania exists in Dar es Salaam. Even here the market still has to be characterised as underdeveloped, with an estimated 80% of all retail transactions still being practised within the informal street trading sector. Some multi-purpose

[679] See URES (2008), p. 29.
[680] See URES (2008), p. 22.
[681] With the exception of the development of the BANK OF TANZANIA twin towers (2007/08). Here significantly higher costs have been reported. However, this building seemed to be part of a corruption scandal, which had finally led to the Central Bank's governour being sacked (also see KIMARO (2009)).
[682] See URES (2008), pp. 26f and KNIGHT FRANK (2009a), pp. 4f.
[683] See URES (2008), p. 21.

buildings with retail space on their ground floors, however, can be found in downtown Dar es Salaam, mainly along *Somora Avenue*. Furthermore, a retail space cluster, the so-called *Slipway*, which was mainly built for the expatriate community and tourists, is located within Dar es Salaam's prime residential area. A similar retail cluster can be found within the *LAPF Millenium Tower*. Lastly, *Mlimani City*, which is located on the outskirts of Dar es Salaam directly next to the campus of the University of Dar es Salaam, opened in November 2006 and represents Tanzania's first large purpose-built shopping mall. For the following years additional demand is predicted, due to a steadily rising spending power. Thus, further similar centres are planned.[684] The prime yields within Tanzania's retail real estate sector range from approximately 12% to 14%, capitalisation rates accordingly amount to an average of approximately 7% to 8%.[685] Referring to prime retail space in Dar es Salaam reliable data from 2007 is listed in Table 9. Similar to the development of office space, the table's data indicates a clear accumulation of completed retail real estate developments since the 1990s (here mainly the late 1990s).

In recent years, a relatively strong demand for high-quality space was regarded to be one of the main characteristics of the industrial real estate market in Tanzania. However, with respect to the criterion of quality, supply has remained to be limited.[686] This is especially the case in Dar es Salaam, which, according to empirical surveys, is nevertheless rated as one of the top four industrial markets in Sub-Saharan Africa (excluding RSA) along with the cities Lagos, Lusaka and Blantyre.[687] Despite this stable demand, there is a large amount of lettable space available in older, poor-quality industrial buildings. Therefore, vacancy rates within Dar es Salaam's industrial real estate market are still relatively high. Most established industrial sites are located at *Nyerere Road* and *Chang'ombe*, both in the south-west of the urban areas of Dar es Salaam with a good link to the airport. The *Millennium Business Park*, which alone provides more than 45,000 sqm of warehouse and production space, is situated on *Morogoro Road*, which is located approximately ten minutes from the centre of Dar es Salaam and provides efficient road access to the airport and docks.[688] Moreover, the Tanzanian government has accentuated its goal of supporting Tanzania's manufacturing industry, in order to increase the latter's contribution to the GDP. Thus, future demand for industrial property in Tanzania is expected to further increase. Depending on the location and quality of the industrial sites, net property rents within the main industrial areas of Dar es Salaam range from USD 1.50 to 3.00 per sqm per month. Prime yields within the industrial real estate sector currently amount to approximately 15%, capitalisation rates accordingly range at approximately 6.5%.[689]

The Tanzanian residential real estate market is still largely informal. For that reason, it is not possible to make accurate estimates on the total amount of marketable residential space. Accurate and reliable data simply does not exist as yet. However, real estate experts estimate that the numbers of prime and mid-level residential units in Dar es Salaam range at approximately

[684] See KNIGHT FRANK (2007a), p. 30.
[685] See URES (2008), pp. 26f. and KNIGHT FRANK (2009a), pp. 4f.
[686] See KNIGHT FRANK (2007a), p. 30.
[687] See URES (2008), p. 26.
[688] See KNIGHT FRANK (2007a), p. 30.
[689] See URES (2008), pp. 26f. and KNIGHT FRANK (2009a), pp. 4f.

6,000 to 8,000 units. It is also estimated that 40-50% of these residential units are occupied by expatriates[690] with the remainder being a mixture of Tanzanians and Asians in nearly equal quantities. The supply of high-quality housing with international standard is extremely limited, which leads to unusually volatile prices. For instance, the expansion of an embassy, a large multilateral company or a donor institution directly affects the prices for residential real estate in the short-run. Due to this lack of supply, yields for residential real estate have remained high and still range at approximately 9-12%.[691] The RENT RESTRICTION ACT OF 1984, which until recently regulated rents in theory, but not in practice, has been repealed. Starting in 2004 and 2005 rents in the prime residential sector have been increasing even more as a result of the strong demand.[692] Rent for residential properties in Tanzania is usually charged per number of bedrooms and not per sqm. As to prime locations of Dar es Salaam, the majority of two bedroom flats normally receive monthly net rents ranging between USD 800 and 2,000, whereas three bedroom flats range between USD 1,000 and USD 2,500 per month. Most large houses with 4 to 6 bedrooms receive monthly net rents in a range of USD 1,500 to USD 3,000.[693] However, the top end of the residential real estate market is sufficiently small enough for some properties to be able to charge USD 4,000 and above per month.[694] Then again, new residential developments in the pipeline are predicted to stabilise, if not reduce average prices for prime residential real estate.[695] Prime residential properties are mainly concentrated along the coastal roads with demand and value negatively depending on the commuting distance from the business district in the *Upanga-Kisutu-area*. Especially the coastal area of *Oyster Bay* is considered a highly popular residential area.

In a general perspective, vacancy levels within Tanzania's real estate markets have remained low, mainly due to a lack of adequate supply. As yet the major Tanzanian institutional investors such as the NHC, the NSSF, the PARASTATAL PENSIONS FUND (PPF), the TRC, the NIC, the LOCAL AUTHORITIES PROVIDENT FUND (LAPF) as well as the PUBLIC SERVICE PENSIONS FUND (PSPF) among others own more than 90% of real estate assets in the country. Supply in the office sector is expected to remain comparatively tight, particularly in Dar es Salaam. According to present analyses, there are 25,000 sqm due to be delivered in 2009, of which 50% already has tenants secured.[696] Reading the recent trend and considering the planned real estate developments, it is likely that the importance of foreign real estate market players will increase significantly in the future.[697] This seems to be a major trend not only for Tanzania, but likewise for other East African countries.[698] Although it is difficult to classify the degree of FREI activity in Tanzania by countries, the most activity can currently clearly be observed from investors from

[690] The expatriate market in Dar es Salaam largely consists of employees of donour agencies and multilateral institutions.
[691] See GLOBAL PROPERTY GUIDE (2008) and KNIGHT FRANK (2009a), pp. 4f.
[692] See KNIGHT FRANK (2007a), p. 30.
[693] See Table 10.
[694] See GLOBAL PROPERTY GUIDE (2008) and URES (2008), pp. 23f.
[695] See GLOBAL PROPERTY GUIDE (2008).
[696] See KNIGHT FRANK (2009b), p. 15.
[697] See HAIMANN (2008).
[698] See UNCTAD/UNDP (2007), pp. 12f.

the U.K., the U.S.A. and China, followed by investors from Kenya, India, the RSA, the Netherlands, the UAE and a few countries from continental Europe.[699]

Table 10: Residential Real Estate Rents in Dar es Salaam

Residential Real Estate Rents in Dar es Salaam*

Location	Monthly rent ($) for 2-Bedroom-Flats	Monthly rent ($) for 3-Bedroom-Flats	Monthly rent ($) for 2-4-Bedroom Free-Standing House	Monthly rent ($) for 4-6-Bedroom Free-Standing House
Upanga	800-1.000	1.000-1.500	1.000-1.500	1.500-2.000
Kinondoni	800-1.000	1.000-1.500	1.500-2.500	2.500-3.000
Oysterbay-Seafront	2.000-3.000	2.500-3.000	2.500-3.500	3.000-5.000
Oysterbay	1.000-2.500	1.500-2.500	2.000-3.000	2.500-3.000
Masaki	1.000-2.500	1.500-2.500	2.000-3.000	2.500-3.000
Msasani Peninsula	1.000-2.500	1.500-2.500	2.000-3.000	2.500-3.000
Mikocheni-Beachfront	700-1.000	1.000-1.500	1.000-2.000	1.500-2.500
Msasani-Beachfront	1.500-2.000	1.500-2.000	1.000-2.000	1.000-2.000
Msasani other	500-800	800-1.000	700-1.200	1.000-1.500
Kawe-Beachfront	800-1.500	1.500-2.000	2.000-3.000	2.500-3.000
Kawe other	500-1.000	500-1.000	1.000-1.500	1.000-2.000
Mbezi-Beachfront	500-800	800-1.200	1.000-2.000	1.000-2.500
Mbezi other	500-1.000	800-1.500	800-1.500	1.000-2.000

* Source: Based on data from GLOBAL PROPERTY GUIDE (2008) and URES (2008), p. 25. Note: It is not common practice in Tanzania to charge rents for residential property per sqm, but rather on the number of bedrooms.

3.5 Chapter Summary

In the 1950s and 1960s the abolishment of colonial rule was accompanied by pronounced and nearly euphoric expectations with regard to the improvement of living conditions and the possibilities of effective political and economic-social restructuring in Sub-Saharan Africa. However, these partly exaggerated expectations were disappointed for the most part. Instead of prosperity and sufficient economical growth, civil wars, ethnic hostilities, corruption and a clear political mismanagement had to be witnessed. Even today, parts of Sub-Saharan Africa can still be characterised by rather complex and problematic interactions between ethnic-cultural, political and economic components, which often result in obvious signs of inefficient governance. However, over the last two decades there has been an increasing understanding that political stability can only be guaranteed through the effective establishment and maintenance of strong democratic structures and a trustworthy solid judicial system. This includes a well-functioning legislature, strong political parties, independent electoral authorities, powerful civil organisations and finally an independent and highly differentiated media system. Within the last few years an ongoing process of political stabilisation, as it was for instance witnessed in Ghana, can also be observed within other Sub-Saharan African states. For example, unmistakable and successful efforts were undertaken in Tanzania to punish offences against good governance on both politi-

[699] See URES (2008), pp. 31f. based on data of the TANZANIA INVESTMENT CENTRE (TIC). Also see section 3.3.3.

cal and business level. In addition, the fight against corruption was intensively pressed ahead by introducing effective anti-corruptive measures.

Yet, in 2008 still nearly half of all Sub-Saharan African states were categorised as so-called fragile or failed states by various studies and investigations. However, in an overall perspective, the conclusion can be drawn that on an economic-political level these countries have at least been able to achieve clear situational improvements since 1990. In this context, the highly dynamic developments of the countries' respective GDPs represent only one of several positive development indicators. It should also be taken into account that steps to improve educational and health care systems have been taken. For these and other reasons, Sub-Saharan Africa has increasingly been identified and also appreciated as an interesting destination for foreign capital flows. Nonetheless, the lack of valid and sufficiently differentiated information processed by many foreign investors during their conscious and/or unconscious assessment of Sub-Saharan African markets, which is partly caused by investors' exposure to distorted media content, significantly contributes to the prevailing existence of afro-pessimistic behaviour towards the region. However, this afro-pessimistic behaviour cannot be regarded as completely inappropriate, as both foreign and local investors still have to realise that Sub-Saharan Africa has not coped to effectively manage its administrative complexities. The rudimentary access to capital, the inadequate physical infrastructure and a multiplicity of administrative barriers belong to the most commonly reported investment constraints. Sub-Saharan Africa's past era of wide-ranging state control over the private sector has left its marks, which are still visible today. The number of licenses, permits, approvals and other requirements needed often leads to undue delays, feasibility doubts and seemingly incalculable contingencies. On a positive note however, empirical data, like that reported by the INDEX OF ECONOMIC FREEDOM, shows that policy-makers have genuinely understood the necessity to diminish Sub-Saharan Africa's economies' administrative structures. Within the last two decades, the corresponding index development clearly suggests the tendency of an improved economic openness and better investment conditions within most Sub-Saharan African countries.

The region's continuing economic improvement, as described above, has resulted in an increase both in domestic and international demand for high-quality real estate products. This trend can be confirmed within office, retail, industrial, residential as well as leisure real estate markets across Sub-Saharan Africa. Especially office markets have had major difficulties in keeping pace with the unbroken growing demand for quality office and business accommodation. In spite of this strong demand, even in current years most real estate markets in Sub-Saharan Africa were still largely dominated by local institutional investors and property developers, namely highly capitalised pension funds and insurance companies. Moreover, real estate markets within the region are still characterised by an immature infrastructure and a considerable lack of transparency, both factors that represent a strong barrier for foreign market participation. Thus, despite the incontestably high rental yield possibilities, the interest of foreign real estate investors towards the region's markets has remained relatively moderate.

With regard to Tanzania, the majority of available real estate investment records and relevant real estate market data refers to Dar es Salaam, which, although not state capital, can be classified as the economic and thus real estate centre of Tanzania. It is noteworthy that approximately three quarters of all buildings can be regarded as informal settlements and are thus not subject to an ongoing systematical documentation. A large part of Tanzania's real estate market quite simply remains to be a *black box*. Nevertheless, in the recent past, considerable yields were verifiably achieved within Tanzania's real estate market, as was also the case in many other of Sub-Saharan Africa's urban centres. Annual prime office yields in 2008 in Dar es Salaam, for instance, amounted to 10% on average, whereas annual prime industrial yields came up to as high as 15%. Although, especially since the mid-1990s, the level of construction and reconstruction activity is considered high, Tanzania's real estate markets still feature low vacancy levels. As yet, Tanzanian institutional investors, such as NHC, NSSF, PPF, TRC, NIC, LAPF as well as PSPF, own more than 90% of Tanzania's real estate assets. However, taking into account recent trends and considering all real estate developments currently in the pipeline, foreign real estate investor participation will most probably increase significantly in the near future. Although it is rather difficult to classify the degree of FREI activity in Tanzania by countries, the two most important groups of foreign real estate investors are represented by investors from the U.K. and the U.S.A. These two groups are followed by investors from Kenya, China, India, the RSA, the Netherlands, the UAE and various countries from continental Europe.

4 Conceptualisation of the Image Analysis

The conceptualisation of the image analysis can be subdivided into the description of the object of the image analysis on the one hand and the corresponding empirical design on the other. The empirical design, in turn, primarily has to consider the selection of appropriate survey participants, the data collection design as well as the evaluation strategies to be applied. Obviously, a proper conceptualisation is essential, as the image analysis ought to facilitate the answer to the study's crucial question of how the object of opinion - in this case Tanzania as a potential destination for FREI - is perceived and evaluated by different groups of opinion leaders, namely ego-involved and ego-detached real estate professionals.

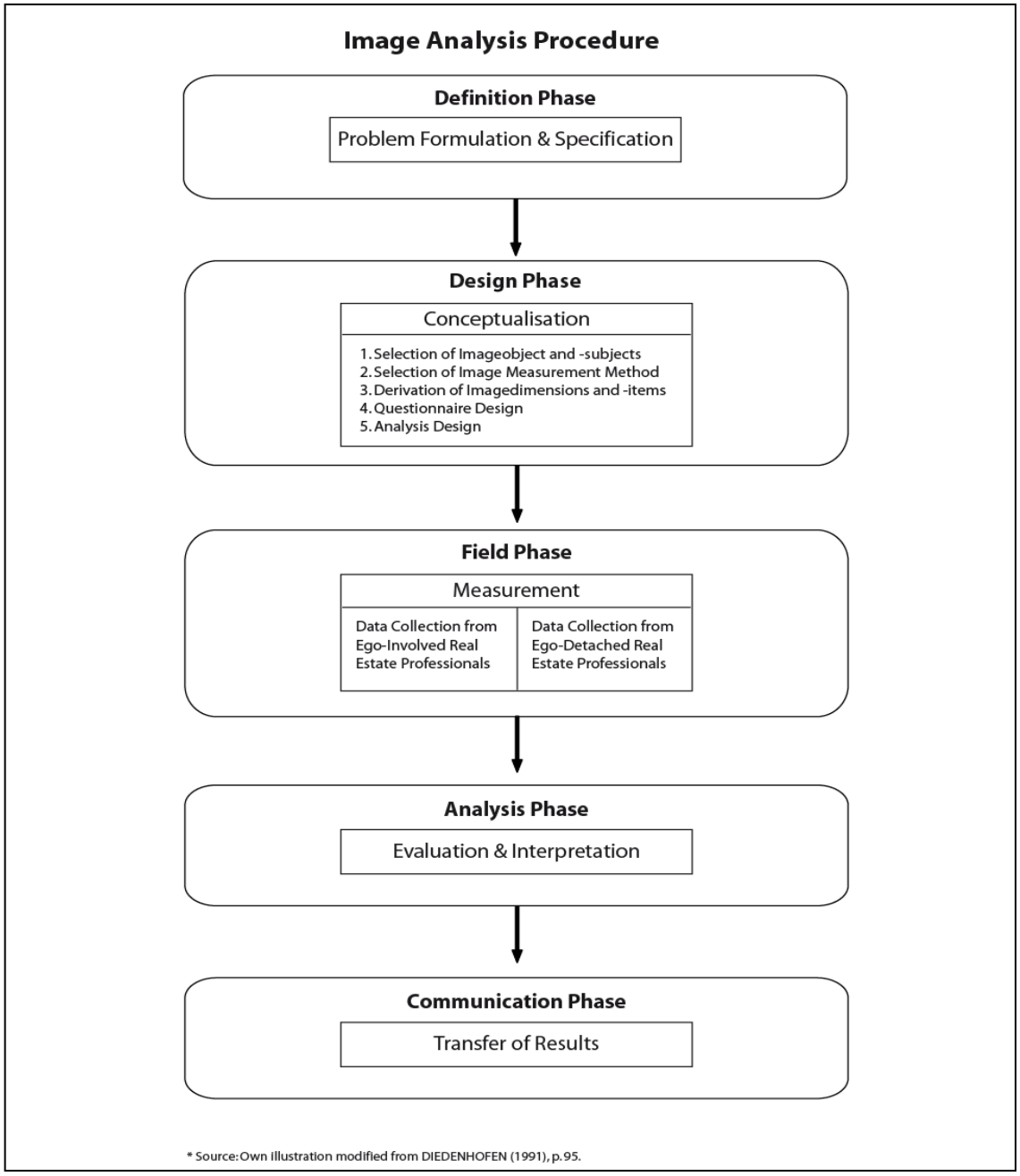
4.1 Object of the Image Analysis

4.1.1 Methodical Sequence, Emphases and Goals

According to DIEDENHOFEN, an image analysis should contain the same intermediate steps as those used for empirical studies within social sciences. Hence, the typical methodical sequence includes problem formulation and specification, the conceptualisation of the empirical investigation, the measurement, the evaluation and interpretation of the compiled image data and lastly the communication of the results.[700]

[700] See DIEDENHOFEN (1991), p. 94. The methodical sequence of an image analysis can be carried out in the manner presented in Figure 10.

Figure 10: Image Analysis Procedure

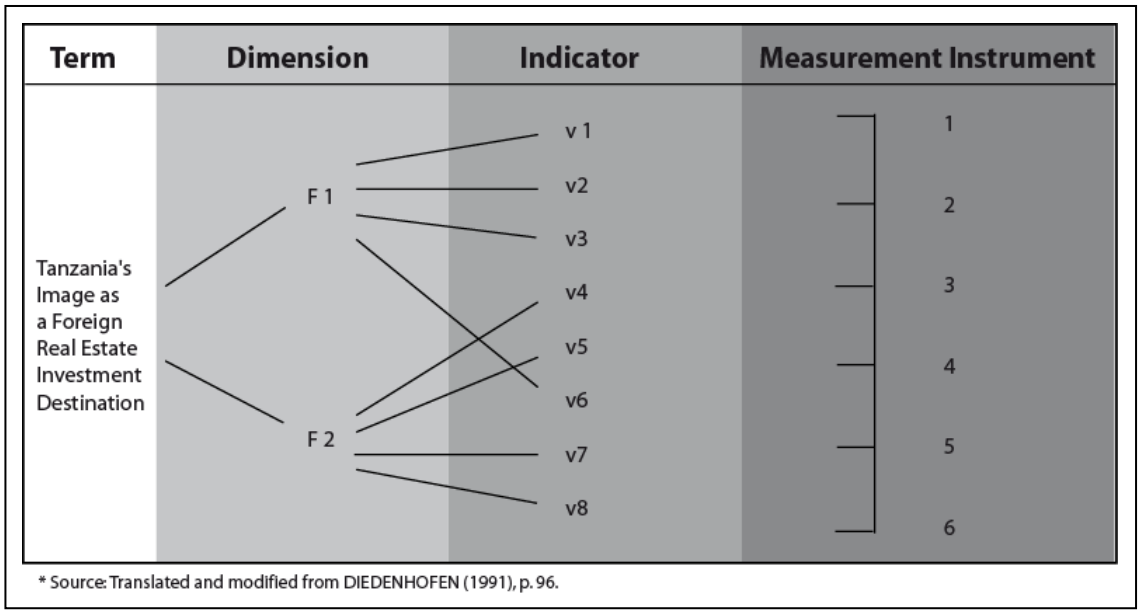


Problem formulation and specification have already been extensively explained within the previous sections of this study. In view of the theoretically as well as the empirically insufficient handling of the study's topic as yet, the investigation at hand mainly reflects an explorative character. The focus of this chapter will exclusively relate to the conceptualisation of the investigation, as the latter plays a critical role for a successful execution of this research project. A thorough conceptualisation is especially critical, due to the fact that the conceptual decisions and stipulations cannot be reversed at a later point of the study and any possible necessary amendments cannot be carried out a posteriori.[701] Therefore, the measurement, which allows for the quantification of image data[702], and the evaluation and interpretation of image data are only to be car-

[701] See KROMREY (1994), p. 73.
[702] The operationalisation of numerical image values is described by Figure 11.

ried out after having concluded a preceding intensive conceptualisation phase. The focus of the conceptualisation of this image analysis lies within the determination of the subjects and the object of investigation, the selection of a measurement procedure compatible with the study's objectives, the derivation of the leading indicators to be investigated (image dimensions) and their corresponding micro-indicators (image items), the design of the survey method (questionnaire) and lastly the selection of the statistical methods for evaluating the survey data. After formulating the investigation's objectives and hypotheses, the components of the conceptualisation are to receive extensive individual treatment within the investigatory design. The communication of the results can only be carried out after having evaluated the collected data and eventually will be completed in written form during a later stage of this study.

Figure 11: Quantification of Image Data for Tanzania



* Source: Translated and modified from DIEDENHOFEN (1991), p. 96.

The study design constantly has to be adjusted to the objectives of the study. Regarding the image analysis to be operationalised within the following, the impression should not be created in any way that this investigation's intention is to prove that the actual conditions on the Tanzanian real estate market are better or worse than the assumed impression that foreign investors have. A judgment as to the appropriateness of the current general image of Sub-Saharan Africa as well as the specific image of Tanzania as an investment destination for FREI is far removed from the scope of this inquiry and can lastly only ever be the subjective judgement of those individuals that have investigated the market conditions in situ. Moreover, the results derived from the measurement and calculation of a total image value for Tanzania as a destination for FREI are not to be placed in contrast to the market data presented in chapter 3, since this has little significance, if not placed in direct comparison to other countries and their real estate markets. The final image value cannot be seen as an absolute value, but rather only in relation to comparable image objects.[703]

[703] See PUHE (1988), p. 255.

However, the comparison between the image values of ego-involved and ego-detached investors is relevant, since it is essential to find out whether there is a difference between the total images of the two subject groups. Thus, the objective is to carry out a comparison of the image for the same object of opinion - which in this case is Tanzania as a potential destination for FREI - among separate groups of people (first type of cross-sectional analysis), in order to determine whether there is any discrepancy between the results.[704] The quantification of the possible difference between the total image values, however, plays a subordinate role in this particular case. Although the total image values and their possible differences are a by-product of the investigation, they are still irrelevant, as long as no direct comparison to other countries is made and as long as the quantified differences of the total image values from both groups are not placed into a relative context.

Considered far more relevant is the comparison of the results of both subject groups pertaining to the image values of the individual image dimensions and the evaluation of the subordinated object attributes (image items). When comparing the subject groups' differences in value for individual image dimensions and the relevant individual image items, those image dimensions and image items can be identified, which make the largest contribution to potential differences between the total images of ego-involved and ego-detached investors. The higher the difference between the values of an individual image item of the two subject groups is, the greater is the individual item's contribution to the difference between the groups' total image values and vice versa. The practical use of this elaboration can be explained in the following. Once having determined which image items (market attributes) cause the highest deviation between the perceptions and evaluations of foreign and domestic investors, it will for instance be possible to derive potential solution approaches for investment promotion agencies (IPAs) created by African governments and for non-governmental organisations (NGOs), who both specialise in improving the image of African markets.[705] Furthermore, the identification of the attributes that evoke the largest discrepancies between the evaluations of ego-involved and ego-detached investors could induce both investor groups to analyse these attributes more closely within their investment due diligence, since the evaluation of these market attributes seems to leave the largest room for judgement error.

Even though not one of the heuristics and biases outlined in section 2.3.1.3 can be ruled out in connection to the decision-making processes of foreign real estate investors relating to geographic selection, the identification of individual heuristics and biases requires intensive effort. The empirical investigation of all possible heuristics and biases can thus not be undertaken within the framework of a single research project. Thus, the following will mainly concentrate on a single bias, whose existence is seen as probable within image formation. If empirical evidence can be found for the particular bias, this can be regarded as a further step closer to identifying irrational (real estate) investment behaviour towards Sub-Saharan Africa's markets.

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[704] See DIEDENHOFEN (1991), p. 103.
[705] See i.e. MKAPA (2006), p. 25 on the INVESTMENT CLIMATE FACILITY (ICF) for Africa, a business-oriented non-governmental organisation aiming at improving Africa's investment climate and its image as an investment destination.

A bias often brought into connection with image and attitude formation is the so-called halo effect, which was closely explained in section 2.3.1.3 and shall be examined in the further course of this study. The halo effect can be defined as the transfer of an already existing overall image of an object to the evaluation of its individual attributes.[706] The overall image of an object that exists in the perception of an evaluator is thus reflected in his evaluation of the object's individual characteristics.[707] The evaluations of the object's individual attributes show minor standard deviations among themselves, whereas they correlate in a disproportionately high manner to the overall image.[708] Indeed, the halo effect may manifest itself in the transfer of an investor's overriding market image to his evaluation of the subordinated market attributes.[709] However, due to most investors' involvement and the complexity of FREI decision-making processes in general, it is more probable that the halo effect will primarily manifest itself in the transfer of the values of the individual image dimensions to the evaluation of their subordinated image items. As opposed to low-involvement products, individuals have been proven capable to perceive and evaluate differences within the image dimensions of high-involvement products, regardless of the fact whether they have knowledge of the product or not. Despite a for instance positive total image of an object, the evaluation of the individual image dimensions can be very negative and vice versa. The overall impression reflects the weighted average of the image values of the various image dimensions. The transfer therefore does not directly take place from the overall image to the image items, but rather from the individual image dimensions to the corresponding subordinated image items.[710] This means that although the overall image of Tanzania as a potential investment destination may be perceived negatively by real estate investors, the latter are able to differentiate between the individual image dimensions. Accordingly, even if the political conditions in Tanzania (image dimension) are evaluated negatively by a real estate investor, the evaluation of other image dimensions, such as the prevailing socio-cultural environment in situ, may turn out to be positive. Hence, the halo effect does not necessarily reflect the transfer of the overall impression of Tanzania as a real estate investment destination onto its individual market criteria[711], but rather the transfer of the values attributed by a foreign investor to the various image dimensions onto his evaluation of the market criteria subordinated to the corresponding image dimensions. In the case of the example above, a foreign investor's negative evaluation of the political conditions in Tanzania could lead to a similarly poor evaluation of the subordinated image items, such as the internal political stability etc. The halo effect may then split into a multiple halo effect.[712] Whether the transfer takes place from the overall image directly to the image items or from the image dimensions to the corresponding subordinated image items, will be examined in the further course of the study at hand.

Should the halo effect and/or multiple halo effects be identifiable within the analysis of Tanzania's image as an investment destination in the perception of foreign real estate investors, ego-

[706] See BECKWITH/KASSARJIAN/LEHMANN (1978), p. 465.
[707] See MCCANN/REIBSTEIN/WILKIE (1974), p. 280 and JACOBS/KOZLOWSKI (1985), p. 201.
[708] See DOLL (1988), p. 44 and MÖLLER (1996), p. 102.
[709] See JANßEN (2003), p. 37.
[710] See LEBRENZ (1996), p. 87.
[711] Possible may even be the transfer of the total image of Sub-Saharan Africa to the evaluation of individual countries in the region.
[712] See LEBRENZ (1996), p. 87.

involved domestic investors subsequently have to be tested for the same irrational behaviour. This would place the degree of the halo effect within foreign real estate investors' image formation into relation to the degree of the halo effect within the image formation of domestic investors on the one hand. On the other hand, should there be a lower or no halo level identifiable within domestic investors' image formation, the claims by BECKWITH, KASSARJIAN and LEHMANN as well as by OH would be confirmed, namely that the degree of the halo effect decreases the more familiarity a subject has to an investigated object.[713] It can therefore be assumed that the halo levels, if at all existent, are much lower for ego-involved local investors than for foreign real estate investors.

It should be seen as a given that both ego-detached and ego-involved investors have the ability and opportunity to thoroughly analyse market attributes within the screening phase of FREI decision-making processes. Thus, this shall not be content matter of the present study.[714] It is a fact that the preceding recognition and diagnosis phases of the FREI decision-making processes provide the most space for cognitive simplification. Should this cognitive simplification be proven in the form of the halo effect or should empirical evidence be produced that the overall image of Tanzania as a potential real estate investment destination leads to a generalisation of the evaluation of its market attributes, this would be an indication of severe judgement error within investment behaviour. The latter could be one of the explanations as to why real estate markets in Sub-Saharan Africa have largely remained ignored by FREI.

While the main emphasis of the study is placed on measuring the image of Tanzania as a destination for FREI, the general country image of Tanzania shall also be retrieved and measured within the scope of the survey. The reason for this can be found in the assumed connection between the general image of a country and the evaluation of the investment-specific appropriateness of its markets. The existence of this form of investor sentiment[715] shall be tested by means of a correlation analysis within the evaluation phase.[716] Hereby the correlation between the global country image and the global image of the country as an investment destination shall be measured for each of the test subjects. It should not be surprising that certain correlations exist, since some of the image items inquired about when measuring the global country image represent the more generally formulated version of specific image items, which are inquired when measuring the image of Tanzania as a destination for FREI. The relevance of the overall correlation result between the country image and the image of Tanzania as an investment destination must be called into question. The correlation result is therefore unapt to be used as evidence for investor sentiment. A comparison of the results of both subject groups therefore appears essentially more significant. Should a comparison of the results between ego-detached and ego-involved investors identify that one of the two subject groups displays a stronger or weaker correlation, this would imply the existence of a behavioural error. The assumption can be sug-

[713] See BECKWITH/KASSARJIAN/LEHMANN (1978), p. 466 and OH (2001), p. 189.
[714] See LEUTHESSER/KOHLI/HARICH (1995), p. 59.
[715] See section 2.3.1.3.
[716] See BAKER/WURGLER (2007), p. 129.

gested that ego-involved investors will show much lower correlation between the two images due to their existing familiarity with the object to be investigated.

In summary, it can be stated that the basic purpose of the empirical investigation of the hypotheses mentioned in the following section is to identify irrational behaviour within the FREI decision-making process. This may serve as empirical evidence for the assumption that the adverse image of Sub-Saharan Africa, which is still ubiquitously present in the perception of foreign real estate investors, negatively charges the evaluation of the region's real estate markets within geographical selection.

4.1.2 Assumptions and Hypotheses

Although, as already explained above, the present study covers a topic that still remains empirically vastly unexplored and therefore represents an explorative investigation, the theoretical basis and the already existing empirical findings in the field of image and attitude research have permitted to deduce several essential assumptions and hypotheses. For instance, it can be assumed that the general evaluation of Tanzania (country image) strongly varies between ego-involved and ego-detached individuals. Furthermore, it can be assumed that such differences also become evident with reference to single image components as well as with reference to image components of the Tanzanian real estate market. The discrepancies between the two sub-groups are expected to be stronger visible with regard to economic-related image facets than with regard to image facets covering all other country specifics.

Principally, the existence and the possibility of being able to verify a halo effect can be assumed. In this context, however, it is considered to be more probable to rather identify a transfer of image values from the image dimensions onto their specific subordinated image items than identifying a more generalised halo effect[717], i.e. the transfer of a generalised superior market image onto market attributes. Thus, according to the findings of existing image and attitude research, it can be assumed that halo will primarily be identifiable within those individuals' answering behaviour, who lack intensive expertise of the investigated subject and who are correspondingly not familiar with Tanzania and/or Tanzania's real estate market. Thus, a higher probability of incidence of a halo effect is assumed for ego-detached respondents.

Moreover, when regarded from a practically oriented perspective, it is ultimately expected that the research at hand may offer the possibility to convert the empirical findings into specific recommendations for decision- and policy-makers of the Tanzanian real estate market. As a result, the assumptions of this study indisputably have a normative function.

[717] Without anticipating the results of the investigation, it must already be stated at this point that a relatively highly generalised halo effect finally proved to be much more dominant than it had been assumed at the beginning of the investigation.

4.2 Design of the Image Analysis

The design of the image analysis has to consider the question of *who* must assess *what* in *which manner* on the basis of *which methods and criteria*.[718] In detail, this means that not only the dissociation of the object to be investigated[719], but also the selection of representative investigation subjects (survey participants) and the development of an appropriate method of inquiry have to be explained and justified. The resulting empirical data should then permit to draw clear conclusions with regard to the study's analytical priorities and key issues. Thus, depending on the respondents' degree of ego-involvement, distinct results primarily with regard to potential image discrepancies and aberrant perceptions of the Tanzanian real estate market should be obtained.

4.2.1 Selection of the Investigation Object and Subjects

The decision to solely focus on the Tanzanian real estate market was driven by the fact that, as already mentioned, it would not have been practical to analyse more than one Sub-Saharan African country within the scope of this study. This would have involved the use of excessive research resources. Moreover, in many respects Tanzania can be regarded as representative for Sub-Saharan Africa. In fact, Tanzania has continuously displayed average results during previous years in comparison to other countries of the region in terms of its general economic situation and economic growth.[720] Furthermore, this average performance also becomes apparent in the results of the HUMAN DEVELOPMENT INDEX (HDI)[721], which comprises all earmarks of poverty, education development and social structures of nearly all UN member states. The HDI shows values for Tanzania that rank directly in between medium and low human development.[722] The HDI score of 0.503 that was determined for Tanzania nearly coincides with the average HDI score determined for Sub-Saharan African states, which amounts to 0.495.[723] Lastly, the author's stay in Tanzania and his corresponding work as a lecturer at the UNIVERSITY COLLEGE OF LANDS AND ARCHITECTURAL STUDIES (UCLAS, now called ARDHI UNIVERSITY) in Dar es Salaam for several months in 2006 facilitated a direct local access and thus proximity to the investigation object. It was therefore considered consequent to focus on Tanzania.

Considering the selection of the investigation subjects (survey participants) for this study, it was decided to question real estate professionals in general instead of exclusively concentrating on real estate investors. The small number of existing investors with an explicit Tanzania-orientation would not have been able to generate such an amount of responses that would have been acceptable in proportion to the amount of responses from investors with no Tanzania-orientation. The empirical access to ego-detached real estate professionals was made possible by means of membership lists of INREV (European association for investors in non-listed real estate vehicles) and EPRA, which represents major publicly traded real estate companies in

[718] See FRETER (1992), p. 30.
[719] See section 4.1.
[720] See WORLD BANK (2008a), p. 2.
[721] The index has a theoretical margin of 0-1. Values ≥ 0.8 point to a high degree of human development, values < 0.5 point to a low degree of human development.
[722] See UNDP (2008b), p. 49.
[723] See UNDP (2008b), pp. 31f.

Europe. Together, INREV and EPRA represent the majority of the European entirety of real estate investors. By analysing the member companies' websites or by means of selective telephone inquiry, it was possible to identify individual decision-makers on top-management level. The latter represented a sample size of 464 persons, who, in turn, received the questionnaire via e-mail. The sample group was complemented by a further 24 respondents, who were recruited within the author's personal environment and had already gathered international real estate investment experience. The overall number of contacted real estate professionals without ego-involvement with regard to Tanzania comprised 488 persons (n=488).

Concerning the selection of survey participants with ego-involvement relative to the Tanzanian real estate market, it was possible to make use of two data sources, namely the list of AFRES-members from Tanzania and also personal contacts in situ. In view of the author's AFRES-membership and in view of the academic functions carried out within AFRES by his advisor, PROF. DR. KARL-WERNER SCHULTE, access to potential AFRES respondents from Tanzania was gained without difficulty. By means of the author's personal contacts, whereas mainly by means of the strong support from his former Tanzanian colleagues SOPHIA and MOSES KUSILUKA, it was possible to cover a large number of real estate professionals working on top-management level in Tanzania. In total, 96 questionnaires were distributed (n=96), most of which were handed out personally. This personal handing out guaranteed and ensured a reliable transfer and reception of the questionnaires. At the same time, obvious worries of the respondents concerning the misuse of confidential information were ruled out.[724] The sample group of professionals questioned comprises real estate agents, valuers, investors, service providers, developers, real estate bankers as well as professionals from the construction business.

The overall number of returned questionnaires amounted to 118 (n=118), with a relatively equal distribution between ego-involved and ego-detached real estate professionals.[725] The return rate for respondents from Tanzania (real estate professionals with ego-involvement) amounted to approximately 60%, which certainly represents a very high and useful value within the field of empirical research.[726] By contrast, the return rate for ego-detached real estate professionals amounted to approximately 12%. Undoubtedly, this sample group naturally showed less interest and motivation to participate in the survey, due to their ego-detachment. In addition, the fact that the questionnaires were sent out via e-mail resulted in a certain anonymity, which made it easier for the potential respondents to reject the request and refrain from participating in the survey. Nevertheless, the achieved participation rate can be regarded as fully acceptable, since with regard to the gender distribution (clear predomination of male real estate professionals) the

[724] It can be stated that the pioneer status of real estate professionals working and investing in Tanzania obviously goes hand in hand with their clearly reserved behaviour towards the sharing of information about yields, cost structures, contacts and other project-related details that could be apt to motivate competitors to work and invest in this promising market. Without the support and the professional contacts of SOPHIA and MOSES KUSILUKA, this reserved behaviour certainly would have led to a considerably smaller response rate.

[725] See section 5.1.1 for a detailed statistical description of the sample used.

