

**Real Estate Investment Trusts (REITs)
Corporate Governance and Investment
Decision-Making in the United Kingdom,
South Africa and Nigeria**

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**A thesis submitted in partial fulfilment of the requirement of London South Bank University
for the degree of Doctor of Philosophy**

September 2022

Abstract

Adopting Real Estate Investment Trusts (REITs) has been relatively slow due to corporate governance issues and a limited understanding of investment decision-making processes. This study aims to enhance the performance of REITs by developing a Corporate Governance Scoring Framework and improving the investment decision-making process. A mixed-method research strategy was employed to gather data on investment decision-making processes and corporate governance in the UK, SA, and Nigeria from 2014-2019. Qualitative data was collected through semi-structured telephone interviews with key decision-makers in the three regimes and analysed using content and discourse analysis techniques. Quantitative data was obtained from the annual financial reports of listed REITs during the study period and analysed using OLS, fixed effects, and random effect models. The Integrated Corporate Governance Index (ICGI), a self-scoring framework, was used to measure the quality of corporate governance strength.

The qualitative analysis identified four stages in the investment decision-making process: strategy, search, analysis and adjustment, and consultation or decision and review. The interviews revealed that the board, remuneration, and fee proxies were relevant factors across all three regimes, with audit and ownership also significant in the developing regimes of SA and Nigeria. The board's reputation, experience, and management role were highlighted as crucial during the decision-making process. Performance factors such as 'Operational Stability,' 'Tenant Quality,' 'Experience,' and metrics including 'Rental Income,' 'Dividend Payment,' and 'Yield' were identified. The quantitative analysis demonstrated that adherence to corporate governance codes was highest in the UK, followed by SA and Nigeria. Regression analysis results showed that a higher ICGI score improved return on assets (ROA) and return on equity (ROE) in the UK but not in SA and Nigeria. The index did not significantly impact firm value in the UK and pooled country analysis, but it led to better firm valuation in SA. In the Nigeria REIT regime, the ICGI harmed firm valuation. The study concluded that adherence to country-level corporate governance was more predictive of operational performance than firm valuation.

In summary, this study contributes to the existing knowledge by providing insights into the investment decision-making processes of REITs and the importance of corporate governance in improving their performance. The developed Corporate Governance Scoring

Framework offers a valuable tool for evaluating the quality of corporate governance in REITs, but further refinement is necessary to keep up with evolving policies.

Acknowledgement

I want to acknowledge and appreciate God almighty for the grace and knowledge to start and finish this journey.

I also want to express my deepest gratitude to my family, Mr Friday and Mrs Fidelia Omokhomion. My brothers Ediale, Omojiade and Ehis, who all showed me the support I needed most. To my late mother, Mrs Comfort Omokhomion, your love keeps on in my heart.

I greatly appreciate the opportunity created by London South Bank University, School of Built Environment and Architecture, for providing the support to undertake this PhD. Most specifically, I want to thank Professor Charles Egbu for his guidance and contribution to my study. I am grateful for Professor Hebert Robinson, who supported and encouraged me throughout the fledging periods of my learning. Most importantly, I will forever appreciate Professor George Ofori; your words of wisdom, guidance and support throughout the PhD journey influenced my research and career tremendously. Working with Professor George Ofori has been enlightening and supportive in every way.

I acknowledge the support and encouragement of my colleague Dr Ganiyu Sikiru for the morale support, Dr Ourania Tremma and Dr Dimitrios Paparas for pointing me in the right direction and for listening. Also, I am grateful to the academic and non-academic staff at the School of Built Environment and Architecture and the Research and Enterprise Group for their support. Thanks to everyone who took the time to contribute to this journey. To Lisa Ann Holmes, your emotional support, encouragement, and love made the PhD experience less daunting; thanks for reminding me to live.

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CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

In the last two decades there has been a focus on how major corporations are being managed. Even with this growing attention by regulators, shareholders and institutions since the global financial crisis, the number of corporate scandals and collapse of major corporations seem to be a regular occurrence (Rapp, 2007). While scandals such as Enron, Lehman, and Tyco International seem like a distant memory, the present circumstances of Carillion, Steinhoff International, BHS, Woodford Equity Income Fund, MTN South Africa, and so many more continually draw attention to the role good corporate governance has to play in firm performance, corporate transparency, employment, consumer spending, pensions schemes (Claessens and Yurtoglu, 2012; England, 2015; Rupert, 2019; Mujih, 2020). Since the publication of *The Financial Aspects of Corporate Governance* (The Cadbury Report, 1992), the literature on the critical themes of corporate governance and firm performance has been filled with numerous types of research done in both academic and industrial cycles to reinforce the role of good corporate governance must play to firm performance.

As far back as the study conducted by Adam Smith (1776), steps are continually being taken to understand the central corporate governance challenge related to agents who are expected to manage other people's fund not handling it as efficiently as they would manage their own. This forms the basis of the agency problem in corporate governance research, whereby principals have to rely on agents to manage their business, giving agency costs to reduce divergence, which may result in lower firm values (Jensen and Meckling, 1976). Hart (1995) points out that though the principal-agent theory only matters because of agency problems, it only does not provide a rationale for corporate governance. Hence, the vital role governance mechanisms play determines how decision-making on how assets should be used. This is enhanced in the case of listed publicly traded companies where there is dispersed shareholder ownership. The separation of ownership and control and lack of the ability to adequately monitor agents (managers) leads to a wide range of misalignments between shareholders' objectives and managerial goals. Hence, optimal corporate governance mechanisms are required to ensure proper alignment between the shareholders and managers.

Understanding the concept and scope of corporate governance application can pose some challenges for research. The bulk of research focused on the corporate governance of firms in developed economies such as those in the United States and the United Kingdom that have more regulated markets (La Porta et al., 1998; Bebchuk, Cohen and Ferrell, 2009). Notwithstanding, recent studies were conducted to observe corporate governance's role in emerging economies outside the United States and the United Kingdom (Claessens and Yurtoglu, 2012; Olanrele, Said and Daud, 2015; Pamburai et al., 2015; Nakpodia, 2016). Research in corporate governance in developed and emerging economies can be viewed from two prevailing perspectives: the behavioural pattern and normative framework. Researchers who follow the behavioural pattern of research in corporate governance carry out observations at the firm level looking at the behaviour of corporations, performance measures, financial structures, efficiency, growth and treatment of shareholders and stakeholders. On the other hand, the normative framework of corporate governance research relates to observations made on the system of regulations, labour and financial markets under which firms operate and how this can be improved.

This thesis investigates corporate governance using the listed real estate sector and real estate investment trusts (REITs). To fully understand why corporate governance matters to REITs performance, the normative framework of how REIT legal regulations and organisational structure are operationalised needs to be understood. Hence, a country-level understanding of corporate governance code, REIT regulations, and structure must be evaluated. The REIT structure creates a unique experiment to evaluate corporate governance's effect on firm performance. Some commonly known REIT regulations are under three broad categories; distribution requirements, income-producing assets and ownership.

The reduction in free cashflow brought about by the distribution requirement (as high as 90% in some regimes) in the REIT legislation may act as a mitigating factor which could reduce agency problems (Bauer, Eichholtz and Kok, 2010). Researchers can observe the actual effect of corporate governance on performance as it limits the chances of managerial entrenchment and enrichment, especially in countries with a weak legal system, thus requiring them to make investment decisions that provide actual long-term benefits to the firm and shareholders (La Porta et al., 1998; Bauer, Eichholtz and Kok, 2010). REITs must invest in income-producing real estate up to 75% of total assets in most countries (Omokhomion, Egbu and Robinson, 2018). This implies that the value of a REIT is mainly derived from its primary assets on their financial statement, unlike other firms whose most

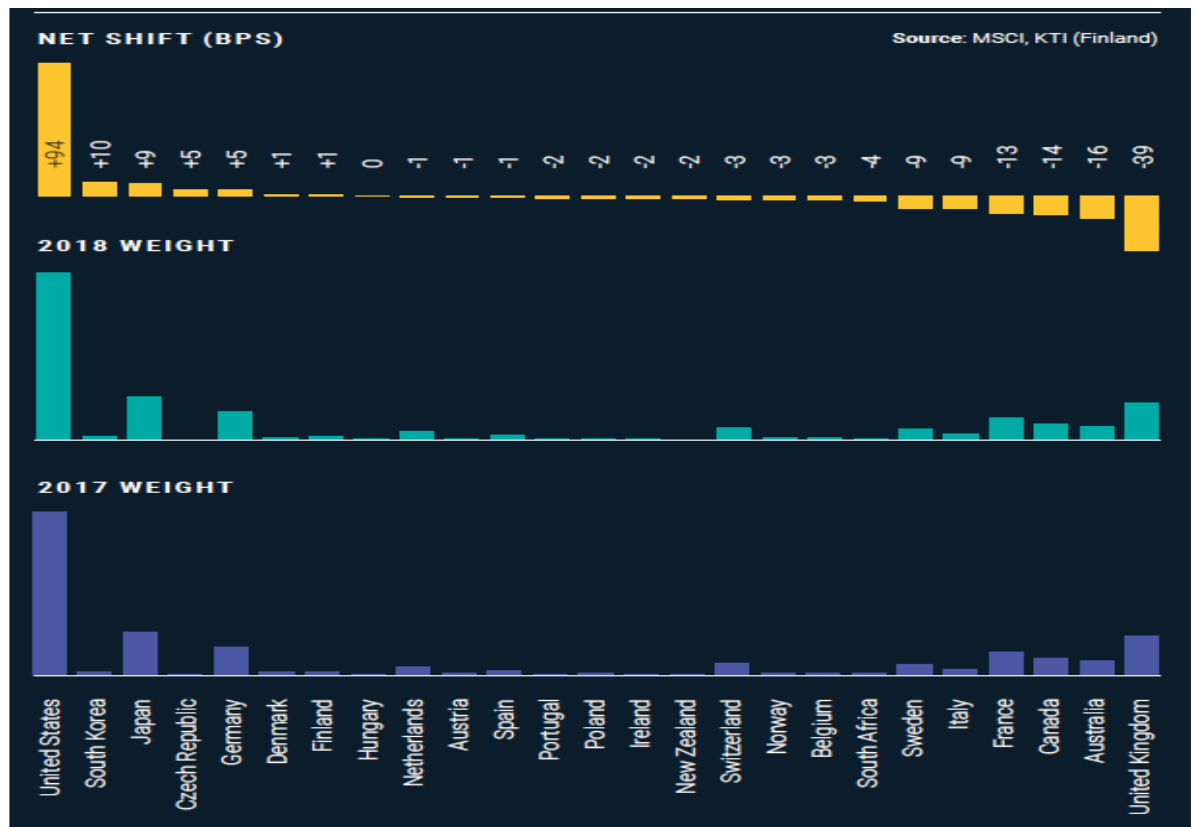
significant assets may be off the books (for example, human capital, intellectual property and so on.). Lastly, the ownership rule of publicly traded REITs in most countries requires that they are widely owned, with the five largest REIT shareholders not holding more than 50 per cent of outstanding shares (Ghosh and Sirmans, 2003; Ramachandran et al., 2018)

However, arguments against the REIT structure as a natural experiment for studying corporate governance and performance exist. The distribution requirement of 90% only applies to net earnings, allowing managers to incorporate higher depreciation expenses to generate free cash flows possibly (Bauer, Eichholtz and Kok, 2010). The diversified ownership structure may deter the formation of blockholders which may reduce REIT manager scrutiny (Ramachandran et al., 2018); externally managed REITs furthering the separation of ownership from the management; and lastly that the highly regulated restriction that applies to REITs may reduce the need for corporate governance as a factor on performance (La Porta et al., 2000; Hartzell, Sun and Titman, 2005).

Real estate investment has remained a vital part of the portfolios of all types of significant investors, with institutional investors from pension funds and sovereign wealth funds through to insurance companies actively investing in real estate over the past decades. Many institutional investors now allocate close to 10% to the sector, brought about by the better rewards offered by the real estate sector compared to the negative yields seen in many fixed-income investments (EY, 2017).

A report by the MSCI in 2018 (see Figure 1 below) on the professionally managed real estate investment market gave a clear standing of the global real estate market. The report showed the sector had grown marginally, from \$7.1 trillion in 2015 to \$7.4 trillion in 2016, and \$8.2 trillion in 2017 to \$8.9 trillion in 2018, showing a slight cooling in the growth rate. The United States remained the largest major-market mover, increasing by \$172 billion in 2016, 2017, and 2018. The top three highest markets for 2018 are in Japan, the United Kingdom, and China while the bottom four are Thailand, New Zealand, Indonesia, and Hungary. In contrast, the United Kingdom, Australia, Italy, South Africa, New Zealand, and Taiwan saw a reduced overall growth rate. The report is of great importance as it shows what markets investors are interested in when looking at the risks and returns associated with investments.

Figure 1: Change in weight in the MSCI Global Annual Property Index



Source: (MSCI, 2018)

The growing attractiveness to real estate, especially by large investors, is due to the current low-yield environment of other traditional safer investments such as government bonds and bills, which has led to a shift to yield-enhancing investment through credit investments and alternatives. A report by the OECD in 2015 accounting for the change in the breakdown of the asset allocation of the 99 Large Pension Funds (LPFs) and Public Pension Reserve Funds (PPRFs) that managed a total fund of \$10.3 trillion in assets in 2014, which represented one-third of this global class of institutional investor, it was observed that real estate is classified as alternative investments by LPFs and PPRFs, including other investments such as private equity, infrastructure, and hedge funds.

Of the 34 LPFs surveyed, allocations to other options rose from 14.3% of total assets in 2010 to 15.3% in 2014, reducing equity exposure during a similar period. This evidence is even more substantial for 19 PPRFs surveyed, with allocation for alternatives increasing from 11.2% in 2011 to 13.5% in 2014 and reduced exposure to fixed-income investments. This diversification trend into investment in alternatives is seen in investment in foreign alternatives such as real estate, private equity, and infrastructure in search of higher yields.

Funds with smaller domestic markets are more likely to diversify broadly, considering investment abroad to increase the opportunity set. Identified to the report, LPFs (apart from 6) invested 34.1% of total assets in foreign markets; this figure is even more significant for PPRFs (apart from 6), investing 36.5% of assets in foreign markets.

Using the Norwegian Government Pension Fund, the largest sovereign wealth fund in the world presently valued at \$1 trillion, as a case study, it is possible to emphasise the diversification trend using real estate as an alternative investment in the search for higher yield. With permission from the government to increase its portfolio exposure to real estate to 5% in 2008, by the end of June 2015, unlisted real estate represented 2% of its total assets with a market value of \$18.1 billion. Notably, it also invests in listed real estate companies.

This significance is noted in the recently published Global Real Estate Transparency Index 2018 (JLL, 2018), which measures the overall transparency of a real estate market.

Amongst the measuring criteria used for evaluating how transparent a real estate market is in any country is how performance is measured, the transaction process, and the governance of listed vehicles (i.e. corporate governance and financial disclosure), amongst others, play vital in the index. As of 2018, the countries with the highest level of transparency include the United Kingdom, Australia, United States, followed relatively closely by the transparent markets of Singapore, Hong Kong, Japan and South Africa. While at near the bottom of the scale, classified as having low transparency countries such as Nigeria, Rwanda and Ghana. Countries with low transparency and opaque rating generally fail to progress on the index due to a lack of availability and quality of market data, agency problems and poor or weak corporate governance systems. The spread of the REIT structure in emerging regimes has helped to improve data disclosure and professional management. The listed public real estate sector has seen a rise in the standard of financial reporting and international accounting and corporate governance standards.

Direct investment into real estate has always been associated with being capital-intensive and highly illiquid, especially for small investors. Real estate investment takes the midpoint between portfolio investment and entrepreneurial activity, which does not fit some investors' cultures and business practices (Eichholtz, Kok and Yonder, 2011). For example, a smaller investor may be more entrepreneurial but lack adequate portfolio investment and management expertise. In contrast, while having the required knowledge

for portfolio management and investment, an institutional investor may sometimes be entrepreneurial because of organisational structure (Yönder, 2013). Indirect investment in real estate has grown steadily. It has encouraged broader participation in the real estate market by allowing investors to use vehicles such as unit trusts, property company shares, and real estate investment trusts. REITs allow investors (both small and large investors) the advantage of indirect ownership of income-producing real estate assets without the day-to-day managerial responsibility for that asset, achieving diversification of investment which could be by asset type or location, ease of acquisition and disposal as most REITs are listed on the stock market (Newell and Marzuki, 2016).

As of August 2018, 30 countries had a REIT system comprising over 296 individual corporations with a market capitalisation of \$1.14 trillion since its first inception in the United States (EPRA, 2018). However, this market data does not include the emerging REIT regimes, especially for those in Africa. The Centre for Affordable Housing Finance in Africa (CAHF, 2017) report shows that the REIT structure has been growing in Africa since 1994. While most REITs in developed regimes have received considerable attention from researchers and investors, the REIT regimes in the emerging jurisdiction have received relatively little attention from researchers to understand how these emerging REITs operate and the contributing factors to performance. Though REITs jurisdictions have some differences in structure, strategy and operations, specific key themes for performance remain constant (Bauer, Eichholtz and Kok, 2010).

When Ernst & Young (2016) evaluated the global REIT regimes, they identified that irrespective of the REIT, twelve specific areas need to be focused on by REIT regimes to attract investment. These twelve areas include; capital flows/flow of funds to the sector, financing, corporate structure, property specifics, financial reporting, capital allocation, regulatory environment, cross-border issues, transaction activity, risk management, market trends and, importantly, for this study, corporate governance. Of the broad areas identified, nine areas (capital flow to the sector; financing; property specifics, financial reporting; regulatory environment; cross-border issues; transaction activity; risk management and lastly, corporate governance) can be observed in every REIT regime at an entity level to further help to understand the REIT jurisdiction and to suggest ways improvements can be made. On the other hand, capital allocation, corporate structure, and market trends do not have a reasonable impact as they are more country and entity-specific; hence will differ across regions. Overall, the report finds that institutional investors are reshaping the

corporate governance landscape and challenging how boards think about fundamental issues such as strategy, risk, capital allocation and board composition. Increasing interest is now being shown in governance issues and long-term investment decision-making strategic plans, which this thesis focuses on.

Overall, REIT as an investment option in both developed and emerging regimes is crucial in financing property investment through direct or indirect construction development and management through subsidiaries undertaken by each country's regulatory setting. Regulations of REITs which distinguish them from other listed shares have close similarities with only slight country-level variations; this presents an avenue for researchers to study issues around comparatively; corporate governance, investment decision and firm performance (Omokhomion, Egbu and Robinson, 2018). Schulte (2008) expresses this as the real estate's openness, interdisciplinary character, and multidimensional nature.

Still, empirical research on the property investment decision-making process of REITs in both developed and emerging regimes has received limited attention, given its significance to the listed real estate sector. With most of the limited research examining the property investment decision-making generally of real estate firms, but none exclusively focused on REITs investment decision making, the role corporate governance has to play in the decision making and eventual performance. Accordingly, while there is increasing awareness of the crucial role of corporate governance, this should be seen alongside the investment decision-making process, which must play an important role in understanding how REITs perform. It has become imperative to know how these key themes may affect the performance of REIT, not just in developed regimes but also in emerging ones.

1.2 Problem Statement

Corporate governance is an issue of continual discussion worldwide at the country and firm levels. Steps are taken to ensure that best practices are adopted, as it is been observed that corporate governance does play a vital role in firm performance (Lecomte and Ooi, 2013; Black et al., 2015). The literature on corporate governance comes from academia, practitioners, and the general press. From a broad perspective, researchers have evaluated corporate governance and its relationship to different subject areas; Jensen and Meckling (1976) on agency cost, ownership and managerial behaviour; Myers and Majluf (1984) on

corporate financing, information asymmetric problem and agency; Hartzell et al. (2006) on investment behaviour and ownership; Brenni (2014) on corporate governance and capital structure. These studies look at the various components of the corporate governance discussion analysed from different underlying concepts. Critically, Claessens and Yurtoglu (2012) show that weak corporate governance will eventually result in a failing financial market caused by a lack of transparency and asymmetric information problems. These studies show the significance of corporate governance and the future direction research on corporate governance may be heading both at a firm and country.

These studies have shown that the separation of ownership and control gives rise to the likelihood for agency problems to occur whereby the manager (agent) is placed with fiduciary responsibilities requiring them to act in the best interest of shareholders (principal), carry out activities that benefit their interest to the detriment of shareholders which results in a misalignment between the agent and the principal. The agency problem results in managers carrying out activities that, in some cases, may increase the firm's size but may also result in higher than usual compensation, power and prestige goals while wasting corporate resources to reach personal ends (Campbell et al., 2011). A reverse of this situation can also occur whereby more significant shareholders (principals) who own many shares and voting rights can use their controlling stake to drive private agendas for their benefit to the detriment of smaller shareholders (principals). These principal-agent situations are called type 1, and the principal-principal type of agency problem is type 2 (Villalonga and Amit, 2011). Research into REITs is faced with this problem as no exception is made to how firms manage agency problems as there are many situations where this can occur, for example, the presence of external managers, which can result in managerial entrenchment, and specifics of the REIT regulation itself.

External and internal corporate governance control mechanisms are implemented to reduce agency problems and increase alignment of ownership and control. The market provides the external governance control mechanism, which ensures that the poor performance of a firm may be followed by a takeover of the firm by competitors. However, managers can still prevent takeovers by using anti-takeover measures, which further encourage the entrenchment of managers. On the other hand, internal governance control mechanisms are used to give shareholders more control over management by putting in place controls such as the board size and compensation, the requirement for separation of CEO and Chairman

of the Board, and in some cases, influence over decisions on executive management remuneration (Claessens and Yurtoglu, 2012; Black et al., 2017). Hence, better corporate governance mechanisms benefit firms with easy access to funding, reduced cost of capital, improved firm performance, and acceptability by stakeholders looking to pay a premium for well-governed firms.

For REITs specifically, the regulations that guide how REITs operate have similarities but slight differences depending on the jurisdiction investigated. La Porta et al. (2000) noted that REITs' legal restrictions might help mitigate the stringent internal corporate governance requirements compared to regular corporations. However, Bauer, Eichholtz and Kok (2010) noted that the legal restrictions on REITs may not solve potential agency problems as the obligation to distribute close to 90% as pay-out only applies to net earnings allowing for the incorporation of additional expenses such as depreciation. Hence, REITs in the United Kingdom, South Africa and Nigeria offer an avenue to test the effect of corporate governance on performance due to little free cash flow left after distribution for management as a result of legal restrictions, which in turn may reduce agency problems. It is expected that REIT regimes in jurisdictions with more robust institutional settings (such as in the United Kingdom) and corporate governance regulations will display a weaker relationship between corporate governance structure and REIT performance. In contrast, emerging REIT regimes such as South Africa and Nigeria will display a contrary relationship in most corporate governance proxies and performance (Klapper and Love, 2004; Bauer, Eichholtz and Kok, 2010).