[726] In general, a sample has to reflect its entirety as much as possible. If, for example, the return rate of a random test sample continually increases, the probability that this sample will offer a representative reflection of the corresponding entirety will simultaneously increase (see BEREKOVEN/ECKERT/ELLENRIEDER (2001), p. 50 and MÖLLER (1996), pp. 186f.). Vice versa, a return rate of 60% is linked to an extremely low probability that the reflection of the entirety could become distorted.

structure of returned questionnaires was conform to the structure of the overall random test sample and also reflected a sufficient heterogeneity of investment orientations.[727]

4.2.2 Determination of the Measurement Procedure and the Image Model

Previous research on attitude and image has yet to produce a standard method for measuring image. In fact, marketing research propagates a plurality of methods for measuring image, which, in turn, allow for numerous approaches.[728] Thus, image can be recorded in various forms. Generally a differentiation is made between one-dimensional and multi-dimensional measurement procedures. In this case, however, the image measurement procedure shall solely be based on the multi-dimensional attitudinal image-operationalisation. This rationale can be explained by the fact that alternative holistic approaches try to summarise the complex structures of image into a single unit, without being able to grasp the individual components and dimensions that constitute an image.[729] One-dimensional measurement procedures are limited to merely producing a summarised evaluation (good/bad), without examining the differentiated structure that lies behind an image. In view of the objective to identify biases within image formation, it is necessary to successively break down an overall image into its individual dimensions for a more detailed examination. Although the multi-dimensional attitudinal image-operationalisation deconstructs the overall image (total image) into its components (partial images), it is also able to reconstruct the overall image by summing up multi-dimensional evaluations to a total value.[730] With the help of an image model, which will be determined subsequent to the explanation of the measurement procedure, the construction of a total image by summing up the values of the individual object-attributes can be mathematically illustrated. The image differential shall be used as a procedure to measure the values of the individual object attributes and will be explained more closely in the following.

Figure 12: Exemplary Semantic Differential

	very highly	highly	rather	neither/nor	rather	highly	very highly	
imaginative	3	2	1	0	-1	-2	-3	sober
transparent	3	2	1	0	-1	-2	-3	opaque
conservative	3	2	1	0	-1	-2	-3	progressive
agile	3	2	1	0	-1	-2	-3	inactive
uncultivated	3	2	1	0	-1	-2	-3	cultivated
colourless	3	2	1	0	-1	-2	-3	colourful
interested	3	2	1	0	-1	-2	-3	bored

* Source: Own illustration.

[727] See section 5.1.1.
[728] See KROEBER-RIEL/WEINBERG (1996), pp. 23f.
[729] See LEBRENZ (1996), p. 107.
[730] See FRETER (1992), p. 20.

The image differential is based on the semantic differential (SD) by OSGOOD ET AL., which was originally developed to measure the meaning of words.[731] When applying the semantic differential, test subjects are presented with selected associations in the form of metaphorical opposites, whose evaluation is carried out by marking rating positions between bipolar pairs with a cross, and from which conclusions about an examined object can be drawn.[732] Usually up to twenty of these polarities are used to define semantic space and, based on the profile method, allow results to be extrapolated.[733] Despite its rather easy construction and the possibility for clear graphic presentation, the semantic differential has not been fully accepted among attitude and image researchers. Methodological criticism of the original procedure is mostly directed towards the fact that the same or similar connotative associations are constantly used and that these can therefore only be understood in an abstract sense. The non-reflective application of the procedure to different objects, which are to be evaluated, appears to be problematic, since the standard associations are too abstract, have no denotation and are tailored too little to the object to be evaluated.[734] The relevance of the procedure is highly dependent upon how successful it is in using the right, vital semantic metaphors. A further point of criticism is the semantic differential's strict bipolarity.[735] Since it cannot be ruled out that both unipolar as well as bipolar dimensions have to be measured, the obligatory bipolarity of the semantic differential's rating scale might not leave sufficient latitude.[736]

Due to these critical points, the original conception of the semantic differential cannot be simply applied to image measurement.[737] On the basis of the criticism mentioned above, the semantic differential was specifically modified for attitude and image research into a procedure, the so-called image differential, which is applicable to the field of image measurement. Nonetheless, the image differential is still founded on the semantic differential's basic structure. The main modifications will be briefly explained below and presented in Figure 13.[738]

The most important modification, which is especially important for the validity of an image measurement, is displayed by the fact that the item selection can be altered within the image differential to fit the evaluation object. Instead of solely using connotative, metaphorical opposite pairs, problem- and object-specific characteristic poles are formed, which are used in combination with a rating scale.[739] The rating scale has at least an ordinal scale level and regular intervals can be assumed, so that the use of parametric evaluation procedures is valid.[740]

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[731] See OSGOOD (1965), p. 95, MCDOUGALL/FRY (1975), p. 53, MENEZES/ELBERT (1979), p. 81, JENKINS (1999), p. 6 and FRY/CLAXTON (1971), p. 239.
[732] See Figure 12.
[733] See STIER (1999), p. 100 and BUSS/FINK-HEUBERGER (2000), p. 253.
[734] See SCHNEIDER/TROMMSDORFF (1972), p. 47 and MCDOUGALL/FRY (1975), p. 54.
[735] A scale is considered bipolar, if the final point is indicated through contents with opposite characteristics (for example old - new). A unipolar scale presents the end-point with the same characteristics in different degrees of intensity (transparent - not transparent).
[736] See TROMMSDORFF (1975), p. 86.
[737] See MÖLLER (1996), pp. 147f.
[738] See Figure 13.
[739] See TROMMSDORFF (2004), p. 186.
[740] See NIESCHLAG/DICHTL/HÖRSCHEN (1994), pp. 693f. and HEISE (1969), p. 408.

Figure 13: Differences and Similarities between Image Differential and Semantic Differential

Characteristics	Image Differential	Semantic Differential
Item Selection:	Object Specific	Connotative, Metaphorical Opposite Pairs
Scale Type:	Categorial Rating Scale	Categorial Rating Scale
Display Format:	|--|--|--|--| 4 3 2 1 0	|--- |--- |--|--- |--- |---| +3 +2 +1 0 -1 -2 -3
Number of Grades:	4 to 6	Mostly 7
Dimensions:	Unipolar Scales	Bipolar Scales
Measurement of Ideal Value:	Direct and/or Indirect	----------

* Source: Own Illustration based on and translated from MÖLLER (1996), p. 158.

In addition, the number of grades of the rating scale used was reduced from 7 to between 4 and 6 at the most.[741] This makes it more difficult for the test subjects to avoid extreme evaluations. Furthermore, when constructing an image differential, it is now possible to at least consider using an even number of grades. Even numbers help to prevent the centrality effect. Due to the fact that there is no point of indifference, which can be chosen as a possible answer, the test subjects are forced to at least indicate a tendency toward one or the other end of the rating scale.[742]

The dimensionality of the scale, which is determined by the number of its poles, should be kept one-dimensional for the image differential, in order to ensure that the answers given are unambiguous. For example, a test subject could answer on how democratic he or she thinks a state is by choosing between the poles *democratic* and *totalitarian* on a bipolar scale. The less democratic the subject finds the state to be, the more totalitarian the subject inevitably has to rate the state in question. However, an undemocratic state does not necessarily have to be totalitarian. The obligatory bipolarity of the rating scale would lead to a misunderstanding in this case. It would be more sensible to use a unipolar rating scale with the endpoints *very democratic* and *not democratic*. Although the image differential allows for the use of bipolar rating scales, the use of unipolar scales is strongly recommended.[743]

The final deviation from the semantic differential is the inclusion of questions that aim at measuring a test subject's ideal conceptions of an object and its attributes, instead of solely measuring the actual values attributed to the object and its attributes. The inclusion of ideal conceptions allows for the measurement of *impression values*, which arise from the difference calculated between the *actual values* and the *ideal values* of an image item. A test subject's ideal conception of an object's attribute can be inquired directly after having inquired the subjectively per-

[741] See HELMREICH (2004), p. 38 and LEBRENZ (1996), p. 108.
[742] See MÖLLER (1996), p. 152.
[743] See TROMMSDORFF (1975), p. 89.

ceived real value of the same attribute.[744] Although literature has pointed out the danger of overburdening the test subject with the highly abstract nature of ideal conceptions[745], the risk of overburdening the respondents questioned within this study's image analysis can be ruled out as they are all real estate professionals, who are well capable of evaluating market-specific attributes. The list of questions of the image differential developed within this study shall thus include questions about the respondents' ideal conceptions of the image object and its attributes.

Figure 14: Inquiry of Actual and Ideal Values

1a. How transparent is the Tanzanian real estate market?						
transparent	4	3	2	1	0	Not at all transparent
1b. How transparent should and can a real estate market be?						
transparent	4	3	2	1	0	Not at all transparent
2a. How corrupt are Tanzanian politicians?						
corrupt	4	3	2	1	0	Not at all corrupt
2b. How corrupt should politicians ideally be in a well functioning economy?						
corrupt	4	3	2	1	0	Not at all corrupt

* Source: Own illustration.

After having outlined the formal design of the image measurement procedure, the mathematical transfer of the images into the test subjects' attitude towards the investigated object can be presented by means of an image model. The image model can only be operationalised by means of a standardised survey, which, in turn, is based on a measurement procedure, such as the image differential in this case. The attitude of an investor towards Tanzania's suitability as a destination for FREI remains the dependent variable of the yet to be defined image model. The impression values by contrast, which are reckoned to be the subjectively perceived values as well as the ideal values of market attributes in this case, represent the independent variable of the model.[746]

The objective is to first obtain individual impression values, which, as a whole, reflect the test subjects' multi-dimensional image of the investigated object.[747] The individual impression values can be determined by calculating the mathematical distance between the real and the ideal values attributed to the individual image items. By summing up the individual impression values the attitude of a person towards an object can be quantified. This certain procedure takes the multi-dimensional character of image into account. The TROMMSDORFF-Model, which is a further de-

[744] See Figure 14.
[745] See COHEN (1967), pp. 32f.
[746] See TROMMSDORFF (1975), p. 67.
[747] See FRETER (1992), p. 20.

velopment of the compensatory attitude model by FISHBEIN presented in section 2.3.2.1.2, is to be applied in this context.[748] This portrays a person's attitude towards an object as the summary of the discrepancies between the actual and ideal values attributed to an object's individual attributes and can thus be mathematically illustrated as follows:[749]

$$A_{ij} = \sum_{k=1}^{n} \left| B_{ijk} - I_{ik} \right|$$

A_{ij} = Attitude of individual i towards object j

B_{ijk} = Subjectively perceived actual value attributed by individual i to attribute k of object j

I_{ik} = Ideal value attributed by individual i to attribute k for the class of objects like j

By contrast, FISHBEIN's compensatory attitude model quantifies attitude as the sum of the individual results gathered by multiplying every single one of a person's weightings of an object's individual attributes with the person's corresponding estimated probability of the same attributes' occurrence. The renunciation of FISHBEIN's compensatory attitude model is the result of numerous points of criticism regarding the empirical validity of the model.[750] A serious point of criticism is the constant doubt that individuals form their impressions of an object by means of estimating subjective probabilities of the occurrence of certain object attributes. Individuals rather assign values to an object's attributes directly than estimating the probabilities of the attributes' occurrences. In addition, it was observed that the multiplication of the individual ratings with one another often leads to a potentiation of the errors that individual ratings often imply.[751] Therefore, the main argument against the use of FISHBEIN's model - or any other model that implies the multiplication of data - is the fact that possible errors that occur within the estimation of the probability of an attribute's occurrence will be potentiated by multiplying this faulty probability with a weighting factor.[752] The application of the TROMMSDORFF-Model, by contrast, allows for the avoidance of this error potential. The impression values are merely a result of the individual discrepancies between the subjectively perceived actual attribute values and the corresponding ideal values. The smaller a discrepancy is perceived to be, the better is the impression value of an object's attribute.[753] Hence, it can be stated that the smaller the calculated numerical value of the overall attitude (total attitude) turns out to be, the better and more positive this attitude is considered to be.[754]

[748] See DEML (2007), p. 3 and TROMMSDORFF (2004), p. 163.
[749] See JANßEN (2003), p. 88.
[750] See DICKSON/MINIARD (1978), p. 265 and TUCK (1973), p. 345.
[751] See FRETER (1992), p. 21 and TROMMSDORFF (2004), p. 163.
[752] See TROMMSDORFF (1975), p. 64.
[753] See BUSS/FINK-HEUBERGER (2000), p. 258.
[754] See DEML (2007), p. 4.

4.2.3 Derivation of the Image Dimensions and Image Items

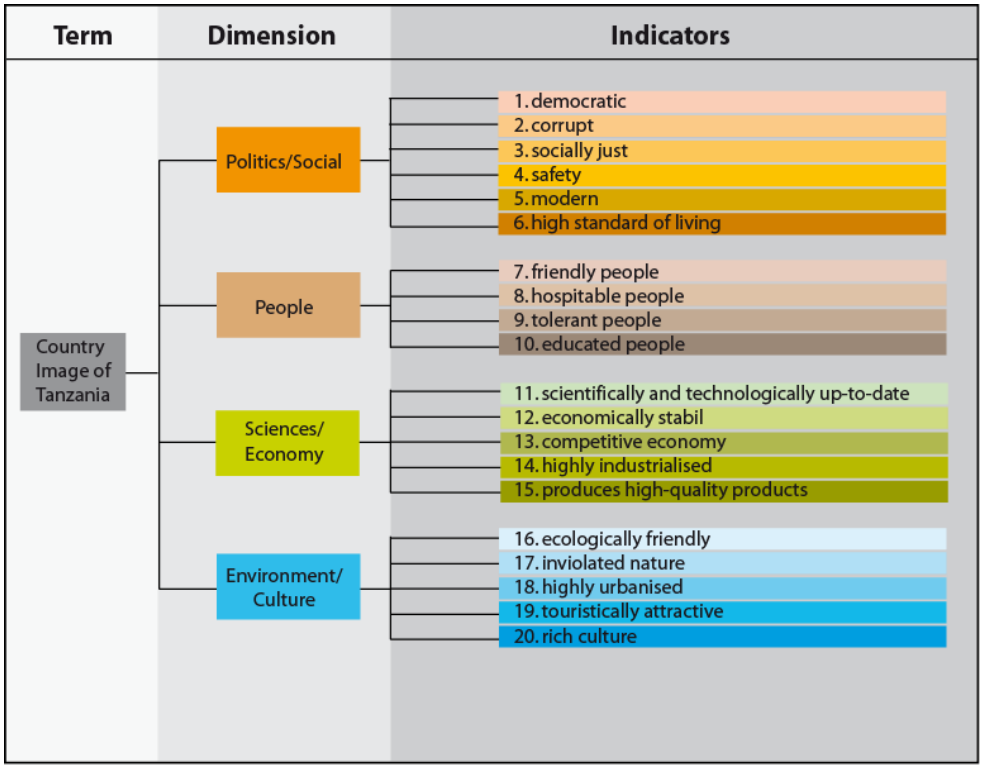
The derivation of relevant rating criteria, namely image indicators, is correctly considered as one of the critical aspects in the design of an image analysis.[755] Thereby, measurable, relevant indicators have to be created that adequately display image in consideration of its characteristic of being a not directly measurable variable (indicandum).[756] The validity of the image dimensions and items in their roles as indicators for the attractiveness of Tanzania as a destination for FREI and as indicators for the general country image of Tanzania has to be guaranteed.[757] Since the examination of the validity of indicators is considered difficult, it is often recommended to use a rather large number of indicators to assure that the significance of a concept is captured in a sufficiently extensive manner.[758] The most important criterion and thus a condition for the selection of individual indicators is their significance for the test subjects' investment behaviour.[759] However, the object attributes, which are most relevant for image formation, vary according to the characteristics and involvement (moderating variables) of the respective test subject.[760] The image indicators for measuring Tanzania's image as an investment destination correspondingly have to be significant for foreign real estate investors within their geographic selection. Accordingly, only indicators are taken into consideration, which have proven to bear relation to variables of investment behaviour.[761]

Both the general country image of Tanzania as well as the image of Tanzania as a target market for FREI have to be composed of several leading indicators (image dimensions). Only the measurement of a sufficient number of leading indicators allows for an adequately precise portrait of the overall image. The leading indicators, in turn, have to be classified into a number of micro-indicators (image items), since a leading indicator itself usually consists of numerous facets. In practice, it is not recommendable, if at all possible to examine all leading and micro-indicators, since the predicted result bears no relation to the involved effort and costs. In consequence, there are two possible approaches. On the one hand, there is the possibility of creating a broad profile of image. Hereby, all relevant leading indicators are compiled. However, the latter are only measured by means of a few, usually one or two micro-indicators. While this method indeed allows for the creation of an overall image, the probability is high that the image analysis will remain superficial due to the leading indicators' lack of precision. This lack of precision, in turn, is a direct consequence of the insufficient number of micro-indicators used to portray the individual leading indicators. A deep profile on the other hand allows for an in-depth and precise measurement of the individual leading indicators. To do this, a small amount of leading indicators is selected, whereas the latter are measured on the basis of all available relevant micro-indicators. TROMMSDORFF recommends using approximately 4 to 5 micro-indicators per leading indicator.[762] The overall image, which can only be adequately represented by measuring all leading indicators, remains insufficiently examined within a deep profile. The focus and inten-

[755] See JACCARD/BRINBERG/ACKERMAN (1986), p. 463.
[756] See HOMBURG/GIERING (1996), pp. 6f.
[757] See FRETER (1992), p. 19 on validity of image items.
[758] See STIER (1999), p. 30.
[759] See LEBRENZ (1996), p. 111.
[760] See PUHE (1988), p. 254 and JANßEN (2003), p. 221.
[761] See MÖLLER (1996), p. 129.
[762] See TROMMSDORFF (1975), p. 108.

tion of a deep profile is the complete and thorough investigation of individual image dimensions and/or items.[763] The assumed existence of a multiple halo effect within ego-detached investors' evaluation of Tanzania - or rather the assumed image transfer that takes place from the individual image dimensions onto the corresponding subordinated image items - makes an in-depth presentation of the country's image profile necessary. [764] With reference to the objective of this study, it is thus necessary to produce a deep profile of Tanzania's image. Nevertheless, the presentation of an overall image will be ensured by using an adequate number of relevant leading indicators, which, in turn, allows for the construction of a sufficiently broad image profile.

Figure 15: Indicators Used for Measuring Tanzania's Country Image



* Source: Own illustration.

There are basically two methods for the generation and collection of relevant indicators or, as for this case, image dimensions and items, which are applicable to the image differential. The following two methods can be used to collect indicators both for the country image and for the image of Tanzania as a destination for FREI. On the one hand, one can generate relevant leading and micro-indicators by means of direct and/or indirect interviews[765] with a small subset of the target group. On the other hand, one can often derive empirically already approved leading and micro-indicators from the evaluation of available relevant literature. Both methods lead to

[763] See BUSS/FINK-HEUBERGER (2000), pp. 274f.
[764] See LEBRENZ (1996), p. 87.
[765] MÖLLER noted that the derivation of image indictors by means of indirect interrogation procedures cannot always be recommended, since these often seem to overburden the respondent due to the abstract nature of free-association procedures (see MÖLLER (1996), p. 131).

an indicator collection, which is only relevant for a comparative, not an absolute evaluation.[766] Since, however, the absoluteness of the total image value, as described in section 4.1.1, is not of importance for the image analysis conducted within this study, this does not compromise the quality of the indicator selection in any way.[767] Even the weighting of the individual indicators in terms of importance is secondary for the set goal of this image analysis and will be operationalised within this study only for further information purposes. Only those image items, which are used for the evaluation of Tanzania as a destination for FREI, are weighted by the respondents. The creation and assembly of the general country image of Tanzania shall not be the focus of this study, therefore there is no need for a weighting of the relevant image items. The leading and micro-indicators used within the image analysis at hand were compiled on the basis of an evaluation of existing relevant literature and later verified by direct expert questioning.[768] The intention of the expert questioning was not simply to verify the leading and micro-indicators extrapolated from relevant literature, but also to identify potential unapparent indicators. The indicators used for the measurement of Tanzania's general country image are based on indicator tableaus created by PAPADOPOULOS, HESLOP and BENNET, MARTIN and EROGLU, JANßEN as well as MÖLLER, which are standardised and empirically verified.[769] The indicators were divided into the following categories politics/social, people, sciences/economy and environment/culture and can be classified according to Figure 15.[770]

On the basis of an examination of existing literature, in which the writings of WEE, LIM and TAN, JAFFE and NEBENZAHL, SCHWEIGER, OH, KEVENIDES as well as LIM, MCGREAL and WEBB were found to be especially relevant[771], the main components for the evaluation of the suitability of a real estate target market were identified. These were then classified into political, legal, economic and socio-cultural factors.[772] This, in turn, allowed for the extrapolation of the relevant leading indicators, namely political environment, real estate market conditions, regulatory framework and socio-cultural environment, which were used for the evaluation of Tanzania's image as an investment destination for FREI. The necessary corresponding micro-indicators or rather the image items were determined in the same manner. Although a questionnaire developed on the basis of these leading indicators and its corresponding image items allows for a detailed image analysis, if the sample size is sufficient, indicators derived from relevant literature have to be verified once again. The four leading indicators were confirmed by mutual agreement during the expert questioning and classified as significant for the formation of an image. No further leading indicators were identified during the evaluation of the suggestions that were expressed within the expert survey. In addition, all of the image items that were communi-

[766] See TROMMSDORFF (1975), p. 100.
[767] See PUHE (1988), p. 255.
[768] A similar procedure for determining relevant image indicators was empirically approved by DIEDENHOFEN after having examined the relevance of existing image data (see DIEDENHOFEN (1991), p. 131). There was no additional verification of the indicators for measuring Tanzania's general country image undertaken due to the previously available, standardised and empirically appoved indicators for measuring a country's image (see JAFFE/NEBENZAHL (2001), pp. 30f.). The verification by means of expert interviews was only undertaken with reference to the image indicators used for the evaluation of Tanzania's image as a destination for FREI.
[769] See PAPADOPOULOS/HESLOP/BENNET (1993), pp. 209f., MARTIN/EROGLU (1993), pp. 193f., JANßEN (2003), p. 82 and MÖLLER (1996), p. 168.
[770] See Figure 15.
[771] See WEE/LIM/TAN (1993), pp. 321f., JAFFE/NEBENZAHL (2001), pp. 30f., SCHWEIGER (1992), pp. 19f., OH (2001), p. 104, KEVENIDES (2002), pp. 64f. and LIM/MCGREAL/WEBB (2006), pp. 270f.
[772] See section 2.2.4.

cated within the survey were verified, although *land tenure security* and *the probability of political intervention* were similarly interpreted and were consequently combined into one micro-indicator within the final questionnaire. Image items, which were additionally mentioned and differentiable to those items contained on the list of items handed to the experts, were summarised as *assertiveness of law* and assigned to the corresponding leading indicator (*regulatory framework*).

Figure 16: Indicator Tableau for Measuring the Image of Tanzania as a Destination for FREI

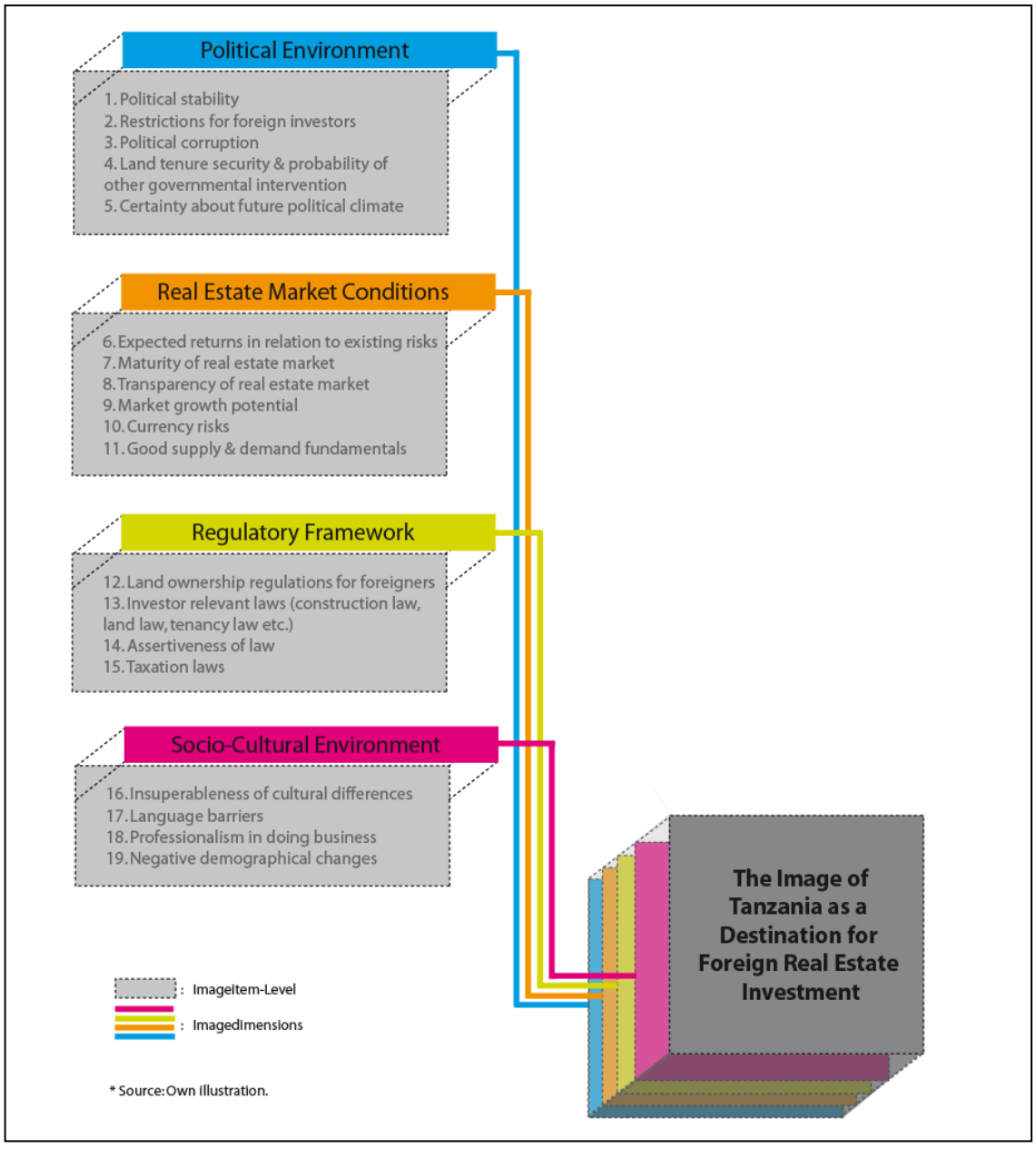


Figure 16 illustrates the leading indicators (image dimensions) as well as the corresponding micro-indicators (image items) used within the present study's image analysis.[773] At the same time

[773] See Figure 16.

it shows that it was possible to largely comply with the optimum number of 4 to 5 items per image dimension propagated by TROMMSDORFF.[774]

4.2.4 Conception of the Method of Enquiry

Written surveys are without a doubt the most commonly used data collection instrument for image analyses.[775] Even though written surveys often have the problem of an extremely low response rate and in spite of the significantly reduced level of activity of respondents compared to the level of activity observed within oral questionings, it still plays an important role within image research due to its diverse advantages.[776] One of the advantages is the possibility of easily being able to increase the sample size, which, by contrast, involves much more effort within many other forms of data collection.[777] The affirmation of anonymity, which can have significant influence on the level of honesty reflected in the answers, is more credible within written surveys. The written survey by means of a standardised questionnaire was selected as an appropriate survey method. The standardised questionnaire contained mostly closed questions based on scaled variable lists (graded opinions) as well as a small number of open questions. The intention of adding a few open questions to the questionnaire was rather to loosen up the latter than to obtain any specific further knowledge from the answers given. The determination and orientation of the scaled variable lists were carried out with reference to the structures of the image differential outlined in section 4.2.2. Accordingly, the respective indicators outlined in section 4.2.3[778] were used to form the object-specific characteristic poles, whereby every indicator was measured on the basis of a gradient unipolar rating scale, which was aligned to the intensity of the individual indicator's constituent characteristic. The number of grades on the rating scale was chosen under two aspects. Firstly, the number of grades on the scale (n=5) had to be kept low, in order to stimulate extreme ratings. Secondly, an uneven, five grade scale was chosen, in order to be able to present the respondents a point of indifference. In view of the high-involvement and the specialised knowledge of the respondents, the risk of an increased centrality effect was considered to be low, if not negligible.[779] In accordance with the standards set down by TROMMSDORFF the questionnaire also contained direct questions as to the ideal value of attributes. The question concerning the ideal value of an attribute was mostly asked directly after the corresponding question concerning subjectively perceived actual value of the same attribute.[780] In this way, the measurement of individual impression values, which were determined by the difference between the subjectively perceived actual value (real value) and the ideal value of an image item, was enabled.

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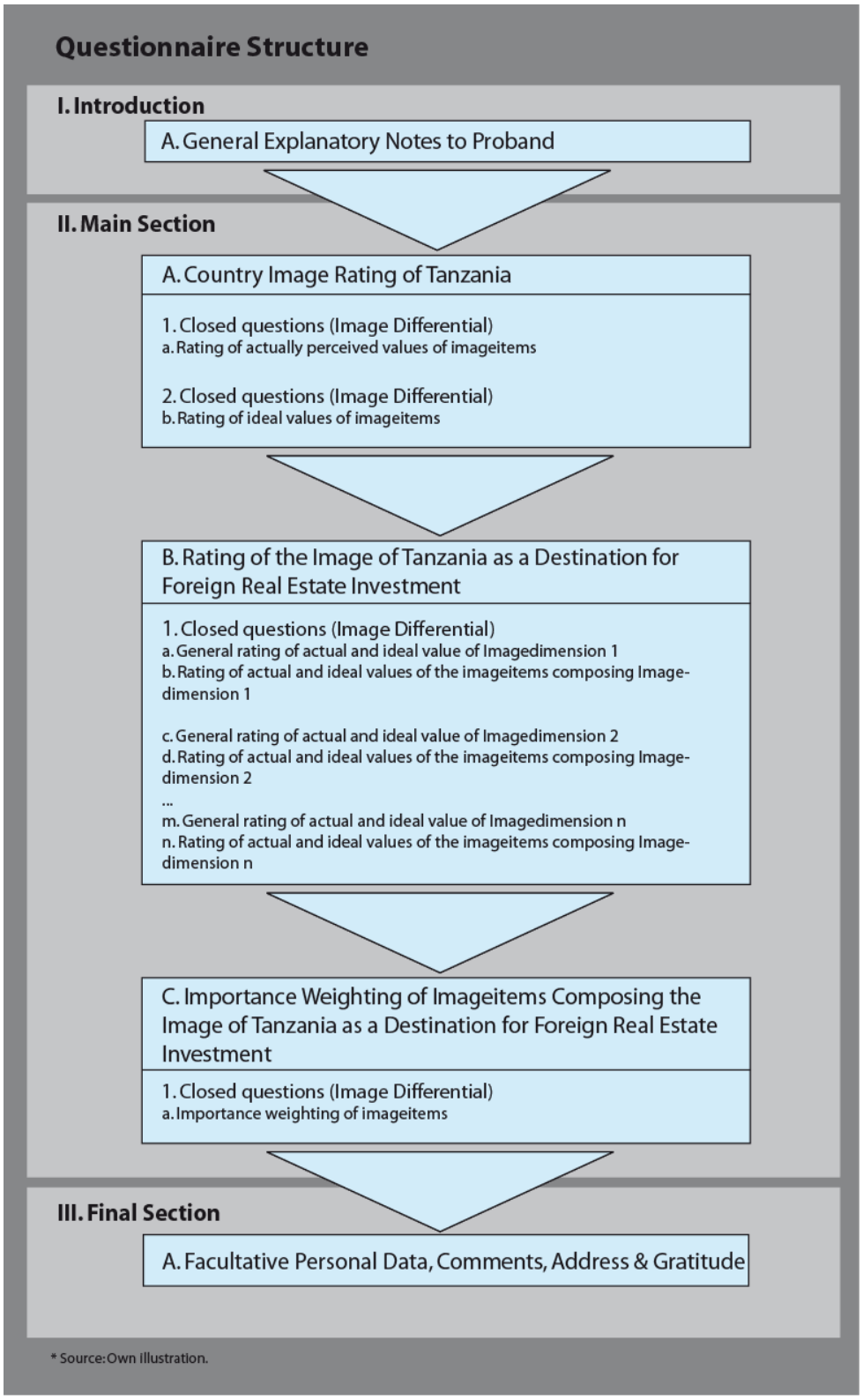
[774] See TROMMSDORFF (1975), p. 108.
[775] See JAFFE/NEBENZAHL (1984), p. 463.
[776] See ATTESLANDER (2006), p. 147 and DIEDENHOFEN (1991), p. 103.
[777] See SCHNELL/HILL/ESSER (1999), pp. 335f.
[778] See Figure 16.
[779] See MÖLLER (1996), p. 152.
[780] This procedure solely refers to the questions regarding Tanzania's image as a target market for FREI. In contrast, due to the relative ease of the questions regarding Tanzania's general country image, the questions regarding the ideal values of the entire image items were listed after the questions regarding the actual values of all of the image items.

Figure 17: Questionnaire Structure



In order to meet the formal demands of a written survey, the questionnaire was divided formally into introduction, body and conclusion.[781] The main purpose of the introduction was to motivate those being questioned and reassure them. Hence, it was necessary to make clear within the

[781] See Figure 17.

introduction that the survey is important and relevant, that it is carried out for purely scientific purposes, that those being questioned can directly contribute to the success of the study by filling out and sending back the questionnaire and that all of the data will be treated as strictly confidential.[782] In addition, the personal and demographic data required for evaluation was asked within the introduction.

In addition to the formal outline mentioned above, a further classification into topics was undertaken. Individual questions, which could be assigned to the same topic, were not scattered across different parts of the questionnaire[783], but rather compiled into topic-related question-series within the main part of the questionnaire. The central topics of the questionnaire were the country image rating of Tanzania, the rating of the image of Tanzania as a destination for FREI and the importance weighting of image items composing the image of Tanzania as a destination for FREI.[784] The sequence of the topics was not deciduously ordered according to their relevance to the study's stated objectives. The rating of the general country image, which was regarded less relevant to the stated objectives of the present study, was deliberately placed before the rating of Tanzania's image as a target market for FREI, since the questions regarding the general country image were more general, appeared to be more innocuous and eased the respondents' entry into the questionnaire. It was speculated that this method would motivate the respondents to complete the questionnaire.[785] Since a continuous answering flow was already observed within the pre-test, the topics were not additionally bridged by means of transitional questions.[786]

The first two of the three topics contained only closed questions, which aimed at receiving ratings for the leading and micro-indicators based on their respective constituent characteristics. The perceived actual values of all of the micro-indicators for Tanzania's country image were inquired within the first topic. Afterwards, the respondents were asked for their conception of the ideal values of the same micro-indicators. In contrast to the procedure chosen for the first topic, within the second topic the question as to the ideal value of an indicator was asked directly after the question as to the subjectively perceived actual value of the same indicator. This procedure was necessary due to the questions' increasing degree of difficulty and complexity. Furthermore, respondents were also requested to give a rating for the leading indicators of the image of Tanzania as a target market for FREI. After each one of these ratings for the subjectively perceived actual and ideal values of a leading indicator was given, the respondents were asked to rate the actual and ideal values of the leading indicator's corresponding micro-indicators. This explicit division into questions that aim at a holistic evaluation of a leading indicator on the one hand and into questions that aim at the evaluation of the respective leading indicator's corre-

[782] See BOSNJAK/BATINIC (1999), pp. 149f.
[783] It is often suggested that questions, which can be assigned to the same topic, should be scattered across different parts of the questionnaire, in order to test the consistency of a respondent's answers. According to SCHNELL, HILL and ESSER this, however, can lead to additional confusion of the respondent. Thus, this method was not implemented (see SCHNELL/HILL/ESSER (1999), p. 321).
[784] The original questionnaire contained an additional, fourth topic, namely *importance weighting of image items composing Tanzania's country image.* This had to be removed from the final version of the questionnaire, since there was some criticism during the pre-test as to the length of the original questionnaire.
[785] See DILLMAN (1978), pp. 122f.
[786] See SCHNELL/HILL/ESSER (1999), p. 321.

sponding micro-indicators on the other hand, was necessary for the intended collection of evidence for the assumed existence of a multiple halo effect. The correlation between the results of the respective holistic evaluations of the leading indicators and the results of the evaluations of the corresponding micro-indicators could have been able to provide this evidence.[787] Only after having completed the rating for a leading indicator and its corresponding micro-indicators, the respondent was asked to rate the next leading indicator and its corresponding micro-indicators. Thus, the structure of the questionnaire facilitated a successive processing of the leading indicators and their corresponding micro-indicators. As did the preceding topics, the third topic also contained closed questions, based on which the respondents were to make a judgment as to the importance weighting of the individual items of Tanzania's image as a destination for FREI.[788]

A conclusion was conceived to mark the end of the questionnaire, which, in addition to facultative demographic and personal questions, also contained the return address and a thank-you note. It also gave the respondents the possibility to comment on the questionnaire, the research design and the research topic. The intention of creating this area for open commentary and notes was to receive ideas and suggestions, which might have been useful for the evaluation phase.

As previously mentioned, the questionnaire was tested beforehand on completeness, comprehensibility, processing time, acceptance and general errors within a pre-test. The personal presentation of the questionnaire as well as the subsequent interview with the previously questioned experts (n=13) revealed that acceptance and comprehensibility were given and that there were no significant general errors that could be identified. With the exception of the complementary image indicator mentioned in section 4.2.3, the completeness of the questionnaire was also confirmed. Considering the processing time, however, it was concluded that the duration of the processing time for the final questionnaire was not to exceed 15 to 20 minutes.[789] The questionnaire, which the experts received for the pre-test, was considered too time intensive. After 20 minutes at the latest, some of the respondents started to appear fatigued and showed increased disinterest, which was also confirmed by some of the experts during the following interviews. The original questionnaire therefore had to be shortened to help prevent a heightened break-off rate and a declining quality of answers.[790] The originally intended importance weighting of the constituent image items of Tanzania's general country image was consequently not included into the final questionnaire.[791] The importance weighting of the corresponding items of the image of Tanzania as a destination for FREI was placed at the end of the final questionnaire. This was regarded necessary due to the fact that it seemed probable that respondents would start to feel fatigued within the third topic and that the consequential lack of motivation to concentrate on the questions would affect the quality of the answers. Since the importance weighting of the

[787] See section 4.1.1.
[788] See HEELER/OKECHUKU/REID (1979), p. 60.
[789] See BOSNIA/BATINIC (1999), p. 156.
[790] See ANDREWS (1990), p. 38.
[791] Since the relevance of this subject area stands in no relation to the required extra time by respondents to work through the answers, in retrospect, the exclusion of these questions can be considered a qualitative improvement of the questionnaire.

image items was not one of the primary goals of the image analysis and was only to provide additional information, it was therefore regarded acceptable to place it as the third topic at the end of the questionnaire. The final questionnaire was designed in consideration of the insights derived from the pre-test's results and sent to the respondents afterwards either by post or e-mail. The final questionnaire is attached in the Appendix of the study at hand.[792]

4.2.5 Selection of Statistical Evaluation Measures

The definite empirical evidence for the existence of biases and heuristics or at least the existence of distortions within the perception, the information processing and the decision-making processes of foreign real estate investors during their evaluation of Tanzania as a potential investment destination can only be adduced by means of a sophisticated statistical analysis. In this context, a conservative evaluation approach was chosen for the following analysis, which comprises both descriptive- and inductive-statistical measures that are commonly used in social and economic sciences. The analysis also comprises structural modelling procedures, among others, the verification of the halo effect on a densified multivariate level. The focus of the structural modelling procedures was placed on the sample group of ego-detached real estate investors. By and large, the statistical evaluation measures applied shall ensure an expressive and exhaustive analysis of the available data patterns. Furthermore, the statistical evaluation measures shall help to identify potential differences between the individual behaviour patterns referring to Tanzania and especially to its real estate market of foreign (ego-detached) and ego-involved (mostly Tanzanian) respondents.[793] Should differences be identified, the question to be answered is whether these differences are over-coincidental (more than coincidental) and thus systematic. Lastly, the statistical evaluation measures were clearly aligned to the hierarchical structure of the data analysis. For this reason, they will be concretised in the following section's description of results.[794]

4.3 Chapter Summary

The preceding chapter displays the conceptualisation of the present study's image analysis, which is subdivided into the description of the object of the image analysis on the one hand and the corresponding empirical design on the other. In order to determine the object of the image analysis, it is necessary to specify its exact methodical sequence at first. In this case, the sequence includes typical intermediate steps of investigations used for empirical studies within social sciences. Accordingly, the applied steps are the formulation and specification of the problem, the conceptualisation of the empirical investigation, the measurement, the evaluation and interpretation of the compiled image data and lastly the communication of the results. This procedure was selected to be able to facilitate a comparison of the image for the same object of opinion, namely Tanzania as a potential destination for FREI, among separate groups of respondents. With this first type of cross-sectional analysis it is possible to determine whether there are discrepancies between the results of the two groups of interest, namely ego-detached and ego-involved real estate professionals. The comparison of the results of both groups per-

[792] See Appendix 1.
[793] See BORTZ (1985), p. 1
[794] See section 5.1.2.

taining to the image values of the individual image dimensions and the corresponding subordinated image items allows to identify which image dimensions and items cause the highest deviation between the perceptions of foreign (mostly ego-detached) and domestic (ego-involved) investors. It also facilitates the search for potential biases, such as the halo effect, which is often brought into connection with image formation and may manifest itself in the transfer of a respondent's overriding image of an object to his or her evaluation of the subordinated object attributes. In the case of Tanzania in its role as a potential destination for FREI, individuals, regardless of their degree of familiarity with Tanzania, will most probably be capable to perceive differences within the image dimensions, as the evaluation of an investment destination always requires high involvement. Thus, a positive total image of Tanzania still permits a negative evaluation of its individual image dimensions and vice versa. Accordingly, the image transfer will most probably not occur from the total image to the image items, but rather from the individual image dimensions to their corresponding subordinated image items (multiple halo effect). In identifying this form of irrational behaviour within the FREI decision-making process, a small piece of empirical evidence would exist for the assumption that the adverse image of Sub-Saharan Africa negatively charges the evaluation of the region's real estate markets within foreign investors' geographical selection.

The empirical design, which considers the selection of the image object to be investigated and the appropriate survey participants (investigation subjects), the determination of a measurement procedure and an image model, the derivation of adequate image dimensions and items, the development of an appropriate method of inquiry as well as the selection of statistical evaluation measures, is explained and justified in chapter 4. As it would not have been sensible to extensively analyse more than one Sub-Saharan African country within the scope of this study, it was decided to solely focus on one country, namely Tanzania. This East African country can be regarded as representative, as it has constantly produced average results during previous years in comparison to other Sub-Saharan African countries in terms of its general economic performance. The target group for the questionnaire used (investigation subjects) consisted of well-selected ego-involved (AFRES-members from Tanzania and individually selected real estate professionals in situ) and ego-detached real estate experts (decision-makers on top-management level of EPRA and INREV member-companies). The number of returned questionnaires (of the 584 questionnaires distributed in total) amounted to 118, with an almost equal distribution between ego-involved and ego-detached respondents. The image differential, which is based on the semantic differential, was chosen as the procedure to be applied to measure the respondents' image values. The image model, in this case the TROMMSDORFF-Model, is operationalised by means of a standardised questionnaire, which, in turn, is based on the image differential. The TROMMSDORFF-Model is a further development of the compensatory attitude model by FISHBEIN and represents a person's attitude towards an object as the summary of the discrepancies between the actual and ideal values attributed to an object's individual attributes. However, Tanzania's image value as a potential destination for FREI cannot be directly measured without using indicators. Therefore, measurable relevant image dimensions (leading indicators) and items (micro-indicators) in their roles as indicators for the attractiveness of Tanzania as a destination for FREI have to be derived. This is considered as one of the critical aspects in

the design of an image analysis. Based on a detailed evaluation of existing relevant literature the following four image dimensions were identified as fundamental for Tanzania's image as a potential destination for FREI, namely its political environment, its real estate market's conditions, its regulatory framework and its socio-cultural environment. Lastly, the evaluation of the empirically collected responses comprises both descriptive- and inductive-statistical measures as well as structural modelling procedures, in order to be able to identify potential differences between the individual behaviour patterns of foreign (mostly ego-detached) and local (ego-involved) respondents.

5 Image Analysis of Tanzania as a Destination for Foreign Real Estate Investment

Detailed references about the participants of the empirical survey (random test sample) and the achieved statistical evaluation are followed by the actual results. The result part is divided into five sections, namely findings on the general country image of Tanzania, findings on the conception of the participants' personal ideal country, results on the image of Tanzania as a destination for FREI, representation of the importance weighting results of the surveyed image items as well as data derived from structural modelling concerning the possible existence of a (multiple) halo effect.

5.1 Random Test Sample and Statistical Evaluation

The random test sample, which covers real estate experts with and without direct professional orientation towards the Tanzanian market (ego-involved vs. ego-detached), is first described in terms of the obtained number of replies. Both sub-groups are subsequently characterised according to nationality, gender, age as well as strategic investment orientation. The following description of the statistical evaluation includes indications about the descriptive- and inductive-statistical procedures as well as heuristic methods employed.

5.1.1 Random Test Sample

The returned surveys (n=118) are divided into 58 surveys from respondents with a direct professional relation and therefore evident ego-involvement towards Tanzania (49.2% of the survey total) and 60 surveys from respondents without professional orientation towards this East African state (50.8%). As already described in section 4.2.1 in detail, the group of ego-involved survey participants consists of AFRES-members from Tanzania and individually selected real estate professionals in situ, whereas all ego-detached real estate experts questioned are either decision-makers on top-management level of EPRA and INREV member-companies or acquainted German real estate investors with international experience. The group of ego-involved respondents is almost exclusively comprised of people holding Tanzanian citizenship (57 Tanzanians as well as one U.K. citizen). The ego-detached sub-group, respondents without professional connection to Tanzania (60 cases), is comprised of 38 Germans, 3 Australians, 3 U.K. citizens, 2 Italians, Poles, Swedes, Austrians and U.S. citizens each as well as one Belgian, Danish, Greek, Dutch, French and Spanish citizen each. Due to the classification and profes-

sion-specific data collected from the final section of the survey, it was possible to ensure that all replies were only received by persons in leadership or expert positions. A clumping of replies from persons of the same real estate company was avoided. It therefore appears appropriate, in regards to the composition and number of cases, to determine that a representative sample of knowledgeable representatives from the real estate sector with and without ties to the Tanzanian market participated in the survey.

The group total, 118 survey participants, included 100 male (84.7%) and 18 female (15.3%) participants. Although male participation was dominant, there were no obvious differences as to the distribution between those with professional ties to Tanzania and those without. The ego-involved sub-group (respondents with ties to Tanzania) was comprised of 50 males and 8 female participants, the group of ego-detached respondents included 50 males and 10 female participants. The inherent chi-square-test was not significant (χ^2=0.2 df=1).

The age structure of the entire survey group (118 cases) is distributed as follows:

18-25 years:	3 participants,
26-35 years:	48 participants,
36-45 years:	43 participants,
46-55 years:	17 participants,
56-65 years:	7 participants,
66 years and older:	no participants.

The age group of 26 to 45 years is thus clearly the largest. There were also no significant differences between the two sub-groups, ego-involved and ego-detached respondents, with regard to this parameter. The age structure of the sub-group with professional ties to Tanzania (ego-involved, 58 cases) is distributed as follows:

18-25 years:	2 participants
26-35 years:	21 participants
36-45 years:	20 participants
46-55 years:	9 participants
56-65 years:	6 participants

The age structure of the sub-group without professional ties to Tanzania (ego-detached, 60 cases), in turn, is distributed as follows:

18-25 years:	1 participant,
26-35 years:	27 participants,
36-45 years:	23 participants,
46-55 years:	8 participants,
56-65 years:	1 participant

The inherent chi-square 4.9 with a degree of freedom of 4 was statistically not significant (χ^2=4.9 df=4 not signif.).

The respondents were also questioned as to which risk category they would allocate their company. The three categories of choice were *Core* (low risk with expected ROE of 6-11%), *Value Enhanced* (medium risk with expected ROE of 11-17%) and *Opportunistic* (high risk with expected ROE of >20%). The investment-strategic orientation of the companies represented by the participants (110 replies) clearly leaned towards the categories *Core* and *Value Enhanced*. There were 49 cases of *Core*, also 49 cases of *Value Enhanced*, 9 cases of *Opportunistic* and 3 cases with a combined strategic orientation.[795] Some participants gave no answer as to their company's risk strategy (8 cases). Ego-involved participants claimed to follow a slightly higher risk strategy, thus, the category *Core* was chosen marginally less often as an answer. Nevertheless, there were no significant differences between the sub-groups (ego-involved vs. ego-detached) strategic orientation. The answers concerning the strategic orientation of ego-involved respondents are distributed as follows:

Core:	19 participants
Value Enhanced:	27 participants
Opportunistic:	4 participants

The answers concerning the strategic orientation of ego-detached respondents, in turn, are distributed as follows:

Core:	30 participants
Value Enhanced:	22 participants
Opportunistic:	5 participants

The inherent chi-square-test was not significant (χ^2=2.6 df=2).[796]

5.1.2 Statistical Evaluation

A hierarchically developed and altogether conservative statistical evaluation approach was employed.[797] Accordant to the succession of the items in the questionnaire, the first step involved the determination of relevant descriptive-statistical parameters, such as central tendencies and dispersion.[798] The resulting descriptive-statistical measures were prepared for the entire group as well as for each sub-group alone (ego-involved vs. ego-detached real estate professionals). It was already possible to derive general conclusions regarding the participants' attitudes towards the items from this descriptive level. Moreover, it was possible to perform heuristic data analysis in form of a Principal Component Analysis (PCA) for items with suitable scale meas-

[795] There was one case with a *Core-Value-Enhanced*-combination, one with a combination of a *Value Enhanced* and *Opportunistic* strategy as well as one case with a mixed company strategy covering all three categories.
[796] Only 107 cases were used in this calculation, since the 3 answers of the respondents, which claimed to follow a combined strategic orientation according to the given risk categories, were unusable.
[797] See ROCHEL (1983), p. 118.
[798] See BORTZ (1985), pp. 46f.

urements.[799] By means of these PCAs it was possible to produce a compact description of the relevant items.

The inductive-statistical evaluation, namely the second step in the process, was based on the examination of possible differences in the answering behaviour of the two sub-groups (*Mann-Whitney-U-Test*).[800] Goal of the evaluation was to test whether the differences were over-coincidental (statistically significant) and therefore systematic. These two steps alone already permitted to draw conclusions on a possible existence of a halo effect related to the Tanzanian real estate market.

The final step involved the examination of this effect from a structural modelling perspective.[801] The emphasis of the structural modelling was put on the group of investors without professional ties to Tanzania, namely ego-detached real estate investors. Lastly, in the light of the large amounts of data material to be presented, the written interpretation of the empirical study's results was kept short and basic, as the results were graphically and tabularly formatted and thus mostly self-explanatory.

5.2 Survey Results

The presentation of the survey results generally follows the structure of the survey used. It includes detailed information on the descriptive-statistical structure of the various items (references to the distribution of relative frequency as well as measures of central tendencies and dispersion like mean/median and standard deviation) as well as - from an inductive-statistical perspective - a contrast between survey participants with and without professional ties to Tanzania. As far as useful, the results are complemented with heuristic calculations. Due to the self-explanatory graphical and tabular presentation of the results, it was abstained from adding additional elaborate written interpretations.

5.2.1 Empirical Results on the General Country Image of Tanzania

The general country image of Tanzania was operationalised within this empirical study on the basis of an indicator tableau, which contained 20 individual image items (indicators). Empirical feedback on the individual image items and possible discrepancies in the evaluation between members of both sub-groups, namely ego-involved and ego-detached real estate professionals, are listed in detail below.

5.2.1.1 Descriptive-Statistical Analysis of Tanzania's General Country Image

The obtained results concerning the general country image of Tanzania (subject I, column A of the questionnaire used) are presented as well as classified in Tables 11 to 13 below according to the two sub-groups, namely real estate experts with (ego-involved) and without (ego-detached) professional ties to Tanzania. A concise comparison of the two sub-groups of ego-involved and ego-detached real estate experts regarding their assessment of statements about

[799] See BORTZ (1985), pp. 615f.
[800] See SHESKIN (2004), pp. 423f.
[801] See WOTTAWA (1980), p. 200 and BACKHAUS/ERICSON/PLINKE/WEIBER (2005), p. 8.

the general country image of Tanzania is visible in Figure 18. For reasons of clarity and contrast visibility, only the average (arithmetic mean) of the rating scale was used here.

Table 11: Evaluation of Statements about Tanzania from the View of Ego-Involved and Ego-Detached Real Estate Professionals (Total Random Test Sample): Presentation of the Descriptive-Statistical Parameters[802]

Statements:	N	I totally agree 5	4	3	2	I totally disagree 1	Mean (s)
1. Tanzania is democratic.	118	11,0%	21,2%	38,1%	25,4%	4,2%	3,1 (1,0)
2. Tanzanian people are hospitable.	118	35,6%	38,1%	25,4%	0,8%	0,0%	4,1 (0,8)
3. Tanzania has a stable economy.	117	1,7%	6,8%	26,5%	44,4%	20,5%	2,2 (0,9)
4. Tanzanian people are friendly.	117	33,3%	41,0%	25,6%	0,0%	0,0%	4,1 (0,8)
5. Tanzania has a low level of pollution.	118	5,1%	14,4%	41,5%	25,4%	13,6%	2,7 (1,0)
6. Tanzania has a high standard of living.	117	0,0%	1,7%	10,3%	41,0%	47,0%	1,7 (0,7)
7. Tanzania is scientifically and technologically up-to-date.	117	0,9%	0,0%	23,9%	37,6%	37,6%	1,9 (0,8)
8. Tanzania is modern.	118	0,0%	5,1%	22,9%	44,1%	28,0%	2,1 (0,8)
9. Tanzania is highly urbanised.	118	0,0%	6,8%	24,6%	47,5%	21,2%	2,2 (0,8)
10. Tanzania has a rich culture.	118	30,5%	42,4%	19,5%	6,8%	0,8%	3,9 (0,9)
11. Tanzania has a competitive economy.	118	0,0%	9,3%	30,5%	36,4%	23,7%	2,3 (0,9)
12. Educational standards in Tanzania are very high.	118	0,8%	9,3%	27,1%	36,4%	26,3%	2,2 (1,0)
13. Tanzania is an attractive tourist-destination.	118	46,6%	33,9%	15,3%	3,4%	0,8%	4,2 (0,9)
14. Politics in Tanzania are socially just.	118	4,2%	13,6%	39,0%	30,5%	12,7%	2,7 (1,0)
15. Tanzania is highly industrialised.	118	0,8%	0,0%	16,1%	37,3%	45,8%	1,7 (0,8)
16. The people of Tanzania are open-minded.	117	6,8%	19,7%	53,8%	17,9%	1,7%	3,1 (0,8)
17. Politicians in Tanzania are not corrupt.	118	4,2%	2,5%	18,6%	35,6%	38,9%	2,0 (1,0)
18. Tanzania produces quality products.	118	3,4%	5,1%	33,1%	38,1%	20,3%	2,3 (1,0)
19. There is still unspoiled nature to be found in Tanzania.	118	45,8%	40,7%	10,2%	2,5%	0,8%	4,3 (0,8)
20. Tanzania is safe.	117	17,9%	21,4%	38,5%	16,2%	6,0%	3,3 (1,1)

[802] Comments:
a. This comprises the absolute and relative frequency (rounded values may not sum up to exactly 100%), median, arithmetic mean and dispersion. The justification for calculating median, arithmetic mean and dispersion was already discussed within the methodological description in previous sections of this study.
b. The median is highlighted in grey shadowing.
c. Box 1: complete disagreement with the statement.
d. Box 5: total agreement with the statement.
e. Box 3: neither agreement, nor disagreement with the statement.
f. Boxes 2 and 4: validity of the statement lies between 1 and 3 or 3 and 5 respectively.

Table 12: Evaluation of Statements about Tanzania from the View of Ego-Involved Real Estate Professionals: Presentation of the Descriptive-Statistical Parameters[803]

Statements:	N	I totally agree 5	4	3	2	I totally disagree 1	Mean (s)
1. Tanzania is democratic.	58	22,4%	20,7%	44,8%	8,6%	3,4%	3,5 (1,0)
2. Tanzanian people are hospitable.	58	60,3%	34,5%	3,4%	1,7%	0,0%	4,5 (0,7)
3. Tanzania has a stable economy.	58	3,4%	6,9%	43,1%	39,7%	6,9%	2,6 (0,9)
4. Tanzanian people are friendly.	57	57,9%	42,1%	0,0%	0,0%	0,0%	4,6 (0,5)
5. Tanzania has a low level of pollution.	58	10,3%	24,1%	31,0%	20,7%	13,8%	3,0 (1,2)
6. Tanzania has a high standard of living.	57	0,0%	3,5%	8,8%	56,1%	31,6%	1,8 (0,7)
7. Tanzania is scientifically and technologically up-to-date.	58	1,7%	0,0%	27,6%	44,8%	25,9%	2,1 (0,8)
8. Tanzania is modern.	58	0,0%	5,2%	34,5%	50,0%	10,3%	2,3 (0,7)
9. Tanzania is highly urbanised.	58	0,0%	3,4%	29,3%	50,0%	17,2%	2,2 (0,8)
10. Tanzania has a rich culture.	58	32,8%	43,1%	13,8%	10,3%	0,0%	4,0 (0,9)
11. Tanzania has a competitive economy.	58	0,0%	15,5%	43,1%	32,8%	8,6%	2,7 (0,8)
12. Educational standards in Tanzania are very high.	58	1,7%	15,5%	36,2%	29,3%	17,2%	2,6 (1,0)
13. Tanzania is an attractive tourist-destination.	58	60,3%	29,3%	8,6%	1,7%	0,0%	4,5 (0,7)
14. Politics in Tanzania are socially just.	58	8,6%	22,4%	44,8%	15,5%	8,6%	3,1 (1,0)
15. Tanzania is highly industrialised.	58	1,7%	0,0%	13,8%	37,9%	46,6%	1,7 (0,8)
16. The people of Tanzania are open-minded.	57	7,0%	21,1%	40,4%	29,8%	1,8%	3,0 (0,9)
17. Politicians in Tanzania are not corrupt.	58	6,9%	1,7%	20,7%	22,4%	48,3%	2,0 (1,2)
18. Tanzania produces quality products.	58	5,2%	5,2%	29,3%	46,6%	13,8%	2,4 (1,0)
19. There is still unspoiled nature to be found in Tanzania.	58	44,8%	34,5%	13,8%	5,2%	1,7%	4,2 (1,0)
20. Tanzania is safe.	57	36,8%	40,4%	22,8%	0,0%	0,0%	4,1 (0,8)

[803] See comments concerning Table 11.

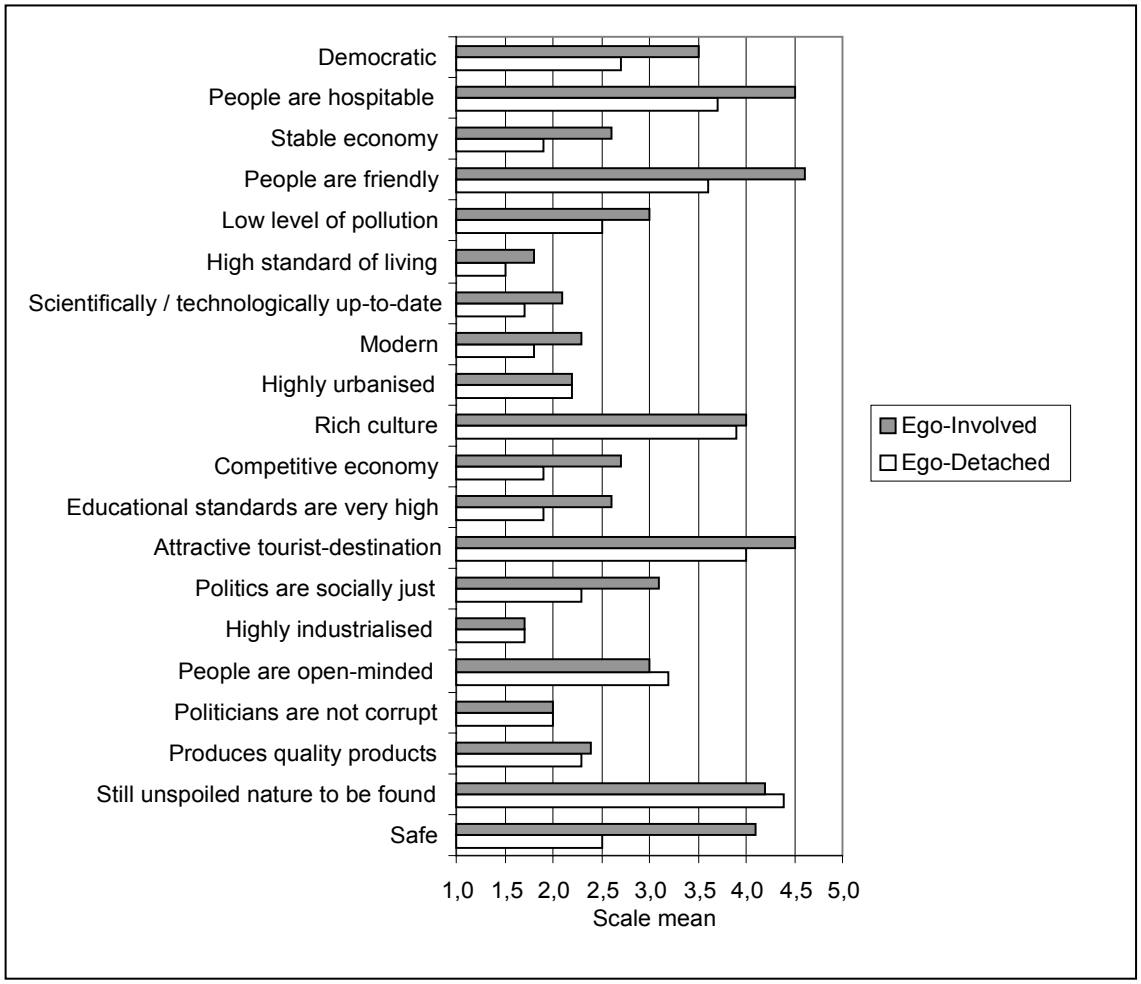
Table 13: Evaluation of Statements about Tanzania from the View of Ego-Detached Real Estate Professionals: Presentation of the Descriptive-Statistical Parameters[804]

Statements:	N	I totally agree 5	4	3	2	I totally disagree 1	Mean (s)
1. Tanzania is democratic.	60	0,0%	21,7%	31,7%	41,7%	5,0%	2,7 (0,9)
2. Tanzanian people are hospitable.	60	11,7%	41,7%	46,7%	0,0%	0,0%	3,7 (0,7)
3. Tanzania has a stable economy.	59	0,0%	6,8%	10,2%	49,2%	33,9%	1,9 (0,8)
4. Tanzanian people are friendly.	60	10,0%	40,0%	50,0%	0,0%	0,0%	3,6 (0,7)
5. Tanzania has a low level of pollution.	60	0,0%	5,0%	51,7%	30,0%	13,3%	2,5 (0,8)
6. Tanzania has a high standard of living.	60	0,0%	0,0%	11,7%	26,7%	61,7%	1,5 (0,7)
7. Tanzania is scientifically and technologically up-to-date.	59	0,0%	0,0%	20,3%	30,5%	49,2%	1,7 (0,8)
8. Tanzania is modern.	60	0,0%	5,0%	11,7%	38,3%	45,0%	1,8 (0,9)
9. Tanzania is highly urbanised.	60	0,0%	10,0%	20,0%	45,0%	25,0%	2,2 (0,9)
10. Tanzania has a rich culture.	60	28,3%	41,7%	25,0%	3,3%	1,7%	3,9 (0,9)
11. Tanzania has a competitive economy.	60	0,0%	3,3%	18,3%	40,0%	38,3%	1,9 (0,8)
12. Educational standards in Tanzania are very high.	60	0,0%	3,3%	18,3%	43,3%	35,0%	1,9 (0,8)
13. Tanzania is an attractive tourist-destination.	60	33,3%	38,3%	21,7%	5,0%	1,7%	4,0 (1,0)
14. Politics in Tanzania are socially just.	60	0,0%	5,0%	33,3%	45,0%	16,7%	2,3 (0,8)
15. Tanzania is highly industrialised.	60	0,0%	0,0%	18,3%	36,7%	45,0%	1,7 (0,8)
16. The people of Tanzania are open-minded.	60	6,7%	18,3%	66,7%	6,7%	1,7%	3,2 (0,7)
17. Politicians in Tanzania are not corrupt.	60	1,7%	3,3%	16,7%	48,3%	30,0%	2,0 (0,9)
18. Tanzania produces quality products.	60	1,7%	5,0%	36,7%	30,0%	26,7%	2,3 (1,0)
19. There is still unspoiled nature to be found in Tanzania.	60	46,7%	46,7%	6,7%	0,0%	0,0%	4,4 (0,6)
20. Tanzania is safe.	60	0,0%	3,3%	53,3%	31,7%	11,7%	2,5 (0,7)

Already on a descriptive level, differences between the sub-groups' perceptions regarding Tanzania's country image are apparent. In regard to the image items *democratic*, *stable economy*, *competitive economy*, *educational standards are high*, *politics are socially just* and *safe* the discrepancies between the two sub-groups are especially distinct. The group of ego-involved real estate professionals, which mostly comprises individuals either living in situ or intimately knowledgeable of the country's conditions, generally gave more advantageous responses in comparison to those respondents with no professional ties to Tanzania (ego-detached). The same conclusion was reached for image items regarding aspects of hospitality in Tanzania (*people are hospitable*, *people are friendly*).[805]

[804] See comments concerning Table 11.
[805] See Tables 12 and 13 as well as Figure 18.

Figure 18: Evaluation of Statements about Tanzania from the View of Ego-Involved and Ego-Detached Real Estate Professionals[806]



5.2.1.2 Inductive-Statistical Analysis of Tanzania's General Country Image

The comparison of ego-involved and ego-detached real estate experts' opinions about Tanzania's general country image using the *Mann-Whitney-U-Test* underpins the conclusions already made on a descriptive level. From a total of 20 items, there were 13 over-coincidental sub-group differences. In only 7 cases regarding Tanzania's country image, namely items concerning the degree of Tanzania's urbanisation and industrialisation and the orientation towards production of quality goods (items 9, 15 and 18) as well as those items concerning specific cultural or socio-ecological conditions (items 10, 16, 17 and 19) the opinions of both sub-groups coincided by and large.[807]

[806] Presented on a scale from 1 (complete disagreement) to 5 (total agreement).
[807] See Table 14.

Table 14: Comparison of the Evaluations of Statements about Tanzania from the View of Ego-Involved and Ego-Detached Real Estate Professionals: Results of the Mann-Whitney-U-Test (Undirected Inductive Test/Two-Sided)[808]

Statements:	Scale Mean, Ego-Involved Sub-Group	Scale Mean, Ego-Detached Sub-Group	Result
1. Tanzania is democratic.	3,5	2,7	Z=4,1 ***
2. Tanzanian people are hospitable.	4,5	3,7	Z=6,2 ***
3. Tanzania has a stable economy.	2,6	1,9	Z=4,5 ***
4. Tanzanian people are friendly.	4,6	3,6	Z=6,9 ***
5. Tanzania has a low level of pollution.	3,0	2,5	Z=2,4 *
6. Tanzania has a high standard of living.	1,8	1,5	Z=2,8 **
7. Tanzania is scientifically and technologically up-to-date.	2,1	1,7	Z=2,3 *
8. Tanzania is modern.	2,3	1,8	Z=4,0 ***
9. Tanzania is highly urbanised.	2,2	2,2	Z=0,5 n.s.
10. Tanzania has a rich culture.	4,0	3,9	Z=0,6 n.s.
11. Tanzania has a competitive economy.	2,7	1,9	Z=4,7 ***
12. Educational standards in Tanzania are very high.	2,6	1,9	Z=3,6 ***
13. Tanzania is an attractive tourist-destination.	4,5	4,0	Z=3,2 **
14. Politics in Tanzania are socially just.	3,1	2,3	Z=4,4 ***
15. Tanzania is highly industrialised.	1,7	1,7	Z=0,3 n.s.
16. The people of Tanzania are open-minded.	3,0	3,2	Z=1,5 n.s.
17. Politicians in Tanzania are not corrupt.	2,0	2,0	Z=0,8 n.s.
18. Tanzania produces quality products.	2,4	2,3	Z=0,7 n.s.
19. There is still unspoiled nature to be found in Tanzania.	4,2	4,4	Z=0,2 n.s.
20. Tanzania is safe.	4,1	2,5	Z=8,2 ***

5.2.1.3 PCA Results Concerning Tanzania's General Country Image

Data gathered from both ego-involved and ego-detached real estate professionals on Tanzania's general country image was subjected to a PCA with *varimax-rotation*. Both sub-groups received 6-factor-solutions with a high degree of explained variance (68-73%). However, with regard to the initial number of 20 items, this solution, which comprises a relatively high number of factors, may only be considered as restrictively appropriate under the aspect of the immanent goal of a heuristic data reduction intended to be achieved by a PCA (Tables 15 and 16).

The structure with regard to the content of the factors partially appears to be logically interpretable, whereas it also shows considerable divergences between the two sub-groups. For both sub-groups, namely ego-involved and ego-detached real estate professionals, the dominant factor 1 can be characterised as practical in the sense of *economic-technological competitiveness* as well as in the sense of *modernity*. Within the sub-group of ego-detached real estate professionals, factors were revealed, whose content can be interpreted aptly as *hospitality/cultural open-mindedness* (factor 2), *democratic-social status* (factor 3) and *ecological status* (factor 4). However, for this sub-group, factor 4 appeared to be hardly interpretable and factor 6 only represented a 1-item-solution. Within the sub-group of ego-involved real estate professionals, besides the already mentioned factor 1, factor 6 also comprised homogeneous aspects

[808] Comments:
a. Presented on a scale from 1 (complete disagreement) to 5 (total agreement).
b. Additional descriptive-statistical values (median, dispersion) can be found above.
c. The Z-values derived from the U-test are absolute values (no separate specification of a positive/negative sign).
d.* $p(\alpha)<0.05$ ** $p(\alpha)<0.01$ *** $p(\alpha)<0.001$. n.s.: Sub-group comparison without over-coincidental results.

concerning content (*standards of life and development*, including *ecological aspects*). Factor 2 can still be conditionally defined as *total attractiveness*, whereas the other factors (factor 3, 4, 5) finally referred to quite heterogeneous aspects of content (Tables 15 and 16).

Table 15: PCA Results on the Evaluation of Statements about Tanzania from the View of Ego-Involved Real Estate Professionals: Presentation of the Factor Structure and Characteristic Factor Values[809]

Factor (explained variance in %, eigenvalue):	Items (statements)	Loading of the items
1 (18,5% 5,1)	11. Tanzania has a competitive economy.	0,77
	9. Tanzania is highly urbanised.	0,73
	7. Tanzania is scientifically and technologically up-to-date.	0,73
	8. Tanzania is modern.	0,73
	15. Tanzania is highly industrialised.	0,70
	3. Tanzania has a stable economy.	0,64
2 (11,1% 2,6)	20. Tanzania is safe.	0,83
	4. Tanzanian people are friendly.	0,67
	13. Tanzania is an attractive tourist-destination.	0,52
3 (10.9% 1,8)	5. Tanzania has a low level of pollution.	0,73
	10. Tanzania has a rich culture.	0,70
	14. Politics in Tanzania are socially just.	0,61
	1. Tanzania is democratic.	0,59
4 (9,6% 1,7)	18. Tanzania produces quality products.	0,85
	16. The people of Tanzania are open-minded.	0,78
5 (9,3% 1,4)	17. Politicians in Tanzania are not corrupt.	0,72
	2. Tanzanian people are hospitable.	0,69
6 (8,8% 1,1)	19. There is still unspoiled nature to be found in Tanzania.	0,76
	6. Tanzania has a high standard of living.	-0,57
	12. Educational standards in Tanzania are very high.	-0,49

An interim evaluation carried out at this stage of the research already shows that the capture of Tanzania's general country image by means of the dimensions *Politics/Social*, *People*, *Sciences/Economy* and *Environment/Culture* is supported in a solid manner on the basis of the factor-analytical results of the responses of ego-detached survey participants.[810] With regard to indicator occupation, the dimension *Sciences/Economy* obviously coincides with factor 1, whereas the dimension *People* is marginally reflected by factor 2, the dimension *Politics/Social* by factor 3 and the dimension *Environment/Culture* by factor 5.[811] On the contrary, a noticeably different evaluation pattern is evident within the responses of ego-involved participants, whereas this observation does not apply to the fairly clearly identifiable dimension *Sciences/Economy*. This, however, does not come unexpected, since ego-involved respondents had obviously formed different evaluation patterns in comparison to ego-detached respondents, due to their direct and constant exposure to Tanzania-specific stimuli.

[809] Note: The decision to stop the extracting of factors was based on the *KAISER-GUTTMAN-criterion*. The total explained variance amounted to 68.3% (rounded).
[810] The fact that it was not possible in this context to cover exactly the dimensions *Politics/Social-People-Sciences/Economy-Environment/Culture* within the realised PCA should not be seen as a clear deficit, but rather be understood as an empirical reality for a developing country such as Tanzania. This discrepancy suggests that the four-stage dimension-scheme is principally coherent, but has to be complemented by differentiations and modifications, depending on the corresponding point of reference (country).
[811] See Table 15.

Table 16: PCA Results on the Evaluation of Statements about Tanzania from the View of Ego-Detached Real Estate Professionals: Presentation of the Factor Structure and Characteristic Factor Values[812]

Factor (explained variance in %, eigenvalue):	Items (statements)	Loading of the items
1 (22,3% 6,4)	8. Tanzania is modern.	0,86
	6. Tanzania has a high standard of living.	0,82
	7. Tanzania is scientifically and technologically up-to-date.	0,76
	3. Tanzania has a stable economy.	0,72
	15. Tanzania is highly industrialised.	0,60
	11. Tanzania has a competitive economy.	0,57
	13. Tanzania is an attractive tourist-destination.	-0,55
2 (13,8% 2,7)	4. Tanzanian people are friendly.	0,91
	2. Tanzanian people are hospitable.	0,86
	10. Tanzania has a rich culture.	0,67
	16. The people of Tanzania are open-minded.	0,67
3 (11,8% 1,8)	1. Tanzania is democratic.	0,81
	14. Politics in Tanzania are socially just.	0,79
	12. Educational standards in Tanzania are very high.	0,53
4 (10,4% 1,4)	17. Politicians in Tanzania are not corrupt.	0,77
	18. Tanzania produces quality products.	0,65
5 (8,2% 1,2)	9. Tanzania is highly urbanised.	0,67
	5. Tanzania has a low level of pollution.	0,61
	19. There is still unspoiled nature to be found in Tanzania.	0,54
6 (6,6% >1,0)	20. Tanzania is safe.	0,88

5.2.2 Empirical Results on the Conceptions of an Ideal Country

The description of an ideal country was operationalised within the questionnaire by means of the same indicators previously used for capturing Tanzania's general country image. Consequently, these indicators covered several country-specific relevant components. The empirical responses obtained with regard to such an ideal country, as well as potential differences between the evaluations of the respondents of both sub-groups, namely ego-involved and the ego-detached real estate professionals, are presented subsequently from a descriptive- and an inductive-statistical point of view.

5.2.2.1 Descriptive-Statistical Analysis of the Conceptions of an Ideal Country

The participants of the empirical survey were asked to characterise their personal ideal country under subject I / rubric B of the questionnaire by means of the same image items that had previously been used to capture Tanzania's general country image. The results obtained for this ideal country are illustrated in Tables 17, 18 and 19. The description of the results for the entire random test sample as well as the description of results for each sub-group is carried out according to the scheme that had already been chosen for the presentation of the results on the general country image, namely based on frequencies as well as measures of central tendencies and dispersion. The direct comparison of the evaluations of the statements of both sub-groups concerning their conceptions of their personal ideal country is illustrated in Figure 19.

[812] Note: The decision to stop the extracting of factors was based on the *KAISER-GUTTMAN-criterion*. The total explained variance amounted to 73.1% (rounded).