As seen from the development of corporate governance indices, corporate governance may not apply directly to emerging or developing markets. The legislation/structure or governance codes may exist, but what is practised and the level of transparency and disclosure may defer with many commercially developed indices used to measure corporate governance's effect on firm performance principally designed for developed markets. For an emerging market, developing an index that captures corporate governance's effect on firm performance is challenging (Black et al., 2017). While corporate governance codes and regulations exist in developed and emerging REIT regimes, REITs face different issues than developed regimes. With emerging markets increasingly becoming critical investment locations for investors, it is crucial to investigate firm-level corporate governance to enable investors to make the right decisions. The REITs structure in the three jurisdictions of study has close similarities. Allowing for elements of

corporate governance such as; related party transactions and fees (core concerns in emerging markets); and remuneration (crucial developed markets); to be evaluated to identify the effect corporate governance codes have on firm performance by developing a corporate governance scoring model (Chong, Ting and Cheng, 2016). Black et al. (2017) identified that a narrow and deep study provides the opportunity to identify where patterns emerge, which is crucial for developing REITs. Developing country-specific REIT corporate governance indices allows for capturing aspects of firm-level governance that are important in each REIT jurisdiction and investment decision-making process.

Additionally, these studies still need to incorporate the property investment decision-making process undertaken by REIT decision-makers to understand if this, amongst other things, improves performance. Sah, Gallimore and Clements (2010) on the state of property investment decision-making point to the fact that no accepted model exists that incorporates real estate investment decision-making processes; over time, many of the investment decision-making processes can be predicted and explored. REIT regulations in all three jurisdictions follow the asset rule, which requires investing and generating income predominantly from real estate. The implication is that REITs make investment decisions related mainly to property acquisition, operation and disposition (Bauer, Eichholtz and Kok, 2010). This process is better observed due to disclosure requirements by the various regulating bodies. Parker (2012) noted that the types of real estate typically traded by REITs have relatively close similarities in sector and specialisation. However, this process will differ depending on the REIT regime's location, size and maturity.

The corporate governance structures and institutional environments of REITs in the United Kingdom, South Africa, and Nigeria share similarities, allowing for a study on the impact of corporate governance on firm performance (Nakpodia, 2016). By evaluating corporate governance in one country and drawing upon the best practices of another country, it is possible to carry out a comparative evaluation of the role corporate governance has to play in the performance of REITs and the investment decision-making process in the United Kingdom, South Africa and Nigeria (Aguilera et al., 2008). While studies evaluate corporate governance's role in reducing the agency problem, the results provide varying results, especially its impact on REITs' performance and valuation in the US and Asia regimes. In developing REIT regimes like South Africa, Nigeria and the UK, which have been less studied, it is essential to understand the role corporate governance and

investment decision-making may play in performance providing credence to this research and driving attention to less researched and emerging REITs.

1.3 Research Aim

This research aims to develop guidance for REIT Corporate Governance Scoring Framework and the investment decision-making process to improve performance.

The corporate governance scoring framework constructed using corporate governance codes from the three jurisdictions in this research will allow for the measurement of the quality of corporate governance of the various REITs based on how they adhere to and disclose the application of various corporate governance proxies. Applying the corporate governance scoring framework will enable identifying those corporate governance proxies that influence REIT performance in the developed and emerging jurisdiction. REITs with a stronger quality of corporate governance are expected to display better performance than their counterparts with a poorer quality of corporate governance. Additionally, a further investigation and identification of the investment decision-making process of REITs alongside the quality of corporate governance of REITs regimes in emerging and developed jurisdictions are conducted.

To fully achieve the set-out research aim, it is necessary to explore derived themes in the form of the research objectives below.

1.4 Research Objectives

The following are the objectives of the research.

1. To evaluate the concepts, operations, structure, and regulations of Real Estate Investment Trusts (REITs) in the United Kingdom, South Africa, and Nigeria.
2. To identify and document the factors contributing to the performance of Real Estate Investment Trusts (REITs).
3. To investigate how Real Estate Investment Trusts (REITs) make property investment decisions.
4. To analyse the impact of the quality of corporate governance on real estate investment trusts (REITs) performance.

5. To develop and validate the corporate governance scoring framework and supporting guidance for real estate investment trusts (REIT) investment decision making process.

1.5 Research Contribution

Corporate governance research is of great importance to academics, policymakers, and REIT stakeholders to help understand the value of corporate governance on firm performance, which builds confidence in the REIT regimes. There is extensive literature on the issues of corporate governance and firm performance globally. Additionally, research on corporate governance and REIT performance has extensive literature in the United States, looking at it from numerous perspectives. Compared to other markets, it is linked to the long history of REITs in the United States. The REIT in the United Kingdom is relatively new, coming into effect on the 1st of January 2007 but has a robust institutional framework. A similar observation can be made with the South African and Nigerian REIT regimes, which are relatively new compared to the United States. Hence, there is a need to research how REITs has performed and how corporate governance affects said performance. REITs in emerging markets have also seen little research on how corporate governance affects performance. This research contributes to the academic knowledge of corporate governance and REITs performance in the United Kingdom and emerging REITs in South Africa and Nigeria.

This research takes on a different approach to studying corporate governance and REITs performance by looking at the firm value and performance aspect and the investment decision-making process by REITs stakeholders. This work will look at how corporate governance issues influence investment and, thus, REIT performance in the United Kingdom and emerging regimes. From the literature review, this research is the first to approach corporate governance and REIT performance from an investment decision-making approach.

This research also provides an original contribution to analysing corporate governance framework from a cross-country perspective. With the emergence of REITs in emerging markets such as Nigeria, Ghana, South Africa and much more, direct application of corporate governance framework used in developed economies such as the United Kingdom and the United States is almost the norm. In emerging markets, certain concepts

of corporate governance have cultural or ethical issues attached to them, which differ from western cultures preventing a direct transferability of corporate governance as practised in Western cultures. This research also explored how the governance framework is adaptable for emerging REITs regimes.

1.6 Scope and Limitations

Overall, this research aims to develop a Corporate Governance Framework for the analysis of the Investment Decision-Making of Real Estate Investment Trusts (REITs) to improve performance as such data was collected from stakeholders only in the REIT sector. As the REIT sector represents a smaller subsector of the real estate and construction sector in many countries, the total population of actual REITs in any country would be smaller. This reduces the scope of samples available to study at any time. The ideal target audience within individual REITs itself for qualitative and quantitative methods of data collection would have to be critical decision-makers on the board or senior executive level as they are the primary decision-makers that have a significant impact on investment decision-making, which are the principals identified in the separation of ownership from control and have a substantial impact on overall performance.

Within the context of measuring the quality of corporate governance applicable to this study, this can either be conducted using commercial index provided by rating agencies such as the Institutional Shareholder Services (ISS) Quality Score Index, Asian Pacific Real Estate Associate Corporate Governance Scoring Framework (APREA CGSF) and many more. Alternatively, by applying a self-constructed corporate governance rating methodology popular amongst academic researchers, the researcher intends to do. Each approach has inherent strengths and weaknesses, which will be discussed in sections to follow.

The use of corporate governance scores or indices provides a methodology for measuring the quality of corporate governance because of the selection of proxies (internal or external proxies of governance) used in the analysis. Corporate governance scores or indices should be used to understand the underlying criteria for measuring performance. However, evidence from strongly regulated economies such as the United Kingdom and the United States may suggest that corporate governance has less impact on performance. Bauer, Eichholtz and Kok (2010) explain this as the ‘REIT effect’ of being highly regulated. As

reported by Daines, Gow and Larcker (2009) on commercially provided corporate governance ratings shows, boards may use these to change firm practices to increase rating but do not predict future accounting restatements or shareholder litigation, operating performance, stock returns and cost of external finance. Their research explains that this failure to predict outcomes can be ascribed to measurement errors, as commercially provided ratings do not occasionally correct for endogeneity in selecting variables. Their research gives some merit to an academically provided rating of the quality of corporate governance and calls for a more reliable and valid academic measure of corporate governance that goes beyond the check-and-sum approach, which fails to highlight provisions that can be substitutes or complements.

1.7 Structure of Thesis

The thesis has been organised logically to enable the reader to appreciate the researcher's thought process in achieving the study's objectives. The remainder of this thesis is organised as follows; Chapter Two presents a comprehensive literature review of the existing studies. Chapter Three describes the data, and methodological approach to the study, covering the research paradigms and philosophical positions presented; research strategy, data description, collection and analytical techniques for each qualitative and quantitative study are described in this chapter. Chapter Four discusses the result from the first qualitative study on factors contributing to REIT performance. Chapter Five discusses the result of the qualitative study on the perception of the quality of corporate governance and REITs. Also, in Chapter Six, a qualitative study presents evidence of how REITs make investment decisions. In Chapter Seven, the quantitative analysis of the impact of the quality of corporate governance and performance is presented. Chapter Eight looks at the process of developing and validating the guidance document. It concludes by presenting the guidance document for using the scoring framework. Finally, in Chapter Nine, the conclusion of this thesis is presented, highlighting the key findings, practical implications, recommendations and limitations of the study. It also reflects some of the challenges encountered along the PhD journey.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter aims to provide a comprehensive review of the real estate investment trusts (REITs) market, corporate governance, and investment decision-making. The first section provides an overview of the global real estate sector, focusing on the United Kingdom, South Africa, and Nigeria. It highlights the significance of the REITs sector as a subset of the real estate market in these countries.

The subsequent sections of the chapter are organised as follows: Section 2.1 evaluates the importance of the real estate sector in the jurisdiction of study and the significance of the REIT market to the sector. Section 2.2 discusses the concepts, organisational structure, benefits, and importance of REITs. Section 2.3 examines the historical performance of REITs and the factors contributing to their performance.

Section 2.4 reviews corporate governance theories, definitions, models, core perspectives that guide this research, and specific corporate governance mechanisms. Section 2.5 provides a comprehensive review of the literature on corporate governance and general firm performance, similarities and differences in corporate governance of REITs, and the effect of corporate governance on REIT performance. Section 2.6 examines the rating of the quality of corporate governance.

Section 2.7 reviews the theories of the investment decision-making process of REITs, while Section 2.8 provides a comprehensive review of the property investment decision-making process. Finally, Section 2.9 concludes this chapter. By thoroughly reviewing existing literature, this chapter seeks to enhance our understanding of REITs, corporate governance, and investment decision-making.

2.1.1 Overview of the Real Estate Sectors in the United Kingdom, South Africa, and Nigeria

The real estate sector represents a crucial market and source of income in any economy. Over the years, the investment in brick and mortar has been a hedge against inflation, providing a regular stream of income and a source of security for most investors. The global property market performance has been given increasing focus as a source of

investment diversification offering investors above-average returns in comparison to what may be obtained in their local property market, either at the higher rate of returns seen in fast-growing markets or more stable and secure rate of returns in established markets (Hartzell, Hekman and Miles, 1986, 1987; Hartzell, Sun and Titman, 2014). The decision to invest either internally or externally is based on the evaluation of the attractiveness of a host country which is guided by the socio-economic environment and institutional framework (Holsapple, Ozawa and Olienyk, 2006; Groh and Liser, 2011).

In order to gain an appreciation of the REITs sector, an overview of the real estate sectors in the United Kingdom, South Africa and Nigeria is conducted, allowing for an understanding of how various stakeholders achieve their real estate investment objectives. To achieve this, an examination of vital macro-economic data such as the country's GDP, GDP per capita, Industry (including construction), value added (% of GDP), individual country market breakdown and identification of the significant hubs using a time series data for the period of this research is discussed to help paint a picture of the position of the real estate sector and the attractiveness of the three jurisdictions under study.

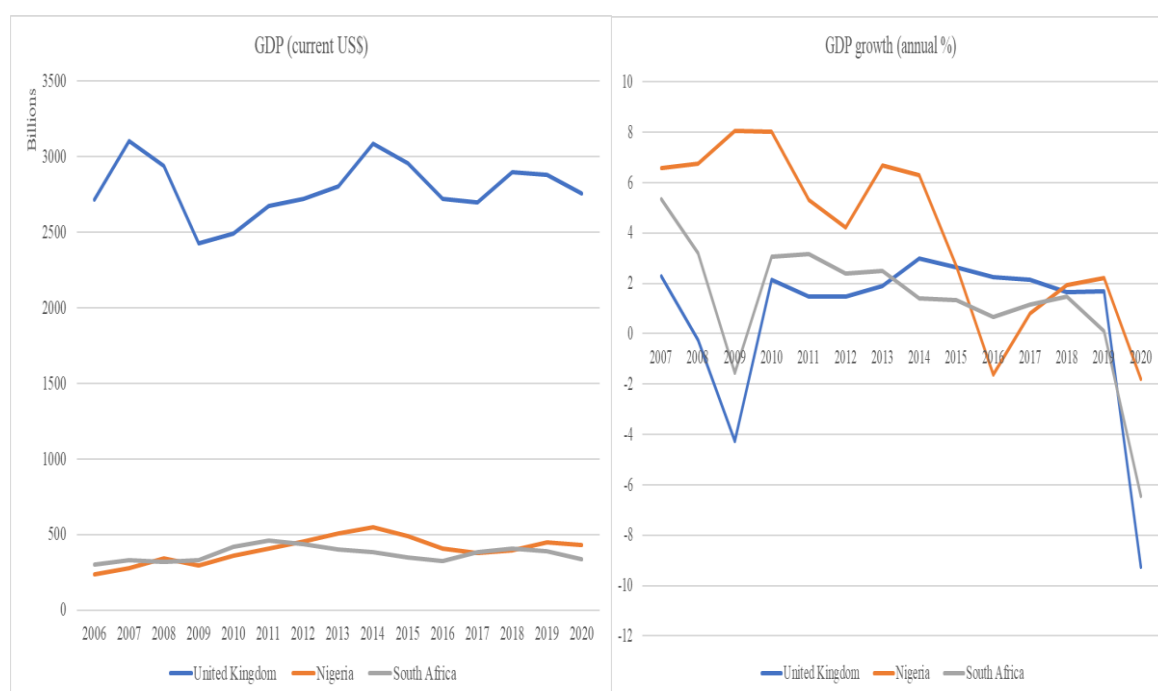
GDP, GDP per capita growth rate

Real estate activities contribute to GDP and national accounts. Pirounakis (2013) explains that spending on real estate tends to expand GDP by more than the initial expenditure value; that is, £1 of investment augments national output by more than £1. A country's GDP per capita is commonly used as an indicator for real estate asset allocation (Connor and Liang, 2000). There is a long-standing connection between a nation's economic footing as measured by major macroeconomic indicators such as GDP, GDP per capita and its effect on the real estate sector (Goodhart and Hofmann, 2008). In most cases, income must be accumulated before purchase or a mortgage of residential property can be made. In the long run, growth cycles of both GDP per capita and house price and mortgage levels have been shown to have a close correlation while taking note of heterogeneity in economic, financial and cultural developments (Valadez, 2010; Pirounakis, 2013; Cerutti, Dagher and Dell 'Ariccia, 2015).

Figure 2 below showcases data provided by the World Bank from 2007 to 2020 on GDP at the 2022 US dollar and GDP per capita annual growth rate. During the sampled period for this thesis, the increasingly inter-connected world showcased the cross vulnerability of global economics, directed by a number of observable factors; 1) the European situation

with Britain voting to leave the EU, increasing uncertainty in the market; 2) the crash of the Chinese stock market sending shock waves around the world; 3) OPEC cutting productions, with this putting Brazil and Venezuela into recession and Saudi Arabia cutting back production, this also had a significant impact in the Nigeria national oil revenue; 4) Trump winning the US election and the student loan market increasing the collateralised debt market and 5) sanction free Iran with the potential to increase oil exports; 6) downturn in the South African market during this period was brought about by a falling mining and manufacturing output, increased risk due to downgrading of rating by Moody's and Fitch due to continued political instability that affects governance standards; 7) Nigeria facing a currency crises; 8) the onset of Covid-19 and supply chain crises (Dutt, 2016). Other factors which also significantly affect performance at a national level will be inflation, the influence of currency exchange rates, prime interest rate and bond rate, all of which have varying influences on how different industry sectors perform overall.

Figure 2: Comparison of GDP current US\$ and GDP per capita growth

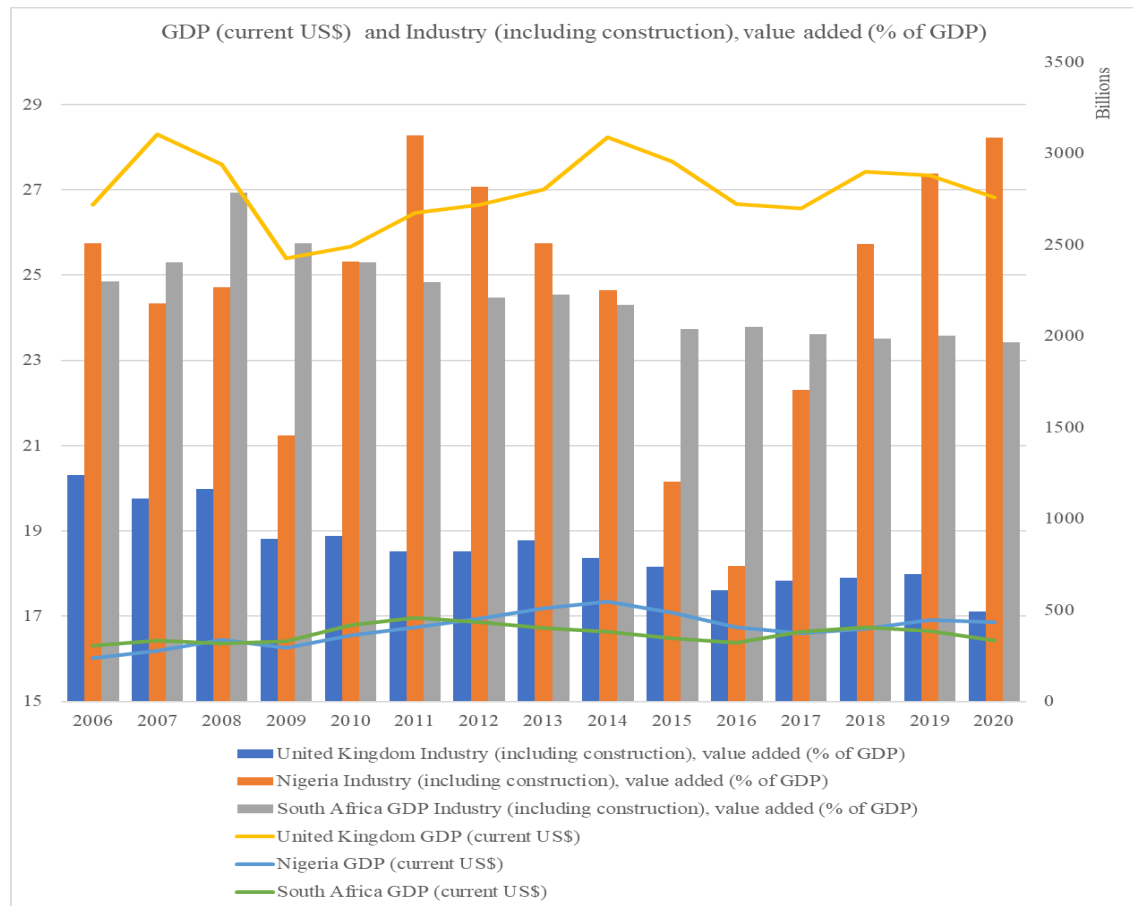


Source: The World Bank (2022) (Note: reference year for old GDP estimates in Nigeria was 1990. Rebased on 2010 with the addition of new sectors)

Another valuable observation is the percentage contribution of Industry (including construction) as value-added to %GDP. The industrial sectors covered by World Bank Data broadly comprise value added in mining, manufacturing (also reported as a separate

subgroup), construction, electricity, water, and gas. With value-added being the net output of a sector after adding up all outputs and subtracting intermediate inputs. It is calculated without deductions for depreciation of fabricated assets or depletion and degradation of natural resources. From the graphs (Figure 3 and Figure 4) below, it is observed that this industry contributes significantly to the GDP of individual countries, mainly in the double digits. At its highest, the Industry sector contributed 20.31% to the GDP of the UK in 2006. However, in recent times, the sector has seen considerable stagnation since 2016, which coincides with BREXIT and COVID-19. In the Nigerian economy, the Industry at its highest contributed 28.3% in 2011 to GDP. It experienced a decline from 2012 to 2017 but started recovering in 2018 back to 28.2%. In South Africa, value-added by the Industry sector was at its highest in 2008, at 26.94%, but since then, the sector has experienced a significant decline, now only contributing 23.42% in 2020. Looking at both emerging REIT markets, the Industry sector in Nigeria looks to have outperformed South Africa from 2018 to 2020.