Table 17: Evaluation of Statements about the Personal Ideal Country from the View of Ego-Involved and Ego-Detached Real Estate Professionals (Total Random Test Sample): Presentation of the Descriptive-Statistical Parameters[813]

Statements:	N	I totally agree 5	4	3	2	I totally disagree 1	Mean (s)
1. My ideal country is democratic.	117	59,0%	30,8%	8,5%	0,0%	1,7%	4,5 (0,8)
2. The people of my ideal country are hospitable.	117	53,8%	41,0%	4,3%	0,9%	0,0%	4,5 (0,6)
3. My ideal country has a stable economy.	116	50,0%	30,2%	12,1%	5,2%	2,6%	4,2 (1,0)
4. The people of my ideal country are friendly.	117	52,1%	36,8%	10,3%	0,9%	0,0%	4,4 (0,7)
5. My ideal country has a low level of pollution.	117	48,7%	22,2%	20,5%	6,0%	2,6%	4,1 (1,1)
6. My ideal country has a high standard of living.	116	44,0%	33,6%	11,2%	6,0%	5,2%	4,1 (1,1)
7. My ideal country is scientifically and technologically up-to-date.	116	45,7%	27,6%	17,2%	6,0%	3,4%	4,1 (1,1)
8. My ideal country is modern.	117	33,3%	37,6%	19,7%	6,8%	2,6%	3,9 (1.0)
9. My ideal country is highly urbanised.	117	12,8%	19,7%	46,2%	17,1%	4,3%	3,2 (1,0)
10. My ideal country has a rich culture.	117	53,8%	31,6%	9,4%	2,6%	2,6%	4,3 (0,9)
11. My ideal country has a competitive economy.	117	43,6%	39,3%	9,4%	6,0%	1,7%	4,2 (0,9)
12. Educational standards in my ideal country are very high.	116	54,3%	28,4%	10,3%	4,3%	2,6%	4,3 (1,0)
13. My ideal country is an attractive tourist-destination.	116	36,2%	34,5%	24,1%	5,2%	0,0%	4,0 (0,9)
14. Politics in my ideal country are socially just.	117	44,4%	37,6%	12,8%	3,4%	1,7%	4,2 (0,9)
15. My ideal country is highly industrialised.	117	18,8%	23,9%	32,5%	21,4%	3,4%	3,3 (1,1)
16. The people of my ideal country are open-minded.	117	51,3%	27,4%	16,2%	5,1%	0,0%	4,2 (0,9)
17. Politicians in my ideal country are not corrupt.	116	61,2%	17,2%	9,5%	5,2%	6,9%	4,2 (1,2)
18. My ideal country produces quality products.	116	43,1%	30,2%	18,1%	7,8%	0,9%	4,1 (1,0)
19. There is still unspoiled nature to be found in my ideal country.	117	54,7%	23,1%	16,2%	4,3%	1,7%	4,2 (1,0)
20. My ideal country is safe.	117	64,1%	29,1%	3,4%	3,4%	0,0%	4,5 (0,7)

Already on a descriptive level numerous and partially very clear differences between both subgroups were identified with regard to the evaluations of the desired features of an ideal country. For instance, it was visible that ego-detached real estate professionals had mostly shown a quasi higher level of aspiration with regard to the different inquiry facets, i.e. they had preferred a more intensive scaling. By contrast, the level of aspiration of ego-involved real estate professionals was markedly lower for the predominant number of facets.[814]

[813] See comments concerning Table 11.
[814] See Tables 18 and 19 as well as Figure 19.

Table 18: Evaluation of Statements about the Personal Ideal Country from the View of Ego-Involved Real Estate Professionals: Presentation of the Descriptive-Statistical Parameters[815]

Statements:	N	I totally agree 5	4	3	2	I totally disagree 1	Mean (s)
1. My ideal country is democratic.	57	43,9%	36,8%	15,8%	0,0%	3,5%	4,2 (0,9)
2. The people of my ideal country are hospitable.	57	52,6%	43,9%	1,8%	1,8%	0,0%	4,5 (0,6)
3. My ideal country has a stable economy.	56	26,8%	37,5%	19,6%	10,7%	5,4%	3,7 (1,1)
4. The people of my ideal country are friendly.	57	52,6%	35,1%	10,5%	1,8%	0,0%	4,4 (0,8)
5. My ideal country has a low level of pollution.	57	28,1%	24,6%	31,6%	10,5%	5,3%	3,6 (1,2)
6. My ideal country has a high standard of living.	56	21,4%	42,9%	12,5%	12,5%	10,7%	3,5 (1,3)
7. My ideal country is scientifically and technologically up-to-date.	56	32,1%	26,8%	21,4%	12,5%	7,1%	3,6 (1,3)
8. My ideal country is modern.	57	28,1%	31,6%	24,6%	10,5%	5,3%	3,7 (1,2)
9. My ideal country is highly urbanised.	57	15,8%	14,0%	50,9%	14,0%	5,3%	3,2 (1,0)
10. My ideal country has a rich culture.	57	42,1%	36,8%	10,5%	5,3%	5,3%	4,1 (1,1)
11. My ideal country has a competitive economy.	57	24,6%	43,9%	15,8%	12,3%	3,5%	3,7 (1,1)
12. Educational standards in my ideal country are very high.	56	33,9%	33,9%	17,9%	8,9%	5,4%	3,8 (1,2)
13. My ideal country is an attractive tourist-destination.	56	50,0%	30,4%	10,7%	8,9%	0,0%	4,2 (1,0)
14. Politics in my ideal country are socially just.	57	31,6%	35,1%	24,6%	5,3%	3,5%	3,9 (1,0)
15. My ideal country is highly industrialised.	57	15,8%	22,8%	29,8%	24,6%	7,0%	3,2 (1,2)
16. The people of my ideal country are open-minded.	57	33,3%	35,1%	22,8%	8,8%	0,0%	3,9 (1,0)
17. Politicians in my ideal country are not corrupt.	57	33,3%	22,8%	19,3%	10,5%	14,0%	3,5 (1,4)
18. My ideal country produces quality products.	56	35,7%	26,8%	21,4%	14,3%	1,8%	3,8 (1,1)
19. There is still unspoiled nature to be found in my ideal country.	57	38,6%	31,6%	19,3%	7,0%	3,5%	3,9 (1,1)
20. My ideal country is safe.	57	45,6%	40,4%	7,0%	7,0%	0,0%	4,2 (0,9)

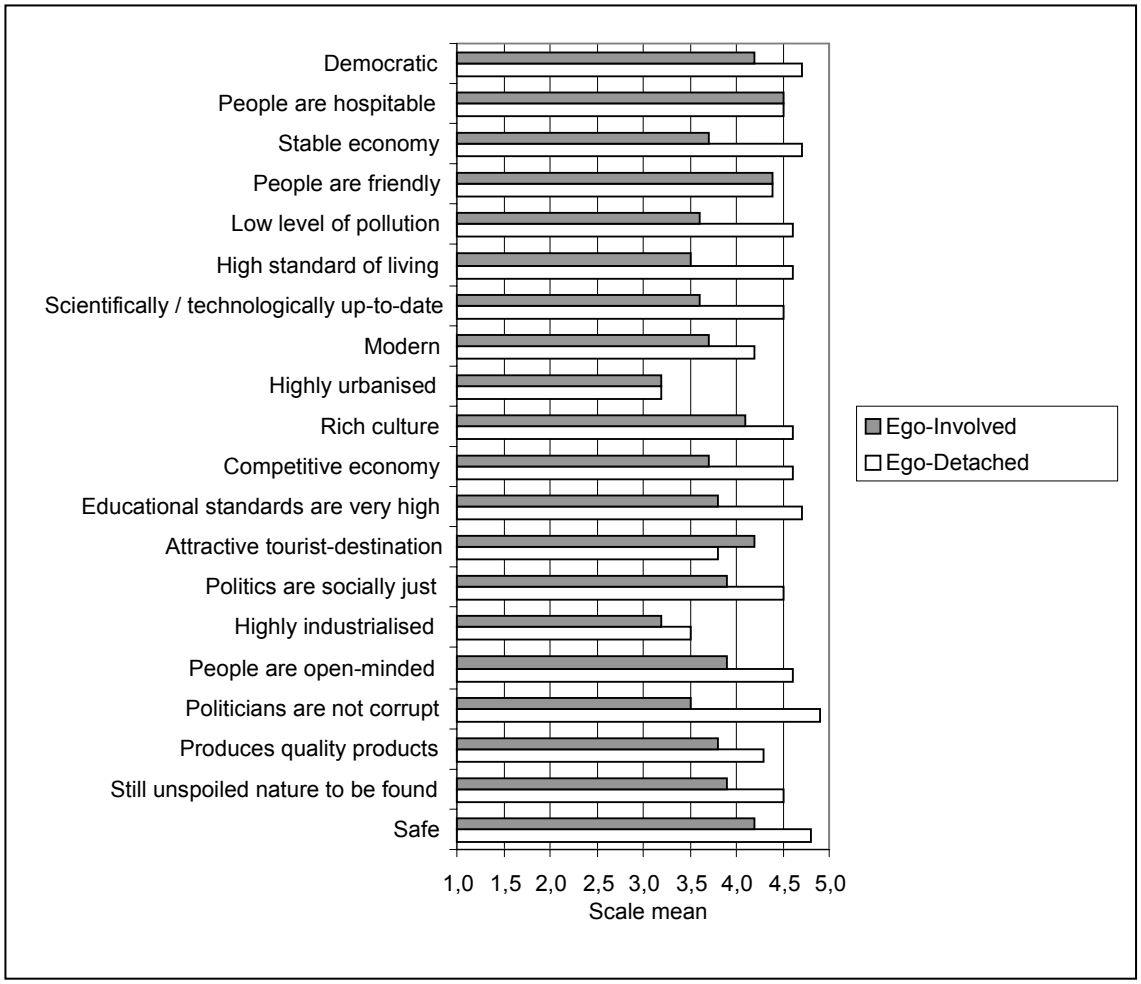
[815] See comments concerning Table 11.

Table 19: Evaluation of Statements about the Personal Ideal Country from the View of Ego-Detached Real Estate Professionals: Presentation of the Descriptive-Statistical Parameters[816]

Statements:	N	I totally agree 5	4	3	2	I totally disagree 1	Mean (s)
1. My ideal country is democratic.	60	73,3%	25,0%	1,7%	0,0%	0,0%	4,7 (0,5)
2. The people of my ideal country are hospitable.	60	55,0%	38,3%	6,7%	0,0%	0,0%	4,5 (0,6)
3. My ideal country has a stable economy.	60	71,7%	23,3%	5,0%	0,0%	0,0%	4,7 (0,6)
4. The people of my ideal country are friendly.	60	51,7%	38,3%	10,0%	0,0%	0,0%	4,4 (0,7)
5. My ideal country has a low level of pollution.	60	68,3%	20,0%	10,0%	1,7%	0,0%	4,6 (0,7)
6. My ideal country has a high standard of living.	60	65,0%	25,0%	10,0%	0,0%	0,0%	4,6 (0,7)
7. My ideal country is scientifically and technologically up-to-date.	60	58,3%	28,3%	13,3%	0,0%	0,0%	4,5 (0,7)
8. My ideal country is modern.	60	38,3%	43,3%	15,0%	3,3%	0,0%	4,2 (0,8)
9. My ideal country is highly urbanised.	60	10,0%	25,0%	41,7%	20,0%	3,3%	3,2 (1,0)
10. My ideal country has a rich culture.	60	65,0%	26,7%	8,3%	0,0%	0,0%	4,6 (0,6)
11. My ideal country has a competitive economy.	60	61,7%	35,0%	3,3%	0,0%	0,0%	4,6 (0,6)
12. Educational standards in my ideal country are very high.	60	73,3%	23,3%	3,3%	0,0%	0,0%	4,7 (0,5)
13. My ideal country is an attractive tourist-destination.	60	23,3%	38,3%	36,7%	1,7%	0,0%	3,8 (0,8)
14. Politics in my ideal country are socially just.	60	56,7%	40,0%	1,7%	1,7%	0,0%	4,5 (0,6)
15. My ideal country is highly industrialised.	60	21,7%	25,0%	35,0%	18,3%	0,0%	3,5 (1,0)
16. The people of my ideal country are open-minded.	60	68,3%	20,0%	10,0%	1,7%	0,0%	4,6 (0,7)
17. Politicians in my ideal country are not corrupt.	59	88,1%	11,9%	0,0%	0,0%	0,0%	4,9 (0,3)
18. My ideal country produces quality products.	60	50,0%	33,3%	15,0%	1,7%	0,0%	4,3 (0,8)
19. There is still unspoiled nature to be found in my ideal country.	60	70,0%	15,0%	13,3%	1,7%	0,0%	4,5 (0,8)
20. My ideal country is safe.	60	81,7%	18,3%	0,0%	0,0%	0,0%	4,8 (0,4)

[816] See comments concerning Table 11.

Figure 19: Evaluation of Statements about the Personal Ideal Country from the View of Ego-Involved and Ego-Detached Real Estate Professionals[817]



5.2.2.2 Inductive-Statistical Analysis of the Conceptions of an Ideal Country

The inductive-statistical comparison of the conceptions of an ideal country from the view of ego-involved and ego-detached real estate professionals was carried out again by means of a non-parametric *Mann-Whitney-U-Test*. In this context, differences between the conceptions of both sub-groups and a higher level of aspiration of ego-detached respondents, which both had already been identified on a descriptive level, were clearly confirmed as significant. Over-coincidental differences between the sub-groups were identified in 16 out of 20 items. Only concerning four image items, namely *aspects of hospitality* (items 2 and 4), *the degree of urbanisation* and *the degree of industrialisation* (items 9 and 15), the conceptions of both sub-groups were found to be almost identical.[818]

[817] Presented on a scale from 1 (complete disagreement) to 5 (total agreement).
[818] See Table 20.

Table 20: Comparison of the Evaluations of Statements about the Personal Ideal Country from the View of Ego-Involved and Ego-Detached Real Estate Professionals: Results of the Mann-Whitney-U-Test (Undirected Inductive Test/Two-Sided)[819]

Statements:	Scale Mean, Ego-Involved Sub-Group	Scale Mean, Ego-Detached Sub-Group	Result
1. My ideal country is democratic.	4,2	4,7	Z=3,6 ***
2. The people of my ideal country are hospitable.	4,5	4,5	Z=0,1 n.s.
3. My ideal country has a stable economy.	3,7	4,7	Z=5,3 ***
4. The people of my ideal country are friendly.	4,4	4,4	Z=0,1 n.s.
5. My ideal country has a low level of pollution.	3,6	4,6	Z=4,8 ***
6. My ideal country has a high standard of living.	3,5	4,6	Z=5,0 ***
7. My ideal country is scientifically and technologically up-to-date.	3,6	4,5	Z=3,7 ***
8. My ideal country is modern.	3,7	4,2	Z=2,3 *
9. My ideal country is highly urbanised.	3,2	3,2	Z=0,1 n.s.
10. My ideal country has a rich culture.	4,1	4,6	Z=2,7 **
11. My ideal country has a competitive economy.	3,7	4,6	Z=4,8 ***
12. Educational standards in my ideal country are very high.	3,8	4,7	Z=4,8 ***
13. My ideal country is an attractive tourist-destination.	4,2	3,8	Z=2,7 **
14. Politics in my ideal country are socially just.	3,9	4,5	Z=3,7 ***
15. My ideal country is highly industrialised.	3,2	3,5	Z=1,5 n.s.
16. The people of my ideal country are open-minded.	3,9	4,6	Z=3,8 ***
17. Politicians in my ideal country are not corrupt.	3,5	4,9	Z=6,4 ***
18. My ideal country produces quality products.	3,8	4,3	Z=2,4 *
19. There is still unspoiled nature to be found in my ideal country.	3,9	4,5	Z=3,3 ***
20. My ideal country is safe.	4,2	4,8	Z=4,3 ***

5.2.2.3 PCA Results Concerning the Conceptions of an Ideal Country

The PCA-results of both sub-groups referring to the personal conceptions of an ideal country are illustrated in the following Tables 21 and 22. Besides the factor structure, the corresponding explained variances, the eigenvalues as well as the loadings of the items are indicated. In this context, the structure of the PCA revealed an exceptionally dominant factor (factor 1) for ego-involved respondents. This dominant factor comprised all indicators relating to the image dimension *Sciences/Economy* and can thus be interpreted in the sense of *economic-technological modernity*. However, this factor also comprised the conceptions referring to the *degree of urbanisation*, *common standards of life style and education* as well as the *open-mindedness of the population* of an ideal country (items 9, 6 and 16). For the sub-group of ego-detached real estate professionals an equivalent of this *modernity factor* (*Sciences/Economy*) was identified in factor 3, which, however, was also overlapped by items with a different content orientation. In both sub-groups, ecological and, to a certain extent, also cultural aspects (*Environment/Culture*) were partially represented by factor 2. In both cases, a certain overlapping by items with differing content was existent. The political dimension (*Politics/Social*) was relatively

[819] See comments concerning Table 14.

well determined by the responses of ego-involved real estate professionals by means of factor 3, while a corresponding equivalent was not precisely identifiable for the sub-group of ego-detached real estate professionals. For the latter a slightly identifiable factor *People* became visible.[820]

Table 21: PCA Results on the Evaluation of Statements about the Personal Ideal Country from the View of Ego-Involved Real Estate Professionals: Presentation of the Factor Structure and Characteristic Factor Values[821]

Factor (explained variance in %, eigenvalue):	Items (statements)	Loading of the items
1 (38,2% 9,1)	7. My ideal country is scientifically and technologically up-to-date.	0,93
	12. Educational standards in my ideal country are very high.	0,87
	8. My ideal country is modern.	0,86
	15. My ideal country is highly industrialised.	0,85
	11. My ideal country has a competitive economy.	0,84
	3. My ideal country has a stable economy.	0,83
	18. My ideal country produces quality products.	0,83
	9. My ideal country is highly urbanised.	0,82
	6. My ideal country has a high standard of living.	0,80
	16. The people of my ideal country are open-minded.	0,65
2 (12,2% 3,4)	5. My ideal country has a low level of pollution.	0,78
	19. There is still unspoiled nature to be found in my ideal country.	0,71
	20. My ideal country is safe.	0,63
	17. Politicians in my ideal country are not corrupt.	0,63
3 (11,0% 1,3)	1. My ideal country is democratic.	0,80
	14. Politics in my ideal country are socially just.	0,80
	2. The people of my ideal country are hospitable.	0,54
4 (10,4% >1,0)	13. My ideal country is an attractive tourist-destination.	0,86
	10. My ideal country has a rich culture.	0,84
5 (7,2% >1,0)	4. The people of my ideal country are friendly.	0,93

All in all, the PCA results for both sub-groups on the conceptions of an ideal country at least partially reflected the four-stage dimension-scheme *Politics/Social-People-Sciences/Economy-Environment/Culture*. However, in this context, a considerable heterogeneity of the conceptions became evident. In addition, differences between the two sub-groups with regard to the identified dimensional structures were found to exist.

[820] See Tables 21 and 22.
[821] Note: The decision to stop the extracting of factors was based on the *KAISER-GUTTMAN-criterion*. The total explained variance amounted to 78.9% (rounded).

Table 22: PCA Results on the Evaluation of Statements about the Personal Ideal Country from the View of Ego-Detached Real Estate Professionals: Presentation of the Factor Structure and Factor Analytic Values[822]

Factor (explained variance in %, eigenvalue):	Items (statements)	Loading of the items
1 (15,1% 6,4)	13. My ideal country is an attractive tourist-destination.	0,80
	16. The people of my ideal country are open-minded.	0,73
	4. The people of my ideal country are friendly.	0,68
	14. Politics in my ideal country are socially just.	0,64
	2. The people of my ideal country are hospitable.	0,59
2 (14,5% 2,0)	17. Politicians in my ideal country are not corrupt.	0,84
	5. My ideal country has a low level of pollution.	0,76
	12. Educational standards in my ideal country are very high.	0,69
	19. There is still unspoiled nature to be found in my ideal country.	0,46
3 (13,2% 1,8)	20. My ideal country is safe.	0,80
	3. My ideal country has a stable economy.	0,65
	11. My ideal country has a competitive economy.	0,60
	6. My ideal country has a high standard of living.	0,60
	8. My ideal country is modern.	0,56
4 (9,4% 1,4)	9. My ideal country is highly urbanised.	0,83
	15. My ideal country is highly industrialised.	0,70
	7. My ideal country is scientifically and technologically up-to-date.	0,51
5 (9,3% 1,3)	18. My ideal country produces quality products.	0,78
	10. My ideal country has a rich culture.	0,48
6 (8,3% >1,0)	1. My ideal country is democratic.	0,85

5.2.3 Empirical Results on Tanzania's Image as a Potential Destination for Foreign Real Estate Investment

The emphasis of the applied questionnaire was placed on the collection of data concerning the perceptions of Tanzania as a potential target market for FREI. The obtained empirical responses, which are subdivided into those of ego-involved and ego-detached real estate professionals on the one hand and into *actual-* and *ideal-evaluations* on the other hand, will be illustrated in the following sections of the present study.

5.2.3.1 Descriptive-Statistical Analysis of Tanzania's Image as a Potential Destination for Foreign Real Estate Investment

The measurement of Tanzania's image as a potential destination for FREI and the measurement of conceptions of an ideal destination for FREI were carried out under subject II of the questionnaire by means of the indicators already explained earlier. The latter cover the thematic fields *political environment*, *real estate market conditions, regulatory framework* and *socio-cultural environment*. Respondents were also asked to give a general evaluation of Tanzania as a potential destination for FREI.[823] The empirical results will be presented graphically and tabularly by means of descriptive-statistical parameters. They will also be submitted to an inductive-statistical evaluation and categorised according to the underlying factor structure.

[822] Note: The decision to stop the extracting of factors was based on the *KAISER-GUTTMAN-criterion*. The total explained variance amounted to 69.8% (rounded).
[823] See rubrics A to E of the questionnaire illustrated in Appendix 1.

5.2.3.1.1 General Evaluation

The empirical results referring to the general evaluation of Tanzania as a potential destination for FREI and the results referring to the respective corresponding ideal market are presented for the total random test sample as well as for each of the two sub-groups individually, namely for ego-involved and ego-detached real estate professionals, in the following Tables 23 to 25. The contrasting comparison of both sub-groups, based on the conspicuous scale means, is illustrated in Figures 20 and 21.

Table 23: General Evaluation of Tanzania as a Potential Destination for FREI in Comparison to the Evaluation of an Ideal Target Market for FREI from the View of Ego-Involved and Ego-Detached Real Estate Professionals (Total Random Test Sample): Presentation of the Descriptive-Statistical Parameters[824]

Item:	N	Very attractive 5	4	3	2	Not at all attractive 1	Mean (s)
1a. How attractive do you estimate Tanzania to be as a potential target market for foreign real estate investment?	118	16,1	20,3	17,8	35,6	10,2	3,0 (1,3)
1b. How attractive would you regard your ideal target market to be for foreign real estate investment?	118	35,6	50,0	12,7	1,7	0,0	4,2 (0,7)

Table 24: General Evaluation of Tanzania as a Potential Destination for FREI in Comparison to the Evaluation of an Ideal Target Market for FREI from the View of Ego-Involved Real Estate Professionals: Presentation of the Descriptive-Statistical Parameters[825]

Item:	N	Very attractive 5	4	3	2	Not at all attractive 1	Mean (s)
1a. How attractive do you estimate Tanzania to be as a potential target market for foreign real estate investment?	58	32,8	39,7	25,9	1,7	0,0	4,0 (0,8)
1b. How attractive would you regard your ideal target market to be for foreign real estate investment?	58	36,2	37,9	22,4	3,4	0,0	4,1 (0,9)

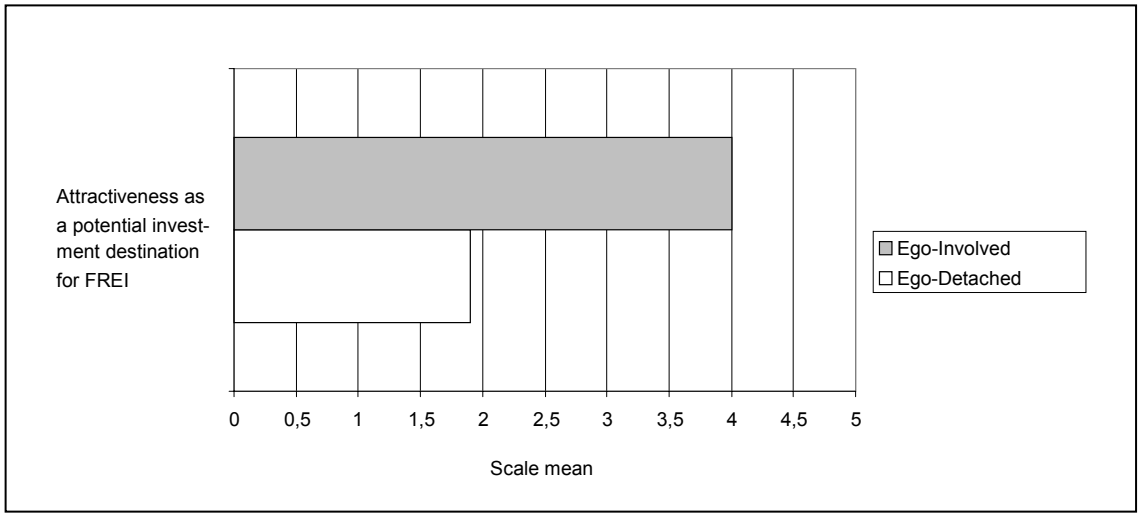
[824] See comments concerning Table 11.
[825] See comments concerning Table 11.

Table 25: General Evaluation of Tanzania as a Potential Destination for FREI in Comparison to the Evaluation of an Ideal Target Market for FREI from the View of Ego-Detached Real Estate Professionals: Presentation of the Descriptive-Statistical Parameters[826]

Item:	N	Very attractive 5	4	3	2	Not at all attractive 1	Mean (s)
1a. How attractive do you estimate Tanzania to be as a potential target market for foreign real estate investment?	60	0,0	1,7	10,0	68,3	20,0	1,9 (0,6)
1b. How attractive would you regard your ideal target market to be for foreign real estate investment?	60	35,0	61,7	3,3	0,0	0,0	4,3 (0,5)

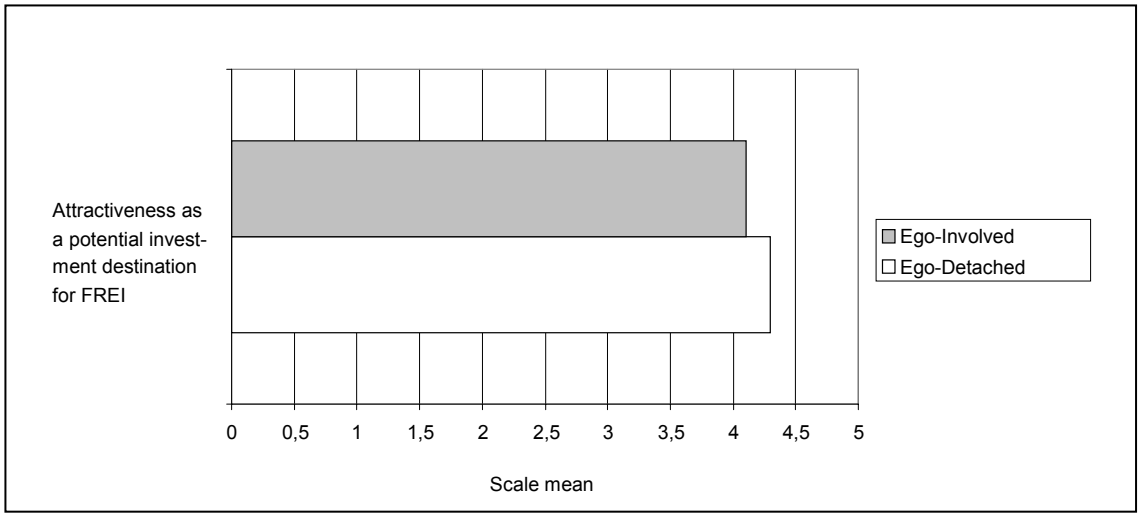
As illustrated in Tables 24 and 25 as well as in Figures 20 and 21, the inquired ego-involved and ego-detached real estate professionals differed rather insignificantly in terms of their general conceptions of an ideal market for FREI. However, already on a descriptive level severe discrepancies between the evaluations of the two sub-groups referring to Tanzania's *actual* fulfilment of such *ideal standards* became apparent. In this context, ego-detached respondents tended to assign far lower values to Tanzania than ego-involved respondents. By contrast, respondents, who had at some point already gained experience within the Tanzanian real estate market, had made an altogether positive reality evaluation. They generally found Tanzania to be attractive as a potential destination for FREI, as they saw *ideal standards* fulfilled in many respects. It is evident that these discrepancies in terms of the two sub-groups' degrees of attractiveness assigned to the Tanzanian real estate market can absolutely be characterised as significant.

Figure 20: General Evaluation of Tanzania's Attractiveness as a Potential Destination for FREI from the View of Ego-Involved and Ego-Detached Real Estate Professionals[827]



[826] See comments concerning Table 11.
[827] Presented on a scale from 1 (not at all attractive) to 5 (very attractive).

Figure 21: General Evaluation of the Attractiveness of an Ideal Market for FREI from the View of Ego-Involved and Ego-Detached Real Estate Professionals[828]



5.2.3.1.2 Political Environment

The results concerning the evaluation of the current political environment in Tanzania for FREI, which was operationalised by means of several indicators, as well as the results concerning the evaluation of the corresponding ideal conceptions of a target market for FREI are illustrated in Tables 26 to 28. Table 26 represents the summarised view of the total random test sample, whereas Table 27 reflects the views of ego-involved and Table 28 the views of ego-detached real estate professionals. The contrasting comparison of both sub-groups, which again is based on the conspicuous scale means, is illustrated in Figures 22 and 23.

The findings presented in section 5.2.3.1.1 also become valid in this context. Respondents without professional ties to Tanzania perceived Tanzania's political environment to be clearly worse than ego-involved real estate professionals. Thus, the discrepancies between the perceived actual and the ideal political environment appeared to be strong for ego-detached respondents, whereas a clearly higher congruence between the perceived actual and ideal standards was revealed within the response behaviour of ego-involved real estate professionals. However, survey participants with ties to Tanzania also displayed significant differences within their evaluations of the perceived actual and ideal political environment. This was mainly apparent in terms of political corruption as well as in terms of the predictability of Tanzania's future political climate (items 4 and 6 in Table 27). Corruption and Tanzania's political predictability were thus critically viewed by the ego-involved sub-group, which is reflected in a scale mean significantly lower than 3.

[828] Presented on a scale from 1 (not at all attractive) to 5 (very attractive).

Table 26: Evaluation of Tanzania's Political Environment for FREI and that of an Ideal Target Market for FREI from the View of Ego-Involved and Ego-Detached Real Estate Professionals (Total Random Test Sample): Presentation of the Descriptive-Statistical Parameters[829]

Item:	N	Very beneficial 5	4	3	2	Not at all beneficial 1	Mean (s)
1a. How beneficial for foreign real estate investors do you estimate the current political environment in Tanzania to be?	118	11,0	29,7	18,6	31,4	9,3	3,0 (1,2)
1b. How beneficial for foreign real estate investors is the political environment in your ideal target market?	118	38,1	45,8	11,0	4,2	0,8	4,2 (0,8)
Item:	N	Very stable 5	4	3	2	Not at all stable 1	Mean (s)
2a. How stable do you estimate the current political conditions in Tanzania to be?	118	12,7	17,8	30,5	30,5	8,5	3,0 (1,2)
2b. How stable do you estimate the current political conditions in your ideal target market to be?	118	44,1	45,8	7,6	2,5	0,0	4,3 (0,7)
Item:	N	Not at all limiting 5	4	3	2	Very limiting 1	Mean (s)
3a. How limiting do you think are the current political restrictions for foreign real estate investors in Tanzania?	118	8,5	22,9	27,1	30,5	11,0	2,9 (1,1)
3b. How limiting are the political restrictions in your ideal market for foreign real estate investors?	118	32,2	55,1	10,2	2,5	0,0	4,2 (0,7)
Item:	N	Not at all corrupt 5	4	3	2	Very corrupt 1	Mean (s)
4a. On the whole, how corrupt do you view Tanzanian politicians and public authorities to be?	118	0,0	5,1	25,4	45,8	23,7	2,1 (0,8)
4b. On the whole, how corrupt should the politicians and public authorities in your ideal target market be?	118	39,8	43,2	11,9	2,5	2,5	4,2 (0,9)
Item:	N	Not at all likely 5	4	3	2	Very likely 1	Mean (s)
5a. In your opinion, how likely is the possibility of expropriation of foreign-owned property and/or other negative political intervention in Tanzania?	116	9,5	14,7	34,5	31,0	10,3	2,8 (1,1)
5b. How likely is the possibility of expropriation of foreign-owned property and/or other negative political intervention in your ideal target market?	115	43,5	41,7	10,4	3,5	0,9	4,2 (0,8)
Item:	N	Very predictable 5	4	3	2	Not at all predictable 1	Mean (s)
6a. How predictable do you consider the future political climate in Tanzania to be?	118	5,9	18,6	22,0	38,1	15,3	2,6 (1,1)
6b. Indeed, how predictable can the future political climate in an ideal market be?	118	26,3	57,6	13,6	1,7	0,8	4,1 (0,7)

[829] See comments concerning Table 11.

Table 27: Evaluation of Tanzania's Political Environment for FREI and that of an Ideal Target Market for FREI from the View of Ego-Involved Real Estate Professionals: Presentation of the Descriptive-Statistical Parameters[830]

Item:	N	Very beneficial 5	4	3	2	Not at all beneficial 1	Mean (s)
1a. How beneficial for foreign real estate investors do you estimate the current political environment in Tanzania to be?	58	22,4	51,7	20,7	5,2	0,0	3,9 (0,8)
1b. How beneficial for foreign real estate investors is the political environment in your ideal target market?	58	31,0	41,4	19,0	8,6	0,0	3,9 (0,9)
Item:	N	Very stable 5	4	3	2	Not at all stable 1	Mean (s)
2a. How stable do you estimate the current political conditions in Tanzania to be?	58	25,9	31,0	32,8	8,6	1,7	3,7 (1,0)
2b. How stable do you estimate the current political conditions in your ideal target market to be?	58	34,5	46,6	13,8	5,2	0,0	4,1 (0,8)
Item:	N	Not at all limiting 5	4	3	2	Very limiting 1	Mean (s)
3a. How limiting do you think are the current political restrictions for foreign real estate investors in Tanzania?	58	17,2	41,4	32,8	5,2	3,4	3,6 (0,9)
3b. How limiting are the political restrictions in your ideal market for foreign real estate investors?	58	24,1	55,2	15,5	5,2	0,0	4,0 (0,8)
Item:	N	Not at all corrupt 5	4	3	2	Very corrupt 1	Mean (s)
4a. On the whole, how corrupt do you view Tanzanian politicians and public authorities to be?	58	0,0	8,6	25,9	39,7	25,9	2,2 (0,9)
4b. On the whole, how corrupt should the politicians and public authorities in your ideal target market be?	58	32,8	36,2	20,7	5,2	5,2	3,9 (1,1)
Item:	N	Not at all likely 5	4	3	2	Very likely 1	Mean (s)
5a. In your opinion, how likely is the possibility of expropriation of foreign-owned property and/or other negative political intervention in Tanzania?	56	19,6	26,8	44,6	7,1	1,8	3,6 (1,0)
5b. How likely is the possibility of expropriation of foreign-owned property and/or other negative political intervention in your ideal target market?	56	23,2	46,4	21,4	7,1	1,8	3,8 (0,9)
Item:	N	Very predictable 5	4	3	2	Not at all predictable 1	Mean (s)
6a. How predictable do you consider the future political climate in Tanzania to be?	58	12,1	34,5	25,9	22,4	5,2	3,3 (1,1)
6b. Indeed, how predictable can the future political climate in an ideal market be?	58	25,9	51,7	17,2	3,4	1,7	4,0 (0,9)

[830] See comments concerning Table 11.

Table 28: Evaluation of Tanzania's Political Environment for FREI and that of an Ideal Target Market for FREI from the View of Ego-Detached Real Estate Professionals: Presentation of the Descriptive-Statistical Parameters[831]

Item:	N	Very beneficial 5	4	3	2	Not at all beneficial 1	Mean (s)
1a. How beneficial for foreign real estate investors do you estimate the current political environment in Tanzania to be?	60	0,0	8,3	16,7	56,7	18,3	2,2 (0,8)
1b. How beneficial for foreign real estate investors is the political environment in your ideal target market?	60	45,0	50,0	3,3	0,0	1,7	4,4 (0,7)
Item:	N	Very stable 5	4	3	2	Not at all stable 1	Mean (s)
2a. How stable do you estimate the current political conditions in Tanzania to be?	60	0,0	5,0	28,3	51,7	15,0	2,2 (0,8)
2b. How stable do you estimate the current political conditions in your ideal target market to be?	60	53,3	45,0	1,7	0,0	0,0	4,5 (0,5)
Item:	N	Not at all limiting 5	4	3	2	Very limiting 1	Mean (s)
3a. How limiting do you think are the current political restrictions for foreign real estate investors in Tanzania?	60	0,0	5,0	21,7	55,0	18,3	2,1 (0,8)
3b. How limiting are the political restrictions in your ideal market for foreign real estate investors?	60	40,0	55,0	5,0	0,0	0,0	4,4 (0,6)
Item:	N	Not at all corrupt 5	4	3	2	Very corrupt 1	Mean (s)
4a. On the whole, how corrupt do you view Tanzanian politicians and public authorities to be?	60	0,0	1,7	25,0	51,7	21,7	2,1 (0,7)
4b. On the whole, how corrupt should the politicians and public authorities in your ideal target market be?	60	46,7	50,0	3,3	0,0	0,0	4,4 (0,6)
Item:	N	Not at all likely 5	4	3	2	Very likely 1	Mean (s)
5a. In your opinion, how likely is the possibility of expropriation of foreign-owned property and/or other negative political intervention in Tanzania?	60	0,0	3,3	25,0	53,3	18,3	2,1 (0,7)
5b. How likely is the possibility of expropriation of foreign-owned property and/or other negative political intervention in your ideal target market?	59	62,7	37,3	0,0	0,0	0,0	4,6 (0,5)
Item:	N	Very predictable 5	4	3	2	Not at all predictable 1	Mean (s)
6a. How predictable do you consider the future political climate in Tanzania to be?	60	0,0	3,3	18,3	53,3	25,0	2,0 (0,8)
6b. Indeed, how predictable can the future political climate in an ideal market be?	60	26,7	63,3	10,0	0,0	0,0	4,2 (0,6)

[831] See comments concerning Table 11.