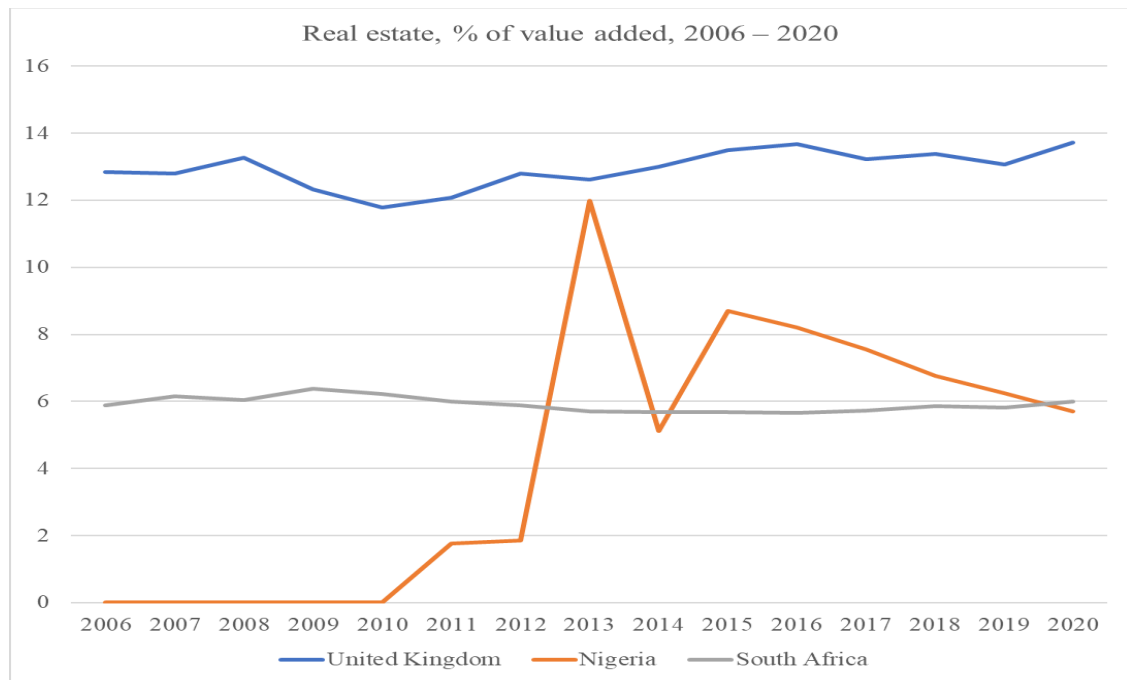
Figure 3: GDP (current US\$) and Industry (including construction), value added (% of GDP)



Source: The World Bank (2022)

Nigeria's GDP (Figure 4) breakdown shows that the value added by the real estate sector from 2011 had experienced significant volatility and has yet to return to its highest point in 2013, when it was at 11.98%. Recent data from the Nigerian Bureau of Statistics in 2020 show that the value added by the sector has slowly fallen since 2015 and is now only adding 5.70%. Since the re-emergence into the international and economic spheres in the mid-1990s, South Africa has shown significant growth in the contribution of the construction and real estate sectors to the economy as it becomes more attractive, especially for global brands and private start-ups. The real estate sector value added has remained relatively unchanged over the past years showing limited volatility in the market. Looking at the data, the value added by the sector steadily increased from 5.65% in 2016 to 5.99% in 2022. Value added by the real estate sector was at its lowest (11.74% in 2010) during the financial crisis and recovery period in the United Kingdom. The sector steadily added value from 2013 but met a slowdown in 2016 brought about by the BREXIT vote. Recovery from 2018 continued till the onset of COVID-19, but recovery is seen in the value added of 13.72% in 2020. While the United Kingdom represents one of the largest global real estate markets, it is still faced with its issues. The UK economy has slowly recovered after the global financial crisis (GFC), as shown by the anaemic rise in the GDP growth rate. The growth rate of construction and real estate activities shows a clear warning sign for situations in the broader economy (OECD, 2015). The UK construction and real estate services sectors have even shown higher volatility brought about by a high level of uncertainty caused by the recent referendum (World Bank, 2019). However, this has yet to change the United Kingdom's overall standing in the world real estate and construction market, coming in amongst the top six largest countries (United States, France, Japan, Germany, Canada, and United Kingdom) in terms of the market size (Ajayi, 2017).

Figure 4: Real estate, % of value added, 2006 – 2020



Source: NBS (2022) and OECD (2022)

2.2 What are Real Estate Investment Trusts (REITs) and their significance in the Real Estate Market?

As mentioned earlier in the introduction, a REIT is a collective investment scheme, a unit trust or corporation investing predominantly in mostly large portfolios of professionally managed real estate assets. MSCI on the Real Estate Market size of 2018 shows that the global professionally managed real estate investment market (which is an investment in property for the primary purpose of gaining returns and excludes owner-occupied and non-investment leased real estate) has continually grown marginally since 2015.

The REITs format provides a liquidity structure to meet investors who own a significant share of the company and want to sell such shares without touching the underlying asset of which the sale of such real asset itself while resulting in substantial capital gains, taxation of such gains still applies (Gumbs, 2001). There are various ways a REIT can be classified, using a broad category: publicly traded and private REITs (NAREIT, 2017b).

Publicly traded REITs are divided into their investment classes such as equity REITs, mortgage REITs and hybrid REITs;

Equity REITs: these are REITs that invest solely in the real estate property itself and generate revenue from rental returns or sales of such real estate assets from their portfolio. Equity REITs may specialise in specific property types, and in other cases, they may focus their investment on specific geographical locations. An excellent example in the United Kingdom is Unite Group (Unite Students) which invests in student accommodation across major University clusters in London, Coventry, Nottingham and Liverpool. The National Association of Real Estate Investment Trust (NAREIT) further breaks down the classification of equity REITs by property sectors; residential, industrial/office, retail, diversified, lodging/resorts, health care, self-storage and speciality.

Equity REITs can further be classified under Finite-Life REITs and Non-Finite Life REITs based on the trust duration. Finite life REITs developed due to investors' criticism that shares of REITs behave like common stock, which means they get discounted rather than being priced on the real estate value of the REITs. Finite REITs are formed to dispel or distribute all the company's assets to the shareholders at a specific date. This method allows investors to best value the terminal value of the underlying assets and hence hypothetically remove the issue of discounted share prices. Non-finite REITs, however, operate as a going concern entity. This type of REIT is the most common in the modern REIT structure.

Mortgage REITs: these also fall under Public REITs, and they operate by purchasing mortgage obligations secured by the underlying real estate property. They generate revenue from interest paid on mortgage loans, with mortgage liens given to priority equity holders. Alternatively, the REITs acquire pre-existing secondary mortgages. Funds obtained by mortgage REITs for investment are raised through shareholder equity or borrowed from lenders (Martijin, 2005). Dividend distribution is from net income from payment on interest and fees generated from mortgage loans or purchased mortgage obligations from lenders or in the secondary market or purchased MBS (mortgage backed securities). Profit of mortgage REITs is the difference between their costs, including their funding costs to purchase mortgage investment. The National Association of Real Estate Investment Trust (NAREIT) explains that many mortgage REITs can manage their interest rate and credit risks using other accepted derivatives, hedging and securitised mortgage investments.

Hybrid REITs: as the name implies, hybrid REITs combine both the positive qualities of mortgage REITs and equity REITs.

Private REITs are REITs that are either not listed or non-traded publicly in any security market. When a REIT is ‘non-traded’, it is registered with the SEC and is required to make regular disclosures. However, their shares are not listed or traded on the exchange. When REITs are ‘not listed’, they are not registered with the SEC and are not hence required to make disclosures and investors may not have access to some information. Private REITs, which are ‘not listed’, would not have their shares traded on an exchange. Shares of private REITs, either ‘not listed’ or ‘non-traded’, are challenging to value and tend to be illiquid (FTSE Russell, 2016).

2.2.1 Origin and Background of the Real Estate Investment Trusts (REITs)

The alternative to direct investment in real estate through brick-and-mortar development is using an indirect means of investment, such as REITs, which allows for better investment diversification. With this type of indirect investment in real estate, investors can enjoy the benefits of real estate without the related problems. KPMG's (2015) global report on REIT regimes points out that REITs remain attractive to investors because they are tax-efficient, liquid and transparent, with more countries introducing REIT regimes.

Generally, to be classified as a REIT, these institutions must adhere to specific conditions primarily related to taxation, income distribution, investing in real property through equity or debt, ownership concentration of shares not exceeding certain thresholds and holding policies on actual property purchase. One primary condition attached to REITs is the distribution of 80%-90% of taxable income to investors; this requirement limits cash flow growth and reduces managerial discretion and agency problems. Future growth of REITs is usually limited due to the distribution requirement, making them search elsewhere to raise capital for investment. REITs are similar to mutual funds in that investors pool capital or assets to invest in property—the structure and regulations surrounding REITs will be discussed in greater detail in the sections below.

Across different REITs globally, the United States has shown long variations in rules, which may be accredited to its most extended time of operation with areas of formal and transparent governance mechanisms, relatively lower leverage, and concentration of management talent resulting in exceptional performance (Packer, et al., 2014). The United States is the oldest, with REITs in the Netherlands and Australia emerging in 1969 and 1971, respectively. In Asian Pacific (Hong Kong, Singapore, Malaysia, New Zealand.) REITs market began to become famous from 1999 through to 2007. Moving to Europe, REITs became popular in

Belgium in 1995, Greece in 1999 and the UK in 2007. There has been a notable development in REIT regulations and practices in Africa, such as Nigeria (in 2007) and Ghana (in 1993), which have operating REITs. As recently as 2016, Kenya introduced legislation for the formation of REITs. South Africa introduced REITs in 2015, although before the introduction of REITs, the real estate market was well established, which has allowed the REITs on its formation to outperform older REITs in the continent.

Real estate investment trusts (REITs) can be traced back to the late 1800s and the Massachusetts Trust Company. This company was formed by New England investors who wanted to profit from the growing real estate industry. However, at that time, corporations were not allowed to own real estate unless it was an essential part of their business. So, the Massachusetts Trust Company was created to allow wealthy investors to diversify their real estate holdings with limited liability (Chan, Erickson and Wang, 2002).

The modern form of REITs in the US results from government legislation and evolution following changes in legislation on structured alternative investment vehicles. Earlier REITs were only available to the affluent in New England, but the investment was opened up to the public as time progressed. These early trusts invested heavily in Boston and other cities in the US (Jackson, 2007). Today, all REITs can be traced back to the US, and they offer investors a way to invest in real estate without having to buy and manage the property themselves (Chan, Erickson and Wang, 2002).

However, its failure to become popular in the United States economy in the 19th century is ascribed to early court decisions surrounding taxation at the corporate level (Durrett, 1961). Between 1919 and 1925, the Internal Revenue Service (IRS) still imposed taxes on various types of trusts, exempting certain types. This resulted in mixed taxation decisions in lower courts on the success of imposing income tax on investment trusts such as securities holdings and REITs. In 1935, the tax status enjoyed by some trusts took a different turn when the United States Supreme Court, in the case of *Morrissey v Commissioner of Internal Revenue*, ruled that a trust can be taxed as an association (corporation or joint-stock company) within the Revenue Acts of 1924-1926. They were established based on trusts carrying out businesses and possessed essential characteristics of a corporation, i.e., centralised control, profiting making, and transferable ownership (Durrett, 1961; Valachi, 1977; Pellerin et al., 2013).

Valachi (1977) explains that REITs during 1936 did not seek to change this legislation for various reasons; they were not organised enough to lobby for consideration, and the depression (The Great Depression of the 1930s) took a toll on REITs and shadowed the effect of taxation. Efforts through lobbying to bring about a distinction between the taxation levied on dividends and interest as contrasted with renting took on entirely in the 1950s. They were chaired mainly by the remaining Massachusetts real estate trusts, the National Association of Real Estate Boards, the National Association of Home Builders, the Mortgage Bankers Association, the Post Office Department, the Commerce Department and the Housing and Home Finance Agency. This came with some opposition from the National Association of Investment Companies resulting from possible competition and the Department of the Treasury, which historically opposed the legislation for six years.

In 1956, Congress provided tax relief for REITs through a bill pocket vetoed by President Eisenhower due to two objections. These included the unfair advantage created for REIT-owned real estate compared to regulated investment companies, as REITs enjoyed single taxation at the investor level, and lack of clarity on how the provision would be applied (Valachi, 1977). This bill aimed at trusts operating as investment distributors of rent distinguished from regular investment companies carrying out the same. The bill, including an amendment by the House Ways and Means Committee, proposed the following listed below;

1. Interest is held by at least one hundred persons, twenty-five or more persons but does not give an opinion on control or the role of active trust.
2. Elections are treated as a conduit of the trust
3. The relationship between the trust and tenant is prohibited from extending beyond that of landlord and tenant.
4. Explaining the passiveness of REITs, there was a need to distinguish rents from any other income received from property except that made to improve capital accounts. Under the amendment, REITs could not derive more than 10% of their income from operated properties.

On January 29th, 1960, a bill was introduced during the 86th Congress, which was incorporated as Amendment No 9 into another bill dealing with a pool of miscellaneous tax matters. This bill, signed in 1960 and vetoed in 1956, was similar, but the change in attitude this time is ascribed to the drastic change in economic situations that needed an injection of private capital. The early REITs were managed by advisory boards that got paid for work

from a percentage of the total assets, forming the bases of agency problems. This research will also consider that separating ownership and management creates a conflict of interest (McMahan, 1994).

The legislation mandating the creation of early real estate investment trusts required specific criteria, including: 1) the trust must be independently managed by trustees with transferable shares held by 100 or more persons, not by five or fewer individuals who own 50% of the trust, and taxed as a domestic corporation; 2) 75% of total assets must be in real estate assets, and no more than 25% in securities outside this requirement, with limits on holding more than 5% of any one issuer and 10% of its voting securities; 3) 90% of gross income must come from rents, interests on obligations secured by mortgages on real property, gains from real property sales, and similar interests; 4) 30% of gross income must come from the sale of stocks or securities held for less than six months and real property held for less than four years; 5) 90% or more of taxable income must be distributed to shareholders; and 6) REITs are taxed on distributed income with a corresponding dividend deduction to the trust.

The passing of the Real Estate Investment Act in 1960 by the United States Congress brought about the acceptability of this form of investment. The Act also became effective in 1961, pushed forward by the aftermath of WW II, resulting in a need for real estate equity and mortgage funds to facilitate development. However, the growth of REITs was relatively slow by the end of the 1960s and ignored by institutional and commercial property investors, owned mainly by small local operators. From the early 1970s, REITs gained massive popularity, ascribed to the changing economic situations in the United States at that period, which saw ballooning interest rates resulting in a shortage of funds for long-term projects such as property construction. The restriction compounds this situation on traditional finance sources from direct construction and development projects. This resulted in the formation of publicly funded REITs to carry out construction and development leading to the establishment of Mortgage REITs in the late 1960s and early 1970s.

By 1973 the onset of recession brought about by the oil embargo greatly affected real estate values already characterised by oversupply. Increasing inflation and interest rates caused the liquidation of many mortgage REITs. It was exacerbated by poor management practices linked to poor underwriting, where commercial paper and short-term funding are used to fund the underlying assets in the REITs, which are long-term development. All these

combined brought about the market crash, with REITs costing the banks \$11 billion in 1975 (Chan, Leung and Wang, 2005; Jackson, 2007).

The Tax Return Act of 1976, passed by the Congress of the United States, came about because of problems REITs faced in the late 1960s and early 1970s, primarily of which were tax-related issues. In aspects of general real estate, it looked at; construction period interest and property taxes; requirement for capitalisation rather than expenses; minimum tax requirement; depreciation recapture on residential income properties; extension of the capital gains holding period from six to nine months and the tightening of the investment interest limitation. The Tax Reform Act of 1976 made REITs more operational (Sanger, Sirmans and Turnbull, 1990). Under the new reform, the required 75% and 90% gross income rules were relaxed, and capital gains and operating losses were changed to permit REITs to have eight years of losses carried forward, reducing the likelihood of disqualification. REITs were also allowed to hold the property for sale subject to 100% excise tax on income produced from the sale, but if the REIT limits the number of properties sold to maintain a minimum four-year holding period, it would not be taxed. Additionally, if it acts as an investor rather than a dealer, the 100% excise tax is axed. However, the reform had an issue with REITs by increasing dividend pay-out of earnings from 90% to 95%.

The 1986 Tax Reform Act significantly reformed the real estate sector, specifically in the areas of depreciation deduction, flow-through tax losses, marginal tax rates, and capital gains taxation. The Act reduced the depreciation deduction by extending valuable life and eliminating accelerated depreciation deduction, substantially limited flow-through tax losses by imposing loss offset limitations and at-risk restrictions on real estate, lowered marginal tax rates, and curtailed the switch from ordinary to capital gains income, which was taxed at ordinary tax rates.

The reform allowed the flexibility of operation by broadening the range of services that REIT can give tenants, increasing sales yearly from five to seven, and authorising operations through owned subsidiaries. The Tax Reform Act of 1986 moved REITs from passive to active investors, allowing the internal management of affairs, which reduced agency problems aligning shareholder objectives with management better (Johnston, 1994). Xu and Yiu (2010) stated that the passage of the Tax Reform Act of 1986 helped to ensure the popularity of REITs as an investment vehicle by tackling the decelerated depreciation write-off items which other real estate corporations used at the time to increase real estate value

(losses from passive income partnerships to offset gains in other active or active income where REITs could not compete prior the reform). The United States REITs as we know them today originated after the Tax Reform Act of 1986, which allowed REITs to own and actively manage their properties (Brounen, et al., 2013). Critical to the change brought about by the Tax Reform of 1986 was the REITs' ability to now attracting institutional investors due to structural changes.

The following significant tax change was brought about by the Taxpayers Relief Act (TRA) of 1997. The REIT Simplification Act of 1997 removed the 30% requirement of gross income from selling assets not held as long-term investments. In summary, it reduced the requirement for capital retention of REIT shareholders and loosened previously impermissible services to tenants. Following this was the REIT Modernization Act of 1999, which tried to level the playing field between REITs, other commercial real estate entities and other businesses—deemed as having the most positive wealth creation effect for all REITs in the United States. Its creation allowed REITs to own again taxable subsidiaries providing services to tenants, reduced the mandatory pay-out of earnings from 95% to 90%, which allowed for increased residual cash flow for the REIT to grow and allowed hotel REIT to lease its hotel assets to a taxable REIT (Jackson, 2007; Xu and Yiu, 2010).

The REIT Improvement Act of 2003 elaborated the foreign shareholders investing in other listed United States companies and foreign shareholders investing in REITs and improving the efficiency in running the business on behalf of shareholders. The REITs Investment Diversification and Empowerment Act of 2007, signed in 2008, came just after the global financial crisis of 2008 and was enacted as part of the Housing and Economic Recovery Act of 2008. It slightly adjusted tax rules for a balanced competition between REITs and other international and domestic real estate C-Corporations. It also enabled the better structuring of healthcare REITs following similar improvements for hotel REITs in earlier reforms. Table 1 below summarises the major REIT reforms in the United States.

Table 1: Major Legislation affecting Real Estate Investment Trust since its formation in the United States

Year	Reform	Summary
September 14 th 1960	Real Estate Investment Act	United States Congress brought about the acceptability of this form of investment.
October 8 th 1976	Tax Reform Act	Relaxed the organisational structure restrictions on REITs
October 24 th 1986	Tax Reform Act	REITs now could provide some services to occupying tenants and reduce depreciation allowance by increasing useful life and preventing accelerated depreciation deductions
August 5 th 1997	REIT Simplification Act	More provisions for providing services to tenants occupying the REITs' real property, retention of after-tax proceeds of taxable capital gains under a single tax regime and the revoking of the 30% gross income test while keeping the excise 100% tax on sales of dealer property intact
December 17 th , 1999 Enacted January 1 st 2001	REIT Modernization Act	Reduced compulsory pay-out from 95% to 90%, allowed the ownership of taxable c-corporation providing necessary service to tenants, hotel and healthcare provisions
2003 October 22 nd 2004	REIT Improvement Act	Treatment of foreign investors in REITs vs other listed US companies
July 30 th 2008	REIT Investment Diversification and Empowerment Act	Gave REITs more leeway in activities carried out by taxable subsidiaries and more improvement on healthcare REITs

Source: Author's

A detailed examination of REITs in the United States and their historical performance shows three distinct periods of 'boom' and 'burst'. The first boom of REITs was because of the Federal Reserve Board's increase in interest rate in 1968 to reduce inflation, which prevented

commercial banks from competing for investor capital. In addition, restrictions on what banks can pay to attract deposits caused investors to seek new ways to invest. This essentially caused a boom in the late 1960s and early 1970, with most REITs market making up 26% equity while mortgage REITs accounted for 47%. By 1970, REITs had raised over one billion dollars (Mullaney, 1997; Jackson, 2007). The late 1970s saw a burst in the REITs market because of poor management linked to poor underwriting and rising inflation resulting in the liquidation of most mortgages backed REITs. As noted by Mullaney (1997), this burst created suspicion in REITs, with the general opinion that the structure was flawed and management was conflicted and incapable.

The next boom in the industry came about in the 1980s caused by the Economic Recovery Act passed in 1981, which allowed for shorter depreciation schedules for real property and allowed for the pass-through of tax losses to investors, who could utilise these losses to reduce their income tax liabilities. Although REITs were not an active player in the real estate market at this period as the Act was most suitable for limited real estate partnerships.

The third boom, as noted by Jackson (2007) research began in the 1990s as many REITs went public and marked its rapid growth. The growth has been accredited for several reasons; the Revenue Reconciliation Act of 1993 made REITs attractive to institutional investors (mutual funds, insurance and pension funds), enabling them to diversify investment and critically hedge against inflation REITs provided due to its link to real property. Under the Revenue Reconciliation Act, REITs did not have to follow the 5/50 rule, which stated that no fewer than five people could own 50% of the combined outstanding share of the REITs. Although pension, mutual, and insurance funds are composed of investments by several people, REITs rule at that time counted these funds as one investor. The Omnibus Budget Reconciliation Act (Revenue Reconciliation Act) of 1993 eased this rule, allowing these funds to count each investor into the fund for the sole reason of investing in REITs. The REIT Modernisation Act furthered this in 1999, which allowed it to compete with other commercial real estate entities and businesses.

The 1990s brought about the specialisation of REITs by property types in the United States, i.e. residential, retail, and office. It also brought about the introduction of UPREIT in 1992 (Umbrella Partnership REIT). A UPREIT enjoys the benefits of being a REIT and a partnership. This allowed private assets to be contributed to the REITs without incurring the capital gains tax liability (Packer and Shek, 2014).

Downs (1994) on the REITs explosion points out that the factors that gave rise to the rapid abortion of the REITs structure can be associated with the economic climate during that period, supply side and demand side mechanisms. From 1989-1992 the economy was subjected to low-interest rates, causing investors to seek better opportunities outside traditional savings. Additionally, the collapse of the commercial real estate price made investment attractive at that period ensuring a higher yield (8%-13%) for investors creating a push factor for the creation of REITs. The supply side Downs (1994) explains its ability to tap into other funding sources outside traditional sources on reasonable terms by property owners and developers seeking to sell their properties. Although joining the REIT structure through acquiring property owners may have a downside, as properties of poor quality can be mixed with higher-quality properties to improve their value (Martijin, 2005).

By 2000, investors needed alternate investment options, with most investments leaving the tech industry for more stable investments identified in REITs. Overall, the present form of REITs in the United States is an evolution of direct government legislation, which has changed the industry and structure to make it the viable investment vehicle we know today. As of 2021, 198 listed REITs in the US, with 124 on the EPRA (European Public Real Estate Association) REIT index with a market capitalisation of \$1,763,127.77 million, making up 68.35% of the global REIT index tracked by EPRA (EPRA, 2021). The top 5 REITs performers based on market capitalisation as of 2021 in the US market are; Prologis, Equinix Inc, Public Storage, Simon Property Group and Digital Realty Trust.

Following the United States in 1960, the Netherlands 1969 was the first to adopt the REIT structure in Europe by the passing of the 'Fiscale Beleggings Instelling' (FBI), which is subject to the Dutch Corporate Income Tax Act of 1969 (Wet op de vennootschapsbelasting 1969) at a zero per cent rate which essentially is a total exemption. In 2007, a review was carried out on the FBI to make it less restrictive and allow it to compete with other European markets. The amendment allowed a foreign entity to apply to the regime and abolish restrictions on foreign investors. At the end of 2021, EPRA reports 5 REITs operated in the Netherlands with a total market capitalisation of \$18,069 million, making up 0.96% of the global REIT index.