Figure 22: Evaluation of Tanzania's Political Environment for FREI from the View of Ego-Involved and Ego-Detached Real Estate Professionals[832]

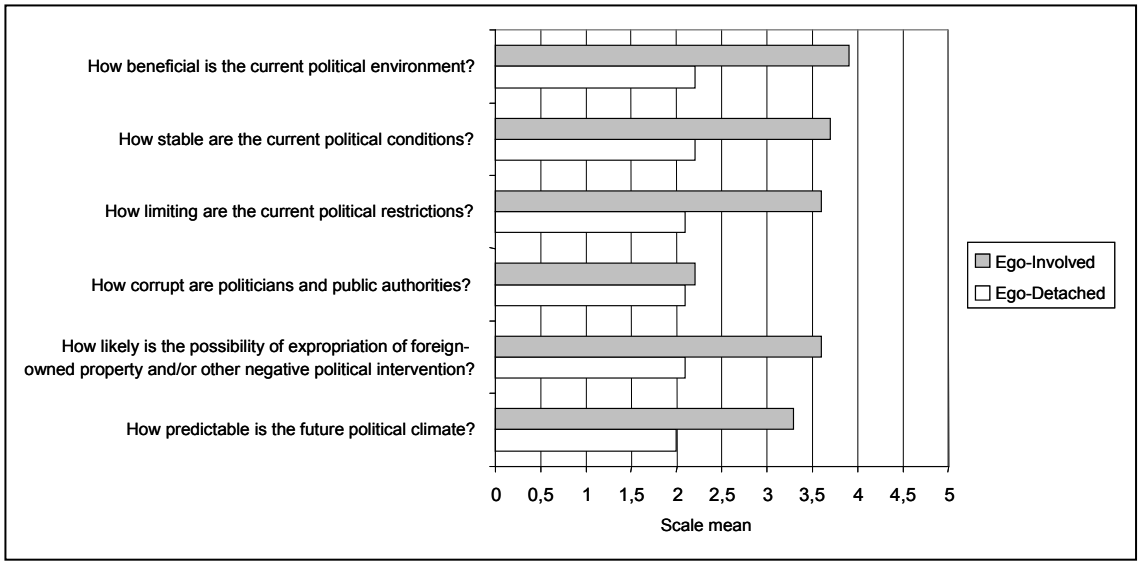
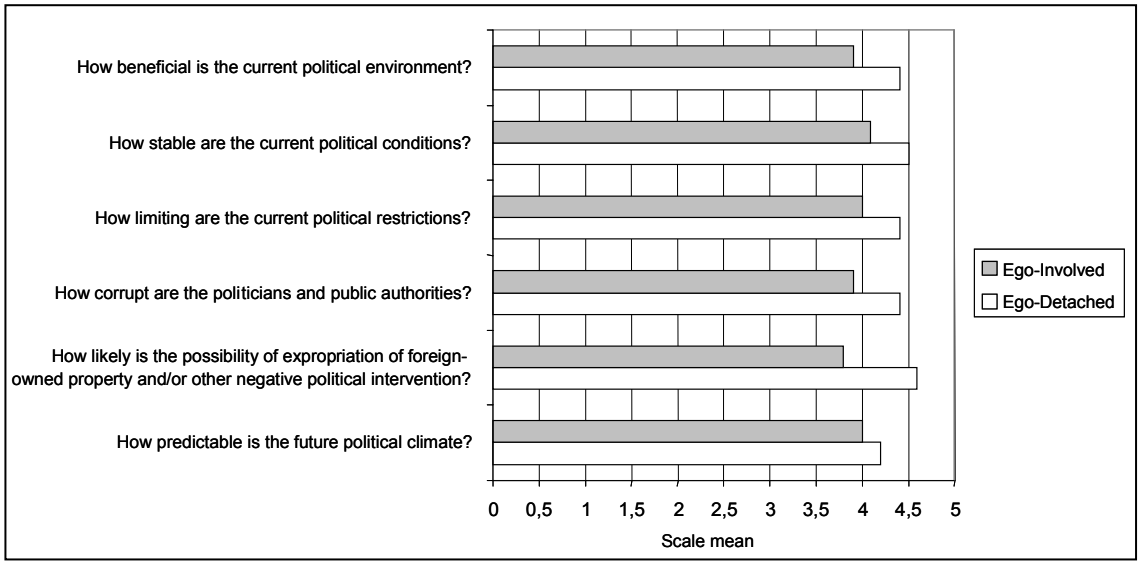


Figure 23: Evaluation of an Ideal Target Market's Political Environment for FREI from the View of Ego-Involved and Ego-Detached Real Estate Professionals[833]



5.2.3.1.3 Real Estate Market Conditions

Tanzania's real estate market conditions were operationalised by means of seven indicators. The resulting data on the evaluations of the actual and ideal conditions from the perspective of the entire survey group as well as from the perspective of both sub-groups is shown in Tables 29 to 31. A contrasting comparison of the two sub-groups' evaluations, again based on scale means, is illustrated in Figures 24 and 25.

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[832] Comment: In each case, the most positive poles are represented by the grade 5, the most negative poles by grade 1. Correspondingly, the poles for these statements are: 1 not at all beneficial, 5 very beneficial; 1 not at all stable, 5 very stable; 1 very limiting, 5 not at all limiting; 1 very corrupt, 5 not at all corrupt; 1 very likely, 5 not at all likely; 1 not at all predictable, 5 very predictable.

[833] See comment concerning Figure 22.

Table 29: Evaluation of Tanzania's Real Estate Market Conditions for FREI and of those of an Ideal Target Market for FREI from the View of Ego-Involved and Ego-Detached Real Estate Professionals (Total Random Test Sample): Presentation of the Descriptive-Statistical Parameters[834]

Item:	N	Very beneficial 5	4	3	2	Not at all beneficial 1	Mean (s)
1a. How beneficial to foreign investors do you estimate market conditions of the Tanzanian real estate market to be?	118	13,6	23,7	27,1	30,5	5,1	3,1 (1,1)
1b. How beneficial to foreign investors would market conditions of your ideal real estate market be?	118	35,6	57,6	5,9	0,8	0,0	4,3 (0,6)
Item:	N	Very attractive 5	4	3	2	Not at all attractive 1	Mean (s)
2a. How attractive do you estimate the expected returns in the Tanzanian real estate market to be in relation to the existing risks?	118	11,0	22,0	37,3	25,4	4,2	3,1 (1,0)
2b. How attractive would the expected returns in your ideal real estate market be in relation to the existing risks?	118	27,1	52,5	19,5	0,8	0,0	4,1 (0,7)
Item:	N	Very mature 5	4	3	2	Not at all mature 1	Mean (s)
3a. How mature do you think the Tanzanian real estate market is?	118	0,8	3,4	22,0	58,5	15,3	2,2 (0,8)
3b. How mature would your ideal real estate market be?	118	24,6	60,2	12,7	2,5	0,0	4,1 (0,7)
Item:	N	Very transparent 5	4	3	2	Not at all transparent 1	Mean (s)
4a. How transparent do you deem the Tanzanian real estate market to be?	118	1,7	5,9	26,3	46,6	19,5	2,2 (0,9)
4b. Indeed, how transparent would your ideal real estate market be able to be?	118	27,1	55,1	14,4	3,4	0,0	4,1 (0,7)
Item:	N	Very high 5	4	3	2	Not at all high 1	Mean (s)
5a. How high do you estimate the growth potential of the Tanzanian real estate market?	118	18,6	50,0	22,9	7,6	0,8	3,8 (0,9)
5b. How high would the growth potential of your ideal real estate market be?	118	25,4	45,8	25,4	3,4	0,0	3,9 (0,8)
Item:	N	Not at all high 5	4	3	2	Very high 1	Mean (s)
6a. How high do you estimate the currency risk for foreign real estate investors to be in the Tanzanian real estate market?	118	4,2	11,0	32,2	42,4	10,2	2,6 (1,0)
6b. How high would the currency risk be in your ideal real estate market?	118	22,0	61,0	14,4	2,5	0,0	4,0 (0,7)
Item:	N	Very beneficial 5	4	3	2	Not at all beneficial 1	Mean (s)
7a. How beneficial do you estimate the supply and demand fundamentals in the Tanzanian real estate market to be?	118	9,3	16,1	36,4	33,9	4,2	2,9 (1,0)
7b. How beneficial could the supply and demand fundamentals in your ideal market be?	118	26,3	62,7	10,2	0,8	0,0	4,1 (0,6)

[834] See comments concerning Table 11.

Table 30: Evaluation of Tanzania's Real Estate Market Conditions for FREI and of those of an Ideal Target Market for FREI from the View of Ego-Involved Real Estate Professionals: Presentation of the Descriptive-Statistical Parameters[835]

Item:	N	Very beneficial 5	4	3	2	Not at all beneficial 1	Mean (s)
1a. How beneficial to foreign investors do you estimate market conditions of the Tanzanian real estate market to be?	58	27,6	48,3	22,4	1,7	0,0	4,0 (0,8)
1b. How beneficial to foreign investors would market conditions of your ideal real estate market be?	58	43,1	46,6	8,6	1,7	0,0	4,3 (0,7)
Item:	N	Very attractive 5	4	3	2	Not at all attractive 1	Mean (s)
2a. How attractive do you estimate the expected returns in the Tanzanian real estate market to be in relation to the existing risks?	58	22,4	36,2	36,2	5,2	0,0	3,8 (0,9)
2b. How attractive would the expected returns in your ideal real estate market be in relation to the existing risks?	58	24,1	53,4	20,7	1,7	0,0	4,0 (0,7)
Item:	N	Very mature 5	4	3	2	Not at all mature 1	Mean (s)
3a. How mature do you think the Tanzanian real estate market is?	58	1,7	6,9	27,6	55,2	8,6	2,4 (0,8)
3b. How mature would your ideal real estate market be?	58	17,2	60,3	17,2	5,2	0,0	3,9 (0,7)
Item:	N	Very transparent 5	4	3	2	Not at all transparent 1	Mean (s)
4a. How transparent do you deem the Tanzanian real estate market to be?	58	3,4	12,1	32,8	41,4	10,3	2,6 (1,0)
4b. Indeed, how transparent would your ideal real estate market be able to be?	58	20,7	50,0	22,4	6,9	0,0	3,8 (0,8)
Item:	N	Very high 5	4	3	2	Not at all high 1	Mean (s)
5a. How high do you estimate the growth potential of the Tanzanian real estate market?	58	27,6	51,7	15,5	3,4	1,7	4,0 (0,9)
5b. How high would the growth potential of your ideal real estate market be?	58	34,5	41,4	24,1	0,0	0,0	4,1 (0,8)
Item:	N	Not at all high 5	4	3	2	Very high 1	Mean (s)
6a. How high do you estimate the currency risk for foreign real estate investors to be in the Tanzanian real estate market?	58	8,6	22,4	44,8	20,7	3,4	3,1 (1,0)
6b. How high would the currency risk be in your ideal real estate market?	58	13,8	55,2	25,9	5,2	0,0	3,8 (0,8)
Item:	N	Very beneficial 5	4	3	2	Not at all beneficial 1	Mean (s)
7a. How beneficial do you estimate the supply and demand fundamentals in the Tanzanian real estate market to be?	58	19,0	29,3	34,5	17,2	0,0	3,5 (1,0)
7b. How beneficial could the supply and demand fundamentals be in your ideal market?	58	31,0	53,4	13,8	1,7	0,0	4,1 (0,7)

[835] See comments concerning Table 11.

Table 31: Evaluation of Tanzania's Real Estate Market Conditions for FREI and of those of an Ideal Target Market for FREI from the View of Ego-Detached Real Estate Professionals: Presentation of the Descriptive-Statistical Parameters[836]

Item:	N	Very beneficial 5	4	3	2	Not at all beneficial 1	Mean (s)
1a. How beneficial to foreign investors do you estimate market conditions of the Tanzanian real estate market to be?	60	0,0	0,0	31,7	58,3	10,0	2,2 (0,6)
1b. How beneficial to foreign investors would market conditions of your ideal real estate market be?	60	28,3	68,3	3,3	0,0	0,0	4,3 (0,5)
Item:	N	Very attractive 5	4	3	2	Not at all attractive 1	Mean (s)
2a. How attractive do you estimate the expected returns in the Tanzanian real estate market to be in relation to the existing risks?	60	0,0	8,3	38,3	45,0	8,3	2,5 (0,8)
2b. How attractive would the expected returns in your ideal real estate market be in relation to the existing risks?	60	30,0	51,7	18,3	0,0	0,0	4,1 (0,7)
Item:	N	Very mature 5	4	3	2	Not at all mature 1	Mean (s)
3a. How mature do you think the Tanzanian real estate market is?	60	0,0	0,0	16,7	61,7	21,7	2,0 (0,6)
3b. How mature would your ideal real estate market be?	60	31,7	60,0	8,3	0,0	0,0	4,2 (0,6)
Item:	N	Very transparent 5	4	3	2	Not at all transparent 1	Mean (s)
4a. How transparent do you deem the Tanzanian real estate market to be?	60	0,0	0,0	20,0	51,7	28,3	1,9 (0,7)
4b. Indeed, how transparent would your ideal real estate market be able to be?	60	3,3	60,0	6,7	0,0	0,0	4,3 (0,6)
Item:	N	Very high 5	4	3	2	Not at all high 1	Mean (s)
5a. How high do you estimate the growth potential of the Tanzanian real estate market to be?	60	10,0	48,3	30,0	11,7	0,0	3,6 (0,8)
5b. How high would the growth potential of your ideal real estate market be?	60	16,7	50,0	26,7	6,7	0,0	3,8 (0,8)
Item:	N	Not at all high 5	4	3	2	Very high 1	Mean (s)
6a. How high do you estimate the currency risk for foreign real estate investors to be in the Tanzanian real estate market?	60	0,0	0,0	20,0	63,3	16,7	2,0 (0,6)
6b. How high would the currency risk be in your ideal real estate market?	60	30,0	66,7	3,3	0,0	0,0	4,3 (0,5)
Item:	N	Very beneficial 5	4	3	2	Not at all beneficial 1	Mean (s)
7a. How beneficial do you estimate the supply and demand fundamentals in the Tanzanian real estate market to be?	60	0,0	3,3	38,3	50,0	8,3	2,4 (0,7)
7b. How beneficial could the supply and demand fundamentals be in your ideal market?	60	21,7	71,7	6,7	0,0	0,0	4,2 (0,5)

[836] See comments concerning Table 11.

Figure 24: Evaluation of Tanzania's Real Estate Market Conditions for FREI from the View of Ego-Involved and Ego-Detached Real Estate Professionals[837]

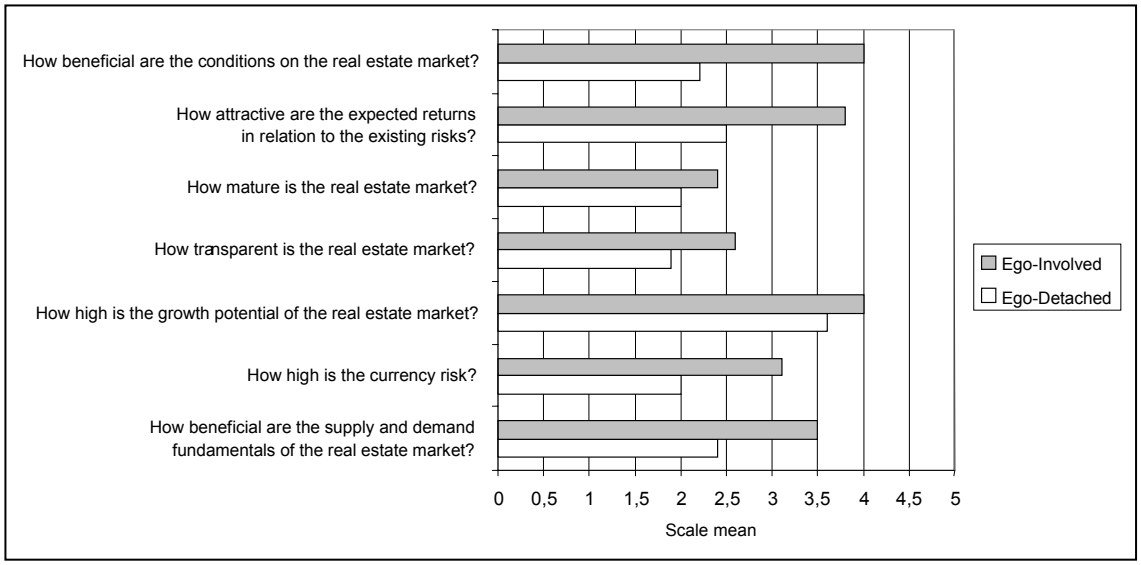
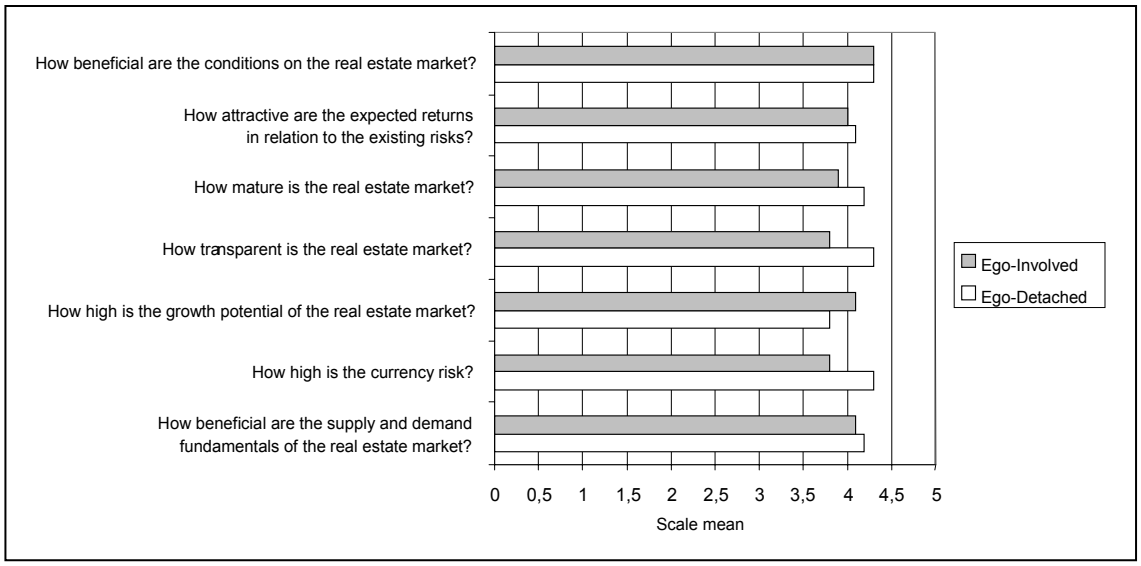


Figure 25: Evaluation of an Ideal Real Estate Market's Conditions for FREI from the View of Ego-Involved and Ego-Detached Real Estate Professionals[838]



[837] Comment: In each case, the most positive poles are represented by the grade 5, the most negative poles by grade 1. Correspondingly, the poles for these statements are: 1 not at all beneficial, 5 very beneficial; 1 not at all attractive, 5 verry attractive; 1 not at all mature, 5 very mature; 1 not at all transparent, 5 very transparent; 1 not at all high, 5 very high; 1 very high, 5 not at all high; 1 not at all beneficial, 5 very beneficial.
[838] See comment concerning Figure 24.

The response patterns observed within the general evaluation of Tanzania as a potential destination for FREI[839] as well as within the evaluation of Tanzania's political environment[840] were also identified within the evaluations of Tanzania's real estate market conditions and the corresponding conceptions of ideal real estate market conditions. Regarding their conceptions of ideal market conditions, the two sub-groups displayed far less discrepancies than within their evaluation of Tanzania's actual real estate market conditions. Relatively negative or at best average values were assigned to Tanzania's real estate market's attributes by ego-detached respondents.

However, even those real estate professionals with ties to Tanzania noted deficits, especially concerning the maturity and transparency of the real estate market in situ (items 3 and 4 in Table 30). On a positive note, Tanzania's real estate market growth potential received relatively high values both from ego-involved and ego-detached sub-groups (item 5 in Tables 30 and 31).

5.2.3.1.4 Regulatory Framework

The collected data on the evaluations of Tanzania's regulatory framework for FREI and the corresponding conceptions of the regulatory framework of an ideal target market from the perspective of the entire survey group as well as from the perspective of both the ego-involved and the ego-detached sub-group is summarised in Tables 32 to 34. As was also done for the previous image dimensions, the contrasting comparison of the two sub-groups is illustrated in Figures 26 and 27.

It can be concluded from the results that the evaluations of Tanzania's regulatory framework for FREI and the corresponding conceptions of an ideal regulatory situation followed the previously observed behaviour patterns. Again, far less discrepancies were identified between the sub-groups' conceptions of an ideal regulatory framework than between their evaluations of Tanzania's actual regulatory framework for FREI. All aspects of Tanzania's regulatory framework were predominantly perceived as disappointing by those respondents without direct ties to Tanzania, whereas ego-involved real estate professionals primarily assigned at least average values to Tanzania's regulatory framework for FREI.[841]

[839] See section 5.2.3.1.1.
[840] See section 5.2.3.1.2.
[841] See Tables 33 and 34.

Table 32: Evaluation of Tanzania's Regulatory Framework for FREI and of that of an Ideal Target Market for FREI from the View of Ego-Involved and Ego-Detached Real Estate Professionals (Total Random Test Sample): Presentation of the Descriptive-Statistical Parameters[842]

Item:	N	Very beneficial 5	4	3	2	Not at all beneficial 1	Mean (s)
1a. How beneficial for foreign real estate investors do you estimate the existing regulatory framework in Tanzania to be?	118	5,9	22,9	26,3	32,2	12,7	2,8 (1,1)
1b. How beneficial for foreign real estate investors would the regulatory framework in your ideal target market be?	118	39,8	48,3	9,3	2,5	0,0	4,3 (0,7)
Item:	N	Very easy 5	4	3	2	Not at all easy 1	Mean (s)
2a. How easy would you estimate the acquisition of land to be for foreigners in Tanzania?	117	4,3	11,1	29,9	35,0	19,7	2,5 (1,1)
2b. How easy would the acquisition of land be for foreigners in your ideal real estate market?	118	31,4	40,7	15,3	9,3	3,4	3,9 (1,1)
Item:	N	Very advantageous 5	4	3	2	Not at all advantageous 1	Mean (s)
3a. How advantageous for foreign real estate investors do you estimate tax laws to be in Tanzania?	118	11,9	26,3	24,6	24,6	12,7	3,0 (1,2)
3b. How advantageous for foreign real estate investors would tax laws be in your ideal market?	118	33,9	46,6	16,1	2,5	0,8	4,1 (0,8)
Item:	N	Very assertive 5	4	3	2	Not at all assertive 1	Mean (s)
4a. How assertive do you view Tanzanian law to be?	116	3,4	15,5	31,0	33,6	16,4	2,6 (1,0)
4b. How assertive would law be in your ideal market?	116	37,9	49,1	9,5	2,6	0,9	4,2 (0,8)
Item:	N	Very advantageous 5	4	3	2	Not at all advantageous 1	Mean (s)
5a. In general, how advantageous for foreign real estate investors do you estimate the laws, regulations and statutes to be in Tanzania relating to real estate investment (e.g. investment act, construction law, tenancy law, land law etc.)?	117	5,1	23,1	26,5	29,1	16,2	2,7 (1,1)
5b. How advantageous for foreign real estate investors would the laws, regulations and statutes in your ideal market be?	117	28,2	53,8	15,4	1,7	0,9	4,1 (0,8)

[842] See comments concerning Table 11.

Table 33: Evaluation of Tanzania's Regulatory Framework for FREI and of that of an Ideal Target Market for FREI from the View of Ego-Involved Real Estate Professionals: Presentation of the Descriptive-Statistical Parameters[843]

Item:	N	Very beneficial 5	4	3	2	Not at all beneficial 1	Mean (s)
1a. How beneficial for foreign real estate investors do you estimate the existing regulatory framework in Tanzania to be?	58	12,1	46,6	27,6	10,3	3,4	3,5 (1,0)
1b. How beneficial for foreign real estate investors would the regulatory framework in your ideal target market be?	58	34,5	44,8	15,5	5,2	0,0	4,1 (0,8)
Item:	N	Very easy 5	4	3	2	Not at all easy 1	Mean (s)
2a. How easy would you estimate the acquisition of land to be for foreigners in Tanzania?	57	8,8	21,1	33,3	22,8	14,0	2,9 (1,2)
2b. How easy would the acquisition of land be for foreigners in your ideal real estate market?	58	13,8	34,5	25,9	19,0	6,9	3,3 (1,1)
Item:	N	Very advantageous 5	4	3	2	Not at all advantageous 1	Mean (s)
3a. How advantageous for foreign real estate investors do you estimate tax laws to be in Tanzania?	58	22,4	48,3	22,4	3,4	3,4	3,8 (0,9)
3b. How advantageous for foreign real estate investors would tax laws be in your ideal market?	58	20,7	43,1	29,3	5,2	1,7	3,8 (0,9)
Item:	N	Very assertive 5	4	3	2	Not at all assertive 1	Mean (s)
4a. How assertive do you view Tanzanian law to be?	56	7,1	32,1	39,3	16,1	5,4	3,2 (1,0)
4b. How assertive would law be in your ideal market?	56	21,4	53,6	17,9	5,4	1,8	3,9 (0,9)
Item:	N	Very advantageous 5	4	3	2	Not at all advantageous 1	Mean (s)
5a. In general, how advantageous for foreign real estate investors do you estimate the laws, regulations and statutes to be in Tanzania relating to real estate investment (e.g. investment act, construction law, tenancy law, land law etc.)?	57	10,5	45,6	31,6	8,8	3,5	3,5 (0,9)
5b. How advantageous for foreign real estate investors would the laws, regulations and statutes in your ideal market be?	57	17,5	47,4	29,8	3,5	1,8	3,8 (0,9)

[843] See comments concerning Table 11.

Table 34: Evaluation of Tanzania's Regulatory Framework for FREI and of that of an Ideal Target Market for FREI from the View of Ego-Detached Real Estate Professionals: Presentation of the Descriptive-Statistical Parameters[844]

Item:	N	Very beneficial 5	4	3	2	Not at all beneficial 1	Mean (s)
1a. How beneficial for foreign real estate investors do you estimate the existing regulatory framework in Tanzania to be?	60	0,0	0,0	25,0	53,3	21,7	2,0 (0,7)
1b. How beneficial for foreign real estate investors would the regulatory framework in your ideal target market be?	60	45,0	51,7	3,3	0,0	0,0	4,4 (0,6)
Item:	N	Very easy 5	4	3	2	Not at all easy 1	Mean (s)
2a. How easy would you estimate the acquisition of land to be for foreigners in Tanzania?	60	0,0	1,7	26,7	46,7	25,0	2,1 (0,8)
2b. How easy would the acquisition of land be for foreigners in your ideal real estate market?	60	48,3	46,7	5,0	0,0	0,0	4,4 (0,6)
Item:	N	Very advantageous 5	4	3	2	Not at all advantageous 1	Mean (s)
3a. How advantageous for foreign real estate investors do you estimate tax laws to be in Tanzania?	60	1,7	5,0	26,7	45,0	21,7	2,2 (0,9)
3b. How advantageous for foreign real estate investors would tax laws be in your ideal market?	60	46,7	50,0	3,3	0,0	0,0	4,4 (0,6)
Item:	N	Very assertive 5	4	3	2	Not at all assertive 1	Mean (s)
4a. How assertive do you view Tanzanian law to be?	60	0,0	0,0	23,3	50,0	26,7	2,0 (0,7)
4b. How assertive would law be in your ideal market?	60	53,3	45,0	1,7	0,0	0,0	4,5 (0,5)
Item:	N	Very advantageous 5	4	3	2	Not at all advantageous 1	Mean (s)
5a. In general, how advantageous for foreign real estate investors do you estimate the laws, regulations and statutes to be in Tanzania relating to real estate investment (e.g. investment act, construction law, tenancy law, land law etc.)?	60	0,0	1,7	21,7	48,3	28,3	2,0 (0,8)
5b. How advantageous for foreign real estate investors would the laws, regulations and statutes in your ideal market be?	60	38,3	60,0	1,7	0,0	0,0	4,4 (0,5)

[844] See comments concerning Table 11.

Figure 26: Evaluation of Tanzania's Regulatory Framework for FREI from the View of Ego-Involved and Ego-Detached Real Estate Professionals[845]

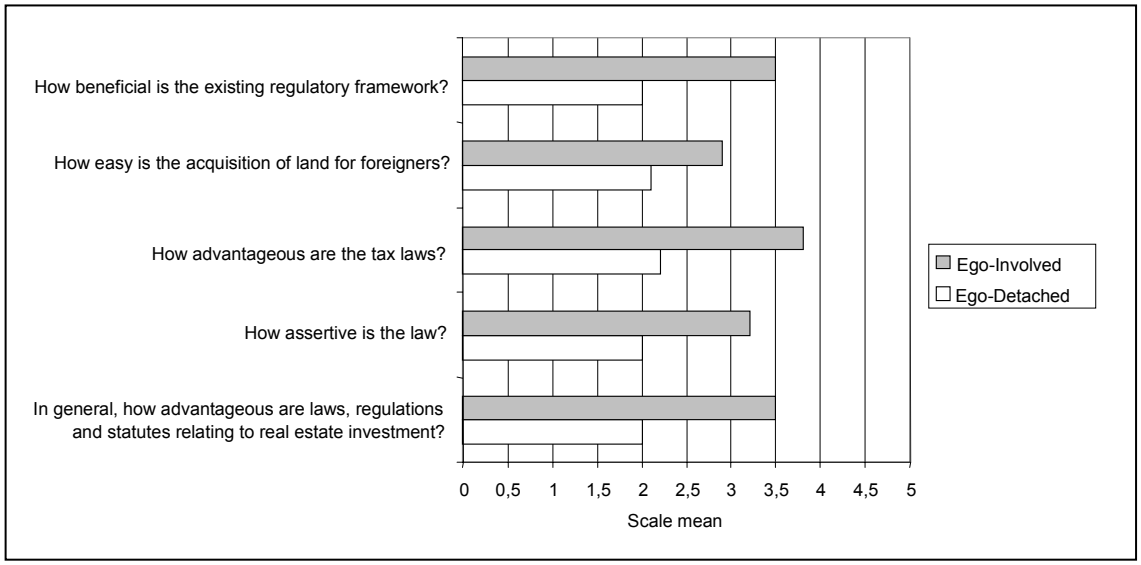
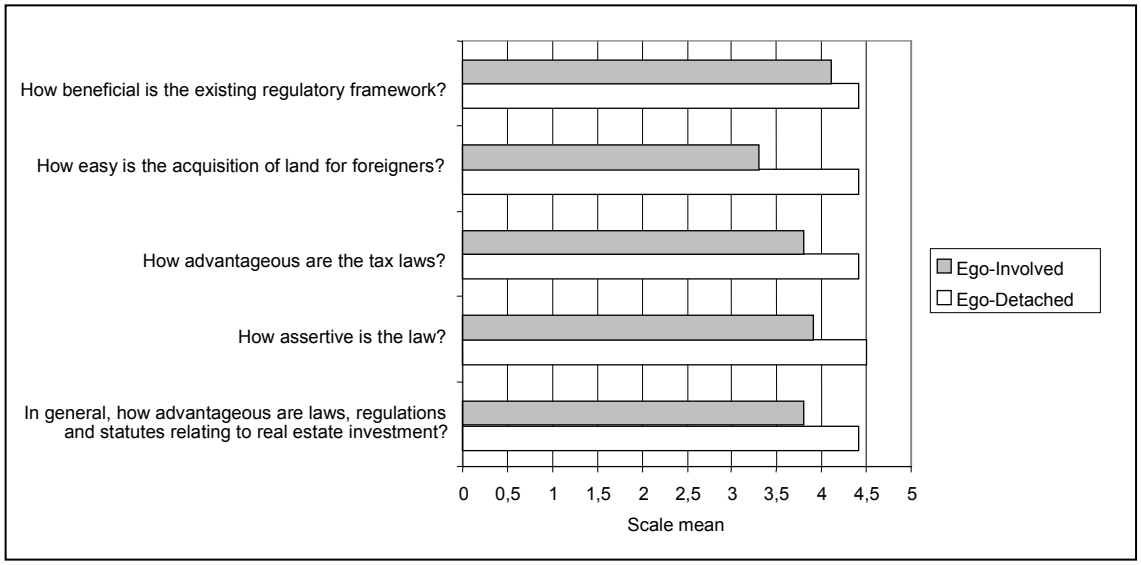


Figure 27: Evaluation of an Ideal Target Market's Regulatory Framework for FREI from the View of Ego-Involved and Ego-Detached Real Estate Professionals[846]



5.2.3.1.5 Socio-Cultural Environment

Evaluations of Tanzania's socio-cultural environment and corresponding conceptions of an ideal target market's socio-cultural environment for FREI are displayed in Tables 35, 36 and 37. They are presented from the perspective of the total random test sample on the one hand as well as from the perspective of both the ego-involved and the ego-detached sub-group on the other hand. Figures 28 and 29 show contrasting comparisons of the two sub-groups based on the scale mean values.

[845] Comment: In each case, the most positive poles are represented by the grade 5, the most negative poles by grade 1. Correspondingly, the poles for these statements are: 1 not at all beneficial, 5 very beneficial; 1 not at all easy, 5 very easy; 1 not at all advantageous, 5 very advantageous; 1 not at all assertive, 5 very assertive; 1 not at all advantageous, 5 very advantageous.

[846] See comment concerning Figure 26.

Table 35: Evaluation of Tanzania's Socio-Cultural Environment for FREI and of that of an Ideal Target Market for FREI from the View of Ego-Involved and Ego-Detached Real Estate Professionals (Total Random Test Sample): Presentation of the Descriptive-Statistical Parameters[847]

Item:	N	Very beneficial 5	4	3	2	Not at all beneficial 1	Mean (s)
1a. How beneficial for foreign real estate investors do you estimate the existing socio-cultural environment in Tanzania to be?	117	11,1	30,8	32,5	23,1	2,6	3,2 (1,0)
1b. How beneficial for foreign real estate investors would the socio-cultural environment be in your ideal target market?	117	37,6	47,0	12,0	1,7	1,7	4,2 (0,8)
Item:	N	Very professional 5	4	3	2	Not at all professional 1	Mean (s)
2a. How professional do you think possible business associates are in Tanzania?	118	4,2	11,9	36,4	41,5	5,9	2,7 (0,9)
2b. How professional would possible business associates be in your ideal market?	118	43,2	48,3	7,6	0,8	0,0	4,3 (0,7)
Item:	N	Not at all high 5	4	3	2	Very high 1	Mean (s)
3a. How high do you think the language barrier is between you as a foreign investor and the people in Tanzania?	116	12,1	34,5	33,6	12,9	6,9	3,3 (1,1)
3b. How high would the language barrier between you as a foreign investor and the people in your ideal market be?	118	49,2	35,6	11,0	2,5	1,7	4,3 (0,9)
Item:	N	Very advantageous 5	4	3	2	Not at all advantageous 1	Mean (s)
4a. Bearing in mind the assessment of Tanzania as a potential target market for foreign real estate investment, to what extent do you think that the demographic characteristics of Tanzania are advantageous to you as an investor?	118	14,4	27,1	37,3	16,9	4,2	3,3 (1,1)
4b. How advantageous would the demographic characteristics of the population of your ideal market be able to be to foreign investors?	118	31,4	52,5	14,4	1,7	0,0	4,1 (0,7)
Item:	N	Very similar 5	4	3	2	Not at all similar 1	Mean (s)
5a. How similar do you regard the cultures of Tanzania and of your home country to be?	118	1,7	1,7	15,3	43,2	38,1	1,9 (0,9)
5b. How similar are the cultures of foreign real estate investors and the culture of the people of your ideal target market?	118	7,6	37,3	40,7	11,9	2,5	3,4 (0,9)

[847] See comments concerning Table 11.

Table 36: Evaluation of Tanzania's Socio-Cultural Environment for FREI and of that of an Ideal Target Market for FREI from the View of Ego-Involved Real Estate Professionals: Presentation of the Descriptive-Statistical Parameters[848]

Item:	N	Very beneficial 5	4	3	2	Not at all beneficial 1	Mean (s)
1a. How beneficial for foreign real estate investors do you estimate the existing socio-cultural environment in Tanzania to be?	57	22,8	49,1	21,1	5,3	1,8	3,9 (0,9)
1b. How beneficial for foreign real estate investors would the socio-cultural environment be in your ideal target market?	58	32,8	37,9	22,4	3,4	3,4	3,9 (1,0)
Item:	N	Very professional 5	4	3	2	Not at all professional 1	Mean (s)
2a. How professional do you think possible business associates are in Tanzania?	58	8,6	20,7	39,7	27,6	3,4	3,0 (1,0)
2b. How professional would possible business associates be in your ideal market?	58	36,2	46,6	15,5	1,7	0,0	4,2 (0,8)
Item:	N	Not at all high 5	4	3	2	Very high 1	Mean (s)
3a. How high do you think the language barrier is between most foreign investors and the people in Tanzania?	57	10,5	22,8	43,9	12,3	10,5	3,1 (1,1)
3b. How high would the language barrier between most foreign investors and the people in your ideal market be?	58	27,6	43,1	20,7	5,2	3,4	3,9 (1,0)
Item:	N	Very advantageous 5	4	3	2	Not at all advantageous 1	Mean (s)
4a. Bearing in mind the assessment of Tanzania as a potential target market for foreign real estate investment, to what extent do you think that the demographic characteristics of Tanzania are advantageous to foreign investors?	58	25,9	41,4	27,6	1,7	3,4	3,8 (1,0)
4b. How advantageous would the demographic characteristics of the population of your ideal market be able to be to foreign investors?	58	27,6	48,3	20,7	3,4	0,0	4,0 (0,8)
Item:	N	Very similar 5	4	3	2	Not at all similar 1	Mean (s)
5a. How similar do you regard the cultures of most foreign investors to be with Tanzanian culture?	58	3,4	3,4	27,6	44,8	20,7	2,2 (0,9)
5b. How similar are the cultures of foreign real estate investors and the culture of the people of your ideal target market?	58	3,4	36,2	36,2	19,0	5,2	3,1 (0,9)

[848] See comments concerning Table 11.