In Asia, the REITs market has shown excellent progression since the opening of the first REITs after Australia was Singapore in 1999, closely followed by Japan in 2001. The latest was the introduction in India in 2014. This Asian expanding market introduction of REITs

is closely associated with evolving legislation with policies sent on areas such as leverage, dividend policy, percentage of development in real estate portfolio and most importantly, access to information. Martijin (2005) on the Asian REITs points out that access to information relating to publishing yields, which should increase transparency, is highly practised in many Asian regions.

2.2.2 Concept of REITs globally, in the United Kingdom, South Africa, and Nigeria

As discussed earlier, the earliest concept of REIT traces its origin to the United States in 1960. Followed by the Netherlands in 1969 and Australia in 1971. In the United Kingdom, REIT regulations were enacted by the Financial Act 2006 and came into force on 1 January 2007, with further amendments made to its regulation by the Finance Act 2012 to make the sector more attractive. Table 2 below provides a breakdown of when REITs in various countries started. In Africa, REITs and listed real estate are slowly gaining popularity with the earliest introduction in Ghana in 1994, Nigeria in 2007, Tanzania in 2011, most recently South Africa, Kenya, and Rwanda in 2013. However, its growth remains stifled by many factors peculiar to an emerging market. The size of the REITs and listed real estate shows its overall popularity as a means of indirect investment in real estate. The sector's market capitalisation has steadily increased over time, from \$734 billion in 2010 and, by the end of 2021, stands at approximately \$1.53 trillion. As tracked by the FTSE EPRA NAREIT Global REITs Index, global REITs are made up of 24 countries (the UK and South Africa tracked but not Nigeria), and 343 constituents are operating as REITs (FTSE, 2022).

Table 2: Year of enactment of REIT regimes in different jurisdictions

Country	Enacted Year	Country	Enacted Year
United States	1960	Taiwan	2003
Netherlands	1969	Bulgaria	2005
Australia	1971	Malaysia	2005
Canada	1994	Israel	2006
Belgium	1995	Germany	2007
Greece	1999	United Kingdom	2007
Singapore	1999	Italy	2007
Turkey	1999	New Zealand	2007
Japan	2000	Mexico	2011
South Korea	2001	Thailand	2012
France	2003	Dubai	2006
Hong Kong	2003	Kenya	2015

REITs global market capitalisation steadily increases the post-global financial crisis. Made of 343 constituents, however, this figure does not include some emerging REIT regimes such as Nigeria, Tanzania and Ghana but ironically includes China. Evaluating REIT market capitalisation as of 2021 on a country-by-country basis shows the United States made of 113 constituents, holds the highest market share with 71.27% of the global market. Japan comes in second with a market weighting of 7.26%, having 52 listed REITs. On a European standing, the United Kingdom has the largest share of the market, valued at \$75,150 million, with 37 constituents, followed by Belgium, made of 10 constituents valued at \$16,432 million (FTSE, 2022).

In Africa, the South African REITs are the only REIT regime represented by the FTSE, with 10 constituents and a market capitalisation of \$8,209 million, and it represents 0.53% of the global REIT market on the FTSE (FTSE, 2022). Closer observations from each country's stock exchange provide different market capitalisation for REITs operating in Africa. Since 1994, legislation allowing REIT in Africa has become popular, with Ghana, Nigeria, Tanzania, South Africa, Kenya, Rwanda and Morocco now having REIT or REIT-like regimes. As seen in Table 3 below, the market capitalisation of REITs in Africa, however, portrays slow progress of acceptance expects South Africa, which has more

progressed due to a more robust property market, and capital market and enjoyed the benefits of the conversion of listed real estate companies to a REIT structure.

Table 3: Registered REITs in Africa

Country	Year of Est.	No. of REITs	Market Capitalisation
South Africa	2013	30	\$16.1 billion
Nigeria	2007	4	\$224 million
Ghana	1994	1	\$12.6 million
Tanzania	2011	1	\$40 million
Kenya	2013	1	\$35.5 million

Source: (CAHF, 2017)

The growing interest in investment through REITs is due to its ability to allow all investors the chance to have portfolio exposure to real estate without the added burden attributed to direct investment and management of real estate, which requires experience and takes a long time to accomplish. Regulations governing REITs are similar but have some country-specific differences. This research will critically examine the structure and regulations of REITs in the United Kingdom, South Africa, and Nigeria, which is regulated by their financial and exchange commissions and provides detailed evidence of their performance and activities from reporting evidence. The principal regulations that allow for a cross-examination of REITs are under four significant categories; ownership, income, asset, and distribution.

Another crucial aspect of REITs is their investment decision-making which ideally should closely follow the strength of corporate governance. The operations of REITs generally follow the acquisition, operation, and disposition process following the asset and income requirement regulation. It is possible to trace and track the decision-making process of REIT management as these all must be reported as required by regulation. Yönder (2013) states that this REIT attribute helps differentiate it from the regular corporation, where it is impossible to track investment decisions by its managers. Additionally, Farragher and Savage (2008) point to the need for research that broadly examines the investment decision-making strategies of a global set of investors to comparatively examine similarities and differences that may exist.

This research evaluates the impact corporate governance has on real estate investment trust performance and investment decision-making process in the developed regime of the United Kingdom and the emerging regimes of South Africa and Nigeria to assess if the emerging REIT regimes approach corporate governance through a copy and paste approach by REIT managers and the board. This research will add to the growing literature on the necessity of corporate governance in emerging REIT regimes of South Africa and Nigeria and the importance it has played in the success of the United Kingdom real estate investment trust.

2.2.2 REITs Organisational Structure and Operations

The unique structure of REITs brings about a different aspect of corporate governance research due to its peculiar structure, which differentiates it from regular C corporations—the structure of REITs is closely similar to the study jurisdictions. In the United Kingdom, South Africa and Nigeria, these similarities are in; legal form, dividend pay-out requirement, restriction on leverage and activities, taxation at REIT and shareholder level, management style and listing requirements (see Table 2). Hence all three REIT regimes operate within regulation that must meet to keep the REIT status. While there are some aspects that differ the core mentioned above are true not only for the three regimes but many other REITs operating globally.

Table 2: Analysis of REITs structure in Jurisdictions of study

	Nigeria REIT	U.K. REIT	South African REIT
Legal Form	Trust/Company	Corporate	Trust/Company
REIT Type	Equity, Mortgage and Hybrid	Equity, Mortgage and Hybrid	Equity, Mortgage and Hybrid
Regulatory Body	<ul style="list-style-type: none"> The Securities and Exchange Commission Rules and Regulations, 2013 	<ul style="list-style-type: none"> Finance Act of 2006 Legislation re-written with enactment during Spring 2010 Amendment 2012-2019 	<ul style="list-style-type: none"> Part V of the Collective Investment Schemes Control Act No. 45 of 2002 ('the CISA')

	<ul style="list-style-type: none"> Investment and Securities Act Companies Income Tax Act (CITA) 2004 as amended by the Finance Acts 2019 and 2020 		<ul style="list-style-type: none"> Companies Act No. 71 of 2008 ('the Companies Act') Income Tax Act No. 58 of 1962 ('the Income Tax Act') JSE Limited ('JSE') Listing Requirements The Securities Transfer Tax 25 of 2007 ('the STT Act')
Mandatory listing on the exchange	Yes	Yes	Yes
Management	Externally mostly	Internally or Externally	Internally or Externally
Minimum Initial Capital requirements	US\$68,000	Listed (£700,000)	R300 Million in property
Shareholders' right to -Vote on the removal of the manager? -Call a members' meeting? -Put forward a resolution	Yes Yes Yes	Yes Yes Yes	Yes Yes Yes
Income Distribution	Minimum 75%	At least 90%	At least 75% of taxable earnings

		100% of PID from other REITs	
Leverage	Limited to 15%	1.25 or greater	Below 60% of its gross value of assets
Activity Restrictions	75% of the total asset directly invested in real estate. 25% in real estate-related assets provided. The level of development is limited to 20%	At least 75% of profit and 75% of total asset value must be related to the property business.	75% of income from rental or from indirect property owned
Shareholding Requirements	No specific requirement	35% of the shares must be freely available to the public. New REITs can be 'close' for the first 3yr	No specific requirement
Taxation at REIT Level	Capital gain: 10% Current income: 32% Withholding tax: 5%-10%	Capital gain; exempt on certain conditions Withholding tax: exempt on certain conditions	Capital gain; exempt on certain conditions Withholding tax: exempt on certain conditions
Taxation at the Shareholder Level	Corporate and Individual shareholders pay a discounted tax and WT	Domestic corporate shareholders pay CT rate, and individual shareholders are subject to WT, CGT, and foreign shareholders pay WT	CGT 22.4%. Individuals pay a CGT of 40% of gains on taxable income. Effective rates are 7.2% and 16.4%

Source: Compiled by Author and Adapted from Wai (2013)

The REIT structure and operation change the rationale of the principal-agent problem, a situation where the agent takes decisions that benefit themselves at the expense of current shareholders. This results from shareholders lacking the incentive to monitor the principal due to diverse ownership (Jensen and Meckling, 1976). The distribution rule requires REITs to distribute at least a minimum of 70%-75% in Nigeria and South Africa, while in the United Kingdom, at least 90%, which attempts to check the principal-agent problem. The cash flow restriction unique to REITs limits managers' expropriation and requires managers to make an effective investment decision that provides long-term benefits to shareholders. It is an essential feature in monitoring REITs as they are forced to return to the capital market for external funding allowing potential investors to analyse firm performance. Also, the ownership structure requires that REITs be widely owned to prevent the control vs ownership governance issue common in other corporations.

Additionally, REITs offer the advantage of observing investment decision-making as researchers can identify investment activities and performance directly at a company and asset level. This is possible as most REITs are publicly listed, and activity restriction rules in most countries require that REITs have about 75% of their assets invested in property, making it possible to identify when a significant property is acquired, held and disposed of (Eichholtz and Yönder, 2015). It is possible to identify the investment decision-making models that apply to REITs and develop a prescriptive model that improves investment decision-making in REITs.

Though the REITs structure provides a way of tackling corporate governance problems, certain short fallings are identified. Bauer, Eichholtz and Kok (2010) identified that the compulsory pay-out distribution only applies to net earnings, with an allowance of substantial depreciation on real estate income written off from its taxable earnings allowing REITs managers to freely decide on the actual pay-out ratio of the free cash flow. The legal restrictions on ownership structure also bring about some issues. Requiring REITs to be widely owned prevents the formation of blockholders. This protects REIT managers from external scrutiny with less incentive to perform better. How, then, can corporate governance in REITs be measured?

2.3 Factors Contributing to REIT Performance

The performance of REIT is affected by various factors. The performance of REITs, just like other listed companies, is a subject that has attracted both academic and non-academic researchers. The selection of the appropriate performance indicators which could be used to understand how REITs perform (while still measured by traditional financial metrics), operate and what factors contribute to their performance is still being researched continually. While a single factor cannot reflect every aspect of a firm's performance, using several factors allows a better evaluation of how these firms perform. This expresses the complex quality of a firm's existence rather than just a particular factor defined exhaustively. Wagner (2009) shows that while measuring various factors that affect performance, the definition of 'measurement' as the estimation of the magnitude of some attribute of a factor once applied in social sciences is attributed to scaling and a comparative statement concerning the characteristics of a factor.

Proper classification and structuring of the factors must be correctly defined to identify factors affecting the REIT's performance. These definitions should be generally acceptable and understandable by everyone involved within the REIT sector. Marr (2004) finds that in a single company, 18 different definitions of the term "on-time delivery" were formulated by different managers, even though the measure was included in the corporate performance model. This disparity in the definition and classification of performance measurement is seen in how academics might define and use a performance factor, how "ordinary" administration staff dealing with record keeping can interpret it and how managers understand and apply it. To better understand performance measurement, it has to be seen as a chain of activities which starts from the performance model design of all activities, which are influenced by people who measure, their subjective notions and the quality of communication among users and providers of performance information (Wagner, 2009).

Factors contributing to the performance of REITs are drawn from a diversity of performance sub-models applied in the ordinary course of business by the organisation. These observed and documented factors answer a series of conceptual questions that serve a purpose for users and other professionals. Wagner (2009), referring to work conducted by Enderle and Tavis (1998), identified that the questions that should be asked for factors used to measure performance try to understand the motivation for using a specific performance indicator to measure performance. By understanding the motivation for using

the specific performance indicator, it is possible to identify different aspects, which are core factors from marginal factors which do not necessarily form a reasonable basis for measuring performance. Marr (2004) finds three general reasons why firms use performance indicators; 1. implement and validate their strategy, 2. influence employees' behaviour, and 3. report externally on performance and corporate governance.

From the sampled firms in the research by Marr (2004), it was documented that the top 4 motivating reasons for the use of any performance indicator will be; controlling (30%), strategy planning (19%), everyday decision making (18%) and strategy validation (12%). Davila and Foster (2007), on the adaption of management control systems in early-stage start-up companies, documented that the transition to a formal system from an informal arrangement is induced by company size (manifested by the number of employees in the study), venture capital financing, managers' experience and founder replacement by a professional CEO. The internal reason for adopting the formal system would be the external incentive brought about by the requirement imposed by legal regulation, in the internal environment, organisation, joining a harmonised system within similar organisations and so on. might be enough.

Mar's (2004) study, which is relevant for Objective 2, finds that the majority of companies, REIT included, use the performance measures to link strategy to financial and operational plans (74%), while over half used it as a link to budget (55%) and 53% used it as a means to measure pay-for-performance. In addition to identifying factors affecting REIT performance, forming an essential part of the corporate governance aspect of managerial remuneration and compensation is a significant aspect of this research. The study by Marr (2004) identified that while most companies linked compensation systems to perform at the time, there was limited linkage to company budget or operational plans to strategy. The motivation of primary users of performance is based on the view of an organisation as a complex entity with relations between the company and its various stakeholders that have a stake in or can influence the organisation's performance. The role of REIT managers (agents) hired by the principals will be motivated to achieve and integrate the principal's interests. Hence the performance measure applied should help REITs understand and evaluate various values received from suppliers and employees, the value provided to the stakeholders, the efficiency of the organisational processes and strategic properties playing

the role of coordinating, monitoring and diagnostic role (Atkinson, Waterhouse and Wells, 1997; Marr, 2004; Wagner, 2009).

Additionally, an organisation such as REIT needs to provide measures that provide a relevant performance perspective which will depend on the industry context or focus of the organisation. Mar's (2004) study finds that organisations measure their performance from 3 or 4 perspectives. The study finds that most organisations find it easy to measure financial perspective because accounting measures are readily available. The study finds that 91% of the firm surveyed measured factors from a financial perspective, and 69% of respondents measured factors from a customer perspective and closely followed by factors that measured the process perspective (64%). The study also finds that more than 50% of the measures are still financial for companies without a standard performance measure, calling for a more holistic model of factors that affect the performance of REITs, which covers factors that measures; the entire REIT firm, defined elements of the REITs and managers' and employees' behaviour in response to user requirements. The first two relate to the REIT organisation's performance, and the latter relates to managerial performance, which this thesis intends to explore in objective 2.

2.3.1 What factors are used to measure REIT's performance?

The decision on measures to assess REIT's performance comes from discussions within the investment and property community. The reporting areas are motivated by various stakeholders; the most relevant are investors and analysts to REITs requiring higher transparency. Moullin (2002) provided a scorecard (Table 5 below) showing broad input, output, operational and intellectual metrics commonly used. Measurement metrics should be grounded on the organisation's strategic objectives designed to provide essential feedback to REIT managers focusing on a key driver towards improved service delivery. Performance metrics adopted in the REITs sector now follow EPRA best practice recommendations. These metrics primarily measure the factors (operational) that affect the REIT's performance using the underlying physical asset of the listed real estate, which forms the crux of how the sector performs. While these recommendations do not supersede accounting principles and do not form part of audited financial statements, the EPRA performance measures are adopted by listed real estate companies presented in annual reporting.

Table 3: A Property Asset Performance Scorecard

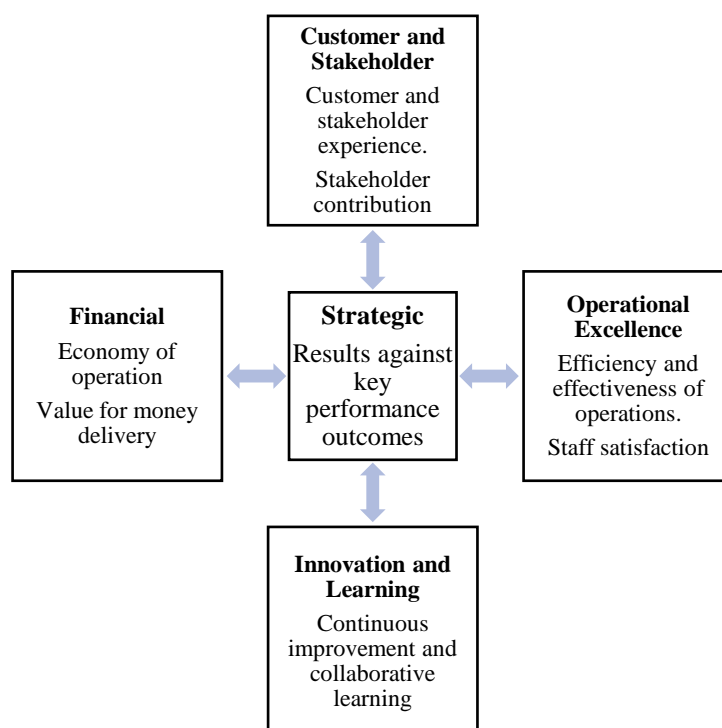
Objectives	Operational Measurement areas for property assets	Measurement Methodology
STRATEGIC		
Achieving/assisting in achieving corporate objectives	Improving the quality of accommodation, reducing space usage	Metric associated with space reduction and space quality upgrade. Satisfaction with accommodation
CUSTOMER AND STAKEHOLDER		
Satisfied customer; contributing to satisfied stakeholder	Talking to the customer and staff at all levels about the accommodation 'experience.'	Survey of the customer; stakeholder surveys; stakeholder interviews
OPERATIONAL EXCELLENCE		
Effective and efficient operations	Better space aids delivery staff; co-location delivery streams help customers and other stakeholders; flexible working; efficiency in space usage	Satisfaction with accommodation; location and space quality assisting delivery; occupational levels; availability of flexible working 'tool.'
FINANCIAL		
Value for money; budget adherence	Financial metric	Operating costs; capital budget adherence
INNOVATION AND LEARNING		
Best practices captured and new ideas continually trialled	Performance compared to other organisations; research about new ways of working/delivery of services	Benchmarking performance and learning groups; measurement of performance in research trials

Source: Moullin (2002)

The interaction of these objectives in Table 3 is displayed in Figure 5 below. It is observed that what performance of the REIT should be measured against long-term strategic

objectives. The surrounding performance beacons around the long-term strategic objectives include inputs, outputs, and operational and intellectual metrics, which provide essential feedback for operational and property asset management, an essential aspect of managing REIT and measuring performance.

Figure 5: Structure to measure organisational performance alongside long-term strategic objectives.



Source: (Moullin, 2002; White and Jones, 2012)

The performance metrics structure of most UK REITs follows the EPRA recommendation (EPRA, 2019). South Africa and Nigeria's REIT regimes also report similar performance measures. They do not need to apply if the EPRA recommendations are not material (information is material if its omission or misstatement could influence users' decision-making). Therefore, this implies that for factors affecting REIT's performance, the most important ones commonly reported in annual REIT reports are those that stakeholders at that time deem necessary for decision-making. Table 6 below provides the EPRA performance measures, definition and purpose applied by listed real estate (EPRA, 2019).

Table 4: Summary table of EPRA Performance Measures for listed real estate

EPRA Performance Measure	Definition	Purpose
EPRA EARNINGS	Earning from operational activities	A vital measure of a company's underlying operating results and an indication of the extent to which earnings support current dividend payments
EPRA NAV METRICS	EPRA Net Reinstatement Value: Assumes that entities never sell assets and aims to represent the value required to rebuild the entity.	The EPRA NAV set of metrics adjusts the NAV per the IFRS financial statements to provide stakeholders with the most relevant information on the fair value of the assets and liabilities of a real estate investment company under different scenarios
	EPRA Net Tangible Assets: Assumes that entities buy and sell assets, thereby crystallising certain levels of unavoidable tax	
	EPRA Net Disposal Value: Represents the shareholders' value under a disposal scenario, where deferred tax, financial instruments and certain other adjustments are calculated to the full extent of their liability, net of any resulting tax.	
EPRA NET INITIAL YIELD (NIY)	Annualised rental income based on the cash rents passing at the balance sheet date, less non-recoverable property operating expenses, divided by the property's market value, increased with (estimated) purchasers' costs.	A comparable measure for portfolio valuations. This measure should make it easier for investors to judge themselves and how the valuation of Portfolio X compares with Portfolio Y

EPRA 'TOPPED-UP' NIY	This measure incorporates an adjustment to the EPRA NIY regarding the expiration of rent-free periods (or other unexpired lease incentives such as discounted rent periods and step rents).	
EPRA VACANCY RATE	Estimated Market Rental Value (ERV) of vacant space divided by ERV of the whole portfolio.	A 'pure' (%) measure of investment property space that is vacant, based on ERV.
EPRA COST RATIOS	Administrative and operating costs (including and excluding costs of direct vacancy) divided by gross rental income.	A key measure to enable meaningful measurement of the changes in a company's operating costs.

Source: (EPRA, 2019)

Moullin (2002) recommends that organisations identify a few metrics to be used as crucial drivers to improve performance. Looking at the broader context of the real estate market and following the recommendation, the most common performance metrics used in measuring REIT's performance are drawn from different sources depending on the subject being investigated or researched. These factors could be operational asset-specific factors as recommended by EPRA, specific firm financial variables such as REIT returns, leverage and firm characteristic measures such as REIT size (by market capitalisation), or a mixture of all these factors depending on the subject area being investigated. To understand the impact of corporate governance on performance, studies have applied firm financial variables alongside corporate governance variables to understand the factors contributing to REIT performance. Table 5 below shows how these variables are traditionally classified.

Table 5: Traditional firm characteristics variables

Traditional Corporate Factors	Measures
Growth Opportunities	Market-to-book ratio Tobin's q
Firm Quality	Firm Size Firm Size Squared Volatility of Cash Flow Firm Age
Asymmetric Information/Signalling	Earning Growth
Pecking Order Theory	Return on Asset Debt Return on Equity
Maturity Matching	Asset Maturity
Market Access	Public debt

Source: Adapted from Ghosh et al. (2011)

Two searches were conducted on Scopus to better understand these performance factors used to measure REITs' performance as applied by researchers. The first search using the keyword 'Real Estate Investment Trust' yielded 62 valid search results, while the second search using the keywords 'Real Estate Investment Trust' and 'Corporate Governance' returned 33 search results. Both searches covered the time frame from 2007 to 2019. Table 6 below reports the top ten performance measures generally used to measure REIT's performance. From general REIT-related publications in peer-reviewed journals, it is observed that researchers applied REIT returns (a REIT total stock return at a point in time) as the most commonly used performance measure for documenting REIT performance. This was closely followed by studies that applied Volatility behaviours (mostly related to cash flow) to measure REIT's performance.

Table 6: Top Ten Performance Metrics commonly used to Measure REITs Performance.

	PERFORMANCE MEASURE FACTOR	NUMBER OF STUDIES	AUTHORS
1	REIT return	20	(Bredin, O'Reilly and Stevenson, 2007); (Oikarinen, Hoesli and Serrano, 2011); (Cotter and Stevenson, 2008); (Hung and Glascock, 2008); (Cotter and Stevenson, 2007); (Chong, Miffre and Stevenson, 2009); (Simon and Ng, 2009); (Serrano and Hoesli, 2007); (Hoesli and Reka, 2015); (Lizieri, Satchell and Zhang, 2007); (Akinsomi et al., 2016); (Babalos, Balcilar and Gupta, 2015); (Hoesli, Oikarinen and Serrano, 2015); (Hutson and Stevenson, 2008); (Ji, Marfatia and Gupta, 2018); (Lee and Stevenson, 2007); (Begiazi, Asteriou and Pilbeam, 2016); (Akinsomi et al., 2017); (Chong, Krystalogianni and Stevenson, 2012); (Tidwell et al., 2013)
2	Volatility	8	(Bredin, O'Reilly and Stevenson, 2007); (Cotter and Stevenson, 2008); (Cotter and Stevenson, 2007); (Akinsomi et al., 2016); (Goodchild, Baum and Devaney, 2008); (Hoesli, Oikarinen and Serrano, 2015); (Ji, Marfatia and Gupta, 2018); (Begiazi, Asteriou and Pilbeam, 2016)

3	Total Market Return	4	(Oikarinen, Hoesli and Serrano, 2011); (Serrano and Hoesli, 2007); (Fugazza, Guidolin and Nicodano, 2009); (Oyedele, Adair and McGreal, 2014)
4	Index Returns	4	(Chong, Miffre and Stevenson, 2009); (Akinsomi et al., 2016); (Hutson and Stevenson, 2008); (Lee and Stevenson, 2007)
5	Dividend Price Ratio	3	(Hung and Glascock, 2008); (Akinsomi et al., 2016); (Hoesli, Oikarinen and Serrano, 2015)
6	Inflation	3	(Fugazza, Guidolin and Nicodano, 2009); (Hoesli and Reka, 2015); (Akinsomi et al., 2016)
7	Market Capitalisation	3	(Fugazza, Guidolin and Nicodano, 2009); (Hoesli, Oikarinen and Serrano, 2015); (Serrano and Hoesli, 2007)
8	Leverage	3	(Oikarinen, Hoesli and Serrano, 2011); (Alcock, Steiner and Tan, 2014); (Cheong et al., 2009)
9	Industrial production growth	2	(Hoesli and Reka, 2015); (Akinsomi et al., 2016)
10	Book-to-market ratio	2	(Serrano and Hoesli, 2007); (Hoesli and Reka, 2015)

Source: Author complied.

Table 7 shows the second search result from 33 peer-reviewed journals that applied the keywords ‘Corporate Governance’ AND ‘Real Estate Investment Trust’ in Scopus for the timeframe from 2007 to 2019. Not accounting for what corporate governance proxy is applied in these studies, the focus was placed on the operational or financial performance metric used to measure the impact of corporate governance. The most applied measure for REITs financial performance was REITs size which is a proxy for market capitalisation.

Table 7: Metrics generally used to measure REIT performance in Corporate Governance research.

	PERFORMANCE MEASURE FACTOR	NUMBER OF STUDIES	AUTHORS
1	REIT size (Market Capitalization or Firm Size)	21	(Bauer, Eichholtz and Kok, 2010); (Hartzell, Sun and Titman, 2014); (Chung, Fung and Hung, 2012); (Ghosh et al., 2011); (Campbell et al., 2011); (Cheung, Chung and Fung, 2015); (Anglin et al., 2013); (David H. Downs et al., 2016); (Ratcliffe and Dimovski, 2013); (Chiang et al., 2018); (Tang and Mori, 2017); (Wei Lan Chong, Ting and Cheng, 2018); (J. Ramachandran et al., 2018); (Yap, Ong and Yeo, 2018); (W.L. Chong, Ting and Cheng, 2018); (Hartzell, Sun and Titman, 2005); (Hartzell, Kallberg and Liu, 2008); (Feng, Ghosh and Sirmans, 2005); (Newell and Lee, 2012); (Dimovski, Lombardi and Cooper, 2013); (Anglin et al., 2011)
2	Leverage	19	(Bauer, Eichholtz and Kok, 2010); (Hartzell, Kallberg and Liu, 2008); (Hartzell, Sun and Titman, 2014); (Chung, Fung and Hung, 2012); (Anglin et al., 2011); (Anglin et al., 2013); (Striewe, Rottke and Zietz, 2013); (Dogru, 2017); (David H. Downs et al., 2016); (Ratcliffe and Dimovski, 2013); (Frank and Ghosh, 2012); (Chiang et al., 2018); (Tang and Mori, 2017); (Wei Lan Chong, Ting and Cheng, 2018); (J. Ramachandran et al., 2018); (Yap, Ong and Yeo, 2018); (Campbell et al., 2011); (Kudus and Sing, 2011); (W.L. Chong, Ting and Cheng, 2018)

3	ROA	13	(Bauer, Eichholtz and Kok, 2010); (Feng, Ghosh and Sirmans, 2005); (Ghosh et al., 2011); (Anglin et al., 2013); (Kudus and Sing, 2011); (Dimovski, Lombardi and Cooper, 2013); (Frank and Ghosh, 2012); (Tang and Mori, 2017); (Wei Lan Chong, Ting and Cheng, 2018); (J. Ramachandran et al., 2018); (Chiang, Wachtel and Zhou, 2019); (Yap, Ong and Yeo, 2018); (Yung, Li and Jian, 2017)
4	Tobin's q	13	(Hartzell, Sun and Titman, 2005); (Bauer, Eichholtz and Kok, 2010); (Hartzell, Kallberg and Liu, 2008); (Hartzell, Sun and Titman, 2014); (Chung, Fung and Hung, 2012); (Cheung, Chung and Fung, 2015); (Dogru, 2017); (David H. Downs et al., 2016); (Chiang et al., 2018); (Tang and Mori, 2017); (Wei Lan Chong, Ting and Cheng, 2018); (W.L. Chong, Ting and Cheng, 2018); (Chung, 2013)
5	Total Assets	12	(Hartzell, Kallberg and Liu, 2008); (Feng, Ghosh and Sirmans, 2005); (Hartzell, Sun and Titman, 2014); (Chung, Fung and Hung, 2012); (Anglin et al., 2011); (Campbell et al., 2011); (Anglin et al., 2013); (Dogru, 2017); (David H. Downs et al., 2016); (Kudus and Sing, 2011); (Tang and Mori, 2017); (Chung, 2013)
6	Market-to-book ratio (Growth)	10	(Bauer, Eichholtz and Kok, 2010); (Feng, Ghosh and Sirmans, 2005); (Ghosh et al., 2011); (Newell and Lee, 2012); (J. Ramachandran et al., 2018); (Chiang, Wachtel and Zhou, 2019); (Yap, Ong and Yeo, 2018); (W.L. Chong,

			Ting and Cheng, 2018); (Dimovski, Lombardi and Cooper, 2013); (Ratcliffe and Dimovski, 2013)
7	REITs return	8	(Hartzell, Kallberg and Liu, 2008); (Chung, Fung and Hung, 2012); (Dogru, 2017); (Kudus and Sing, 2011); (Ratcliffe and Dimovski, 2013); (Wei Lan Chong, Ting and Cheng, 2018); (W.L. Chong, Ting and Cheng, 2018); (Chung, 2013)
8	REIT age	7	(Bauer, Eichholtz and Kok, 2010); (Ghosh et al., 2011); (Cheung, Chung and Fung, 2015); (David H. Downs et al., 2016); (Tang and Mori, 2017); (Wei Lan Chong, Ting and Cheng, 2018); (W.L. Chong, Ting and Cheng, 2018)
9	Profitability	6	(Chung, Fung and Hung, 2012); (Striewe, Rottke and Zietz, 2013); (David H. Downs et al., 2016); (Wei Lan Chong, Ting and Cheng, 2018); (J. Ramachandran et al., 2018); (W.L. Chong, Ting and Cheng, 2018)
10	Total Debt	5	(Feng, Ghosh and Sirmans, 2005); (Cheung, Chung and Fung, 2015); (Dogru, 2017); (Chiang, Wachtel and Zhou, 2019); (Yung, Li and Jian, 2017)

Source: Author complied

Sections 3.6.5 and 3.6.6 explain a selection of the firm specific variables traditionally used in the research of corporate governance and REITs performance. These are used to develop the model that are applied to analyse the effect of the quality of corporate governance on REITs performance.

2.4 Corporate Governance

Shareholders and stakeholders need corporate governance for the protection of their rights. It allows the corporation to access external capital at a lower cost, making it more viable both in domestic and international markets (Hartzell, Sun and Titman, 2006).

The perspective from which corporate governance is seen helps provide crucial definitions. However, this has resulted in many definitions of corporate governance. Tricker (2015) identifies five perspectives commonly used in corporate governance definitions which are the operational, relationship, stakeholder, financial economics, and societal perspectives. Similarly, the later work by Franklin (2016), finds it is essential to identify what perspective of the corporate governance definition a researcher has to follow. In that research, the societal and stakeholder perspective frames the definition of corporate governance used and is explained as a framework that attempts to attain corporate objectives by efficient direction and control, using the needs of a wide range of stakeholders. For this research, the perspective adopted has remained consistent with general corporate objectives, i.e. operational, relationship and financial economics perspective in defining corporate governance (Arun and Turner, 2004; Gugler, Mueller and Yurtoglu, 2007).

In the broad definition, corporate governance can be further simplified to include that derived from legislation or institutional perspective and an operational perspective. Definitions gotten through legislation are those provided by each country and considers each country's unique culture, economic specifics, and legal perspective. Previous definitions used by emerging countries evolved from a copy-and-paste approach from developed countries, but as financial and institutional development progressed, the legislative definition of corporate governance has evolved to fit each country's approach (Turner, 2004; Gugler, Mueller and Yurtoglu, 2007; Nakpodia, 2016). On the other hand, operational definitions draw from legislative and institutional definitions to provide a practical business approach.

The institutional definitions are those provided by intergovernmental organisations. Prominent amongst this is the definition by the Organisation for Economic Co-operation and Development (OECD) Principles of Corporate Governance (OECD, 2015b). Its primary aim is to provide the means for evaluating corporate governance's legal, regulatory, and institutional framework at a country level. The application of the Principles

goes beyond financial and non-financial publicly traded corporations but can be applied by corporations not publicly traded and not dependent on firm size. OECD (2015b) defines corporate governance as involving **relationships** between a firm's management, board, shareholder, and other relevant stakeholders. It provides the **structure** through which a firm's **objectives** are set and the means of attaining those objectives **and performance monitoring**. The Principle admits that no single corporate governance model exists. Still, common themes exist in the global concept used in the definitions, e.g. board structure, remuneration, and various committees, which are important elements of this research. The Principle also points out the role effective mix of legislation, voluntary standards, regulation, self-regulatory arrangement, and business practice play in the development of the corporate governance framework as these elements are based on the specific country's cultural setting. However, no definition or principle can encompass every situation that could exist in the complexity of the everyday corporate setting. Broadly, as seen in the literature, corporate governance application can also be divided into two main approaches, rule-based and principle-based, as seen in different institutions and countries (Nakpodia, 2016).

2.4.1 Legal Definition of Corporate Governance in the United Kingdom, South Africa and Nigeria

2.4.1.1 United Kingdom Corporate Governance

In the **United Kingdom**, the Financial Reporting Council definition of corporate governance traces its origin to the first version of the Cadbury Committee in 1992 and essentially remains the definition used to date in the United Kingdom. (Financial Reporting Council, 2014) defines corporate governance as;

*“The system by which companies are **directed and controlled**. Boards of directors are responsible for the governance of their companies. The shareholders' role in governance is to appoint the directors and the auditors and to satisfy themselves that an appropriate governance structure is in place. The responsibilities of the board include setting the company's **strategic aims**, providing the **leadership** to put them into effect, **supervising the management** of the business and reporting to shareholders on their stewardship. The board's actions are subject to laws, regulations, and the shareholders in general meetings.”*

The Corporate Governance Code in the United Kingdom balances a framework that integrates governance from legislations and regulations and embeds best business practices, allowing for operational flexibility. A crucial part of the Code is the “**comply or explain**”. This approach to governance in the United Kingdom allows for operation flexibility—comprising principles (main and supporting) and provisions. The main principles of the Code must be complied with, and a report on how it is applied is given to shareholders. If the board can not comply with an exact provision, it is possible to use an alternative if it is adequately explained to shareholders, showing how this alternative to the provision contributes to good governance. The Code allows firms of different sizes to adopt it while still highlighting good governance. The Code's main principles are; Leadership, Effectiveness, Accountability, Remuneration, and Relations with shareholders (Financial Reporting Council, 2014). These five main principles below have supporting principles and provisions. The main principles are explained using definitions provided by the Financial Reporting Council (2014).

- **Leadership:** deals with the effective board and longevity of the firm. It requires a CEO duality (board and executive) for the corporation's running. The role of the chairman is to ensure effective leadership and effectiveness in the board. Non-executive directors, as members of the unitary board, will help provide strategic direction for the corporation as part of their role.
- **Effectiveness:** the board, executives, and committees have the skills and experience to carry out their responsibilities effectively. Effectiveness is also measured using appointments on the board, time to discharge duties, inductions and updates of skills and knowledge, and an annual evaluation of performances, subject to re-election at regular intervals.
- **Accountability:** the Code requires a clear assessment of the firm's financial position to be presented. Risk management and control systems should be identified and used by the board to achieve objectives. The board should also identify the ideal corporate reporting to be used alongside the chosen auditors.
- **Remuneration:** has been suggested should be aimed at promoting long-term strategies of the corporation. All remuneration should be stated to all stakeholders based on performance. The remuneration policy is required to be a formal and transparent procedure with no director involved in the decision process for their remuneration,

- **Relations with shareholders:** suggests a proper engagement with shareholders using annual general meetings and encourage shareholder participation.

All the main principles have sub-themes with the main principle, supporting principles and code provisions with firms requiring applying the main principles of the code clarifies how firms can comply or explain.

2.4.1.2 South Africa Corporate Governance

The corporate governance code in **South Africa** is a principle and practice-based approach established by the Institute of Directors in South Africa (IoDSA). In 1992 the IoDSA approached Prof. Mervyn King to form a committee that drafted the first corporate governance codes for South Africa, referred to as the King reports (IoDSA, 2016a).

The evolution of South African corporate governance codes started from the King I report issued in 1994, King II in 2002, King III in 2009 and most recently, in 2016, the King IV was published. King I report was developed based on the UK Cadbury Reports of 1992. The revision of King I was brought about by local development in legislation (Employment Equity Act no. 55 of 1998), and the international development of the Combined Code in 1998 in the United Kingdom led to King II. King III revised King II due to the Companies Act no. 71 of 2008 and other international developments. Pamburai et al. (2015) summarised that King III incorporated; alternative dispute resolution, risk-based internal audit, shareholders' approval for the company's remuneration policy and evaluation of the board, directors, and chairman. It additionally incorporates IT management issues and steps to take when in financial distress. King IV's recent modification defines corporate governance for this research. King IV focuses on the ethical and effective leadership of the governing body. Leadership includes responsibilities of the governing body which incorporates: strategic direction, approval of a policy to put a strategy in effect, informed oversight of implementation and performance, and disclosure. The eventual outcome of proper and ethical leadership is beneficial governance outcomes for firms in the form of ethical business culture, value creation and performance sustainability, adequate and effective control and a good name, trust and acceptability.

The King Code IV has refined concepts drawn from King III focused on outcomes by through the proper application of governance practice. It contains 16 principles applicable to all organisations, the 17th for institutional investors and 208 recommended practices,

with an additional 6 for institutional investors; these all come together to try achieve effective, ethical corporate governance, which also originates from similar leadership principles. Effective leadership under King IV is defined as the direction of performance and it is result oriented.

The core principles of the King Code IV (IoDSA, 2016b) can hence be summarised as follows;

1. Ethical Culture

Critical to effective and ethical leadership is the exhibition of *responsibility, accountability, fairness and transparency*. These are all clearly defined under King IV. *Responsibility* requires that the governing body takes the overall responsibility of the organisation. This includes securing its resources (financial, natural, human, and manufactured). *Accountability* requires that stakeholders hold the governing body to its decisions and actions. Responsibility and accountability are interconnected and cannot be delegated or abdicated to another party as it is the sole responsibility of the governing board. *Fairness* under the code is defined as the process of balancing decisions by the governing body to ensure that decisions are legitimate and reasonable based on needs, expectations, and interests of stakeholders in the organisations to produce outcomes that are in the organisation's best interest. *Transparency* entails that the governing body ensures that decisions made by stakeholders are based on reports and disclosures that give an informed judgment of performance, the impact of the organisation's activities and its ability to sustain value creation.

2. Organisational Ethics

This principle operates on the basis that the organisation operates not just in its own societies but in the broader society it depends on to operate, with a customer base and possible talent. It recommends that under the principle of organisation ethics, directors set the ethics for the organisation and approved codes of conduct and ethics that will include all stakeholders and ethical risks. They should delegate implementations of codes of conduct and policies to management, provide outright responsibility to management, and disclose how ethics are managed, areas of focus, monitoring measures and ethical outcome measurement.

3. Corporate Citizenship

This is defined as a corporation standing in the broader society in which it carries out business and having rights as a corporate citizen. In addition, the organisation's obligations and responsibilities to the broader society as a citizen of that society. As a corporate citizen, it expects that the organisation uses its resources in such a way that it benefits itself and society by balancing short- and long-term objectives. The corporate citizen principle aligns with the Companies Act, following the Department of Trade and Industry in its 2004 Policy Paper, which points out that a company is a social entity and an economic institution and hence should carry out economic activities guided by social and economic imperatives. In conclusion, corporate citizenship requires that the governing body put in place a direction that allows the organisation to be acceptable by the larger society, monitor and oversee the plan and disclose how this is managed.

4. Sustainable development

It is understood that the sustainable development principle requires that organisations carry out business in a way that meets present needs without jeopardising the future needs. As implemented by the governing body, sustainable development and successful performance can be measured using a balance of strategies that integrate the economic, social and environmental context. King IV referred to this as the 'triple context' (economy, society, and environment), in which all organisations should make sustainable development alongside. Like the other major principles, the sustainable development principle has some recommendations that the governing body could implement to achieve its overall objectives. They are required to steer and set the direction and develop the strategy, approval of management policies and plans which include key performance measures, oversee the implementation of strategies and plans by management against agreed performance measures, and ensure that a continuous assessment and response to negative consequences for the triple context by the company against the six capitals models (financial, manufactured, intellectual, human, social, relational, and natural).

5. Integrated annual reporting

This was introduced in King III and has since been adopted into corporate governance requirement. The integrated annual report should explain the performance of an organisation with information on how it affects the economy, society, and environment. King IV again highlights the intertwined nature of the triple context even in integrated

annual reporting. It should contain sufficient information to allow all stakeholders to make decisions about the organisation's performance alongside what the governing board and management have decided on short, medium and long-term agendas. King IV defined an integrated annual report as an annual presentation of the material information in an integrated manner and that it provides its users with a holistic, clear, concise and understandable presentation of the organisation's performance. Recommended practices organisations can take include but are not limited to; the governing body should set the direction, approach, and conduct for reporting, approve a framework for reporting, ensure that reports are compliant with various requirements, and ensure the integrity of external reports.

6. Primary roles and responsibilities of the governing body

This represents a crucial principle in King IV, and it talks about the governing body. The governing body's role should be a focal point and a custodian of corporate governance in the organisation. It is recommended that the governing body plays its leadership role based on a charter; protocol for it, its committees and members to get professional advice; approve a system for non-executive members to get documentation and management meetings. Additionally, it is required that full disclosure of the number of meetings and attendance is presented.

Concluding on the definitions of corporate governance used in South Africa, the approach adopted is that of **“apply and explain”**. This approach defers from the previous ‘apply or explain’ used in the previous King Report or that of the United Kingdom, ‘comply or explain’. This approach implies that principles are assumed to be applied, and disclosure is to be provided explaining how the practice has been implemented and how it goes along to achieve the overall governance principle. It is expected that the explanation is provided in the form of a narrative account regarding recommended or other practices applied to support the explanation of how the principal is being affected.

2.4.1.3 Nigeria Corporate Governance

In Nigeria, recent attempt was made on 17th October 2016¹ to modernise the corporate governance code by the Financial Reporting Council of Nigeria (FRCN) through the

¹ In January 15, 2019, under Section 73 of FRC of Nigeria produced Code of Corporate Governance 2018 by Dr. Okechukwu Enyinnaya Enelamah, Minister for Industry, Trade and Investment

issuance of the National Code of Corporate Governance 2016 (the “**Code**”). Drawing from legislative backing under Sections 50 and 51 of the Financial Reporting Council of Nigeria Act 2011 (the “**Act**”). The Code attempts to harmonize and unify the conflicting provisions on similar matters by numerous sectoral corporate governance codes. The many sectoral corporate governance codes identified include; the Code of Corporate Governance for Banks in Nigeria Post-Consolidation 2006, Code of Corporate Governance for Licensed Pension Operators 2008, Code of Corporate Governance for Licensed Industry in Nigeria 2009, SEC Code of **Corporate Governance in Nigeria 2011 And CBN Code of Corporate Governance for Banks and Discount Houses 2014**.

The Code attempted to unify the above corporate governance codes to produce a new system that divides corporate governance into three main prongs; the Code of Corporate Governance for the Private Sector; the Code of Corporate Governance for Not-for-Profit entities; and the Code of Governance for the Public Sector. The Code of Corporate Governance for the public companies under which REITs operating in Nigeria required mandatory application supporting the recent work of Franklin Nakpodia. Nakpodia (2016), research recommended a framework of rule-based principle corporate governance to be suitable for Nigeria initially. The Code for Public Sectors becomes operative when the Federal Government of Nigeria defines an executive director. However, the Code was suspended following a directive of the Federal Government of Nigeria. A report by PwC in 2016 looked at the Code, providing reasons why it was suspended. The report finds that the Code does not pass the compliance with the Act as the FRCN Board has yet to be constituted. It also points out that subsidiary legislation cannot supersede a principal enactment. It identified that the Code attempts to regulate other regulators by requiring these sectoral regulators to enforce compliance with the Code or be sanctioned. This is unacceptable as other regulators, such as the Central Bank of Nigeria, will not answer to the FRCN.