Table 37: Evaluation of Tanzania's Socio-Cultural Environment for FREI and of that of an Ideal Target Market for FREI from the View of Ego-Detached Real Estate Professionals: Presentation of the Descriptive-Statistical Parameters[849]

Item:	N	Very beneficial 5	4	3	2	Not at all beneficial 1	Mean (s)
1a. How beneficial for foreign real estate investors do you estimate the existing socio-cultural environment in Tanzania to be?	60	0,0	13,3	43,3	40,0	3,3	2,7 (0,8)
1b. How beneficial for foreign real estate investors would the socio-cultural environment be in your ideal target market?	59	42,4	55,9	1,7	0,0	0,0	4,4 (0,5)
Item:	N	Very professional 5	4	3	2	Not at all professional 1	Mean (s)
2a. How professional do you think possible business associates are in Tanzania?	60	0,0	3,3	33,3	55,0	8,3	2,3 (0,7)
2b. How professional would possible business associates be in your ideal market?	60	50,0	50,0	0,0	0,0	0,0	4,5 (0,5)
Item:	N	Not at all high 5	4	3	2	Very high 1	Mean (s)
3a. How high do you think the language barrier is between you as a foreign investor and the people in Tanzania?	59	13,6	45,8	23,7	13,6	3,4	3,5 (1,0)
3b. How high would the language barrier between you as a foreign investor and the people in your ideal market be?	60	70,0	28,3	1,7	0,0	0,0	4,7 (0,5)
Item:	N	Very advantageous 5	4	3	2	Not at all advantageous 1	Mean (s)
4a. Bearing in mind the assessment of Tanzania as a potential target market for foreign real estate investment, to what extent do you think that the demographic characteristics of Tanzania are advantageous to you as an investor?	60	3,3	13,3	46,7	31,7	5,0	2,8 (0,9)
4b. How advantageous would the demographic characteristics of the population of your ideal market be able to be to foreign investors?	60	35,0	56,7	8,3	0,0	0,0	4,3 (0,6)
Item:	N	Very similar 5	4	3	2	Not at all similar 1	Mean (s)
5a. How similar do you regard the cultures of Tanzania and of your home country to be?	60	0,0	0,0	3,3	41,7	55,0	1,5 (0,6)
5b. How similar are the cultures of foreign real estate investors and the culture of the people of your ideal target market?	60	11,7	38,3	45,0	5,0	0,0	3,6 (0,8)

[849] See comments concerning Table 11.

Figure 28: Evaluation of Tanzania's Socio-Cultural Environment for FREI from the View of Ego-Involved and Ego-Detached Real Estate Professionals[850]

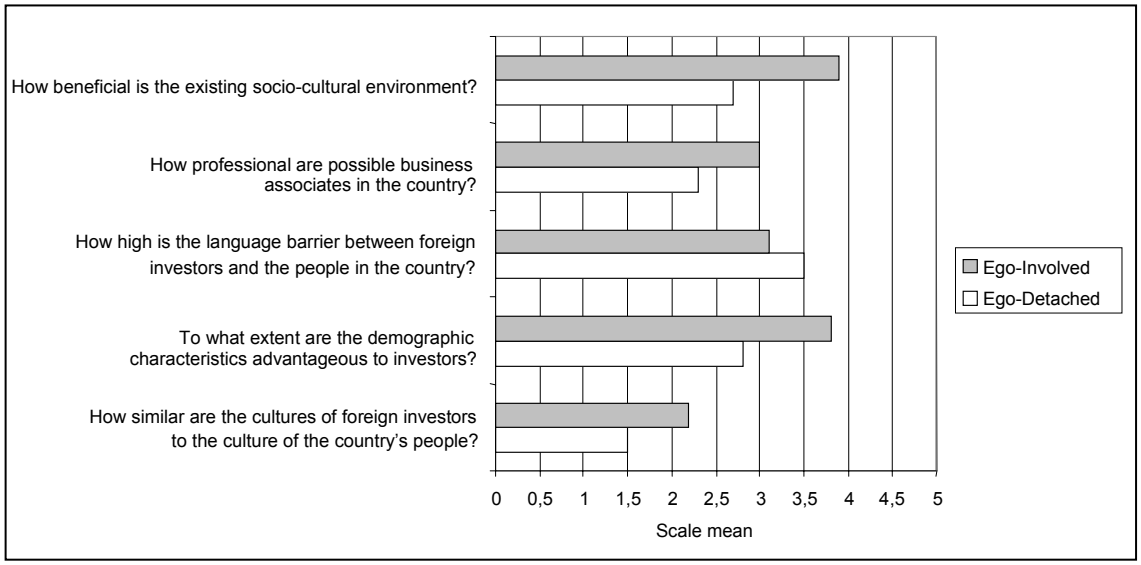
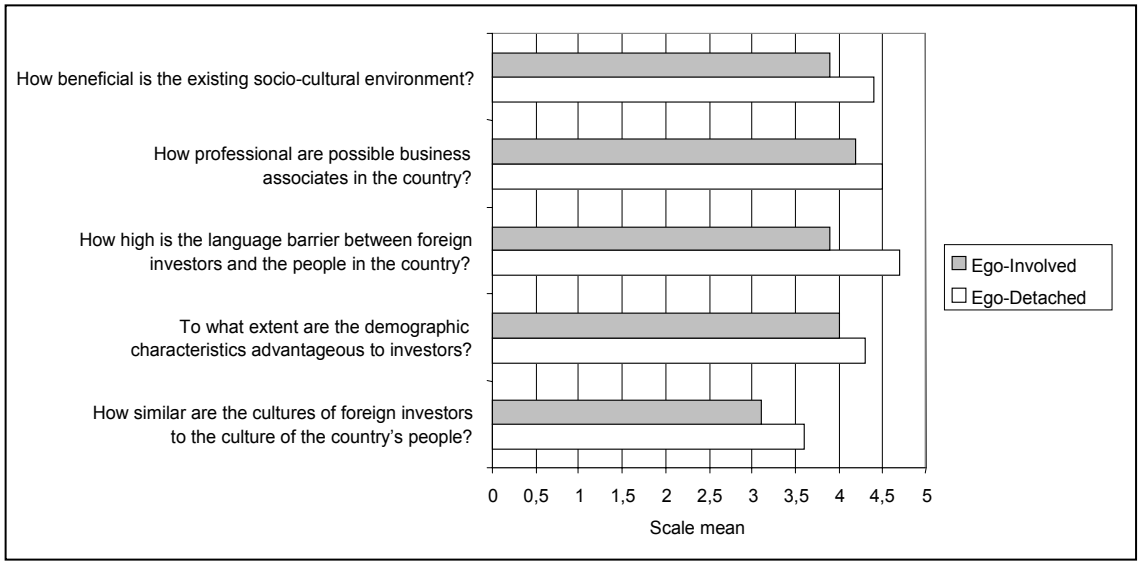


Figure 29: Evaluation of an Ideal Target Market's Socio-Cultural Environment for FREI from the View of Ego-Involved and Ego-Detached Real Estate Professionals[851]



The same behaviour patterns already identified within the assessment of the other image dimensions became visible within the assessment of social and cultural aspects of Tanzania in terms of their appropriateness for FREI as well as within the assessment of the corresponding aspects of an ideal market. Again, the sub-groups' discrepancies were not as significant within their conceptions of an ideal market's social and cultural aspects as within their evaluations of Tanzania's actual socio-cultural environment. Ego-detached respondents generally assigned negative or average values to the questioned indicators covering social and cultural aspects of

[850] Comment: In each case, the most positive poles are represented by the grade 5, the most negative poles by grade 1. Correspondingly, the poles for these statements are: 1 not at all beneficial, 5 very beneficial; 1 not at all professional, 5 verry professional; 1 very high, 5 not at all high; 1 not at all advantageous, 5 very advantageous; 1 not at all similar, 5 very similar.
[851] See comment concerning Figure 28.

Tanzania. Interestingly, language barriers between locals and foreign real estate investors were viewed less critically by ego-detached than by ego-involved respondents.[852]

5.2.3.2 Inductive-Statistical Analysis of Tanzania's Image as a Potential Destination for Foreign Real Estate Investment

The inductive-statistical comparison of the evaluations of Tanzania as a potential destination for FREI from the perspective of ego-involved and ego-detached real estate professionals showed significant differences between the two sub-groups as concerns almost all relevant image dimensions (*political environment*, *real estate market conditions*, *regulatory framework* and *socio-cultural environment*) and their subordinated image items. The differences between the conceptions regarding an ideal target market for FREI were also significant. However, mainly uncommon non-significant comparison effects were identified.[853]

In total, the following inductive-statistical results confirm the conclusion that clear and significant differences in the two sub-groups' evaluations of Tanzania and their corresponding conceptions of an ideal target market for FREI exist. Although an afro- or rather Tanzania-pessimistic behaviour was already assumed for ego-detached respondents, the empirical results presented in Tables 38 to 47 deliver obvious evidence for the fact that Tanzania evokes a noticeably more negative image in the perception of real estate professionals, who have not yet gained experience with the country and its real estate market, than in the perception of real estate professionals with existing ties to Tanzania.

Table 38: Comparison of the Evaluations of Tanzania as a Potential Destination for FREI from the View of Ego-Involved and Ego-Detached Real Estate Professionals: Results of the Mann-Whitney-U-Test (Undirected Inductive Test/Two-Sided)[854]

Statements:	Scale Mean, Ego-Involved Sub-Group	Scale Mean, Ego-Detached Sub-Group	Result
1a. How attractive do <u>you estimate</u> Tanzania to be as a potential target market for foreign real estate investment?	4,0	1,9	Z=9,1 ***

Table 39: Comparison of the Evaluations of an Ideal Target Market for FREI from the View of Ego-Involved and Ego-Detached Real Estate Professionals: Results of the Mann-Whitney-U-Test (Undirected Inductive Test/Two-Sided)[855]

Statements:	Scale Mean, Ego-Involved Sub-Group	Scale Mean, Ego-Detached Sub-Group	Result
1b. How attractive would you regard your <u>ideal</u> target market to be for foreign real estate investment?	4,1	4,3	Z=1,4 n.s.

[852] See Tables 35, 36 and 37 as well as Figures 27 and 28.
[853] See Tables 38 through 47.
[854] Comments:
a. Presented on a scale from 1 (not at all attractive) to 5 (very attractive).
b. Additional descriptive-statistical values (median, dispersion) can be found above.
c. The Z-values derived from the U-test are absolute values (no separate specification of a positive/negative sign).
d.* $p(\alpha)<0.05$ ** $p(\alpha)<0.01$ *** $p(\alpha)<0.001$. n.s.: Sub-group comparison without over-coincidental results.
[855] See comments concerning Table 38.

Table 40: Comparison of the Evaluations of Tanzania's Political Environment for FREI from the View of Ego-Involved and Ego-Detached Real Estate Professionals: Results of the Mann-Whitney-U-Test (Undirected Inductive Test/Two-Sided)[856]

Statements:	Scale Mean, Ego-Involved Sub-Group	Scale Mean, Ego-Detached Sub-Group	Result
1a. How beneficial for foreign real estate investors do you estimate the current political environment in Tanzania to be?	3,9	2,2	Z=8,1 ***
2a. How stable do you estimate the current political conditions in Tanzania to be?	3,7	2,2	Z=7,0 ***
3a. How limiting do you think are the current political restrictions for foreign real estate investors in Tanzania?	3,6	2,1	Z=7,3 ***
4a. On the whole, how corrupt do you view Tanzanian politicians and public authorities to be?	2,2	2,1	Z=0,5 n.s.
5a. In your opinion, how likely is the possibility of expropriation of foreign-owned property and/or other negative political intervention in Tanzania?	3,6	2,1	Z=7,1 ***
6a. How predictable do you consider the future political climate in Tanzania to be?	3,3	2,0	Z=6,0 ***

Table 41: Comparison of the Evaluations of an Ideal Market's Political Environment for FREI from the View of Ego-Involved and Ego-Detached Real Estate Professionals: Results of the Mann-Whitney-U-Test (Undirected Inductive Test/Two-Sided)[857]

Statements:	Scale Mean, Ego-Involved Sub-Group	Scale Mean, Ego-Detached Sub-Group	Result
1b. How beneficial for foreign real estate investors is the political environment in your ideal target market?	3,9	4,4	Z=2,6 **
2b. How stable do you estimate the current political conditions in your ideal target market to be?	4,1	4,5	Z=2,8 **
3b. How limiting are the political restrictions in your ideal market for foreign real estate investors?	4,0	4,4	Z=2,6 **
4b. On the whole, how corrupt should the politicians and public authorities in your ideal target market be?	3,9	4,4	Z=2,9 **
5b. How likely is the possibility of expropriation of foreign-owned property and/or other negative political intervention in your ideal target market?	3,8	4,6	Z=5,1 ***
6b. Indeed, how predictable can the future political climate in an ideal market be?	4,0	4,2	Z=1,1 n.s.

[856] Comments:
a. The poles for the statements are: 1 not at all beneficial, 5 very beneficial; 1 not at all stable, 5 very stable; 1 very limiting, 5 not at all limiting; 1 very corrupt, 5 not at all corrupt; 1 very likely, 5 not at all likely; 1 not at all predictable, 5 very predictable.
b. Additional descriptive-statistical values (median, dispersion) can be found above.
c. The Z-values derived from the U-test are absolute values (no separate specification of a positive/negative sign).
d.* $p(\alpha)<0.05$ ** $p(\alpha)<0.01$ *** $p(\alpha)<0.001$. n.s.: Sub-group comparison without over-coincidental results.

[857] See comments concerning Table 40.

Table 42: Comparison of the Evaluations of Tanzania's Real Estate Market Conditions for FREI from the View of Ego-Involved and Ego-Detached Real Estate Professionals: Results of the Mann-Whitney-U-Test (Undirected Inductive Test/Two-Sided)[858]

Statements:	Scale Mean, Ego-Involved Sub-Group	Scale Mean, Ego-Detached Sub-Group	Result
1a. How beneficial to foreign investors do you estimate market conditions of the Tanzanian real estate market to be?	4,0	2,2	Z=8,8 ***
2a. How attractive do you estimate the expected returns in the Tanzanian real estate market to be in relation to the existing risks?	3,8	2,5	Z=6,8 ***
3a. How mature do you think the Tanzanian real estate market is?	2,4	2,0	Z=2,9 **
4a. How transparent do you deem the Tanzanian real estate market to be?	2,6	1,9	Z=3,8 ***
5a. How high do you estimate the growth potential of the Tanzanian real estate market to be?	4,0	3,6	Z=3,0 **
6a. How high do you estimate the currency risk for foreign real estate investors to be in the Tanzanian real estate market?	3,1	2,0	Z=6,3 ***
7a. Bearing the assessment of the market as a potential investment destination in mind, how beneficial do you estimate the supply and demand fundamentals in the Tanzanian real estate market to be?	3,5	2,4	Z=5,9 ***

Table 43: Comparison of the Evaluations of an Ideal Real Estate Market's Conditions for FREI from the View of Ego-Involved and Ego-Detached Real Estate Professionals: Results of the Mann-Whitney-U-Test (Undirected Inductive Test/Two-Sided)[859]

Statements:	Scale Mean, Ego-Involved Sub-Group	Scale Mean, Ego-Detached Sub-Group	Result
1b. How beneficial to foreign investors would market conditions of your ideal real estate market be?	4,3	4,3	Z=0,9 n.s.
2b. How attractive would the expected returns in your ideal real estate market be in relation to the existing risks?	4,0	4,1	Z=0,8 n.s.
3b. Bearing the assessment of the market as a potential investment destination in mind, how mature would your ideal real estate market be?	3,9	4,2	Z=2,5 *
4b. Indeed, how transparent would your ideal real estate market be able to be?	3,8	4,3	Z=2,8 **
5b. Bearing the assessment of the market as a potential investment destination in mind, how high would the growth potential of your ideal real estate market be?	4,1	3,8	Z=2,1 *
6b. How high would the currency risks for foreign investors be in your ideal real estate market?	3,8	4,3	Z=3,8 ***
7b. How beneficial would the supply and demand fundamentals in your ideal market be able to be?	4,1	4,2	Z=0,2 n.s.

[858] Comments:
a. The poles for the statements are: 1 not at all beneficial, 5 very beneficial; 1 not at all attractive, 5 very attractive; 1 not at all mature, 5 very mature; 1 not at all transparent, 5 very transparent; 1 not at all high, 5 very high; 1 very high, 5 not at all high; 1 not at all beneficial, 5 very beneficial.
b. Additional descriptive-statistical values (median, dispersion) can be found above
c. The Z-values derived from the U-test are absolute values (no separate specification of a positive/negative sign).
d.* $p(\alpha)<0.05$ ** $p(\alpha)<0.01$ *** $p(\alpha)<0.001$. n.s.: Sub-group comparison without over-coincidental results.
[859] See comments concerning Table 42.

Table 44: Comparison of the Evaluations of Tanzania's Regulatory Framework for FREI from the View of Ego-Involved and Ego-Detached Real Estate Professionals: Results of the Mann-Whitney-U-Test (Undirected Inductive Test/Two-Sided)[860]

Statements:	Scale Mean, Ego-Involved Sub-Group	Scale Mean, Ego-Detached Sub-Group	Result
1a. How beneficial for foreign real estate investors do you estimate the existing regulatory framework in Tanzania to be?	3,5	2,0	Z=7,4 ***
2a. How easy would you estimate the acquisition of land to be for foreigners in Tanzania?	2,9	2,1	Z=4,0 ***
3a. How advantageous for foreign real estate investors do you estimate tax laws to be in Tanzania?	3,8	2,2	Z=7,4 ***
4a. How assertive do you view Tanzanian law to be?	3,2	2,0	Z=6,4 ***
5a. In general, how advantageous for foreign real estate investors do you estimate the laws, regulations and statutes to be in Tanzania relating to real estate investment (e.g. investment act, construction law, tenancy law, land law etc.)?	3,5	2,0	Z=7,4 ***

Table 45: Comparison of the Evaluations of an Ideal Target Market's Regulatory Framework for FREI from the View of Ego-Involved and Ego-Detached Real Estate Professionals: Results of the Mann-Whitney-U-Test (Undirected Inductive Test/Two-Sided)[861]

Statements:	Scale Mean, Ego-Involved Sub-Group	Scale Mean, Ego-Detached Sub-Group	Result
1b. How beneficial for foreign real estate investors would the regulatory framework in your ideal target market be?	4,1	4,4	Z=2,1 *
2b. How easy would the acquisition of land be for foreigners in your ideal real estate market?	3,3	4,4	Z=5,8 ***
3b. How advantageous for foreign real estate investors would tax laws be in your ideal market?	3,8	4,4	Z=4,3 ***
4b. How assertive would law be in your ideal market?	3,9	4,5	Z=4,3 ***
5b. How advantageous for foreign real estate investors would the laws, regulations and statutes in your ideal market be?	3,8	4,4	Z=4,2 ***

[860] Comments:
a. The poles for the statements are: 1 not at all beneficial, 5 very beneficial; 1 not at all easy, 5 very easy; 1 not at all advantageous, 5 very advantageous; 1 not at all assertive, 5 very assertive; 1 not at all advantageous, 5 very advantageous.
b. Additional descriptive-statistical values (median, dispersion) can be found above.
c. The Z-values derived from the U-test are absolute values (no separate specification of a positive/negative sign).
d.* $p(\alpha)<0.05$ ** $p(\alpha)<0.01$ *** $p(\alpha)<0.001$. n.s.: Sub-group comparison without over-coincidental results.
[861] See comments concerning Table 44.

Table 46: Comparison of the Evaluations of Tanzania's Socio-Cultural Environment for FREI from the View of Ego-Involved and Ego-Detached Real Estate Professionals: Results of the Mann-Whitney-U-Test (Undirected Inductive Test/Two-Sided)[862]

Statements:	Scale Mean, Ego-Involved Sub-Group	Scale Mean, Ego-Detached Sub-Group	Result
1a. How beneficial for foreign real estate investors do you estimate the existing socio-cultural environment in Tanzania to be?	3,9	2,7	Z=6,5 ***
2a. How professional do you think possible business associates are in Tanzania?	3,0	2,3	Z=4,1 ***
3a. How high do you think the language barrier is between you as a foreign investor and the people in Tanzania?	3,1	3,5	Z=2,3 *
4a. Bearing in mind the assessment of Tanzania as a potential target market for foreign real estate investment, to what extent do you think that the demographic characteristics of Tanzania are advantageous to you as an investor?	3,8	2,8	Z=5,8 ***
5a. How similar do you regard the cultures of Tanzania and of your home country to be?	2,2	1,5	Z=4,8 ***

Table 47: Comparison of the Evaluations of an Ideal Target Market's Socio-Cultural Environment for FREI from the View of Ego-Involved and Ego-Detached Real Estate Professionals: Results of the Mann-Whitney-U-Test (Undirected Inductive Test/Two-Sided)[863]

Statements:	Scale Mean, Ego-Involved Sub-Group	Scale Mean, Ego-Detached Sub-Group	Result
1b. How beneficial for foreign real estate investors would the socio-cultural environment be in your ideal target market?	3,9	4,4	Z=2,6 **
2b. How professional would possible business associates be in your ideal market?	4,2	4,5	Z=2,3 *
3b. How high would the language barrier between you as a foreign investor and the people in your ideal market be?	3,9	4,7	Z=5,1 ***
4b. How advantageous would the demographic characteristics of the population of your ideal market be able to be to foreign investors?	4,0	4,3	Z=1,8 n.s.
5b. How similar are the cultures of foreign real estate investors and the culture of the people of your ideal target market?	3,1	3,6	Z=2,3 *

In addition to the inductive-statistical analysis of the scale values as such, it was also possible to analyse the differences between the two sub-groups' *ideal-actual-evaluations* concerning various relevant image items. These differences, which become quantifiable by means of the previously already described TROMMSDORFF-Model, are displayed in Tables 48 through 52.[864]

[862] Comments:
a. The poles for the statements are: 1 not at all beneficial, 5 very beneficial; 1 not at all professional, 5 very professional; 1 very high, 5 not at all high; 1 not at all advantageous, 5 very advantageous; 1 not at all similar, 5 very similar.
b. Additional descriptive-statistical values (median, dispersion) can be found above.
c. The Z-values derived from the U-test are absolute values (no separate specification of a positive/negative sign).
d.* p(α)<0.05 ** p(α)<0.01 *** p(α)<0.001. n.s.: Sub-group comparison without over-coincidental results.

[863] See comments concerning Table 46.

[864] For an improved clarity and understanding *actual-evaluations* were subtracted from *ideal-evaluations*, since these differences naturally have a positive sign, as values of *actual-evaluations* cannot exceed those of *ideal-evaluations*. Of course, the results of the inductive statistics (U-Tests) are congruent with the real-ideal-differences, which would have been calculated on the basis of the TROMMSDORFF-Model's exact formula.

It is important to note that numerically equal differences may have contextual different meanings. For example, the difference between a maximum *ideal-evaluation* (value 5) and a neutral *actual-evaluation* (value 3) surely leads to a different conclusion than the difference between a neutral *ideal-evaluation* (value 3) and a minimum *actual-evaluation* (value 1). Nevertheless, the results presented in Tables 48 through 52 are significant in delivering proof for the remarkable differences between the *ideal-actual-evaluations* of ego-involved and ego-detached real estate professionals.

Table 48: Comparison of the Ideal-Actual-Evaluations of Ego-Involved and Ego-Detached Real Estate Professionals Regarding Tanzania as a Potential Destination for FREI: Results of the Mann-Whitney-U-Test (Undirected Inductive Test/Two-Sided)[865]

Statements (Tanzania, actual-evaluation):	Mean (difference: ideal - actual) and Standard Deviation (s), Ego-Involved Sub-Group	Mean (difference: ideal - actual) and Standard Deviation (s), Ego-Detached Sub-Group	Result
1a. How attractive do you estimate Tanzania to be as a potential target market for foreign real estate investment?	0,0 (s=0,8)	2,4 (s=0,7)	Z=9,3 ***

Table 49: Comparison of the Ideal-Actual-Evaluations of Ego-Involved and Ego-Detached Real Estate Professionals Regarding Tanzania's Political Environment for FREI: Results of the Mann-Whitney-U-Test (Undirected Inductive Test/Two-Sided)[866]

Statements (Tanzania, actual-evaluation):	Mean (difference: ideal - actual) and Standard Deviation (s), Ego-Involved Sub-Group	Mean (difference: ideal - actual) and Standard Deviation (s), Ego-Detached Sub-Group	Result
1a. How beneficial for foreign real estate investors do you estimate the current political environment in Tanzania to be?	0,0 (s=0,9)	2,2 (s=1,0)	Z=8,4 ***
2a. How stable do you estimate the current political conditions in Tanzania to be?	0,4 (s=0,9)	2,3 (s=0,8)	Z=8,3 ***
3a. How limiting do you think are the current political restrictions for foreign real estate investors in Tanzania?	0,3 (s=0,9)	2,2 (s=1,0)	Z=8,0 ***
4a. On the whole, how corrupt do you view Tanzanian politicians and public authorities to be?	1,7 (s=1,3)	2,4 (s=0,8)	Z=3,1 **
5a. In your opinion, how likely is the possibility of expropriation of foreign-owned property and/or other negative political intervention in Tanzania?	0,3 (s=0,8)	2,5 (s=0,8)	Z=8,8 ***
6a. How predictable do you consider the future political climate in Tanzania to be?	0,7 (s=0,9)	2,2 (s=0,9)	Z=7,0 ***

[865] Comments:
a. The most positive poles are represented by the grade 5, the most negative poles by the grade 1. Correspondingly, the poles for this statement are: 1 not at all attractive, 5 very attractive. The *theoretically* possible maximum differences (ideal - actual) therefore amount to 4 (5-1) and –4 (1-5). For the reasons mentioned earlier, negative cases are practically not possible. This notice has to be taken into account for the following items as well.
b. The Z-values derived from the U-test are absolute values (no separate specification of a positive/negative sign).
c.* p(α)<0.05 ** p(α)<0.01 *** p(α)<0.001. n.s.: Sub-group comparison without over-coincidental results.

[866] Comments:
a. The poles for these statements are: 1 not at all beneficial, 5 very beneficial; 1 not at all stable, 5 very stable; 1 very limiting, 5 not at all limiting; 1 very corrupt, 5 not at all corrupt; 1 very likely, 5 not at all likely; 1 not at all predictable, 5 very predictable. The theoretically possible maximum differences (ideal - actual) therefore amount to 4 (5-1) and –4 (1-5).
b. The Z-values derived from the U-test are absolute values (no separate specification of a positive/negative sign).
c.* p(α)<0.05 ** p(α)<0.01 *** p(α)<0.001. n.s.: Sub-group comparison without over-coincidental results.

Table 50: Comparison of the Ideal-Actual-Evaluations of Ego-Involved and Ego-Detached Real Estate Professionals Regarding Tanzania's Real Estate Market Conditions for FREI: Results of the Mann-Whitney-U-Test (Undirected Inductive Test/Two-Sided)[867]

Statements (Tanzania, actual-evaluation):	Mean (difference: ideal - actual) and Standard Deviation (s), Ego-Involved Sub-Group	Mean (difference: ideal - actual) and Standard Deviation (s), Ego-Detached Sub-Group	Result
1a. How beneficial to foreign investors do you estimate market conditions of the Tanzanian real estate market to be?	0,3 (s=0,5)	2,0 (s=0,8)	Z=8,7 ***
2a. How attractive do you estimate the expected returns in the Tanzanian real estate market to be in relation to the existing risks?	0,2 (s=0,8)	1,7 (s=1,0)	Z=6,7 ***
3a. A mature real estate market is most notably exemplified by a wide spectrum of available real estate services, unrestricted access to market information, the existence of a real estate capital market and strong participation of foreign stakeholders. How mature do you think the Tanzanian real estate market is?	1,5 (s=1,1)	2,3 (s=0,8)	Z=3,9 ***
4a. How transparent do you deem the Tanzanian real estate market to be?	1,3 (s=1,2)	2,4 (s=0,8)	Z=5,2 ***
5a. How high do you estimate the growth potential of the Tanzanian real estate market to be?	0,1 (s=0,8)	0,2 (s=1,3)	Z=0,6 n.s.
6a. How high do you estimate the currency risk for foreign real estate investors to be in the Tanzanian real estate market?	0,7 (s=0,9)	2,2 (s=0,8)	Z=7,6 ***
7a. Bearing the assessment of the market as a potential investment destination in mind, how beneficial do you estimate the supply and demand fundamentals in the Tanzanian real estate market to be?	0,6 (s=0,9)	1,8 (s=0,9)	Z=6,1 ***

[867] Comments:
a. The poles for these statements are: 1 not at all beneficial, 5 very beneficial; 1 not at all attractive, 5 very attractive; 1 not at all mature, 5 very mature; 1 not at all transparent, 5 very transparent; 1 not at all high, 5 very high; 1 very high, 5 not at all high; 1 not at all beneficial, 5 very beneficial. The theoretically possible maximum differences (ideal - actual) therefore amount to 4 (5-1) and –4 (1-5).
b. The Z-values derived from the U-test are absolute values (no separate specification of a positive/negative sign).
c.* $p(\alpha)<0.05$ ** $p(\alpha)<0.01$ *** $p(\alpha)<0.001$. n.s.: Sub-group comparison without over-coincidental results.

Table 51: Comparison of the Ideal-Actual-Evaluations of Ego-Involved and Ego-Detached Real Estate Professionals Regarding Tanzania's Regulatory Framework for FREI: Results of the Mann-Whitney-U-Test (Undirected Inductive Test/Two-Sided)[868]

Statements (Tanzania, actual-evaluation):	Mean (difference: ideal - actual) and Standard Deviation (s), Ego-Involved Sub-Group	Mean (difference: ideal - actual) and Standard Deviation (s), Ego-Detached Sub-Group	Result
1a. How beneficial for foreign real estate investors do you estimate the existing regulatory framework in Tanzania to be?	0,6 (s=1,1)	2,4 (s=0,8)	Z=7,7 ***
2a. How easy would you estimate the acquisition of land to be for foreigners in Tanzania?	0,4 (s=1,6)	2,4 (s=0,9)	Z=6,9 ***
3a. How advantageous for foreign real estate investors do you estimate tax laws to be in Tanzania?	0,0 (s=0,7)	2,2 (s=1,0)	Z=8,7 ***
4a. How assertive do you view Tanzanian law to be?	0,7 (s=1,1)	2,6 (s=0,9)	Z=7,5 ***
5a. In general, how advantageous for foreign real estate investors do you estimate the laws, regulations and statutes to be in Tanzania relating to real estate investment (e.g. investment act, construction law, tenancy law, land law etc.)?	0,2 (s=0,9)	2,4 (s=0,9)	Z=8,8 ***

Table 52: Comparison of the Ideal-Actual-Evaluations of Ego-Involved and Ego-Detached Real Estate Professionals Regarding Tanzania's Socio-Cultural Environment for FREI: Results of the Mann-Whitney-U-Test (Undirected Inductive Test/Two-Sided)[869]

Statements (Tanzania, actual-evaluation):	Mean (difference: ideal - actual) and Standard Deviation (s), Ego-Involved Sub-Group	Mean (difference: ideal - actual) and Standard Deviation (s), Ego-Detached Sub-Group	Result
1a. How beneficial for foreign real estate investors do you estimate the existing socio-cultural environment in Tanzania to be?	0,1 (s=0,8)	1,7 (s=0,8)	Z=8,2 ***
2a. How professional do you think possible business associates are in Tanzania?	1,1 (s=1,1)	2,2 (s=0,8)	Z=5,0 ***
3a. How high do you think the language barrier is between you as a foreign investor and the people in Tanzania?	0,8 (s=1,1)	1,2 (s=1,0)	Z=2,0 *
4a. Bearing in mind the assessment of Tanzania as a potential target market for foreign real estate investment, to what extent do you think that the demographic characteristics of Tanzania are advantageous to you as an investor?	0,2 (s=1,1)	1,5 (s=0,9)	Z=6,6 ***
5a. How similar do you regard the cultures of Tanzania and of your home country to be?	0,9 (s=1,0)	2,1 (s=0,8)	Z=6,1 ***

[868] Comments:
a. The poles for these statements are: 1 not at all beneficial, 5 very beneficial; 1 not at all easy, 5 very easy; 1 not at all advantageous, 5 very advantageous; 1 not at all assertive, 5 very assertive; 1 not at all advantageous, 5 very advantageous. The theoretically possible maximum differences (ideal - actual) therefore amount to 4 (5-1) and –4 (1-5).
b. The Z-values derived from the U-test are absolute values (no separate specification of a positive/negative sign).
c.* $p(\alpha)<0.05$ ** $p(\alpha)<0.01$ *** $p(\alpha)<0.001$. n.s.: Sub-group comparison without over-coincidental results.

[869] Comments:
a. The poles for these statements are: 1 not at all beneficial, 5 very beneficial; 1 not at all professional, 5 very professional; 1 very high, 5 not at all high; 1 not at all advantageous, 5 very advantageous; 1 not at all similar, 5 very similar. The theoretically possible maximum differences (ideal - actual) therefore amount to 4 (5-1) and –4 (1-5).
b. The Z-values derived from the U-test are absolute values (no separate specification of a positive/negative sign).
c.* $p(\alpha)<0.05$ ** $p(\alpha)<0.01$ *** $p(\alpha)<0.001$. n.s.: Sub-group comparison without over-coincidental results.

5.2.3.3 PCA Results Concerning Tanzania's Image as a Potential Destination for Foreign Real Estate Investment

Tables 53 through 56 show the PCA results concerning the evaluations of Tanzania as a potential destination for FREI and the conceptions of an ideal target market from the view of both sub-groups. Besides the factor structure, the tables also present the respective explained variances, the eigenvalues determined as well as the loading of the items. The explained variances were found to be high, whereas the relation between the number of original items and the final number of factors seems reasonable. The results of the PCAs confirm that ego-detached survey participants almost displayed an ideal congruence between the theoretically derived survey structure (rubrics B through E of the questionnaire, namely *political environment*, *real estate market conditions*, *regulatory framework* and *socio-cultural environment*) and the empirical factor structure[870] regarding their evaluation of Tanzania as well as their conception of an ideal target market for FREI. The respective empirical factors thus largely reflected the theoretically relevant categories.

Regarding ego-involved survey participants, an inhomogeneous, fragmented and altogether less easily interpretable factor structure was identified. At least rubric D of the questionnaire, namely the image dimension *regulatory framework*, could relatively clearly be identified for the ego-involved sub-group regarding their *actual-evaluations* of Tanzania.[871] Other theoretical structural levels fragmented into the various factors. The identified fragmentation, however, did not display a chaotic pattern. In fact, it mostly occurred in a dichotomous manner, i.e. it only occurred relating to items with a loading of >0.50 and no mixture of items from three or four, but rather from generally two structural levels was apparent.[872] Therefore, by means of the PCA, it was possible to shed light on the diverging modes of perception existent within the two sub-groups. These discrepancies were identified on both *actual* and *ideal* level.

[870] See Tables 54 and 56.
[871] See Table 53.
[872] See Tables 53 and 55.

Table 53: PCA Results on the Evaluation of Tanzania's Market Conditions and Framework for FREI from the View of Ego-Involved Real Estate Professionals: Presentation of the Factor Structure and Characteristic Factor Values[873]

Factor (explained variance in %, eigenvalue):	Items (statements)	Loading of the items
1 (24,9% 5,7)	B6a. How predictable do you consider the future political climate in Tanzania to be?	0,78
	C2a. How attractive do you estimate the expected returns in the Tanzanian real estate market to be in relation to the existing risks?	0,71
	B1a. How beneficial for foreign real estate investors do you estimate the current political environment in Tanzania to be?	0,70
	C1a. How beneficial to foreign investors do you estimate market conditions of the Tanzanian real estate market to be?	0,68
	B2a. How stable do you estimate the current political conditions in Tanzania to be?	0,56
	B4a. On the whole, how corrupt do you view Tanzanian politicians and public authorities to be?	0,54
	D4a. How assertive do you view Tanzanian law to be?	0,44
2 (9,8% 2,3)	D5a. In general, how advantageous for foreign real estate investors do you estimate the laws, regulations and statutes to be in Tanzania relating to real estate investment (e.g. investment act, construction law, tenancy law, land law etc.)?	0,81
	D3a. How advantageous for foreign real estate investors do you estimate tax laws to be in Tanzania?	0,76
	D2a. How easy would you estimate the acquisition of land to be for foreigners in Tanzania?	0,70
	D1a. How beneficial for foreign real estate investors do you estimate the existing regulatory framework in Tanzania to be?	0,44
3 (9,0% 2,1)	C4a. How transparent do you deem the Tanzanian real estate market to be?	0,83
	C3a. A mature real estate market is most notably exemplified by a wide spectrum of available real estate services, unrestricted access to market information, the existence of a real estate capital market and strong participation of foreign stakeholders. How mature do you think the Tanzanian real estate market is?	0,55
4 (7,3% 1,7)	E3a. How high do you think the language barrier is between you as a foreign investor and the people in Tanzania?	0,88
	E2a. How professional do you think possible business associates are in Tanzania?	0,67
5 (6,9% 1,6)	B3a. How limiting do you think are the current political restrictions for foreign real estate investors in Tanzania?	0,90
	E1a. How beneficial for foreign real estate investors do you estimate the existing socio-cultural environment in Tanzania to be?	0,52
	E5a. How similar do you regard the cultures of Tanzania and of your home country to be?	-0,41
6 (5,2% 1,2)	B5a. In your opinion, how likely is the possibility of expropriation of foreign-owned property and/or other negative political intervention in Tanzania?	0,77
	E4a. Bearing in mind the assessment of Tanzania as a potential target market for foreign real estate investment, to what extent do you think that the demographic characteristics of Tanzania are advantageous to you as an investor?	0,47
7 (4,8% 1,1)	C7a. Bearing the assessment of the market as a potential investment destination in mind, how beneficial do you estimate the supply and demand fundamentals in the Tanzanian real estate market to be?	0,83
8 (4,6% >1,0)	C5a. How high do you estimate the growth potential of the Tanzanian real estate market to be?	0,77
	C6a. How high do you estimate the currency risk for foreign real estate investors to be in the Tanzanian real estate market?	0,71

[873] Note: The decision to stop the extracting of factors was based on the *KAISER-GUTTMAN-criterion*. The total explained variance amounted to 72.5% (rounded).