The implication of the above is that the system of regulating corporate governance is still under a multitude of regulating bodies. For operating as a REIT, the corporate governance code that guides operation is provided by the Securities and Exchange Commission, introduced in 2003, 2011 and 2014. It applies to all industries and is based on the Code of Corporate Governance for Public Companies. The Code brings corporate governance in line with international standards and best practices, like corporate governance codes in the United Kingdom and South Africa, the code wants to ensure corporations operate

transparently, accountable and good corporate governance while ensuring it does not stand in the way of innovation and enterprise. The requirement for compliance with the provisions and principles of the code is placed on the Board of Directors, with input from shareholders (institutional shareholders) encouraged to be involved in facilitating good governance practices.

Unlike the UK's corporate governance code and the South African King Report IV, the Code of Corporate Governance for Public Companies in Nigeria 2011 does not have a clearly stated underpinning definition. The code outlines the application of the code to identify all related corporations it applies to and then guides the application of the code. The body of the code is broken down accordingly; the board of directors, the relationship with shareholders and other stakeholders, risk management and audit, accountability and reporting, communication, code of ethics and interpretation.

For this research, the work of du Plessis, Hargovan and Harris (2018) is used to operationalise the definition of corporate governance. du Plessis, Hargovan and Harris (2018) definition of corporate governance traces its earlier attempts to that found in the Cadbury Report of 1992 and the South African King Report 1994. They expressly point out that the corporate governance definition does not give itself to a simple narrow meaning, resulting in many definitions. du Plessis, Hargovan and Harris (2018), following the developments witnessed in the corporate governance debate, provide the definition as;

“The system of regulating and overseeing corporate conduct and of balancing the interests of all internal stakeholders and other parties (external stakeholders, governments and local communities) who can be affected by the corporation's conduct, in order to ensure responsible behaviour by corporations and to achieve the maximum level of efficiency and profitability for a corporation.”

2.4.2 Relevant Theoretical Perspectives

Below, the key theories that extend corporate governance's understanding are discussed. The main theories discussed here are; the agency theory, the stewardship theory, the stakeholder theory and the resource dependency theory.

2.4.2.1 Agency Theory

Studying corporate governance without examining the agency theory, which forms the basis of most global corporate governance research, is practically impossible. Jensen and Meckling (1976) paper on the 'Theory of the Firm' provides a fundamental basis on the ideology of a corporate firm looking at agency cost, the theory of property rights and finance to understand the ownership structure of firms. In their definition, a private corporation or firm is a legal creation for a contractual obligation characterised by a sharing of net profit from assets and cash flow of said corporation, which can also be disposed of without permission of the other party in said contractual obligation. The agency relationship is created by a contract where principals have an agent perform activities on their behalf; the principal relinquishes some authority and allows the agent to make these decisions on their behalf (Jensen and Meckling, 1976). In an ideal situation, when utility maximisation occurs, the agent's interest aligns with the principal's.

The agency-principal relationship provides the theoretical underpinning of the agency theory. Separating ownership and control may affect a firm's ability to maximize wealth because of rising conflicts between main actors. Research on the agency theory has grown considerably and shown the issues between management and shareholders and its effect on firm performance (Alchian and Demsetz, 1975; Jensen and Meckling, 1976; Eisenhardt, 1989).

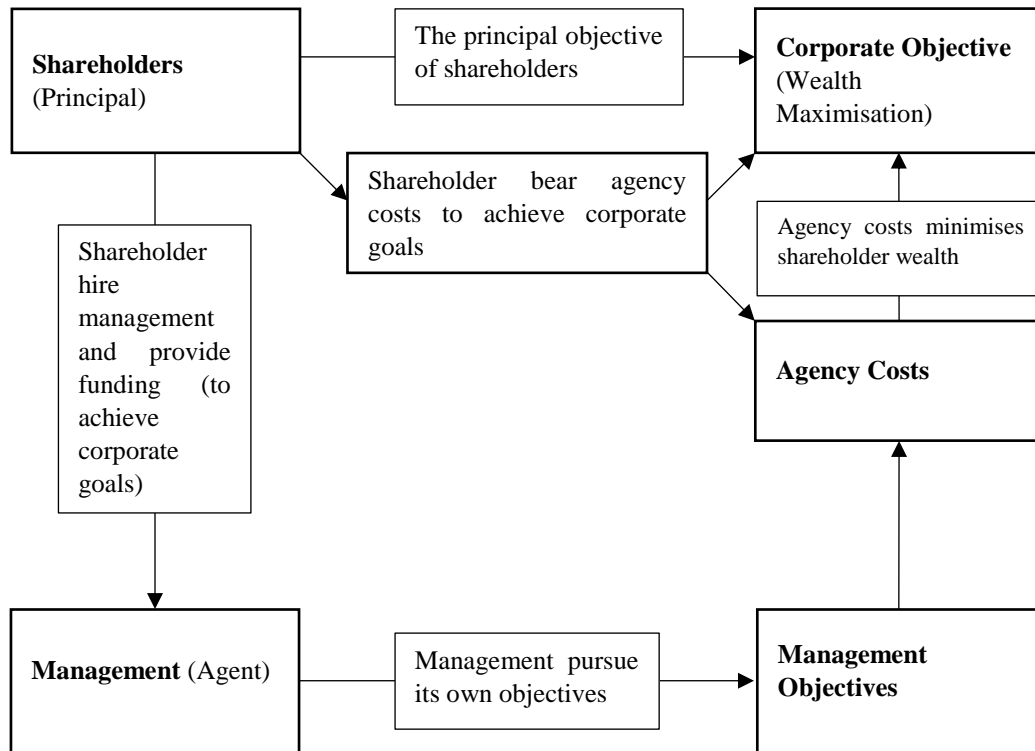
Attempting the alignment of the principal and agent's objectives leads to the increment of the agency cost by the principal. The agency cost comprises monitoring costs incurred by the principals, residual loss (the monetary equivalent of the principal incurred due to the divergence of interest), and bonding expenditures by the agents (Eisenhardt, 1989).

However, Tricker (2015) explains that researches following the agency theory do not look at the particularity of the individual in the boardroom but instead carry out a study on data of governance practices and the firm performance, which are publicly made available. The agency theory is not without its criticisms, with suggestions of it being narrow and restrictive and not addressing well-defined problems raising doubts about its practical relevance (Hirsch and Friedman, 1986; Eisenhardt, 1989; Shapiro, 2005).

In a developing economy, the agency theory is somewhat restrictive, especially when viewed against other governance problems such as principal-principal and information asymmetric problems (Young et al., 2008). Franklin (2016) notes that in developing

economies like Nigeria and South Africa, the agency theory does not take hold due to the surrounding institutional environment characterized by illiteracy and corruption.

Figure 6: Separation of Ownership



Source: Adapted from (Jensen and Meckling, 1976; Eisenhardt, 1989; Franklin, 2016)

The principal agency theory forms the bases for the theoretical understanding of how corporate governance will be researched for this thesis. The principal agency problem remains a relevant theoretical underpinning used by the researcher in observing the effect of separation of ownership and control. It remains relevant for research conducted using REITs and corporate governance. While it may be argued that the legal restrictions placed upon the REIT structure may be enough to limit agency problems at a firm level, overconfidence by REIT managers results in investments that do not align with shareholder objectives. As well as remuneration structure that overcompensates REIT managers and is not linked to long-term shareholder values and manipulation of pay-out requirement. Also, a mixture of management structures (internal and external) still occur in various REIT regimes, which justifies the application of the agency theory in this research.

The agency theory allows for investigating corporate governance principles and REITs' performance. The phenomenon commonly studied is not limited to managers' opportunistic

behaviour, mitigated to ensure better firm performance but includes how the board provides an oversight role to increase accountability and ensure shareholder objectives are protected (Ghosh and Sirmans, 2003; Dahya and McConnell, 2005). It also included disclosure of compensation and alignment of executive pay to drive interest of shareholder and firm value (Ooi, 2009b; Ghosh et al., 2011; Ozkan, 2011); the oversight of the REIT structure, which may be externally or internally managed (Friday, Sirmans and Conover, 1999; Chong, Ting and Cheng, 2018); and disclosure of fees to ensure alignment of the fee structures to actual performance (Lecomte and Ooi, 2013; Ramachandran et al., 2018). Other corporate governance theories are considered in the sections below.

2.4.2.2 Stewardship Theory

Tricker (2015) explains that the stewardship theory is applied from a legal understanding of the corporation. Drawing from the formation of the limited liability company with its great flexibility led to the formation of different corporate types and structures. From the legal understanding of the limited-liability company, shareholders nominate and appoint directors who act as stewards for the shareholder interest. Conflicts of interest that may arise under the stewardship theory are settled through free market competitions backed by legislation and legal controls to protect all stakeholders (customers, employees, consumers, suppliers, and society).

Davis, Schoorman and Donaldson (1997) and the earlier work of Donaldson and Davis (1991) helped develop the stewardship theory. Under the stewardship theory, the management (steward) and shareholders' objectives are assumed to be the same, i.e. to maximise utility in meeting the firm objectives. That there is no inner motivational objective of the executives other than that which is the firm or shareholder objective. In this theory, the management is given a level of autonomy through setting up governance structure and mechanisms with the desire that pro-organisation decisions will be made, maximising shareholders' wealth through better firm performance. Issues thus only occur when the organisational structure may prevent executives from facilitating practical actions and implementing those actions to generate long-term performance. Hence, for the stewardship philosophy to operate, the underlying factors of open communication, trust, long-term orientation, empowerment and performance enhancement must be set up (Davis, Schoorman and Donaldson, 1997).

The stewardship theory is not without its criticisms. It assumes that a set number of shareholders own a single company. While this may apply to small companies, listed companies such as REITs, on the other hand, have a multitude of shareholders resulting in a remoteness of ownership lacking the incentive to monitor or appoint directors, which does not make it applicable for this research. Also, every shareholder may not understand the complexity of modern-day financial reporting, making monitoring difficult. This allows for reduced transparency and the possibility for the directors to carry out personal motives. The stewardship theory of corporate governance research is of increased importance when researchers intend to observe the role of the CEO and chairperson play in the performance of the firm (Martin and Butler, 2017; Subramanian, 2018). For this research which examines the country-specific issues related to corporate governance and the investment decision-making process of REITs, the agency theory provides a better theoretical underpinning to examine the effect of corporate governance on REIT performance and investment decision-making process.

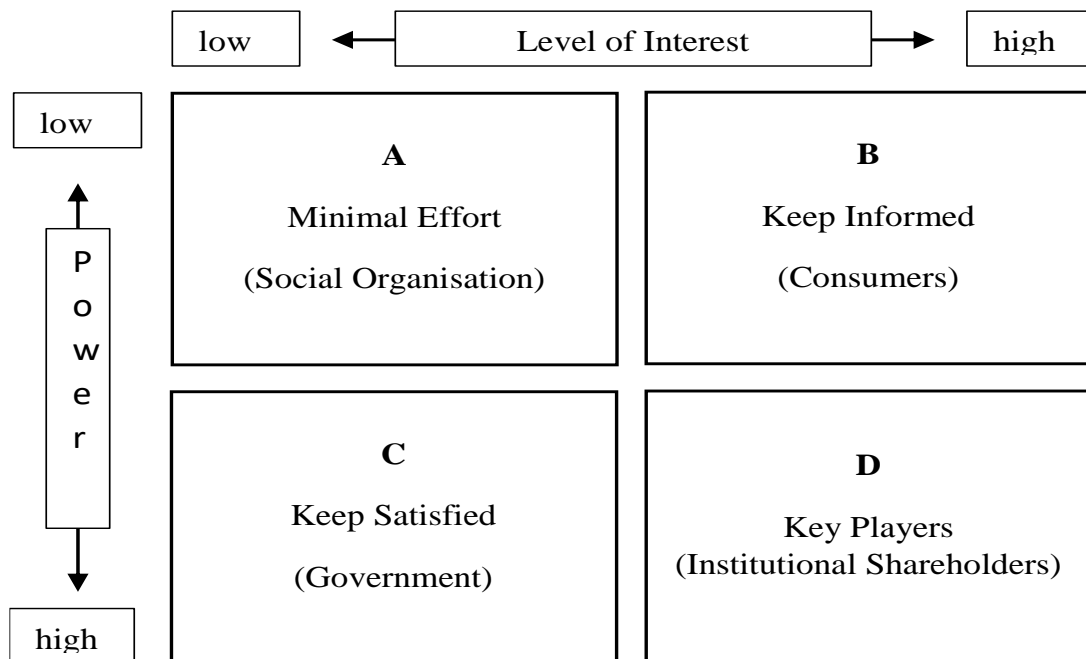
2.4.2.3 Stakeholder Theory

While the agency, stewardship, and resource dependency theories examine corporate governance from the level of the firm, i.e. the relationship, experience and resources of the owners (principal) and agent (directors), the stakeholder theory of corporate governance examines it at a societal level. The early work of Freeman (1984) on the stakeholder theory explains that emphasis should be on management accountability to all stakeholders (customers, employees, partners in the supply chain) who are affected by the corporation's decisions instead of shareholders. The stakeholder theory attempts to identify the potential group of people with a genuine interest in an organisation, and these interests should have value. It is also interested on the impact of decision-making carried out by all stakeholders and preventing the dominance of one interest or group over others. A proper representation of all the stakeholders on the board is needed to avoid conflicts and build trust amongst all stakeholders to achieve corporate objectives (Donaldson, Preston and Preston, 1995). Nakpodia (2016), on the earlier work of Mendelow (1991), points out that adopting a stakeholder approach to corporate governance is faced with the problem that shareholders and stakeholders may have different preferences when it comes to the corporate governance model. To minimize conflict, the firm must have an agreed strategy that aligns internal and external stakeholders affected by the business operation.

In Figure 7 below, Mendelo (1991) proposed a framework for stakeholder powers and interest levels. In the framework, some stakeholders must be kept informed (government) due to their high interest, kept satisfied (management), and recognised their high power in the corporate structure. This analysis of which stakeholders and organisations can influence each other identifies four quadrants of stakeholders based on interest and power. The far ends of the quadrant are key players requiring high engagement and minimal effort. Key players are the most critical stakeholders having strong influence and power. The failure to satisfy the key shareholders in favour of other stakeholders may result in key players disposing of their stake in the corporation (Nakpodia, 2016). Price (2009) explains the power vs interest matrix by using a different categorisation and gives more understanding to the earlier works of Mendelow (1991) and Johnson, Scholes and Whittington (2014). Both explanations of the matrices call for more engagement in the management of stakeholders;

1. *Monitors*: stakeholders with enough power to undermine or support the corporation argue the price. They can work with or against management.
2. *Intruders*: like monitors, as they have the power to support or undermine processes but choose to act only when needed.
3. *Onlookers*: have little power in the corporation's decisions but may be interested in the decisions made by the corporation.
4. *Outsiders*: are stakeholders rating low with little or no power and interest.

Figure 7: Stakeholder Mapping: Mendelow Matrix



Source: Johnson, Scholes and Whittington, 2014; Franklin (2016)

Just like other theories, the stakeholder theory has its criticisms. Among the many criticisms identified is that it assumes that the stakeholders' position is fixed, wherein reality, some classified stakeholders can move about in the quadrant. Nakpodia (2016) contests the work of Freeman (2010) when he points out that although stakeholder groups can be identified, it is challenging but the interests the group represents (internal or external) is more comfortable to recognise. For example, the government in quadrant C can be challenging to plan in particular environments. Stakeholders here may appear passive with low interest (easy to manage), but with the high power placed on this stakeholder, they can move from quadrant C to D, becoming Key Players. Another criticism identified is the burden of accountability placed on management to all stakeholders without a framework or guidance for prioritising problem-solving arising from conflict of interest, the required level of accountability results in multiple accountabilities that are only possible when the organisation is unambiguous to all stakeholders. It then occurs that managers using their discretionary powers, decide whom to serve, which differs from the primary objective of longevity and value (Sternberg, 1997; Jensen, 2002).

However, new updates to corporate governance codes released in the United Kingdom, South Africa and Nigeria show increased importance placed on external stakeholders and

employee engagement which are not identified in the dated Mendeow Matrix. These new corporate governance codes include a more significant part of corporate social responsibility (CSR) and environmental social and governance (ESG) research which corporations now have to report. The country-level corporate governance codes this research applies cover an era that focuses on the interaction between the principles applied in each country during this research. Hence, REITs specific performance measures and the investment decision-making process are better observed using the agency theory.

2.4.2.4 Resource Dependency Theory

The resource dependency theory emphasises the strategic role of the governing body in linking the corporation to the resources it needs to achieve its objectives (Pfeffer, 1973; Pfeffer and Salancik, 1978). An examination of the modern corporation shows that resources required will include things such as; information technology as the rise of cyber-attacks dominate the headlines, access to finance, human capital, links to potential markets and political representation. for the corporation to function and perform. The resource dependency theory favours larger boards, allowing broader coverage of the expertise required in business (Pfeffer, 1973; Tornyeva, 2012). Abdallah et al. (2009) used the resources directors to classify them into insiders, business experts, support specialists and community influential. Directors' diverse experiences and resources can also form the basis for mergers and acquisitions within the resource dependency theory.

Tricker (2015) points out that other theories contribute to the resource dependency theory. From the social network theory, the individuals involved in the corporate process form influential networks and those at the decision-making nodes have standard networks (class, income, education). The resource dependency theory from a lifestyle theoretical angle looks at crucial players' backgrounds (board members, CEO, and other committees.). They provide virtual pivotal nodes in the communications network that positively or negatively affect independence and objective governance activities. Pfeffer and Salancik (2003) criticisms of the resource dependency theory are that it is reduced to a 'metaphorical statement about organisations. However, the resource dependency theory has been criticised as being too extensively and failing to meet the requirements to be tested empirically (Delke, 2015). For this reason, the agency theory approach better meets the specific requirement of understanding how REITs performance and how investment decision-making process are affected by corporate governance principles.

2.5 Corporate Governance and REITs

Understanding the concept and scope of corporate governance can pose some challenges. Notwithstanding, this can be viewed from two perspectives that guide research carried out in the study of corporate governance. The two general categories used in scoping corporate governance include; behavioural patterns and a normative framework (Claessens and Yurtoglu, 2012). Scoping using the behavioural patterns will be carried out in a single country or firm level, looking at the behaviour of corporations, performance measures, financial structures, efficiency, growth and treatment of shareholders and stakeholders. On the other hand, the normative framework of corporate governance relates to the system of regulations, labour and financial markets under which firms operate. Research on REITs and corporate governance has primarily been carried out using the behavioural pattern.

Claessens and Yurtoglu (2012) point out that using the behavioural pattern which studies firms within a country, the researcher evaluates issues surrounding the board of directors' operations, executive compensation on firm performance, the relationship between labour policies and performance and roles of stakeholders and shareholders. They add that weak corporate governance at a country and firm level caused by a lack of transparency and information asymmetric problems will eventually result in a failing financial market. This study on governance, economic development and well-being finds that a better corporate governance framework is advantageous to firms with easy access to funding, reduced cost of capital, improved firm performance and acceptability by stakeholders internationally.

Using the behavioural pattern, researchers have examined different subject areas under various themes; agency cost, ownership and managerial behaviour (Jensen and Meckling, 1976), financing, information asymmetric problem and agency (Myers and Majluf, 1984), investment behaviour and ownership (Hartzell, Sun and Titman, 2005), corporate governance and capital structure (Brenni, 2014). These papers look at the various components of the corporate governance discussion analysed from underlying performance measures such as Tobin's q, return on equity or asset. These studies help show the significance of corporate governance and the direction future research may be heading.

Corporate governance is hence a crucial part of the success of a firm. Though disputes exist, as REITs operating in highly developed institutions have shown the limited effect of corporate governance on their performance. However, corporate governance, seen from a developed REIT regime perspective, may not apply directly to emerging or developing

regimes. This disconnect revolves around legislation/structures or governance codes and what is practised. Using corporate governance in REITs, it is possible to assess the impact corporate governance has on REITs' performance, considering each jurisdiction-specific corporate governance specifics.

Though the REITs structure provides a way of tackling corporate governance problems, certain short fallings are identified. Bauer, Eichholtz and Kok (2010) identified that the required pay-out distribution only applies to net earnings, with an allowance of substantial depreciation on real estate income written off from its taxable earning allowing REITs managers to freely decide on the actual pay-out ratio of the free cash flow. The legal restrictions on ownership structure also bring about some issues. Requiring REITs to be widely owned prevents the formation of blockholders; this protects REIT managers from external scrutiny with less incentive to perform better. How, then, can corporate governance in REITs be measured?

2.5.1 Corporate Governance and REITs Performance in the United Kingdom, South Africa and Nigeria

Though studies evaluating the themes of corporate governance and firm performance in the UK, SA and Nigeria exist, they are limited. As the growing importance placed on corporate governance and the popularity of REITs as an investment option increases, more evidence from research is expected. Studies evaluating these themes in the UK, SA and Nigeria are discussed here.

From research done in the UK, Brenni (2014) on corporate governance and capital structure decisions of listed real estate companies applied the quality of corporate governance and leverage as measures. The author finds that listed companies with larger board sizes and greater CEO remunerations use less leverage and a negative relationship between the number of outside directors and the level of leverage used. Finally, there is an indication that the UK REITs are highly geared contrary to expectations of lower debt levels. Newell and Marzuki (2016) studied the performance of the UK REITs pre-and post-Global Financial Crisis (GFC). Their results highlight REITs' significant position in the UK real estate sector. They identified that pre-GFC, the UK REITs significantly underperformed the overall stock market with high-risk levels associated with an investment in the property sector. Post-GFC results show the REITs regime appreciated speedily exceeding stocks and property companies. The literature on UK REITs is still

limited on what role corporate governance must play to improve performance. More recently, Jadevicius and Lee (2017) examined returns on different days of the week using the five largest UK REITs and non-REITs. Data were obtained during the pre-and-post-2007 period of REIT regulation introduction. Using the Kruskal-Wallis test and dummies to control for outliers, the results show that UK REIT returns were significantly positive during the middle of the week and negative on Monday. It suggests an inefficiency in the UK REITs market, and investors should buy on Monday and sell on Tuesday or Friday, all things equal.

Ugwoke, Onyeonu and Modebe (2013) used board proxies to measure the corporate governance and performance of listed non-financial companies (of which REITs fall) in Nigeria administered a questionnaire to three top-ranking managers/accountants in 72 companies and found that there is a significant positive relationship between the board size, composition, frequency of meetings, regularity of members' attendance and performance. Mainly, the need for more experienced non-executive board members to check CEO excesses and reduce CEO duality is identified. Evaluating the Nigerian REITs, Olanrele, Said and Daud (2015) compared dividend performance in Nigeria using Malaysia as a benchmark; using risk adjustment return analysis, the study concludes that Nigerian REITs constantly underperform when compared to Malaysia REITs. They identified differences in the structures and features of the REIT regimes. Still, improvement in the Nigeria REIT regime is achievable through increased market capitalisation and transparency, reduction in the cost of finance, and change in management style. This study crucially identifies issues surrounding the Nigerian REITs' corporate governance, CEO duality and poor disclosure.

In SA, REITs were introduced in 2013 but differed from Property Unit Trusts (PUTs) and Property Loan Stocks (PLS) structurally in terms of taxation, legislation and legal formation. Ntuli and Akinsomi (2016) initial analysis of the SA REITs market shows its attractiveness to local and international investors. It provides evidence of a positive correlation between REITs and other listed shares, offering good diversification options. Using a portfolio mix of bonds, shares and REITs, they concluded that REITs acted as a return enhancer to the other investment. Against listed property, REITs had a higher return and lower risk. They also show that listed property companies have a weaker correlation with other assets, making REITs a better performer in the portfolio pool. Similar to earlier research by Ugwoke, Onyeonu and Modebe (2013) on corporate governance in Nigeria.

Pamburai et al. (2015) examined 158 listed companies on the Johannesburg Stock Exchange (JSE), extracting corporate governance proxies (board size, non-executive directors, independent non-executive directors and number of meetings) manually from annual reports. Control variables (company size and leverage) are used to control for the firm size, capital structure and risk, measured against performance (Tobin's q, ROA, Economic Value Added). Results from the regression analysis showed that board size is negatively related to EVA, meaning smaller boards perform better. Tobin's q is higher with more non-executive directors due to more monitoring. However, the frequent board meeting was negative to ROA and Tobin's q. Finally, firm size showed a positive relationship with EVA and ROA.

The drawback to the SA and Nigerian REITs regime identified from the literature review is around issues such as market capitalisation and transparency, property rights, and regional political protection, which prevents more geographical diversification of investment within the countries or continents. Issues such as corruption, politics, and ownership structure of listed firms also affect the overall corporate governance in these regimes. With institutional investors becoming involved in the sector, corporate governance and REIT transparency will become of greater importance. Institutional shareholders and shareholder activism occurring more in South Africa than in Nigeria make possible better enforcement in South Africa (Afolabi, 2015). Tsamenyi, Enninful-Adu and Onumah (2007) express this as emerging markets such as Nigeria and South Africa having high economic uncertainty, lacking a legal institution for investor protection, weak stock market and economic performance and frequent government intervention, which necessitates the need for demand of effective corporate governance structures to encourage investors.

Echoing a similar sentiment by Tsamenyi, Enninful-Adu and Onumah (2007), the report by Ernst & Young (2016) on the global perspective of REITs in emerging markets identified several young REITs markets (South Africa, Mexico and Spain) to observe for the long term. For these markets to progress, suggestions have been given on improving risk, real estate transparency, ease of doing business, corporate governance and market capitalisation. The Nigerian REITs market has much to benefit from these suggestions. The popularity of REITs has grown more in SA than in Nigeria, as several UK REITs are cross-listed on the JSE.

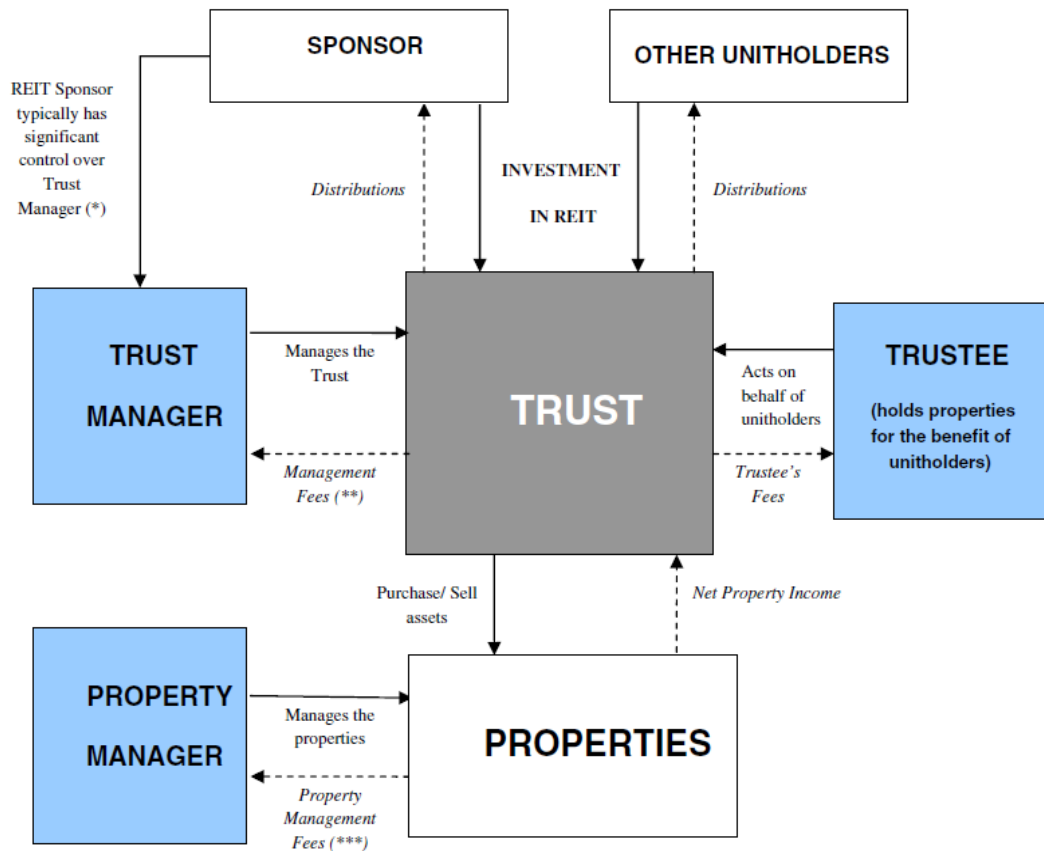
Research using UK REITs' corporate governance will help identify critical corporate governance variables unique to emerging REITs in SA and Nigeria that need improvement, highlighting best practices in the UK REITs.

2.5.1.1 Internally Managed REITs vs Externally Managed REITs

From the seminal work of Jensen and Meckling (1976), REITs just like any other large corporation, are not immune to the agency conflicts that are likely to occur when there is a separation of ownership from management. To align managers and shareholders objectives, corporate governance mechanisms are created to ensure long-term sustainable performance. Researchers have investigated how the REIT's management styles would affect the performance of REITs through agency conflicts. These principal and agent problems could lead to situations such as: entrenchment and empire building by REIT managers leading to overinvestment or underinvestment issues by REITs and other corporate governance issues (Chong, Ting and Cheng, 2017b).

REIT management styles take two predominant structures: internally and externally. Under the internally managed structure, managers are employed and controlled by the REIT entity. REITs employ their advisors and acquisition and asset management staff. Conversely, in externally managed REITs' control and ownership separation are clearly different. The REIT entity employs an intermediary asset management firm to undertake the day-to-day property management, financial and operational tasks. In return, the REIT entity pays managers various management fees. These fees come in two types: a base fee which is a percentage of the values of the fund's asset under management (AUM), and an incentive fee, based on a portion of the portfolio's income. The inferior performance of externally managed REITs in the US and issues caused by the global financial crisis has raised the need to question fees paid to externally managed REITs executives (Ooi, 2009a). Figure 8 below shows the typical structure of externally managed REITs commonly observed in Asia REITs and Nigerian with a Sponsor and Trust Manager. For internally managed REITs, the Trust undertakes the role of Trust Manager with or without a Sponsor.

Figure 8: Generic Externally Managed REITs structure



Source: Lecomte and Ooi (2013)

From a historical context drawn from the US, REITs initially acted not unlike mutual funds but with the potential for trading. It was expected that REITs employed advisors that worked as managers with the duties of selecting properties and executing property investment strategies on behalf of the REIT. Unlike other passive investments such as bonds and shares, property investments require active management hence the need to employ property managers; thus, in the late 1980s, several REITs observed inefficiency and conflict of interest between advisors/property managers and REIT shareholders (Wei, Hsieh and Sirmans, 1995; Ambrose and Linneman, 2001). In 1986, a change in laws allowed REITs to undertake self-advisory and management. This fueled the rapid growth of REITs in the 1990s and spurred a range of academic research examining the organizational management structure of REITs and its impact on REIT's performance. In Table 8 below, a sample of REIT regimes is examined. The justification of REITs as internally managed over externally managed, as seen from its earliest implementation in the US, has not prevented REIT regimes elsewhere from embracing externally managed

structure. Predominantly, REITs, especially in Asia, adopt an externally managed structure either by default or requirement, which shows that some merits exist in externally managed REITs. With the increase in the adoption of REITs as a means of indirect investment in the property market, it is essential to understand how REITs' management styles and corporate governance strength have affected performance.

Table 8: Sample of Internally managed vs Externally managed REIT

REIT/Year of Origin	Internal Management	External Management
US (1960)	169	26
UK (2007)	24	13
Netherlands (1969)	4	0
France (2003)	17	2
Belgium (1995)	8	2
South Africa (2013)	22	6
Italy (2007)	3	1
Nigeria (2007)	0	3
Australia (1985)	19	14
Ireland (2013)	1	2
Spain (2009)	1	3
Mexico (2004)	0	8
Hong Kong (2003)	0	8
Singapore (1999)	0	37
Japan (2000)	0	45
Greece	4	0

Source: Author

Table 9 below shows a frequency count for citation, paper author's country, sample period, REIT regime sampled and empirical findings obtained from Scopus focused on the REIT

management style. An advanced query search is carried out under the “Article Title, Abstract, Keyword” section to search for relevant papers; the following keywords were used to create the query string: “REITs”, “real estate investment trust”, “internal management”, “external management”, “corporate governance”, “agency”. It should be noted that the keywords used here were not intended to be exhaustive but applied to obtain an initial number of workable papers. Following Tsai and Wen (2005), papers on the types of ‘editorial’, ‘commentary’, ‘responses’, and ‘book reviews’ have been excluded from the analysis. The date range is unlimited as the concept of REITs started in 1960, and changes in the management structure did not occur until 1986. Additionally, limiters are placed on “Language” for only English journals and “Subject Area”. The search using these queries identified 86 papers, including papers published in key real estate journals such as the *Journal of Real Estate Finance and Economics*.

Further analysis of abstracts was carried out; it was observed that some studies referred exclusively to “earning management”, “REITs”, “leverage”, and “capital structure”. Which are not relevant to the themes of this study identified above. Consequently, these were excluded. After filtering, 19 papers were found valid for further analysis. Though this sample may be relatively small, it is enough to draw conclusions considerably and gain an in-depth understanding of the academic stand on REITs management structure and performance. The majority of the papers (11) originated from the US, followed by Singapore (5) and Malaysia (4). This should not be confused with the country of sample data collection; REIT regime sampled for analysis by the authors came mainly from the US and the Asia Pacific region (Singapore, Malaysia, Hong Kong, Japan, and New Zealand). This classification makes it possible to imply that the REIT's management structure in other regimes especially emerging regimes, has yet to receive enough research on its implication on performance. From the sampled papers, the top 5 with the most citations originate and research the REIT regimes in the US and Singapore, with the work of Capozza and Seguin (2000) cited 67 times since publication. The empirical findings from these research papers are documented in Table 9 below.

Table 9: Empirical findings from research on management structure

Authors	Citations	Country/Territory	REIT Regime Sampled	Empirical Finding
(Capozza and Seguin, 2000)	67	US	US (1982-1992)	Externally Managed REITs underperformed by 7%. Employed more financial leverage, taking more debt to increase property investment, hence compensation. No clear evidence of asset or business risks for both management styles
(Ooi, 2009b)	12	Singapore	Singapore (2003-2008)	REITs compensation structure affects price during pre-and post-IPOs: Pre-IPO, low base fees alongside pre-established performance-linked incentive fee. Post-IPO, the manager on benchmarked incentive fees performed better than those with higher base fees.
(Lewis, Springer and Anderson, 2003)	12	US	US (1995-1997)	Measuring the magnitude of internal and external managerial efficiency and industrial efficiency, they find that internally managed REITs had better operating performance in 1995 and 1996 and used less debt to perform more efficiently.
(Lecomte and Ooi, 2013)	11	Singapore	Singapore (2003-2008)	Using a scoring framework for measuring the quality of corporate governance of externally managed REITs finds that though corporate governance scores have gradually improved, areas such

				as fee and remuneration showed deviation and ranked lowly due to limited disclosure. A positive relationship between corporate governance and stock performance but not on operating performance (ROA and ROE). But no link with related party transactions and outperformance
(Striewe, Rottke and Zietz, 2013)	6	US/Germany	US (1994-2000)	Externally managed REITs choose lower leverage levels than internally managed REITs. After the 1986 reform, the remaining externally managed REITs limited agency issues by not taking excessive leverage.
(Miller, Clauretie and Springer, 2006)	5	US	US (1995-2003)	Estimated returns did not support the economy of scale for all but smaller REITs. Contrary to the conventional wisdom that an internally managed structure is better than external management, they show different outcomes depending on the measure of output. When measuring output using assets, internally managed associates with inefficiency as externally managers receive compensation tied to assets. When measured using output with revenue internally managed, REIT exhibit more efficiency. Revenue growth better captures the goal of maximizing shareholder value.

(Brockman, French and Tamm, 2014)	3	US	US (1985-2007)	The inclusion of institutional shareholders dramatically changed REIT performance. Before 1992, externally managed structures underperformed internally managed REITs. Post-1992 saw no apparent difference between management styles attributed to increased institutional investors.
(Cashman, Harrison and Seiler, 2014)	2	US	Australia, India, Hong Kong, New Zealand, Singapore, Japan (-2011)	Find evidence to show that taking on the external management structure allows REITs to access and act on local information leading to better performance. The external management structure is more suitable for countries with a better contracting environment which helps to diminish agency costs. Internally managed REITs invested in more countries had more insider ownership. However, externally managed REITs had more institutional investors.
(Das and Thomas, 2016)	1	US/Switzerland	India	Evaluated the managerial challenges and opportunities for introducing REITs in India and identified the potential for some commercial real estate property companies to convert to a REIT structure as it is like global REIT regulations. REITs externally managed show similarity with most developing and Asian REIT regimes. They identified that property owners might be reluctant

				to cede control to external management, preventing the smooth conversion to the REIT structure.
(Chong, Ting and Cheng, 2016)	1	Malaysia	Singapore (2008-2012)	They evaluated corporate governance's impact on externally managed S-REIT performance. Corporate governance not only helped improve performance and ROA but also helped gauge excess return. But no effect on ROE. Individual CG proxies, REIT organisation, and ownership had a negative impact on S-REIT. They called for a reevaluation of the management structure of S-REITs as agency cost still exists in the external management style.
(Delcours, 2005)	1	US	US (1999-2001)	Analyzed top managerial compensation using equity REITs and REOCs. Amongst other findings, executive's long-term compensation related to the volatility of funds from the operation and that internally managed REITs managers enjoyed favorable compensation
(Tang and Mori, 2017)		Singapore	Japan, Hong Kong, Malaysia, and Singapore (2002-2012)	The externally managed Asian REITs market examined the role of sponsor ownership in relation to agency issues on firm values. Amongst other things is that higher firm values of REITs with committed sponsors stem from superior cash flows and that real estate expertise from developer sponsors enhances the quality of REIT's management team. They also document that managers did

				not carry out dividend smoothing to meet expected dividend distributions.
(Deng, Hu and Srinivasan, 2017)		Singapore/Australia	US (1987-2009)	Tested for information asymmetry across internal and external REITs on loan contract terms. The result shows that externally managed REITs are offered more favourable loan contract terms (lower loan rates, lower collateral requirements and fewer loan covenants). This is linked to banks viewing external REITs as less information opaque and having less pre-contract uncertainty than internally managed REITs.
(Park, 2017)		South Korea	Singapore, Hong Kong, and Japan (2005-2013)	Examined the potential conflict of interest between externally managed REITs in Asia and outside advisors /sponsors and its impact on value. They find that sponsored externally managed REITs emulated internally advised REITs in response to market pressure and are forced to operate at higher transparency to remain attractive to global institutional investors. No acute agency problem controlling sponsors is observed.
(Chong, Ting and Cheng, 2017a)		Malaysia	Japan, Singapore, Hong Kong, and	They examined the impact of free cash flow (FCF) on agency costs and FCF and agency cost on the performance of REITs in Asia. They find that risks of FCF are minimal in REITs due to the REIT effect. Though they find the existence of FCF and agency

			Malaysia (2002-2012)	cost in externally managed Asian REITs causes a discount in value. They suggest that conversion to internal management may reduce the cost of adjustment resulting from the agency.
(Chong, Ting and Cheng, 2017b)		Malaysia	Japan, Singapore, Hong Kong, and Malaysia (2008-2012)	Studied the impact of corporate governance (CG) of the externally managed Asian REITs on performance. They find that CG helps to improve ROA but gauges excess of REIT managers. They find that the CG proxies of REITs organization, remuneration matters, and fees of externally managed Asian REITs decrease performance due to a lack of transparency and disclosure policies. Again, a conversion to internal management is made.
(Henderson, Mallett and McCann, 2016)		US	US (2000-2015)	Evaluated externally managed non-traded REIT investment returns over holding periods starting with initial offerings and ending on the first listing or acquisition date or date of provision of updated NAV. They documented lower returns earned by investors in non-traded REITs, linked to large up-front fees paid to related parties for management/advisement and conflict of interests which permeate the non-trade REIT structure. This is further enhanced by the lack of proper monitoring by institutional investors.

(David H. Downs et al., 2016)		US/Singapore/Malaysia	Hong Kong, Malaysia, and Singapore (2003-2010)	Tests the relationship between Related Party Transactions (RPT) on firm value of externally managed Asian REITs. Results show that RPT for Asian REITs is higher than in the US. However, positive and statistically significant is shown for Asian REITs with higher values with more RPTs. The REIT effect showed no significant result for corporate governance and RPT.
(Chikolwa, 2011)		US	Australia (2003-2008)	Identified that capital structure is affected by the conflict of interest between stapled management (internalizing asset management), shareholders, and creditors, amongst other things. They identified that the stapled management structure negatively related leverage and short-term debt ratio to the total asset. This implies that they may have lower gearing levels.

Source: Author complied

Content analysis was carried out to provide summary information about the empirical findings of the sampled research studies. Content analysis is a technique for the objective, systematic and quantitative description of the manifest content of communication (Bos and Tarnai 1999). From the research papers analysed, empirical evidence can be broadly broken down into evidence from the United States (which has both internally and externally managed) and Asia Pacific (mostly externally) REIT regimes. In the US, the growth of internally managed REITs was linked to the introduction of the Tax Return Act in 1986, allowing for the conversion of most externally managed REITs to internally managed REITs. However, the externally managed structure of REITs persists, as it is the most used management structure in the Asia REITs of Singapore, Hong Kong and Malaysia. These are all exclusively externally managed. The 19 selected journal publications are analysed to document the effects a chosen management structure of a REIT will have on its performance.

Empirical results from research on US REITs show mixed results. Pre-1986, externally managed REITs mostly underperformed internally managed REITs (Capozza and Seguin 2000; Brockman et al. 2014). For externally managed non-traded REITs, large up-front fees paid to related parties for transactions and conflict of interests resulted in lower returns (Henderson et al. 2016). Delcours (2005) found that internally managed REITs also enjoyed favourable compensation. A study by Miller et al. (2006) shows that contrary to earlier observations, externally managed or internal managed REITs' performance depends on the output measure. Measuring using assets showed that externally managed REITs outperformed internally managed REITs as externally managed REITs receive compensation based on assets. Based on revenue, internally managed REITs exhibited more efficiency, which is ideal for shareholders. On the other hand, Deng et al. (2017) document that externally managed REITs get better loan contract terms as they are now less information opaque due to the need to keep up with internally managed post-1986. Additionally, post-1986 externally managed REITs limit agency conflicts by choosing lower leverage levels (Lewis et al., 2003; Striwe et al., 2013).

Empirical research on Asia shows that REITs with externally managed structures have improved performance and reduced conflict of interest. This is ascribed to the improvement of externally managed REITs post 1992 as they recognize the need to compete and remain relevant alongside internally managed REITs and institutional investors who carry out more monitoring (Cashman et al. 2014; Park 2017). The

compensation structure and leverage of externally managed REITs remains a topical issue. Ideally, benchmarking incentive fees against a predetermined performance level is recommended instead of higher base fees (Ooi 2009). Additionally, the strength of corporate governance of Asia's externally managed REITs has gradually improved, resulting in enhanced stock performance and market value in most cases. Though when measured alongside their corporate governance strengths, issues exclusive to externally managed REITs such as; REIT organisation, related party transactions, fees and remuneration matters exhibit limited disclosure on these proxies, which negatively impacts the quality of corporate governance and performance measures. This has resulted in some researchers' suggestions for conversion to an internal management structure (Lecomte and Ooi 2013; Chong et al. 2016; Chong et al. 2017a; Chong et al. 2017b). However, Downs et al. (2016) on related party transactions reports that it tends to be higher in Asia than in the US, which had a positive effect on higher values for Asian REITs, as more credible transactions increased related party transactions. Tang and Mori (2017) also reports that committed and expert sponsors help enhance the quality of external management and value.

In the context of emerging REIT regimes in markets such as the Asia Pacific and Africa, the attractiveness of externally managed REITs is because of economic and political instability, civil law-based legal systems; lack of development and management expertise; high level of corruption and poor disclosure. The external management structure, when implemented, should be seen as a strategic decision based on the willingness of property owners to cede control, a trade-off between the possibility of agency cost and the benefits of capturing local soft information, which should be attractive for an organisation wanting to operate in emerging REIT regimes (Cashman et al. 2014; Das and Thomas 2016).

It is documented that the separation of ownership from control creates a conflict of interests which becomes more escalated by an external management structure. The tax reforms in 1986 saw US REITs transition from a primarily external management structure to a predominant internal management structure to further align shareholders' objectives with management reducing agency conflict and increasing efficiency. The internal management structure is famous amongst most western REITs (UK, France, Spain, Greece). On the other hand, it is documented that most emerging REIT regimes of Asia Pacific are almost all predominantly externally managed, which in some way clearly shows some merits remain for externally managed REITs. The US REITs post-1992 saw an

improved performance of externally managed REITs to resemble those of their internally managed counterparts to remain competitive. However, the externally managed Asian REITs saw mixed results when measuring operating performance and market value. The popular inefficiencies linked to remuneration, compensation structures, related party transactions and gearing of externally managed REITs have significantly been reduced. Disclosure in these areas remains a vital issue for most externally managed REITs. Current studies still prescribe that externally managed REITs convert to internal management. However, contrary evidence also shows that for emerging REITs regimes, an external management structure may be preferable as it allows them to engage local expertise while tackling issues synonymous with emerging markets.