Table 54: PCA Results on the Evaluation of Tanzania's Market Conditions and Framework for FREI from the View of Ego-Detached Real Estate Professionals: Presentation of the Factor Structure and Characteristic Factor Values[874]

Factor (explained variance in %, eigenvalue):	Items (statements)	Loading of the items
1 (40,6% 9,3)	D5a. In general, how advantageous for foreign real estate investors do you estimate the laws, regulations and statutes to be in Tanzania relating to real estate investment (e.g. investment act, construction law, tenancy law, land law etc.)?	0,86
	D1a. How beneficial for foreign real estate investors do you estimate the existing regulatory framework in Tanzania to be?	0,80
	D3a. How advantageous for foreign real estate investors do you estimate tax laws to be in Tanzania?	0,78
	D4a. How assertive do you view Tanzanian law to be?	0,76
	D2a. How easy would you estimate the acquisition of land to be for foreigners in Tanzania?	0,73
	C7a. Bearing the assessment of the market as a potential investment destination in mind, how beneficial do you estimate the supply and demand fundamentals in the Tanzanian real estate market to be?	0,47
2 (10,0% 2,3)	B5a. In your opinion, how likely is the possibility of expropriation of foreign-owned property and/or other negative political intervention in Tanzania?	0,87
	B2a. How stable do you estimate the current political conditions in Tanzania to be?	0,81
	B1a. How beneficial for foreign real estate investors do you estimate the current political environment in Tanzania to be?	0,81
	B3a. How limiting do you think are the current political restrictions for foreign real estate investors in Tanzania?	0,76
	B6a. How predictable do you consider the future political climate in Tanzania to be?	0,74
3 (8,0% 1,8)	C3a. A mature real estate market is most notably exemplified by a wide spectrum of available real estate services, unrestricted access to market information, the existence of a real estate capital market and strong participation of foreign stakeholders. How mature do you think the Tanzanian real estate market is?	0,84
	C6a. How high do you estimate the currency risk for foreign real estate investors to be in the Tanzanian real estate market?	0,83
	C4a. How transparent do you deem the Tanzanian real estate market to be?	0,72
	C1a. How beneficial to foreign investors do you estimate market conditions of the Tanzanian real estate market to be?	0,69
	C2a. How attractive do you estimate the expected returns in the Tanzanian real estate market to be in relation to the existing risks?	0,58
4 (5,9% 1,4)	E1a. How beneficial for foreign real estate investors do you estimate the existing socio-cultural environment in Tanzania to be?	0,76
	E4a. Bearing in mind the assessment of Tanzania as a potential target market for foreign real estate investment, to what extent do you think that the demographic characteristics of Tanzania are advantageous to you as an investor?	0,75
	E3a. How high do you think the language barrier is between you as a foreign investor and the people in Tanzania?	0,66
	E2a. How professional do you think possible business associates are in Tanzania?	0,54
5 (5,0% 1,1)	B4a. On the whole, how corrupt do you view Tanzanian politicians and public authorities to be?	0,66
	E5a. How similar do you regard the cultures of Tanzania and of your home country to be?	-0,40
6 (4,6% 1,1)	C5a. How high do you estimate the growth potential of the Tanzanian real estate market to be?	0,87

[874] Note: The decision to stop the extracting of factors was based on the *KAISER-GUTTMAN-criterion*. The total explained variance amounted to 74.1% (rounded).

Table 55: PCA Results on the Evaluation of an Ideal Target Market's Conditions and Framework for FREI from the View of Ego-Involved Real Estate Professionals: Presentation of the Factor Structure and Characteristic Factor Values[875]

Factor (explained variance in %, eigenvalue):	Items (statements)	Loading of the items
1 (36,4% 8,4)	E4b. Bearing in mind the assessment of Tanzania as a potential target market for foreign real estate investment, to what extent do you think that the demographic characteristics of Tanzania are advantageous to you as an investor?	0,80
	E1b. How beneficial for foreign real estate investors do you estimate the existing socio-cultural environment in Tanzania to be?	0,78
	E3b. How high do you think the language barrier is between you as a foreign investor and the people in Tanzania?	0,68
	D1b. How beneficial for foreign real estate investors do you estimate the existing regulatory framework in Tanzania to be?	0,63
	E2b. How professional do you think possible business associates are in Tanzania?	0,61
	D2b. How easy would you estimate the acquisition of land to be for foreigners in Tanzania?	0,60
	B2b. How stable do you estimate the current political conditions in Tanzania to be?	0,40
2 (8,5% 2,0)	C3b. How mature do you think the Tanzanian real estate market is?	0,84
	C4b. How transparent do you deem the Tanzanian real estate market to be?	0,73
	C7b. Bearing the assessment of the market as a potential investment destination in mind, how beneficial do you estimate the supply and demand fundamentals in the Tanzanian real estate market to be?	0,61
3 (7,6% 1,7)	B3b. How limiting do you think are the current political restrictions for foreign real estate investors in Tanzania?	0,87
	C1b. How beneficial to foreign investors do you estimate market conditions of the Tanzanian real estate market to be?	0,54
	D3b. How advantageous for foreign real estate investors do you estimate tax laws to be in Tanzania?	0,48
4 (6,8% 1,6)	C2b. How attractive do you estimate the expected returns in the Tanzanian real estate market to be in relation to the existing risks?	0,81
	D5b. In general, how advantageous for foreign real estate investors do you estimate the laws, regulations and statutes to be in Tanzania relating to real estate investment (e.g. investment act, construction law, tenancy law, land law etc.)?	0,60
	B1b. How beneficial for foreign real estate investors do you estimate the current political environment in Tanzania to be?	0,40
5 (5,4% 1,3)	C5b. How high do you estimate the growth potential of the Tanzanian real estate market to be?	0,76
	D4b. How assertive do you view Tanzanian law to be?	0,68
	B4b. On the whole, how corrupt do you view Tanzanian politicians and public authorities to be?	0,57
6 (4,7% 1,1)	E5b. How similar do you regard the cultures of Tanzania and of your home country to be?	0,87
	C6b. How high do you estimate the currency risk for foreign real estate investors to be in the Tanzanian real estate market?	0,44
7 (4,4% >1,0)	B5b. In your opinion, how likely is the possibility of expropriation of foreign-owned property and/or other negative political intervention in Tanzania?	0,86
	B6b. How predictable do you consider the future political climate in Tanzania to be?	0,55

[875] Note: The decision to stop the extracting of factors was based on the *KAISER-GUTTMAN-criterion*. The total explained variance amounted to 73.8% (rounded).

Table 56: PCA Results on the Evaluation of an Ideal Target Market's Conditions and Framework for FREI from the View of Ego-Detached Real Estate Professionals: Presentation of the Factor Structure and Characteristic Factor Values[876]

Factor (explained variance in %, eigenvalue):	Items (statements)	Loading of the items
1 (38,5% 8,9)	D2a. How easy would you estimate the acquisition of land to be for foreigners in Tanzania?	0,88
	D1a. How beneficial for foreign real estate investors do you estimate the existing regulatory framework in Tanzania to be?	0,87
	D3a. How advantageous for foreign real estate investors do you estimate tax laws to be in Tanzania?	0,86
	D5a. In general, how advantageous for foreign real estate investors do you estimate the laws, regulations and statutes to be in Tanzania relating to real estate investment (e.g. investment act, construction law, tenancy law, land law etc.)?	0,75
	D4a. How assertive do you view Tanzanian law to be?	0,73
2 (9,1% 2,1)	C1a. How beneficial to foreign investors do you estimate market conditions of the Tanzanian real estate market to be?	0,89
	C6a. How high do you estimate the currency risk for foreign real estate investors to be in the Tanzanian real estate market?	0,80
	C4a. How transparent do you deem the Tanzanian real estate market to be?	0,73
	C3a. How mature do you think the Tanzanian real estate market is?	0,72
	C7a. Bearing the assessment of the market as a potential investment destination in mind, how beneficial do you estimate the supply and demand fundamentals in the Tanzanian real estate market to be?	0,66
3 (8,0% 1,8)	B2a. How stable do you estimate the current political conditions in Tanzania to be?	0,72
	B1a. How beneficial for foreign real estate investors do you estimate the current political environment in Tanzania to be?	0,69
	B4a. On the whole, how corrupt do you view Tanzanian politicians and public authorities to be?	0,67
	B6a. How predictable do you consider the future political climate in Tanzania to be?	0,67
	B3a. How limiting do you think are the current political restrictions for foreign real estate investors in Tanzania?	0,59
	B5a. In your opinion, how likely is the possibility of expropriation of foreign-owned property and/or other negative political intervention in Tanzania?	0,48
4 (6,5% 1,5)	E3a. How high do you think the language barrier is between you as a foreign investor and the people in Tanzania?	0,78
	E2a. How professional do you think possible business associates are in Tanzania?	0,77
	E1a. How beneficial for foreign real estate investors do you estimate the existing socio-cultural environment in Tanzania to be?	0,60
	E4a. Bearing in mind the assessment of Tanzania as a potential target market for foreign real estate investment, to what extent do you think that the demographic characteristics of Tanzania are advantageous to you as an investor?	0,59
5 (5,8% 1,3)	C2a. How attractive do you estimate the expected returns in the Tanzanian real estate market to be in relation to the existing risks?	0,78
6 (4,7% 1,1)	C5a. How high do you estimate the growth potential of the Tanzanian real estate market to be?	0,87
	E5a. How similar do you regard the cultures of Tanzania and of your home country to be?	0,46

[876] Note: The decision to stop the extracting of factors was based on the *KAISER-GUTTMAN-criterion*. The total explained variance amounted to 72.5% (rounded).

5.2.4 Empirical Results on the Importance Weighting of Criteria Relevant for the Evaluation of a Country's Suitability for Foreign Real Estate Investment

Within section III of the questionnaire all survey participants were asked to weight several criteria according to their relevance for the participants' evaluation of a region in terms of its suitability for FREI. The following descriptive- and inductive-statistical analysis is thus based on subjective importance weightings attributed to criteria by both ego-involved and ego-detached real estate professionals. The criteria questioned accord to the 19 image items used for measuring Tanzania's image as a potential destination for FREI, which are illustrated in Figure 16.

5.2.4.1 Descriptive-Statistical Analysis of the Importance Weighting

The results of the importance weightings of the total random test sample as well as of both sub-groups are displayed in the following Tables 57, 58 and 59. The results show that a number of significant differences between the sub-groups can be identified already on a descriptive level. This especially applies to the criteria *eligibility of a country's demographic characteristics*, *few cultural differences* and *maturity of the real estate market*. Interestingly, these criteria were assigned a noticeably higher importance by respondents with direct ties to Tanzania. The items *low probability of expropriation of foreign-owned property and/or other possible negative political intervention* and *few difficulties for foreigners to acquire and own land* were assigned a higher importance by ego-detached respondents.[877]

For most items, however, no significant differences between the two sub-groups' importance weightings became visible. This result basically confirms the findings stated in the earlier course of this study, where it was observed that respondents from both sub-groups described the requirements of an investment-worthy target market in very similar, rational terms. In fact, despite their statistically undisputed differences, the two sub-groups share a comparable conception of the ideal composition of a target market for FREI. This is also reflected in the two sub-groups' importance weighting of the criteria regarded as relevant for the evaluation of a country's suitability for FREI. By contrast, a wide gap between ego-involved and ego-detached respondents' *actual-evaluations* of Tanzania's attractiveness as a destination for FREI is readily identifiable. The above mentioned weighting focus of ego-detached real estate professionals on the items *low probability of expropriation of foreign-owned property and/or other possible negative political intervention* and *few difficulties for foreigners to acquire and own land* is presumed to be an intensive reaction to the high risk, which they associate with the Tanzanian real estate market.

[877] See Tables 58 and 59.

Table 57: Importance Weighting of Criteria Relevant for the Evaluation of a Country's Suitability for FREI from the View of Ego-Involved and Ego-Detached Real Estate Professionals (Total Random Test Sample): Presentation of the Descriptive-Statistical Parameters[878]

Criteria:	N	Very important 5	4	3	2	Not at all important 1	Mean (s)
1. Political stability	117	71,8%	26,5%	1,7%	0,0%	0,0%	4,7 (0,5)
2. Assertiveness of law	116	56,9%	34,5%	8,6%	0,0%	0,0%	4,5 (0,7)
3. Low level of currency risk	117	37,6%	35,0%	25,6%	1,7%	0,0%	4,1 (0,8)
4. Eligibility of the country's demographic characteristics	117	17,9%	35,9%	35,0%	5,1%	6,0%	3,5 (1,0)
5. Low level of restrictions for foreign investors	116	42,2%	39,7%	12,1%	4,3%	1,7%	4,2 (0,9)
6. Attractiveness of expected returns in relation to existing risks	116	67,2%	27,6%	5,2%	0,0%	0,0%	4,6 (0,6)
7. Few cultural differences	117	9,4%	12,8%	39,3%	28,2%	10,3%	2,8 (1,1)
8. Attractiveness of taxation laws	117	41,9%	40,2%	16,2%	1,7%	0,0%	4,2 (0,8)
9. Attractiveness of other laws, regulations and statutes relating to real estate investment	116	45,7%	44,0%	9,5%	0,9%	0,0%	4,3 (0,7)
10. Low level of corruption among politicians and public authorities	116	60,3%	22,4%	13,8%	1,7%	1,7%	4,4 (0,9)
11. Maturity of the real estate market	117	25,6%	23,9%	40,2%	8,5%	1,7%	3,6 (1,0)
12. Low probability of expropriation of foreign-owned property and/or other possible negative political intervention	117	59,8%	23,1%	15,4%	1,7%	0,0%	4,4 (0,8)
13. Few difficulties for foreigners to acquire and own land	116	50,9%	33,6%	7,8%	6,9%	0,9%	4,3 (0,9)
14. High level of professionalism in doing business	116	39,7%	34,5%	22,4%	3,4%	0,0%	4,1 (0,9)
15. Transparency of the real estate market	117	41,0%	44,4%	12,8%	1,7%	0,0%	4,2 (0,7)
16. Real estate market growth potential	116	47,4%	45,7%	6,0%	0,9%	0,0%	4,4 (0,6)
17. Existence of good supply and demand fundamentals	116	40,5%	44,0%	15,5%	0,0%	0,0%	4,3 (0,7)
18. Low level of language barrier	117	20,5%	29,1%	36,8%	10,3%	3,4%	3,5 (1,0)
19. Predictability of future political climate	116	42,2%	44,0%	12,9%	0,0%	0,9%	4,3 (0,8)
20. Other (please name)	35	40,0%	34,3%	17,1%	5,7%	2,9%	4,0 (1,0)
21. More (please name)	20	50,0%	15,0%	30,0%	0,0%	5,0%	4,1 (1,1)

[878] See comments concerning Table 11.

Table 58: Importance Weighting of Criteria Relevant for the Evaluation of a Country's Suitability for FREI from the View of Ego-Involved Real Estate Professionals: Presentation of the Descriptive-Statistical Parameters[879]

Criteria:	N	Very important 5	4	3	2	Not at all important 1	Mean (s)
1. Political stability	57	73,7%	24,6%	1,8%	0,0%	0,0%	4,7 (0,5)
2. Assertiveness of law	56	39,3%	50,0%	10,7%	0,0%	0,0%	4,3 (0,7)
3. Low level of currency risk	57	47,4%	28,1%	24,6%	0,0%	0,0%	4,2 (0,8)
4. Eligibility of the country's demographic characteristics	57	31,6%	45,6%	21,1%	1,8%	0,0%	4,1 (0,8)
5. Low level of restrictions for foreign investors	56	30,4%	39,3%	21,4%	5,4%	3,6%	3,9 (1,0)
6. Attractiveness of expected returns in relation to existing risks	56	57,1%	39,3%	3,6%	0,0%	0,0%	4,5 (0,6)
7. Few cultural differences	57	17,5%	15,8%	36,8%	22,8%	7,0%	3,1 (1,2)
8. Attractiveness of taxation laws	57	43,9%	45,6%	8,8%	1,8%	0,0%	4,3 (0,7)
9. Attractiveness of other laws, regulations and statutes relating to real estate investment	57	49,1%	42,1%	7,0%	1,8%	0,0%	4,4 (0,7)
10. Low level of corruption among politicians and public authorities	56	62,3%	19,6%	14,3%	0,0%	3,6%	4,4 (1,0)
11. Maturity of the real estate market	57	43,9%	28,1%	26,3%	1,8%	0,0%	4,1 (0,9)
12. Low probability of expropriation of foreign-owned property and/or other possible negative political intervention	57	31,6%	38,9%	26,3%	3,5%	0,0%	4,0 (0,9)
13. Few difficulties for foreigners to acquire and own land	56	33,9%	41,1%	8,9%	14,3%	1,8%	3,9 (1,1)
14. High level of professionalism in doing business	56	48,2%	33,9%	14,3%	3,6%	0,0%	4,3 (0,8)
15. Transparency of the real estate market	57	49,1%	35,1%	14,0%	1,8%	0,0%	4,3 (0,8)
16. Real estate market growth potential	57	49,1%	43,9%	5,3%	1,8%	0,0%	4,4 (0,7)
17. Existence of good supply and demand fundamentals	56	46,4%	46,4%	7,1%	0,0%	0,0%	4,4 (0,6)
18. Low level of language barrier	57	24,6%	33,3%	31,6%	7,0%	3,5%	3,7 (1,0)
19. Predictability of future political climate	57	47,4%	43,9%	7,0%	0,0%	1,8%	4,4 (0,8)
20. Other (please name)	24	29,2%	33,3%	25,0%	8,3%	4,2%	3,8 (1,1)
21. More (please name)	16	37,5%	18,8%	37,5%	0,0%	6,3%	3,8 (1,2)

[879] See comments concerning Table 11.

Table 59: Importance Weighting of Criteria Relevant for the Evaluation of a Country's Suitability for FREI from the View of Ego-Detached Real Estate Professionals: Presentation of the Descriptive-Statistical Parameters[880]

Criteria:	N	Very important 5	4	3	2	Not at all important 1	Mean (s)
1. Political stability	60	70,0%	28,3%	1,7%	0,0%	0,0%	4,7 (0,5)
2. Assertiveness of law	60	73,3%	20,0%	6,7%	0,0%	0,0%	4,7 (0,6)
3. Low level of currency risk	60	28,3%	41,7%	26,7%	3,3%	0,0%	4,0 (0,8)
4. Eligibility of the country's demographic characteristics	60	5,0%	26,7%	48,3%	8,3%	11,7%	3,1 (1,0)
5. Low level of restrictions for foreign investors	60	53,3%	40,0%	3,3%	3,3%	0,0%	4,4 (0,7)
6. Attractiveness of expected returns in relation to existing risks	60	76,7%	16,7%	6,7%	0,0%	0,0%	4,7 (0,6)
7. Few cultural differences	60	1,7%	10,0%	41,7%	33,3%	13,3%	2,5 (0,9)
8. Attractiveness of taxation laws	60	40,0%	35,0%	23,3%	1,7%	0,0%	4,1 (0,8)
9. Attractiveness of other laws, regulations and statutes relating to real estate investment (e.g. investment act, construction law, tenancy law, land law etc.)	59	42,4%	45,8%	11,9%	0,0%	0,0%	4,3 (0,7)
10. Low level of corruption among politicians and public authorities	60	58,3%	25,0%	13,3%	3,3%	0,0%	4,4 (0,8)
11. Maturity of the real estate market	60	8,3%	20,0%	53,3%	15,0%	3,3%	3,2 (0,9)
12. Low probability of expropriation of foreign-owned property and/or other possible negative political intervention	60	86,7%	8,3%	5,0%	0,0%	0,0%	4,8 (0,5)
13. Few difficulties for foreigners to acquire and own land	60	66,7%	26,7%	6,7%	0,0%	0,0%	4,6 (0,6)
14. High level of professionalism in doing business	60	31,7%	35,0%	30,0%	3,3%	0,0%	4,0 (0,9)
15. Transparency of the real estate market	60	33,3%	53,3%	11,7%	1,7%	0,0%	4,2 (0,7)
16. Real estate market growth potential	59	45,8%	47,5%	6,8%	0,0%	0,0%	4,4 (0,6)
17. Existence of good supply and demand fundamentals	60	35,0%	41,7%	23,3%	0,0%	0,0%	4,1 (0,8)
18. Low level of language barrier	60	16,7%	25,0%	41,7%	13,3%	3,3%	3,4 (1,0)
19. Predictability of future political climate	59	37,3%	44,1%	18,6%	0,0%	0,0%	4,2 (0,7)
20. Other (please name)	11	63,6%	36,4%	0,0%	0,0%	0,0%	4,6 (0,5)
21. More (please name)	4[881]	100,0%	0,0%	0,0%	0,0%	0,0%	5,0 (0,0)

[880] See comments concerning Table 11.
[881] Due to the fact that only 4 responses were available, it was refrained from presenting the median.

The individual results derived from the responses concerning items 20 and 21 of subject III of the questionnaire[882], in which participants were asked to name any possible other criteria regarded as relevant for determining the suitability of a target market for FREI, are not accounted for in the following inductive-statistical analysis. All in all, few additional criteria were listed here, which might indicate that the items listed were regarded as sufficient for the majority of the respondents. Real estate professionals with direct ties to Tanzania listed 26 additional criteria in total, namely *infrastructural aspects*, including *communication networks* and *the availability of adequate construction material and land* (8 comments), *aspects of local and regional purchasing power* (4 comments), *aspects of the real estate market's pricing structure*, including *access to finance* (4 comments), *demographic parameters*[883] (2 comments) and various other comments, which were partly covered by the items already listed (8 comments). Ego-detached real estate professionals only listed 4 additional criteria, namely *human rights*, *the maturity of local financial markets*, *ecological sustainability* as well as *quality of local partners*.

5.2.4.2 Inductive-Statistical Analysis of the Importance Weighting

The inductive-statistical comparison of both sub-groups' importance weightings of criteria regarded as relevant for the evaluation of a country`s suitability for FREI is displayed in Table 60. Besides the discrepancies between the two sub-groups already identified on a descriptive level (*eligibility of the country's demographic characteristics*, *few cultural differences*, *maturity of the real estate market*, *low probability of expropriation of foreign-owned property and/or other possible negative political intervention*, *few difficulties for foreigners to acquire and own land*), more over-coincidental differences became visible. Hereby, criteria such as *assertiveness of law*, *low level of restrictions for foreign investors* and *attractiveness of expected returns in relation to existing risks* were considered as more important by ego-detached respondents, whereas the item *high level of professionalism in doing business* received a higher weighting from ego-involved respondents.

Nonetheless, it is important to note that no significant discrepancies were found for the majority of the criteria (items). Moreover, it must be taken into account that the discrepancies between the two sub-groups' importance weightings were far less substantial than the discrepancies between the sub-groups' *actual-evaluations* of the Tanzanian real estate market. Additional factor-analytic treatment of the data structure therefore seemed unnecessary.

[882] See Appendix 1.
[883] This aspect was, at least partially, covered by item 4 of the questionnaire.

Table 60: Comparison of Ego-Involved and Ego-Detached Real Estate Professionals' Importance Weightings of Criteria Relevant for the Evaluation of a Country's Suitability for FREI: Results of the Mann-Whitney-U-Test (Undirected Inductive Test/Two-Sided)[884]

Criteria:	Scale Mean, Ego-Involved Sub-Group	Scale Mean, Ego-Detached Sub-Group	Result
1. Political stability	4,7	4,7	Z=0,4 n.s.
2. Assertiveness of law	4,3	4,7	Z=3,5 ***
3. Low level of currency risk	4,2	4,0	Z=1,7 n.s.
4. Eligibility of demographic characteristics	4,1	3,1	Z=5,4 ***
5. Low level of restrictions for foreign investors	3,9	4,4	Z=3,2 **
6. Attractiveness of expected returns in relation to existing risks	4,5	4,7	Z=2,0 *
7. Few cultural differences	3,1	2,5	Z=2,8 **
8. Attractiveness of taxation laws	4,3	4,1	Z=1,1 n.s.
9. Attractiveness of other laws, regulations and statutes relating to real estate investment	4,4	4,3	Z=0,8 n.s.
10. Low level of corruption among politicians and public authorities	4,4	4,4	Z=0,3 n.s.
11. Maturity of the real estate market	4,1	3,2	Z=5,3 ***
12. Low probability of expropriation of foreign-owned property and/or other possible negative political intervention	4,0	4,8	Z=5,9 ***
13. Few difficulties for foreigners to acquire and own land	3,9	4,6	Z=3,8 ***
14. High level of professionalism in doing business	4,3	4,0	Z=2,1 *
15. Transparency of the real estate market	4,3	4,2	Z=1,2 n.s.
16. Real estate market growth potential	4,4	4,4	Z=0,3 n.s.
17. Existence of good supply and demand fundamentals	4,4	4,1	Z=1,8 n.s.
18. Low level of language barrier	3,7	3,4	Z=1,7 n.s.
19. Predictability of future political climate	4,4	4,2	Z=1,4 n.s.

5.2.5 Examination of the Existence of a Halo Effect

When applying concepts dealing with *halo*, which has been thoroughly examined and frequently validated within image and attitude research, to the issue of the present study, it has to be considered as possible that - under certain conditions (see below) - a general or preliminary impression of Tanzania exerts influence on the evaluation of individual components of the country's real estate market. Thus, Tanzania's general image, namely the association arising when thinking about the country, was assumed to influence the evaluation of its attractiveness for FREI in a verifiable manner. According to current concepts, this causality is mostly valid for respondents, who have no refined knowledge, factual experience or any other kind of familiarity with regard to the corresponding image object, in this case Tanzania.

For the verification of this hypothetic structure, the general image was operationalised in an additive manner[885] by means of items referring to various country facets, which were inquired

[884] Comments:
a. Presented on a scale from 1 (not at all important) to 5 (very important).
b. Additional descriptive-statistical values (median, dispersion) can be found above.
c. The Z-values derived from the U-test are absolute values (no separate specification of a positive/negative sign).
d.* p(α)<0.05 ** p(α)<0.01 *** p(α)<0.001. n.s.: Sub-group comparison without over-coincidental results.
e. Items 20 and 21 were not included within the inductive-statistical analysis, due to the relatively small number of collected responses concerning these items.

within the first sections of the questionnaire (subject I, A). This operationalisation was carried out by means of the items A3, A7, A8, A11 and A15.[886] The applied items cover both *economic-technical* attributes of the country as well as aspects of its *modernity*. Moreover, according to the results of the PCAs, the loadings of the mentioned items pointed to a similar conceptualised main factor within both sub-groups.[887] In the case of ego-detached participants, this general impression of Tanzania was assumed to fulfil a *trigger function* (in the sense of investor sentiment) with regard to the sub-group's attitude towards distinguishable investment-relevant components (image dimensions) of the Tanzanian real estate market. These individual dimensions, namely *the political environment*, *real estate market conditions*, *the regulatory framework* as well as *the socio-cultural environment*, were again defined in an additive manner for the calculations, depending on the corresponding rubrics of the questionnaire (subject II, rubrics B[888] to E, *actual-evaluations*).

From a measurement theoretical perspective, this measure did not involve any problems for ego-detached survey participants, as the individual components or the rubrics B to E were clearly reflected within the factor structure of the PCA.[889] This congruence between factor structure and empirical responses was less evident for ego-involved real estate professionals, whereas the formation of additive scores was still considered as being conditionally justified.[890]

Based on the above mentioned measurement theoretical aspects, the following causal values (expressed by means of usual *Pearson-R*) between Tanzania's general image and the components (image dimensions) of the Tanzanian real estate market were determined for both ego-involved and ego-detached respondents:[891]

[885] This procedure was considered adequate, as the conditions for the validity of the interval scale approximation as well as the conditions for sufficiently high inter-correlations of these items were fulfilled. Concerning the inter-correlations, a *Cronbach*'s α of 0.87 for the participant group without, and a *Cronbach*'s α of 0.82 for the participant group with ties to Tanzania was determined in this context with regard to the internal consistency. These consistency values can be regarded as very high. However, it has to be taken into account that the statistical interpretation of the consistency values determined according to CRONBACH is lastly dependent on conventions. Values <0.50 usually point to a non-consistency, whereas values >0.70 point to a clear consistency. However, this parameter is also dependent on the number of items. It is generally higher, if the number of items is high. Since the additive procedures were based on a relatively low number of items (5 to 7 items), an appropriate and usable *Cronbach*'s α coefficient is considered to range in the scale of values >0.60 (see LANCE/BUTTS/MICHELS (2006), pp. 202f.).

[886] See Appendix 1.

[887] Dominant key factor with explained variances of 18.5% and 22.3% in both groups. See section 5.2.1.3.

[888] Rubric A represented a single item (*general attractiveness of the Tanzanian real estate market*). Therefore, no additional procedures were possible.

[889] See section 5.2.3.3. For this sub-group, the respective *Cronbach*'s α for the four additive components B to E varied between 0.72 and 0.90.

[890] Cronbach's α coefficient amounted to 0.58 (political environment), 0.63 (socio-cultural environment), 0.67 (real estate market conditions) and 0.73 (regulatory framework).

[891] Comment: * p(α)<0.05 ** p(α)<0.01 *** p(α)<0.001. n.s.: no significant relation.

	Ego-Detached	Ego-Involved
General Attractiveness	0.23*	0.10 n.s.
Political Environment	0.67***	0.00 n.s.
Real Estate Market Conditions	0.47***	0.24*
Regulatory Framework	0.54***	0.01 n.s.
Socio-Cultural Environment	0.40***	-0.11 n.s.

The causal values between the general attractiveness of the Tanzanian real estate market as a potential destination for FREI and the four components (image dimensions) of this market were determined as follows:[892]

	Ego-Detached	Ego-Involved
Political Environment	0.49***	0.47***
Real Estate Market Conditions	0.52***	0.55***
Regulatory Framework	0.38**	0.26*
Socio-Cultural Environent	0.22*	0.17 n.s.

The data structure clearly shows that ego-detached respondents transferred their negatively charged general image of Tanzania in an equal and also intensive manner onto their evaluations of all distinguishable facets of the Tanzanian real estate market. This process of causal attribution, undoubtedly interpretable as investor sentiment, was identified within the evaluations of every component of the Tanzanian real estate market assessed within the questionnaire. By contrast, such an image transfer was not carried out by those survey participants with professional ties to Tanzania, whereas to a small extent a positive linkage between their general image and their evaluation of the conditions on the Tanzanian real estate market was determined. In light of the positive correlation existent in both sub-groups between the respondents' evaluations of Tanzania's general attractiveness as a potential destination for FREI and the evaluations of the market's individual components, it can be confirmed that, independent of an influence exerted by a general image of Tanzania, the Tanzanian real estate market was perceived in a rather rectified manner.[893]

In addition, it was examined whether the *actual-evaluations* of the image dimensions, namely *the political environment*, *real estate market conditions*, *the regulatory framework* and *the socio-cultural environment* in general (first questions of the respective rubrics)[894], exerted influence in form of a multiple halo effect onto the evaluations of the corresponding subordinated image

[892] Comment: * p(α)<0.05 ** p(α)<0.01 *** p(α)<0.001. n.s.: no significant relation.
[893] In the case, for example, of a positive evaluation of Tanzania's general attractiveness as a potential destination for FREI, this positive result was principally combined with (rather) positive evaluations of the market's individual components. Vice versa, it can be stated that negative evaluation results concerning Tanzania's attractiveness as a target market were combined with rather negative evaluations of the market's individual components. This pattern, which was logically comprehensible and conclusive per se, was valid for both sub-groups. The existence of this pattern was identifiable irrespective of a transfer of the country's general image onto sub-ordinated components as it was visible for ego-detached respondents.
[894] See questions B1a, C1a, D1a and E1a in subject II of the questionnaire in Appendix 1.

items[895]. It was assumed earlier in the course of this study that this image transfer would be identifiable within the response behaviour of ego-detached survey participants. This would, for instance, imply that an ego-detached participant's negative impression of Tanzania's political environment will lead to a similarly poor evaluation of the image dimension's subordinated items. Should this have been the case, high and statistically significant correlations between the values attributed by ego-detached respondents to the image dimensions on the one hand and the values attributed to the corresponding image items on the other hand must be identifiable. Furthermore, clearly stronger correlation patterns of this kind must become visible within the response behaviour of ego-detached participants compared to those of ego-involved participants. As expected, it was possible to verify these two correlation patterns for almost all item structures. Only the evaluation of one single item, namely *the possibility of expropriation of foreign-owned property and/or other negative political intervention in Tanzania*, showed no signs of having been distorted by means of a multiple halo effect within the sub-group of ego-detached real estate professionals. These structural results are illustrated in the following effect matrix, which includes the mean as well as the range (*Minimum-R* and *Maximum-R*) of the empirically identified correlations:

	Ego-Detached	Ego-Involved
Political Environment	0.62 (Min.: 0.38, Max.: 0.78)	0.27 (Min.: 0.05, Max.: 0.45)[896]
Real Estate Market Conditions	0.58 (Min.: 0.46, Max.: 0.62)	0.28 (Min.: 0.06, Max.: 0.57)[897]
Regulatory Framework	0.79 (Min.: 0.73, Max.: 0.81)	0.32 (Min.: 0.20, Max.: 0.41)[898]
Socio-Cultural Environment	0.47 (Min.: 0.27, Max.: 0.64)	0.20 (Min.: 0.01, Max.: 0.34)[899]

In order to rule out possible misinterpretations, the correlations between the respective values assigned by ego-detached respondents to the image dimensions and the values assigned to non-corresponding image items, namely those image items subordinated to other image dimensions, were additionally calculated. It was assumed that the correlation means as well as the maximum correlation values would turn out to be lower than those identified within the effect matrix illustrated above. This was clearly confirmed for all combinations of image dimensions and non-corresponding items within the responses of ego-detached real estate professionals. In light of the results' clearness, a further continuative inductive-statistical verification was not considered necessary.

5.3 Chapter Summary

One of the results that can be derived from the empirically compiled data concerning the respondents' general country image is that ego-involved individuals explicitly have a more positive

[895] See questions B2a to B6a, C2a to C7a, D2a to D5a and E2a to E5a in subject II of the questionnaire in Appendix 1.
[896] Ego-detached sub-group: significant correlations without exception. Ego-involved sub-group: significant correlations for the items B2a, B5a and B6a.
[897] Ego-detached sub-group: significant correlations with one exception, namely item C5a (*possibility of expropriation of foreign-owned property and/or other negative political intervention in Tanzania*). Item C5a was not used for the calculation of the mean and the range of the correlations. Ego-involved sub-group: Significant correlations for the items C2a, C6a and C7a.
[898] Ego-detached sub-group: significant correlations without exception. Ego-involved sub-group: significant correlations for the items D3a, D4a and D5a.
[899] Ego-detached sub-group: significant correlations without exception. Ego-involved sub-group: significant correlations for the items E3a and E4a.

general impression of Tanzania than ego-detached respondents. This result is valid for the majority of the questionnaire's items, however especially for items regarding Tanzania's *socio-political environment*, *local hospitality* and *safety*. Only 7 of the 20 items referring to the general country image did *not* show significant differences between the two sub-groups. Significant differences between the two sub-groups' responses were not only revealed within the responses given to the questionnaire's statements on Tanzania, but also became apparent within the responses given to the questions referring to the respondents' conceptions of an *ideal country*. The conceptions of an *ideal country* expressed by ego-involved experts were noticeably less demanding than those expressed by foreign ego-detached experts. In this context, an additional analysis of the discrepancy between the real and ideal general country image of Tanzania revealed an extreme variation between the two groups. Within the ego-detached sub-group, as many as 12 of the 20 image items displayed mean differences of two or more scale points (on a five-grade-scale) between their real and their ideal evaluations. Within the ego-involved group, on the contrary, differences of this magnitude were not even identified once. Real-ideal-differences of approximately one scale point were measured for almost all items retrieved.

By contrast, the two sub-groups' general conceptions of an *ideal target market for FREI* featured fairly modest differences. For most of the items mean differences of no more than 0.5 scale points were identified. There is evidence to suggest that the two sub-groups have comparable conceptions of the ideal nature of an optimal real estate market for FREI. However, ego-detached real estate experts see far more discrepancies between Tanzania's actual and an ideal market's composition in comparison to ego-involved real estate experts. The last-mentioned discrepancies between the two sub-groups' real-ideal-evaluations of Tanzania as a potential destination for FREI were clearly observed for all image dimensions. For most items, these differences averaged between 2 and 2.5 scale points. Only the real-ideal-discrepancies of three items were recognised to be weaker than 1.5 scale points, namely the items *growth potential of the Tanzanian real estate market*, *degree of the language barrier between a foreign real estate investor and the people in Tanzania* and *demographic characteristics of Tanzania as an advantage for FREI*. Unquestionably, the respondents of the ego-detached sub-group display an adverse attitude towards Tanzania as a potential destination for FREI. The empirical results also provide evidence for the existence of a halo effect. The data structure shows that ego-detached respondents transferred their negatively charged general image of Tanzania onto their evaluations of all relevant components of the Tanzanian real estate market (*political environment*, *real estate market conditions*, *regulatory framework* and *socio-cultural environment*). Furthermore, it was possible to verify that ego-detached respondents' evaluations of the image dimensions of Tanzania as a potential destination for FREI exerted influence in form of a multiple halo effect onto their evaluations of the corresponding subordinated image items. This first piece of evidence for the misconception of an exemplary Sub-Saharan African real estate market could serve as a stepping stone to readjust the evaluation of the region as a potential destination for FREI.

6 Conclusion, Implications and Outlook

Especially since the 1980s, political and economic leaders have shied away from centrally planned economic models and state interventionism, which raised increasing awareness for emerging market economies within the international investor community. Regions such as Asia, Central- and Eastern Europe as well as Latin America saw foreign capital inflows rise to levels never before recorded. This enabled many of the regions' nations to rise from the status of *developing countries* to that of *newly industrialising countries* or so-called *take-off countries*. As yet, the only Sub-Saharan African state that has managed to be ranked within this category is South Africa.[900] However, the previous focus on emerging markets has somewhat shifted back towards more established investment destinations, due to the ongoing financial crisis. Consequently, newly industrialising nations suffer from the current global recession as liquidity has tightened, foreign capital inflows have stalled and most investors are momentarily in search of low-risk investment opportunities, which they assume to find more likely within well-established markets. Thus, the effects of the financial crisis are not only limited to their economic or regional origins. Nevertheless, there is a chance that the crisis' impact on emerging economies is less negative than expected, as these economies are less dependent on financial markets. Furthermore, domestic banking sectors generally refrained from engaging in the same degree of leverage and debt-securitisation as did the banking sectors of most Western economies. Hence, the recovery of these emerging economies may occur quicker than expected, which, in turn, will most probably lead to a regained strong attention from international institutional investors.[901]

Despite several crises, set-backs and ongoing political encumbrance, in total, the African continent has experienced positive economic developments over the past two decades. This holds true also for states from the still poorly developed Sub-Saharan region, many of which had been riddled with violence stemming from political and ethnic conflicts in the past. However, many Sub-Saharan African countries have failed to attain the progress of other emerging economies in terms of economic, infrastructural and social parameters. Significant discrepancies between the Sub-Sahara region and the RSA as well as North Africa are evident. This situation also applies to Sub-Saharan Africa's real estate markets. While the RSA and some Northern African countries were able to attract a considerable number of real estate investors from more developed countries and regions of the world, Sub-Saharan Africa's real estate markets have not been able to attract any mentionable attention as yet.[902] This is partly due to the fact that most real estate markets within the region fail to feature the necessary maturity. The latter generally depends on the number of international market participants, which in turn is dependent on the ease of access into the market, and the size of the business community active within the real estate market in question.[903] Both factors are heavily dependent on the existing policy and regulatory frameworks in situ.

[900] See IMF WORLD ECONOMIC OUTLOOK DATABASE (2009).
[901] See KERSCHNER (2009).
[902] See KUSILUKA (2008), p. 1 and LIM/MCGREAL/WEBB (2006), p. 261.
[903] See HAMMOND (2006), p. 7.

When focusing on the years since 2000, political and structural improvements were observed in countless Sub-Saharan states, which lead to an increase in investments from both local and international investors.[904] These occurred in several business sectors, whereas the real estate sector has slowly started to play an increasingly important role in attracting foreign capital. Tanzania and Kenya, for instance, experienced more FREI inflows than what had been previously expected. Botswana, Nigeria, Ghana, Uganda and Zambia turned out to be further key destinations for FREI. Real estate investment in Tanzania, the country used as a showcase for the present study[905], mainly concentrates around the greater area of Dar es Salaam. Here, sizeable returns in comparison to international standards were achieved within the commercial real estate sectors.[906]

In the recent past, Tanzania's real estate market has primarily been tapped by domestic institutional investors, notably national pension funds and insurance corporations. The small group of active international investors mainly hails from the U.S.A. and the United Kingdom, whereas Arabic and Chinese investors start to play an increasingly dominant role. In the case of U.K. investors, historic heritage such as long-standing business ties between Tanzania and its last colonial ruler, the British Empire, often play a key role in establishing business in real estate even today. According to publicly available data, German investors, as well as investors from the rest of Europe, are still far behind U.K. investors in regard to their interest to invest in Tanzanian real estate.[907] This reserved treatment of the Tanzanian and also Sub-Saharan African real estate market by most foreign real estate investors is partly brought into connection with image factors that influence the perceived attractiveness of the region as a destination for FREI.

In this context, key findings of attitude and image research seemed most relevant, as they imply that cognitive and affective components forming an image, irrespective of whether they are solely based on assumptions, become intervening variables of behaviour.[908] Image shapes the subjectively perceived reality of an individual and thus influences his or her behaviour towards the respective image object. Objective facts and knowledge do not necessarily carry significant weight in the creation of an image. Thus, image systems can even emerge and influence behaviour in cases where an individual is given only vague and fragmented information.[909] This in mind, an intention of the present study was to verify the supposition that foreign real estate investors' negatively charged image acts as an important intervening variable for their behaviour

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[904] At the recent G-8 Summit in L'Aquila (Italy) representatives of NGOs like GELDORF critisised leading Western politicians for continuing to point to Africa's negative aspects and often referring to Africa as *the lost continent*. Furthermore, he critisised that progress of the recent years is ignored and existing deficits such as lacking efforts in fighting corruption and often inefficient public administration are accentuated. According to GELDORF, Chinese investors are less biased in their perceptions. China's representatives have recognised the high potentials of African states and are currently following an active investment strategy in Africa (see GELDORF (2009)).

[905] Tanzania is considered to be sufficiently representative on economic, political and social level for Sub-Saharan African countries (see section 4.2.1). An empirical investigation into the image components of several or indeed all Sub-Saharan African real estate markets would not have been feasible in the context of this dissertation. Moreover, Tanzania's real estate market developments are widely recognised as having been representative for the developments of real estate markets in the Sub-Saharan region in general, both in terms of economic policies as well as economic development (see KUSILUKA (2008), p. 3 and GEHO (2001)). Also see HAMMOND (2006), p. 7.

[906] See for instance Table 6.

[907] See URES (2008), pp. 31f.

[908] See NUFER (2007), p. 160 and GLOGGER (1999), p. 62.

[909] See GEDATUS (2003), p. 2

within their evaluation of Sub-Saharan Africa as a potential destination for FREI. This would partly explain their exaggerated afro-pessimistic investment behaviour.

To examine this assumption empirically, the Tanzanian real estate market was chosen as the image object in the study at hand. Standardised questionnaires were distributed to acclaimed experts from the real estate sector, of which 118 were completed and returned. The responses dispersed evenly on real estate experts with (ego-involved) and without (ego-detached) professional experience in Tanzania. With the exemption of one U.K. citizen, all ego-involved real estate professionals stated to be of Tanzanian origin. Ego-detached professionals questioned, most of which were Germans, had mainly gained their professional experience within Western European real estate markets. A mixture of nationalities was deliberately chosen to illustrate the existing contrasting perceptions of the Tanzanian real estate market in a representative fashion from an internal (Tanzanian) and external (foreign) perspective.

The leading indicators (image dimensions) and micro-indicators (image items) used for capturing Tanzania's image were compiled on the basis of an analysis of existing relevant literature in the fields of image and attitude research. These were additionally verified by direct expert questioning. Within the applied questionnaire, respondents were asked for their opinion on statements (items) referring to the image dimensions *political environment*, *real estate market conditions*, *regulatory framework* and *socio-cultural environment* regarding Tanzania on the one hand and their personal *ideal target market* for FREI on the other. In order to test real estate professionals' behaviour on bounded rational elements or rather in order to be able to provide evidence for the existence of a halo effect, the survey also included questions on both Tanzania's and on an *ideal country*'s general image as well as questions on Tanzania's general attractiveness as a potential destination for FREI in comparison to that of an *ideal target market* for FREI.

The empirically established data on the respondents' general country image leads to the conclusion that individuals with previously gained professional experience in Tanzania (ego-involved respondents) have an unambiguously more positive general impression of the country than ego-detached respondents. When contrasting the two expert groups, this conclusion held true for the majority of the questionnaire's items, but especially for items regarding Tanzania's socio-political situation and local hospitality, for which the experts from the country itself expressed far more favourable responses. Interestingly, not only within the responses to the questionnaire's statements on Tanzania, but also within the responses to the statements on an *ideal country*, the two sub-groups' responses differed significantly. It became clear that the conceptions of an *ideal country* from experts with professional experience within the Tanzanian real estate market were considerably less demanding than the respective conceptions from their foreign ego-detached counterparts.

Of key importance, both for the scientific and the practical interpretation of the empirical findings, is the fact that the two expert groups' general conceptions of an *ideal target market* for FREI showed comparatively little difference. This implies that the representatives of the two groups have rather similar economic rational perceptions of the ideal conditions and structure of

a real estate market best deemed for FREI. A key finding, however, can also be seen in the fact that ego-detached experts see far more discrepancies between Tanzania's actual and an ideal market's conditions and structure than experts with previously gained experience in Tanzania. Hence, in summary, both groups share similar rational and pragmatic views on the necessary conditions of an ideal real estate market, whereas foreign (ego-detached) experts assess those conditions to be less met by the Tanzanian real estate market than perceived by their fellow colleagues with professional ties to the East African country.

The discrepancies between the two sub-groups' *actual-ideal-evaluations* were pre-eminently observed for all image dimensions. In this context, ego-detached respondents generally reflected stronger discrepancies between their *ideal-* and *actual-evaluations*. For the majority of the items, these differences amounted to average values between 2 and 2.5 scale points. When taking into account that the questionnaire's scale points only ranged from 1 to 5, the magnitude of these differences already becomes apparent on a descriptive level. Thus, in terms of a terminology relative to the TROMMSDORFF-Model, the ego-detached sub-group undeniably displays an adverse attitude towards Tanzania as a potential destination for FREI. Only for a few of the dimensions' subordinated image items no discrepancies within the two sub-groups' response behaviour were identified. This observation, which, among others, was substantiated by a thorough inductive-statistical examination, leads to the conclusion that Tanzania's real estate market bears a significantly tainted image with ego-detached real estate professionals.[910] The empirical results in this matter point to the existence of a halo effect, a phenomenon profoundly investigated within the fields of image, attitude as well as socio-psychological research. The halo effect reflects the existing influence of an overall attitude towards an object on the evaluation of the individual attributes of the same object. Although mainly used in a positive sense, the halo effect is therefore assumed to cause a transfer of an overriding negatively charged image onto the subordinated attributes of the object of opinion.[911]

In the case of Tanzania, ego-detached real estate professionals' overall negative impression of the East African country is so intensive, that any discrepancy between the market's attributes and the overall impression is ignored or overlooked. The overall investment attitude towards Tanzania's real estate market therefore does not derive from the sum of the values linked to the individual characteristics of the market, but rather the other way around. The halo effect manifests itself in ego-detached experts' consistent adoption of their aggregated negative judgement of Tanzania for their assessment of the individual political, economic, legal and socio-cultural facets of Tanzania's real estate market. In accordance with economic and socio-psychological research, this demonstrates a human distortion of perception, in which a generalised and affective (in this case negative) assessment of an object expands to and thereby influences the image of associated subordinated objects in equal measure.[912] Furthermore, on the basis of the present study's empirical results, a multiple halo effect was found to exist within the evaluation

[910] It is regarded improbable that measurement-specific artifacts such as *statistical fishing* had any influence on the results (see RANDOW (1994), p. 94 and QUATEMBER (2005), p. 132).
[911] See JANßEN (2003), p. 37 and RAVEN/RUBIN (1983), p. 11.
[912] See FORGAS (1995), pp. 61f.

behaviour of ego-detached real estate experts. This finding is based on the identified transfer of ego-detached respondents' negative impressions of each of the distinguishable image dimensions onto the corresponding subordinated image items.[913] This image-bias has very likely already become an intervening variable of the restrictive investment behaviour towards Tanzania and also Sub-Saharan Africa in general. This may continue to evoke a disregard of opportunities for FREI in Sub-Saharan Africa, which could be avoided. Surely the most certain and most effective way for countervailing this investment stigma and creating a more positive *investor sentiment* would be the intensification of relations and dialog between foreign and Sub-Saharan African real estate professionals from both academia and practice. By doing so, *mere-exposure effects*, as identified within image and attitude research, could evoke positive dynamics in adjusting the perceived adverse impression of Sub-Saharan Africa as a potential destination for FREI to a more realistic image.[914]

Moreover, the empirical results clearly show that the last-mentioned desirable dialog should particularly emphasise economic-political parameters of Sub-Saharan Africa's real estate markets. The results not only reveal the existence of, partly unjustified, distortions within the evaluation of Tanzania's real estate market, but also identify exactly which image components are affected more than others by biased judgement and thus mainly contribute to the adverse overall image of Tanzania as a real estate investment destination. The identification of the image components that evoke the largest discrepancies between the evaluations of ego-involved and ego-detached investors will hopefully encourage both foreign investors and local decision- and policy-makers to analyse especially these components more closely, since they seem to provide the largest room for judgement error. Realistically, this analysis will reveal that many adversely affected components of Sub-Saharan Africa's negative image may still be justified, among others due to the prevailing market constraints (as described in section 3.2.2.2), which pose a severe challenge to foreign real estate investors. Nonetheless, the analysis will certainly also reveal that many of the alleged negative components of Sub-Saharan Africa's real estate markets are misjudged. Should this be the case - and the research results at hand clearly point to this suggestion - it will be necessary to rectify these misconceptions via dialog.

The results of the importance weighting of criteria relevant for the evaluation of a country's suitability for FREI partly explain why the biggest concern of foreign real estate investors is still caused by Sub-Saharan Africa's political environment. If appropriate, it is thus up to local decision- and policy-makers, especially IPAs created by the individual governments, to promote the region's political progress, in order to at least act as a counterbalance to Western media's discouraging and crisis-orientated coverage of political content related to the region. Sub-Saharan African countries, such as Tanzania, can only attract the attention of the international real estate investor community, if the stability and development potentials of their political systems, econo-

[913] This finding is not affected by the fact that the discrepancies between *ideal-* and *actual-evaluations* of image items concerning the socio-cultural environment were not quite as strong within the group of ego-detached respondents as it was the case for the rest of the image items.

[914] ZAJONC first suggested - what became later known as the *mere-exposure effect hypothesis* - that, all else being equal, mere repeated exposure to an object results in individuals increasingly liking the object (see ZAJONC (1968), p. 1 and RAVEN/RUBIN (1983), p. 143).

mies and real estate markets are actively communicated. The improvements, which incontestably have been obtained in recent years, must be promoted more intensively. The relevance of an effective communication was only recently discussed at the AFRES conference held in October 2009 in Lagos. Conference participants agreed that modern and well-considered forms of communication represent important means of enhancing future prospects and productivity within the real estate industry.[915] Organisations, such as AFRES, not only have to continue, but have to intensify their efforts in keeping the intercontinental dialog between Sub-Saharan African and international real estate professionals and academics upright. Their past and present contribution to communicating a realistic picture of the region's real estate-specific situation is priceless. In 2008, RICS published the first edition of its JOURNAL OF AFRICAN REAL ESTATE RESEARCH, which was a major step in creating a platform for African academics to present the ongoing developments of African real estate-specific matters. One can only hope that further editions of the journal and other publications will follow.

However, in order to be able to transport a realistic picture of the real estate markets in situ, the level of transparency will be a major criterion that has to be tackled. The INVESTMENT PROPERTY DATABANK (IPD), which has been active in RSA since 1996 and focuses on real estate performance analysis, the creation of market indices as well as market-related research in general, has announced interest in expanding its activities into regions such as Kenya, Tanzania, Uganda, Nigeria etc. The constant availability of objectively obtained real estate market data would be an absolute novelty that could improve the affected market's transparency immensely. The peculiarities of the individual real estate markets in Sub-Saharan Africa, as illustrated in chapter 3, are one of the many factors that make it impossible to keep track of the market developments and performances within the region. This situation, in turn, continues to negatively affect the region's level of transparency. Therefore, a standardisation of market procedures, policies and operations is urgently required and cannot be solely left to politics. Consequently, it is necessary for non-governmental institutions, for instance universities and private consortia, to initiate cross-border collaborations that address the alignment of standards. Advances of private institutions, such as the NIGERIAN INSTITUTION OF ESTATE SURVEYORS AND VALUERS (NIESV), the SURVEYORS' INSTITUTE OF MALAWI or the TANZANIA INSTITUTION OF VALUERS AND ESTATE AGENTS (TIVEA) as members of the INTERNATIONAL VALUATION STANDARDS COMMITTEE (IVSC), are just a few examples of successful attempts to work jointly on standardisation measures to be applied within the region.

All in all, it will primarily remain in the hands of local decision- and policy-makers to improve Sub-Saharan Africa's real estate investment climate, in order to lay the foundations for higher levels of foreign capital inflow. Although Sub-Saharan Africa is not to be idealised, the region undoubtedly embraces high potential. There is hope that governments in situ will continue to further improve the prerequisites for FREI by ensuring political security, providing suitable infrastructure and tackling the existing investment constraints.[916] Under these conditions, Sub-

[915] See OLUROTIMI (2009), p. 1.
[916] See WORLD BANK (2009d), p. 16.

Saharan African real estate may become a common part of internationally diversified real estate portfolios in the future, as it has already become state of the art for other emerging markets, which had evoked similar negative associations until not so long ago.[917] Meanwhile, the evidence that foreign real estate investors' image of Tanzania is subject to bias, which was delivered within the present study, will hopefully trigger further debate on whether Sub-Saharan Africa's adverse image as a potential real estate investment destination is justified. Continuative real estate-specific research on Sub-Saharan Africa will hopefully follow and shed more light into the black box associated with the region's real estate markets. Future efforts of the IRE|BS FOUNDATION FOR AFRICAN REAL ESTATE RESEARCH, which was established in 2010, will hopefully deliver a substantial contribution thereby.

[917] Nowadays, particularly Asian real estate markets play an important role within the portfolios of many European real estate funds. Thus, the geographic selection no longer exclusively includes traditional well-established real estate markets. In many cases, this *new orientation* has proven to be successful. The German fund *Deka Immobilien Global*, which includes Asian and other emerging markets, has shown a solid performance during previous years and was one of the winners of the 2009 SCOPE INVESTMENT AWARDS (see FONDSPROFESSIONAL 2009).

Appendix

Appendix 1: Questionnaire for Ego-Detached Respondents

IRE|BS
International Real Estate Business School
Universität Regensburg

Prof. Dr. Karl-Werner Schulte
Dipl.-Kfm. Steen Rothenberger

Questionnaire:

The Image of Sub-Saharan Africa as a Target Market for Foreign Real Estate Investment: The Case of Tanzania

Notes to Accompany Questionnaire

Frankfurt am Main
01.09.2008

Dear madams & sirs,

I would first of all like to thank you most sincerely for taking the time to complete this questionnaire. The questionnaire will contribute to a comprehensive research project into the image of Sub-Saharan Africa as a target market for foreign real estate investment. This shall be achieved by analysing the image of Tanzania by the way of example for other real estate markets within the region.

In completing and returning the questionnaire, you will be contributing substantially to the anticipated success of the study!

However, before you get started on the questions, I would like to provide you with the following relevant information:

1.
The analysis of the questionnaire will be carried out for purely **scientific purposes** in collaboration with the *International Real Estate Business School (IRE│BS)* of the Department of Economics at the *University of Regensburg*.

2.
All information and opinions provided will be reproduced on a **strictly anonymous** basis. Inference to individual people and organisations will therefore not be possible.

3.
You can either fill out the questionnaire electronically and send it back to me via email or print it out and return it via postal mail.

Please return the completed questionnaire by **17.09.2008**

4.
Most answers can be indicated by marking with a cross, except for a few short, open questions. Most questions simply require an **estimation on your part**. You are therefore **not required to have background knowledge** on Tanzania.

An image is made up of, amongst other things, affective perceptions, and thus it is above all your first intuitive assessment that is important to us. So, as there are no right or wrong answers to the questions, please **do not spend a lot of time on each question.**

5.
The questionnaire is composed of 3 subject areas. Please go through the subject areas and answer the corresponding questions successively, as the sequence of the responses plays a role in the analysis of the results.

6.
Please answer as many questions as possible. I would still request, however, that you return the questionnaire even if you were not able to answer all questions or did not wish to. Many thanks.

7.
For each completed questionnaire, I will be pleased to donate **€5** to the *African Real Estate Society (AfRES)*, which will provide direct sponsorship for young African academics.

8.
To begin with, please answer the following personal questions, which are necessary for our analysis. As previously mentioned, these questions will naturally be dealt with in **strictest confidence** and will be used for purely **scientific purposes**.

a. Name:

b. Nationality:

c. Do you practice a real estate-specific profession in Tanzania?

☐ yes ☐ no

d. If no, have you ever been to Tanzania?

☐ yes ☐ no

e. Have you ever been active in the Tanzanian real estate market?

☐ yes ☐ no

f. Do you have any business relationships in Tanzania?

☐ yes ☐ no

For further enquiries, please do not hesitate to contact me using the email address named above.

Thank you in advance for your time and effort.

Yours faithfully,

Steen Rothenberger

Subject I: General Image of Tanzania

A. To what extent do you agree with the following characteristics/statements about Tanzania?[918]

1. Tanzania is democratic.

totally agree ☐ 5 ☐ 4 ☐ 3 ☐ 2 ☐ 1 totally disagree

2. Tanzanian people are hospitable.

totally agree ☐ 5 ☐ 4 ☐ 3 ☐ 2 ☐ 1 totally disagree

3. Tanzania has a stable economy.

totally agree ☐ 5 ☐ 4 ☐ 3 ☐ 2 ☐ 1 totally disagree

4. Tanzanian people are friendly.

totally agree ☐ 5 ☐ 4 ☐ 3 ☐ 2 ☐ 1 totally disagree

5. Tanzania has a low level of pollution.

totally agree ☐ 5 ☐ 4 ☐ 3 ☐ 2 ☐ 1 totally disagree

6. Tanzania has a high standard of living.

totally agree ☐ 5 ☐ 4 ☐ 3 ☐ 2 ☐ 1 totally disagree

7. Tanzania is scientifically and technologically up-to-date.

totally agree ☐ 5 ☐ 4 ☐ 3 ☐ 2 ☐ 1 totally disagree

8. Tanzania is modern.

totally agree ☐ 5 ☐ 4 ☐ 3 ☐ 2 ☐ 1 totally disagree

9. Tanzania is highly urbanised.

totally agree ☐ 5 ☐ 4 ☐ 3 ☐ 2 ☐ 1 totally disagree

10. Tanzania has a rich culture.

totally agree ☐ 5 ☐ 4 ☐ 3 ☐ 2 ☐ 1 totally disagree

11. Tanzania has a competitive economy.

totally agree ☐ 5 ☐ 4 ☐ 3 ☐ 2 ☐ 1 totally disagree

12. Educational standards in Tanzania are very high.

totally agree ☐ 5 ☐ 4 ☐ 3 ☐ 2 ☐ 1 totally disagree

13. Tanzania is an attractive tourist-destination.

totally agree ☐ 5 ☐ 4 ☐ 3 ☐ 2 ☐ 1 totally disagree

14. Politics in Tanzania are socially just.

totally agree ☐ 5 ☐ 4 ☐ 3 ☐ 2 ☐ 1 totally disagree

15. Tanzania is highly industrialised.

totally agree ☐ 5 ☐ 4 ☐ 3 ☐ 2 ☐ 1 totally disagree

[918] If you completely disagree with the statement, tick box 1 on the scale. If you deem it to be fully correct, tick box 5. If you neither agree nor disagree with the statement, tick box 3 on the scale. Boxes 2 and 4 should be ticked if, in your opinion, the validity of the statement lies between 1 and 3 or 3 and 5 respectively.

16. The people of Tanzania are open-minded.

totally agree ☐ 5 ☐ 4 ☐ 3 ☐ 2 ☐ 1 totally disagree

17. Politicians in Tanzania are <u>not</u> corrupt.

totally agree ☐ 5 ☐ 4 ☐ 3 ☐ 2 ☐ 1 totally disagree

18. Tanzania produces quality products.

totally agree ☐ 5 ☐ 4 ☐ 3 ☐ 2 ☐ 1 totally disagree

19. There is still unspoiled nature to be found in Tanzania.

totally agree ☐ 5 ☐ 4 ☐ 3 ☐ 2 ☐ 1 totally disagree

20. Tanzania is safe.

totally agree ☐ 5 ☐ 4 ☐ 3 ☐ 2 ☐ 1 totally disagree

B. Now, please imagine your personal ideal country. To what extent do you think the following characteristics/statements are true of your ideal country? Please keep in mind, that your ideal picture of a country is not utopian, but rather that the individual criteria of your ideal country could be taken from existing countries. The ideal picture should therefore not be unaccomplishable.

1. My ideal country is democratic.

totally agree ☐ 5 ☐ 4 ☐ 3 ☐ 2 ☐ 1 totally disagree

2. The people of my ideal country are hospitable.

totally agree ☐ 5 ☐ 4 ☐ 3 ☐ 2 ☐ 1 totally disagree

3. My ideal country has a stable economy.

totally agree ☐ 5 ☐ 4 ☐ 3 ☐ 2 ☐ 1 totally disagree

4. The people of my ideal country are friendly.

totally agree ☐ 5 ☐ 4 ☐ 3 ☐ 2 ☐ 1 totally disagree

5. My ideal country has a low level of pollution.

totally agree ☐ 5 ☐ 4 ☐ 3 ☐ 2 ☐ 1 totally disagree

6. My ideal country has a high standard of living.

totally agree ☐ 5 ☐ 4 ☐ 3 ☐ 2 ☐ 1 totally disagree

7. My ideal country is scientifically and technologically up-to-date.

totally agree ☐ 5 ☐ 4 ☐ 3 ☐ 2 ☐ 1 totally disagree

8. My ideal country is modern.

totally agree ☐ 5 ☐ 4 ☐ 3 ☐ 2 ☐ 1 totally disagree

9. My ideal country is highly urbanised.

totally agree ☐ 5 ☐ 4 ☐ 3 ☐ 2 ☐ 1 totally disagree

10. My ideal country has a rich culture.

totally agree ☐ 5 ☐ 4 ☐ 3 ☐ 2 ☐ 1 totally disagree

11. My ideal country has a competitive economy.

totally agree ☐ 5 ☐ 4 ☐ 3 ☐ 2 ☐ 1 totally disagree

12. Educational standards in my ideal country are very high.

totally agree ☐ 5 ☐ 4 ☐ 3 ☐ 2 ☐ 1 totally disagree

13. My ideal country is an attractive tourist-destination.

totally agree ☐ 5 ☐ 4 ☐ 3 ☐ 2 ☐ 1 totally disagree

14. Politics in my ideal country are socially just.

totally agree ☐ 5 ☐ 4 ☐ 3 ☐ 2 ☐ 1 totally disagree

15. My ideal country is highly industrialised.

totally agree ☐ 5 ☐ 4 ☐ 3 ☐ 2 ☐ 1 totally disagree

16. The people of my ideal country are open-minded.

totally agree ☐ 5 ☐ 4 ☐ 3 ☐ 2 ☐ 1 totally disagree

17. Politicians in my ideal country are not corrupt.

totally agree ☐ 5 ☐ 4 ☐ 3 ☐ 2 ☐ 1 totally disagree

18. My ideal country produces quality products.

totally agree ☐ 5 ☐ 4 ☐ 3 ☐ 2 ☐ 1 totally disagree

19. There is still unspoiled nature to be found in my ideal country.

totally agree ☐ 5 ☐ 4 ☐ 3 ☐ 2 ☐ 1 totally disagree

20. My ideal country is safe.

totally agree ☐ 5 ☐ 4 ☐ 3 ☐ 2 ☐ 1 totally disagree

Subject II: The Image of Tanzania as a Target Market for Foreign Real Estate Investment

Note:
In the following section you will be asked to assess whether and to what extent Tanzania is suitable as a target market for foreign real estate investment. The extent to which you deem it suitable will be established by means of individual criteria.

In addition to each question related to Tanzania, you will also be asked for your **personal ideal picture** with regard to the fulfilment of the previously established criterion. **For this exercise, please imagine an ideal market.** In this case, it is important that your ideal picture of a real estate market is not utopian, but rather that the individual criteria of your ideal market could be taken from existing markets. The ideal picture should therefore not be unrealistic.

A. General

1a. How attractive do you estimate Tanzania to be as a potential target market for foreign real estate investment?

very attractive ☐ 5 ☐ 4 ☐ 3 ☐ 2 ☐ 1 not at all attractive

1b. How attractive would you regard your ideal target market to be for foreign real estate investment?

very attractive ☐ 5 ☐ 4 ☐ 3 ☐ 2 ☐ 1 not at all attractive

B. Political Environment

1a. How beneficial for foreign real estate investors do you estimate the current political environment in Tanzania to be?

very beneficial ☐ 5 ☐ 4 ☐ 3 ☐ 2 ☐ 1 not at all beneficial

1b. How beneficial for foreign real estate investors is the political environment in your ideal target market?

very beneficial ☐ 5 ☐ 4 ☐ 3 ☐ 2 ☐ 1 not at all beneficial

2a. How stable do you estimate the current political conditions in Tanzania to be?

very stable ☐ 5 ☐ 4 ☐ 3 ☐ 2 ☐ 1 not at all stable

2b. How stable do you estimate the current political conditions in your ideal target market to be?

very stable ☐ 5 ☐ 4 ☐ 3 ☐ 2 ☐ 1 not at all stable

3a. How limiting do you think are the current political restrictions for foreign real estate investors in Tanzania?

not at all limiting ☐ 5 ☐ 4 ☐ 3 ☐ 2 ☐ 1 very limiting

3b. How limiting are the political restrictions in your ideal market for foreign real estate investors?

not at all limiting ☐ 5 ☐ 4 ☐ 3 ☐ 2 ☐ 1 very limiting

4a. On the whole, how corrupt do you view Tanzanian politicians and public authorities to be?

not at all corrupt ☐ 5 ☐ 4 ☐ 3 ☐ 2 ☐ 1 very corrupt

4b. On the whole, how corrupt should the politicians and public authorities in your ideal target market be?

not at all corrupt ☐ 5 ☐ 4 ☐ 3 ☐ 2 ☐ 1 very corrupt

5a. In your opinion, how likely is the possibility of expropriation of foreign-owned property and/or other negative political intervention in Tanzania?

not at all likely ☐ 5 ☐ 4 ☐ 3 ☐ 2 ☐ 1 very likely

5b. How likely is the possibility of expropriation of foreign-owned property and/or other negative political intervention in your ideal target market?

not at all likely ☐ 5 ☐ 4 ☐ 3 ☐ 2 ☐ 1 very likely

6a. How predictable do you consider the future political climate in Tanzania to be?

very predictable ☐ 5 ☐ 4 ☐ 3 ☐ 2 ☐ 1 not at all predictable

6b. Indeed, how predictable can the future political climate in an ideal market be?

very predictable ☐ 5 ☐ 4 ☐ 3 ☐ 2 ☐ 1 not at all predictable

C. Real Estate Market Conditions

1a. How beneficial to foreign investors do you estimate market conditions of the Tanzanian real estate market to be?

very beneficial ☐ 5 ☐ 4 ☐ 3 ☐ 2 ☐ 1 not at all beneficial

1b. How beneficial to foreign investors would market conditions of your ideal real estate market be?

very beneficial ☐ 5 ☐ 4 ☐ 3 ☐ 2 ☐ 1 not at all beneficial

2a. How attractive do you estimate the expected returns in the Tanzanian real estate market to be in relation to the existing risks?

very attractive ☐ 5 ☐ 4 ☐ 3 ☐ 2 ☐ 1 not at all attractive

2b. How attractive would the expected returns in your ideal real estate market be in relation to the existing risks?

very attractive ☐ 5 ☐ 4 ☐ 3 ☐ 2 ☐ 1 not at all attractive

3a. A mature real estate market is most notably exemplified by a wide spectrum of available real estate services, unrestricted access to market information, the existence of a real estate capital market and strong participation of foreign stakeholders. How mature do you think the Tanzanian real estate market is?

very mature ☐ 5 ☐ 4 ☐ 3 ☐ 2 ☐ 1 not at all mature

3b. Bearing the assessment of the market as a potential investment destination in mind, how mature would your ideal real estate market be?

very mature ☐ 5 ☐ 4 ☐ 3 ☐ 2 ☐ 1 not at all mature

4a. How transparent do you deem the Tanzanian real estate market to be?

very transparent ☐ 5 ☐ 4 ☐ 3 ☐ 2 ☐ 1 not at all transparent

4b. Indeed, how transparent would your ideal real estate market be able to be?

very transparent ☐ 5 ☐ 4 ☐ 3 ☐ 2 ☐ 1 not at all transparent

5a. How high do you estimate the growth potential of the Tanzanian real estate market to be?

very high ☐ 5 ☐ 4 ☐ 3 ☐ 2 ☐ 1 not at all high

5b. Bearing the assessment of the market as a potential investment destination in mind, how high would the growth potential of your ideal real estate market be?

very high ☐ 5 ☐ 4 ☐ 3 ☐ 2 ☐ 1 not at all high

6a. How high do you estimate the currency risk for foreign real estate investors to be in the Tanzanian real estate market?

not at all high ☐ 5 ☐ 4 ☐ 3 ☐ 2 ☐ 1 very high

6b. How high would the currency risks for foreign investors be in your ideal real estate market?

not at all high ☐ 5 ☐ 4 ☐ 3 ☐ 2 ☐ 1 very high

7a. Bearing the assessment of the market as a potential investment destination in mind, how beneficial do you estimate the supply and demand fundamentals in the Tanzanian real estate market to be?

very beneficial ☐ 5 ☐ 4 ☐ 3 ☐ 2 ☐ 1 not at all beneficial

7b. How beneficial would the supply and demand fundamentals in your ideal market be able to be?

very beneficial ☐ 5 ☐ 4 ☐ 3 ☐ 2 ☐ 1 not at all beneficial

D. Regulatory Framework

1a. How beneficial for foreign real estate investors do you estimate the existing regulatory framework in Tanzania to be?

very beneficial ☐ 5 ☐ 4 ☐ 3 ☐ 2 ☐ 1 not at all beneficial

1b. How beneficial for foreign real estate investors would the regulatory framework in your ideal target market be?

very beneficial ☐ 5 ☐ 4 ☐ 3 ☐ 2 ☐ 1 not at all beneficial

2a. How easy would you estimate the acquisition of land to be for foreigners in Tanzania?

very easy ☐ 5 ☐ 4 ☐ 3 ☐ 2 ☐ 1 not at all easy

2b. How easy would the acquisition of land be for foreigners in your ideal real estate market?

very easy ☐ 5 ☐ 4 ☐ 3 ☐ 2 ☐ 1 not at all easy

3a. How advantageous for foreign real estate investors do you estimate tax laws to be in Tanzania?

very advantageous ☐ 5 ☐ 4 ☐ 3 ☐ 2 ☐ 1 not at all advantageous

3b. How advantageous for foreign real estate investors would tax laws be in your ideal market?

very advantageous ☐ 5 ☐ 4 ☐ 3 ☐ 2 ☐ 1 not at all advantageous

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4a. How assertive do you view Tanzanian law to be?

very assertive ☐ 5 ☐ 4 ☐ 3 ☐ 2 ☐ 1 not at all assertive

4b. How assertive would law be in your ideal market?

very assertive ☐ 5 ☐ 4 ☐ 3 ☐ 2 ☐ 1 not at all assertive

5a. In general, how advantageous for foreign real estate investors do you estimate the laws, regulations and statutes to be in Tanzania relating to real estate investment (e.g. investment act, construction law, tenancy law, land law etc.)?

very advantageous ☐ 5 ☐ 4 ☐ 3 ☐ 2 ☐ 1 not at all advantageous

5b. How advantageous for foreign real estate investors would the laws, regulations and statutes in your ideal market be?

very advantageous ☐ 5 ☐ 4 ☐ 3 ☐ 2 ☐ 1 not at all advantageous

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E. Socio-Cultural Environment

1a. How beneficial for foreign real estate investors do you estimate the existing socio-cultural environment in Tanzania to be?

very beneficial ☐ 5 ☐ 4 ☐ 3 ☐ 2 ☐ 1 not at all beneficial

1b. How beneficial for foreign real estate investors would the socio-cultural environment be in your ideal target market?

very beneficial ☐ 5 ☐ 4 ☐ 3 ☐ 2 ☐ 1 not at all beneficial

2a. How professional do you think possible business associates are in Tanzania?

very professional ☐ 5 ☐ 4 ☐ 3 ☐ 2 ☐ 1 not at all professional

2b. How professional would possible business associates be in your ideal market?

very professional ☐ 5 ☐ 4 ☐ 3 ☐ 2 ☐ 1 not at all professional

---

3a. How high do you think the language barrier is between you as a foreign investor and the people in Tanzania?

not at all high ☐ 5 ☐ 4 ☐ 3 ☐ 2 ☐ 1 very high

3b. How high would the language barrier between you as a foreign investor and the people in your ideal market be?

not at all high ☐ 5 ☐ 4 ☐ 3 ☐ 2 ☐ 1 very high

4a. Bearing in mind the assessment of Tanzania as a potential target market for foreign real estate investment, to what extent do you think that the demographic characteristics of Tanzania are advantageous to you as an investor?

very advantageous ☐ 5 ☐ 4 ☐ 3 ☐ 2 ☐ 1 not at all advantageous

4b. How advantageous would the demographic characteristics of the population of your ideal market be able to be to foreign investors?

very advantageous ☐ 5 ☐ 4 ☐ 3 ☐ 2 ☐ 1 not at all advantageous

---

5a. How similar do you regard the cultures of Tanzania and of your home country to be?

very similar ☐ 5 ☐ 4 ☐ 3 ☐ 2 ☐ 1 not at all similar

5b. How similar are the cultures of foreign real estate investors and the culture of the people of your ideal target market?

very similar ☐ 5 ☐ 4 ☐ 3 ☐ 2 ☐ 1 not at all similar

Subject III: Weighting of Criteria

Note:
In the following section, please allocate a weighting for the listed criteria. What we are interested in finding out within this section is how important the particular criterion is for you when assessing a country as a possible real estate investment destination.

1. Political stability

very important ☐ 5 ☐ 4 ☐ 3 ☐ 2 ☐ 1 not at all important

2. Assertiveness of law

very important ☐ 5 ☐ 4 ☐ 3 ☐ 2 ☐ 1 not at all important

3. Low level of currency risk

very important ☐ 5 ☐ 4 ☐ 3 ☐ 2 ☐ 1 not at all important

4. Eligibility of the country's demographic characteristics

very important ☐ 5 ☐ 4 ☐ 3 ☐ 2 ☐ 1 not at all important

5. Low level of restrictions for foreign investors

very important ☐ 5 ☐ 4 ☐ 3 ☐ 2 ☐ 1 not at all important

6. Attractiveness of expected returns in relation to existing risks

very important ☐ 5 ☐ 4 ☐ 3 ☐ 2 ☐ 1 not at all important

7. Few cultural differences

very important ☐ 5 ☐ 4 ☐ 3 ☐ 2 ☐ 1 not at all important

8. Attractiveness of taxation laws

very important ☐ 5 ☐ 4 ☐ 3 ☐ 2 ☐ 1 not at all important

9. Attractiveness of other laws, regulations and statutes relating to real estate investment (e.g. investment act, construction law, tenancy law, land law etc.)

very important ☐ 5 ☐ 4 ☐ 3 ☐ 2 ☐ 1 not at all important

10. Low level of corruption among politicians and public authorities

very important ☐ 5 ☐ 4 ☐ 3 ☐ 2 ☐ 1 not at all important

11. Maturity of the real estate market

very important ☐ 5 ☐ 4 ☐ 3 ☐ 2 ☐ 1 not at all important

12. Low probability of expropriation of foreign-owned property and/or other possible negative political intervention

very important ☐ 5 ☐ 4 ☐ 3 ☐ 2 ☐ 1 not at all important

13. Few difficulties for foreigners to acquire and own land

very important ☐ 5 ☐ 4 ☐ 3 ☐ 2 ☐ 1 not at all important

14. High level of professionalism in doing business

very important ☐ 5 ☐ 4 ☐ 3 ☐ 2 ☐ 1 not at all important

15. Transparency of the real estate market

very important ☐ 5 ☐ 4 ☐ 3 ☐ 2 ☐ 1 not at all important

16. Real estate market growth potential

very important ☐ 5 ☐ 4 ☐ 3 ☐ 2 ☐ 1 not at all important

17. Existence of good supply and demand fundamentals

very important ☐ 5 ☐ 4 ☐ 3 ☐ 2 ☐ 1 not at all important

18. Low level of language barrier

very important ☐ 5 ☐ 4 ☐ 3 ☐ 2 ☐ 1 not at all important

19. Predictability of the future political climate

very important ☐ 5 ☐ 4 ☐ 3 ☐ 2 ☐ 1 not at all important

20. Other (please name):

very important ☐ 5 ☐ 4 ☐ 3 ☐ 2 ☐ 1 not at all important

21. More (please name):

very important ☐ 5 ☐ 4 ☐ 3 ☐ 2 ☐ 1 not at all important

Note:
Finally, I would like to ask a few questions about yourself and your company, which will naturally be dealt with in strictest confidence and will be used for scientific purposes only. In addition, I would be pleased to receive your comments and/or criticisms.

a. Your gender:

☐ male ☐ female

b. Your age:

☐18-25 ☐26-35 ☐36-45 ☐46-55 ☐56-65 ☐66-75 ☐75 and above

c. Your company:

d. Your position/job title:

e. To which of the following three risk categories would you allocate your company?

☐ Core (low risk / expected return on equity: 6-11%)
☐ Value Enhanced (medium risk / expected return on equity: 11-17%)
☐ Opportunistic (high risk / expected return on equity: >20%)

f. Have you previously invested in real estate in Africa?

☐ yes ☐ no

If yes, where?

What was the amount invested?

g. Comments and criticisms:

h. Please return the completed questionnaire by **17.09.2008**

i. Thanks a lot for your time and commitment!

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