2.6 Quality of Corporate Governance

By market capitalisation, the United Kingdom has the most prominent operating REITs in Europe; South Africa REITs are the largest in Africa due to the vibrant real estate market, and Nigeria operates the largest REITs in sub-Saharan Africa (CAHF, 2017). However, limited empirical research has been undertaken to examine the quality of REITs' corporate governance in these jurisdictions. The REITs regimes in Nigeria and South Africa are relatively immature compared to those operating in the United Kingdom. However, they all have in common a lack of the breadth of research evaluating the concepts of corporate governance, investment decision making and how this affects performance.

Drawing from research from other REIT regimes, it is possible to examine the effect of corporate governance on the performance of REITs using selected individual corporate governance factors such as; ownership structure, executive compensation, and board composition. Eichholtz and Yönder (2015), looking at CEO overconfidence in US REIT investment, found that CEOs who are overconfident make more investments, usually suboptimal investment decisions resulting in poor investment and lower Net Present Value (NPV). Hartzell, Sun and Titman (2005), looking at various ownership and board factors of equity REITs from 1995 to 2004, observed that there is a positive relationship between institutional, insider ownership and Tobin's q. REITs with strong corporate governance responding positively to investment decisions that improve performance but decreases with the entrenchment of insider ownership. Looking at executive compensation, (Ooi, 2009a) observed that in 20 Singapore REITs, after IPO, there is an inverse relationship between base fee and performance, but a positive relationship between incentive fees post IPO performance of REITs. These studies provide mixed results from the different associations

between selected corporate governance factors and performance variables. To summarize, the performance of REITs, like other investments, will be affected by significant institutional factors; corporate governance, legal quality and accounting standard quality (Edelstein, Qian and Tsang, 2011).

On the quality of corporate governance, several corporate governance ratings, indices or scoring frameworks have been used in the research of REIT's corporate governance and performance. These are generally accepted and used by academics and institutions globally to measure the quality of corporate governance (see Table 12 below). A summary of these includes; a self-constructed corporate governance rating used by (Drobetz, Schillhofer and Zimmermann, 2004; Brenni, 2014); Governance Index (*G-Index*) based on the Institutional Investor Research Centre (IRRC) applies takeover provisions an external corporate governance proxy for measuring shareholder rights (Gompers, Ishii and Metrick, 2003); Corporate Governance Quotient (*CGQ*) index developed by the Institutional Shareholder Services measures both internal and external corporate governance proxies used in studies of REITs mainly in Europe and US; *Entrenchment Index* measures external corporate governance proxies that limit shareholders right and resistance to a hostile takeover, and the Asia Pacific Real Estate Association Corporate Governance Scoring Framework (*APREA CGSF*) using external and internal corporate governance in mainly Singapore REITs (Lecomte and Ooi, 2013; Chong, Ting and Cheng, 2017a).

Apart from the G-Index and Entrenchment Index, which measure external proxies of corporate governance, a higher score on the other scores (using internal and external proxies) can be translated as having better corporate governance practice that reduces agency problems translating to better performance. This is considered more practical, offering a better understanding of the quality of corporate governance, investment decision-making and performance of REIT. The use of corporate governance scores or indices provides a methodology for measuring the quality of corporate governance because of the selection of proxies (internal or external proxies of governance) used in the measurement.

Corporate governance scores or indices should be used to understand the underlying criteria for measuring performance. Evidence from strongly regulated economies such as the United Kingdom and the United States shows that corporate governance has less impact on performance (Table 10 below). Bauer, Eichholtz and Kok (2010) explain this as the REITs effect. Daines, Gow and Larcker (2009) on commercially provided corporate

governance ratings shows the boards may use these to change firm practices to increase rating but do not predict future accounting restatements or shareholder litigation, operating performance, stock returns and cost of external finance. The research explains that this failure to predict outcomes can be ascribed to measurement errors, as commercially provided ratings do not occasionally correct for endogeneity in selecting variables. Their research gives some merit to an academically provided rating of the quality of corporate governance and calls for a more reliable and valid academic measure of corporate governance that goes beyond the check-and-sum approach, which fails to highlight provisions that can be substitutes or complements.

Table 10: Analysis of researchers on corporate governance and performance using a score

Literature	Index/Framework	Performance	Finding
(Brenni, 2014): UK REITs	Self-Constructed	Tangibility, firm size, profitability, volatility, growth opportunities, non-debt tax	Board Size, CEO duality, tenure and remuneration -VE correlated to leverage. Board Independence (non-executive directors) +VE related to leverage.
(Bauer, Eichholtz and Kok, 2010): US REITs	CGQ Index	ROA, ROE, Tobin's q, sales growth, net profit margin	Index not related to Tobin's q or ROA, ROE
(Lecomte and Ooi, 2013): S-REITs	R-Index APREA	1yr forward stock return, Jensen alpha, ROA, ROE	Corporate governance and stock performance +VE. -VE to operating performance.
(Gompers, Ishii and Metrick, 2003): US	G-Index	Excess returns, Tobin's q, net profit margin, ROE, one-year sales growth	Stronger shareholder rights have higher firm value, profits and sales growth. No link with ROE

(Bebchuk, Cohen and Ferrell, 2009): S&P 500	Entrenchment Index	Tobin's q, monthly abnormal return.	-VE relationship to index and Tobin's q. - VE relationship to index with a monthly abnormal return
(Wai, 2013): Hong Kong and Singapore REITs	Integrated CGSF (ICGSF)	ROA, ROE, Sharp Ratio, Tobin's q, Dividend Yield, Debt/Equity	Index, dividend yield show +Ve relationship with Tobin's q. Debt/Equity no significant impact on Tobin's q

Source: Author compiled

2.7 Property Investment Decision-Making Models

Harrison (1999) explained that the term 'decision' varies widely across studies focused on the decision process, the decision maker, or the decision to be made. Studies have defined 'decision' as an ongoing process of evaluating alternatives to attaining an objective, where the desired outcome from a selection of alternatives makes the decision-maker pick a course of action that meets the desired objective. Similarly, French (2001) indicates that the literature on decision-making draws from various theories and principles such as economics, mathematics, operational research, organizational theories and statistics. Over time, three distinct models have emerged from decision-making theories, which are predominantly used by academic researchers on property investment decision-making: normative, descriptive, and prescriptive decision-making models.

2.7.1 Normative models

These models are concerned with 'how decisions should be made. These models follow a rigid rule-like approach to decision-making based on the theoretical underpinning of the measurability of decisions against performance. Referred to a rationalistic perspective, it follows models like traditional finance. Decisions are made under the assumptions that markets are efficient; enough time is taken to arrive at a final decision; information is rationally evaluated using tools such as the modern portfolio approach, capital asset pricing models and option-pricing theories to arrive at final decisions (Einhorn and Hogarth, 1981; Baron, 1985; Pyhrr, Cooper and Wofford, 1989; French and French, 1997). This model is

criticised as departing from real-world situations due to the difficulty in covering every circumstance, time factor in decision-making and human actions or inactions (Weber and Coskunoglu, 1990; Weirich, 2004).

2.7.2 Descriptive models

It focuses on ‘how decisions are actually made’; as decision-makers depart from the normative models, what is observed fall within descriptive models. This draws on the decision makers' subjective and intuitive nature in making investment decisions, thereby challenging normative models by behavioural theorists. Kahneman and Tversky (1979) explain this using the “Prospect Theory” that decision-makers have different acceptable risk levels when faced with opportunities. Using the certainty effect, they explained that when faced with a decision, there is the tendency for decision-makers to pick sure outcomes over probable ones. This results in a selection of different choice frequencies over expected rational utility calculations. Additionally, Simon (1955) developed the ‘bounded rationality to look at normative models differently. Under bounded rationality, decisions are made under the decision maker's limitations (information processing and access and time constraints). A critical limitation of descriptive models is that they essentially describe applied processes (Weber and Coskunoglu, 1990).

2.7.3 Prescriptive models

These models take in the reality of decision-making, acknowledging that it is nearly impossible to cover most eventualities in selecting the ideal decision. Decisions taken using prescriptive models follow guidance around normative and descriptive models. These models using guidance are more applicable to actual complex investment decision-making taken by REIT and construction managers (Baron, 1985; Tiesmeier, 2016). Additionally, it accepts the notion that decision makers are ‘satisfiers’ once a decision which satisfies all necessary criteria is found, the search for the optimal conditions stops. When prescriptive models are developed, they should follow some normative foundations to provide theoretical solutions alongside behavioural inputs identified from descriptive models (Köksalan, Wallenius and Zionts, 2013; Tiesmeier, 2016). However, Wierzbick (1997) states that though prescriptive models attempt to change the rigid notions of normative models, the possibility for experienced decision makers to reject prescriptive models but adopt decisions based on intuition and past experiences exists. On the other hand, prescriptive models with guidance appeal to new decision-makers. This is in line

with the finding by Roulac (2000) that investment decision-making evolves, and the findings from past and current literature will defer as decision-makers within the prevailing dynamics of the time they operate. French and French (1997) concluded that investment decision-making should not be viewed as a single outcome but evaluated on the process undertaken by decision-makers to reach a decision; following rational consistency, and outcome from the decision is averagely acceptable.

2.8 How do Real Estate Investment Trust carry out Investment Decision Making

This subsection will discuss a literature review on how REITs conduct investment decision-making, which meets Objective 3: “to evaluate how Real Estate Investment Trusts (REITs) carry out investment decision-making”.

While studies on property investment decision-making have remained relatively limited, the bulk of research from the United States and the United Kingdom mainly focused on rationalist rules and techniques applied using normative models (Gallimore, Hansz and Gray, 2000; Roberts and Henneberry, 2007). Parker (2012), reviewing publications from US and UK on property investment decisions, summarises that in the US property market, investment decisions are driven by portfolio concerns based on traditional finance and commerce theories, while UK property investments are based on individual asset evaluations. He also identifies from a review of publications on property investment decision-making that no clear distinction is given as to what approach REITs follow. In some cases, REITs fall under institutional investors. The limited number of empirical studies on emerging markets can be attributed to the maturity level of these markets, associated with an understanding of the role of risk, and assumed higher application of heuristic-driven bias in property investment decision-making. Below, we review some vital journal publications on property investment decision-making to identify the process, stages or steps documented in these studies. Additionally, input on the role of behavioural bias in property investment decision-making is recognised.

Table 13 below summarises the context identified from relevant literature regarding the strategic property investment decision-making of REITs. Given the assumptions of an unproblematic perfect market system, information is readily available at the initial stage, with enough time given to scrutinise alternatives and readily available funding. A critical issue with documenting the property investment decision-making process is the

inconsistency of steps and ambiguity in terminology, which is observed in Table 13 with the various normative model identified from the literature.

Parker (2014) research of the Australian REITs' property investment decision-making process provides a suitable solution by expressing the process into four stages comprising 20 steps. Roberts and Henneberry (2007), in Table 13, also offers a composite model derived from literature to investigate the property investment decision-making process of investment managers in France and Germany. They conclude that these models can be reduced to five stages (strategy setting phase, search phase, analysis and investment phase, the consultation phase and the last phase, investment selection). In the UK, a different phase (define detailed strategy phase) comes after the general strategy setting phase linking this phase to the requirement for benchmark decisions against more prominent institutional investors showing that investment managers are likely to exhibit herding behaviour in the UK. Their study points to the heuristic behaviour of REIT investment managers and construction managers to arrive at investment decision-making. Summarising, the studies in Table 11 provide empirical evidence of the investment decision-making process of developed REITs regimes in the US, UK and Australia, which will be applied to evaluate the efficacy of the investment decision-making process and ascertain the critical success factors that impact effective decision making in the United Kingdom, South Africa and Nigeria.

Table 11: Normative Model for REITs Investment Decision Making

	Pyhrr, Cooper and Wofford (1989) US	Jaffe and Sirmans (1995) US	Roulac (2000) US	Farragher and Savage (2008) US REITs	Farragher and Kleiman (1996) US REITs	Roberts and Henneberry (2007) EU	Baum (2002) UK	Hargitay and Yu, (1993) UK	Parker (2012) Australia (REITs)
1.	Determine investment strategy	Identification of goals, objectives, and constraints	Statement of the decision to be made	Setting strategy	Setting strategy/analysis	Setting initial property investment goals and decision criteria	Determination of ideal portfolio structure	Definition of objectives and goals	Envisioning <ul style="list-style-type: none"> • Vision • Style • Goals • Strategic Plan • Objectives
2.	Generate alternatives	Analyse the overall investment environment	Objectives	Establishing risk/return goals	Establishing risk/return objectives	Establishing a fully defined decision-making strategy related to portfolio structure and performance	Identification of target sub-sector	Search for alternative investments that can achieve objectives and goals	Planning <ul style="list-style-type: none"> • Property Portfolio Strategy • Strategic Asset Allocation

									<ul style="list-style-type: none"> • Tactical Asset Allocation • Stock Selection • Asset Identification
3.	Property analysis using financial feasibility models	Apply appropriate decision-making criteria	Identify alternatives	Searching for investment opportunities	Forecast expected cost and returns	Searching for a suitable property	Sourcing new stock from the market	Evaluate, compare and rank alternatives using quantitative risk and returns	Dealing <ul style="list-style-type: none"> • Preliminary Negotiation • Preliminary Analysis • Structuring • Advanced Financial Analysis • Portfolio Impact Assessment
4.	Negotiation of terms with sellers	Accept or Reject the investment	Identification of decision criteria (multiple)	Forecasting expected return	Assess investment risk	Information input (analysis of market condition)	Appraisal	Choose a satisfactory alternative	Executing <ul style="list-style-type: none"> • Governance Decision • Transaction Closure

									<ul style="list-style-type: none"> • Due Diligence/Independent Appraisal • Settlement • Post Audit
5.	Detailed Feasibility research		The environmental context of decision	Evaluating forecasted returns	Make a risk-adjusted evaluation of forecasted risks and returns	Prediction of outcomes (return and risk at portfolio and property levels)	Modelling of portfolio	Evaluate the consequences of the decision taken, conclusion, revise goals and criteria	
6.	Complete financial and tax structuring		The organisational context of decision	Assessing and adjusting risk	Implement accepted proposal (due diligence, formal feasibility)	Application of decision criteria	Acquisition process		

7.	DCF analysis		Competitive context of decision	Decision making	Post audit review of operating performance	Trade-off between properties			
8.	Final Negotiation and closing		Analysis (quantitative and qualitative)	Implementing accepted proposals		Property Screening			
9.	Manage the property		Synthesis of findings from the analysis	Auditing and operating performance		Investment selection			
10	Terminate the property		Decision (yes, yes, conditionally or no)			Negotiation, deal resolution and post-investment activity			

From an emerging REIT regime point of view, empirical research is limited. Studies examining the property investment decision-making process approach this by; determinants of property value that affect real estate stakeholder's decisions to invest in a selected region or state, drawing from the works of (Adair, Berry and McGreal, 1996; Baum, Crosby and Gallimore, 2000; McAllister et al., 2003); the heuristic behaviours of anchoring, adjustment and herding on property valuation and the likely influence on investment decision-making process (Diaz, 1989); Kahneman and Tversky (1979) macroeconomic factors within the framework of strategic, political, socio-cultural, legal, and economic analysis that attracts large institutional investors to emerging economies (Jaffe and Sirmans, 1995; Pyhrr, Roulac and Born, 1999; Lim, McGreal and Webb, 2006; Groh and Liser, 2011). The literature documenting the property investment decision-making steps or stages undertaken by investment managers and REIT managers remains limited.

From an emerging context, Lowies, Hall and Cloete (2016) examined behavioural biases of anchoring, adjustment, and herding behaviour of fund managers of listed property fund managers in South Africa. A questionnaire survey on anchoring and adjustment heuristic-driven bias showed that respondents anchored their decisions to invest in a selected property with the most optimistic forecasts. When new information with a more favourable outcome was introduced, they still anchored on to original selection. Also, listed property fund managers observed no statistical evidence of herding. These behaviours they attributed to socio-political factors that create uncertainty in the South African property market and not a lack of understanding of new information by listed fund managers. This is assigned to the conservative nature of property investment decision-makers due to the fear of making wrong decisions. Recently, Nsibande and Boshoff (2017) examined the investment decision-making framework in South African REITs that they apply when investing in commercial retail properties. They document that investment models vary widely, and when used in retail investment decision-making, it occasionally disregards the effect non-financial drivers such as anchor tenants, centre management and tenant mix have on decision making.

Additionally, empirical research on foreign direct investments (FDI) in emerging markets listed real estate and real estate sector shows large institutional investors applying macroeconomic factors. These studies provide valuable insight into the investment decision-making phases and steps involved in investing in emerging markets. Kukovet

(2002), studying the emerging Chinese market, conceptualised the decision-making process to consist of two main phases- The preparation phase (related activities, experience generation, and project start-up steps) and the project decision-making phase (development, selection and implementation). He concludes that extensive preparation and organisational systems that allow for applying experienced-based intuition and speed are critical for investment decision-making for emerging markets. Kukovetz (2002) also identified that as emerging markets mature, as is the case of Hong Kong, the decision-making process becomes more sophisticated and quantitative. While emerging REITs regimes such as those in Singapore, Malaysia, China, and South Africa continue to grow in market capitalisation and the number operating the REITs structure, an understanding of how these markets function, the processes and steps taken in carrying out investment decision making needs to be researched to provide an updated understanding of these processes and steps.

Even as REITs in both developed and emerging regimes grow, empirical studies on the investment decision-making steps taken exclusively remain limited and inconclusive. As the debate on investment decision-making models continues, country and market conditions change, investment decision-making process, steps, or stages still would not be able to state the best fit for developed and emerging REITs comprehensively. Theories and empirical studies have helped develop three predominant models of decision-making; a normative model, which is the ideal worldview of decision-making; a descriptive model, which attempts to describe how decisions are made from the observation of outcomes and finally, the prescriptive model, which provides decision-makers insights and guidance to inform decision.

Furthermore, the behavioural perspective of decision-making has been recognised to present a more realistic view of a rationalist approach to investment decision-making. It is accepted that decision-making occurs in imperfect and sometimes chaotic markets populated by irrational decision-makers; hence, the steps and processes taken to achieve a final decision may deviate from rationalist/normative models. Additionally, emerging REITs regimes so far exhibit high levels of economic uncertainty and lack underlying historical property information, which affects how investment decision-making is carried out; also, based on capitalisation and size will likely carry out investment decision-making like small companies when compared to larger REITs in developed regimes.

2.8.1 Stages for REITs Real Estate Investment Decision Making

Based on the qualitative literature review seen in Section 2.7 and 2.8 and a summarization of the literature in Table 13 above, the various stages of the normative models for investment decision-making undertaken by REIT decision-makers has been revealed. The normative model stages for REITs investment decision-making selected as most suitable to be tested followed the taxonomy provided by the works of (Roberts and Henneberry, 2007; Farragher and Savage, 2008). Based on the underlying stages and factors for real estate investment decision-making, Figure 9 below compares two prominent models illustrating the process map decision makers may follow. This forms the tentative/normative REIT investment decision-making process that will be investigated through semi-structured interviews with key decision makers in the REITs jurisdiction of the United Kingdom, South Africa and Nigeria. The stages in the normative models typically make no difference between company sizes, jurisdiction or value of the real estate asset. Each stage in the normative REIT investment decision-making process will be discussed below.

2.8.1.1 Composite Normative Model Stages

2.8.1.1.1 Setting Strategy

This forms the initial decision-making criteria and goal setting to focus the expected search for suitable investment opportunities that meet the overall corporate and business model of the REIT. It allows the board and executive management team to concentrate on the overall corporate strategy, which guides investment search and the generation of the appropriate tactics to meet returns (Gallimore, Hansz and Gray, 2000). Roberts and Henneberry (2007) findings are also in line with those Farragher and Savage (2008) for interviewees in the United Kingdom, France and Germany. Here it is agreed by all interviewees that strategy should not be restrictive and should be broad guidance providing REIT managers with some level of flexibility, which is impossible with a fully defined strategy. Similarly, Nsibande and Boshoff (2017) found that setting strategy ranked highly in their research with institutional investors in South Africa.

2.8.1.1.2 Establishing risk/return objectives

Strategy setting firmly guides the approach by creating risk and return objectives. This stage is increasingly difficult for decision-makers as errors may lead to oversimplification

of complex information, such as trying to make sense of macro and micro-economic variables in ascertaining risk and return on a property investment decision. A range of properties that meet the strategy is reviewed to meet the required financial return and accepted risk at this stage (Hutchinson and Alba, 1997; Gallimore, Hansz and Gray, 2000). Farragher and Savage (2008) stress that the risk and return objectives need to be quantified to ensure that it is communicated without ambiguity. The finding from the research identified that most respondents had a quantified minimum required rate of return while most did not have a maximum acceptable risk standard. The recommendation is that REIT managers pay more attention to identifying risk at a strategic level ((Roberts and Henneberry, 2007) and this phase. (Nsibande and Boshoff, 2017) also determined that this stage is critical for respondents in their study coming after the setting strategy stage.

2.8.1.1.3 Searching for Investment Opportunities

This stage involves a detailed search for all projects that meet the initial criteria set out in the strategy. It is assumed that the search for suitable investment opportunities continues until most investment opportunities fulfilling the established investment criteria are found and weighed against each other to identify the best alternative. However, Gallimore, Hansz and Gray (2000) state that some decision-makers may follow the behaviour pattern of satisfying, which makes decision-makers stop searching once the first investment opportunity that meets the minimum criteria is identified. This stage of the normative investment decision-making process is reported differently by researchers. (Farragher and Savage, 2008) combine this stage with setting strategy and documents that respondents identified that strategic factors are more important than a portfolio factor but less critical to individual project factors. Institutional investors place a higher value on the strategy of the REITs. Roberts and Henneberry (2007) identified that the search for investment opportunities focused on the core markets of the interviewee's respective countries and avoidance of smaller markets away from the core market.

2.8.1.1.4 Forecasting Expected Returns

The next stage is the process of forecasting expected returns, which involves predicting the amount and timing of the expected returns. Farragher and Savage (2008) study identified that the respondents to their study forecasted return over the expected holding period of each investment rather than a standard holding period for all investments. While smaller private investors were more likely to use the anticipated holding period for each

investment, more prominent institutional investors were more likely to forecast over a standard time frame. Forecasting expected returns is done mainly by predicting annual operating returns, disposition returns, and before-tax cash flow. This prediction approach is different from what REIT may apply as the tax responsibility for rental income is passed to the investors. After this process, decision-makers must translate forecast returns into evaluation measures. This evaluation of forecasts should provide a return on and investment recovery following a discounted cash flow basis. Internal rate of return and net present values is two of the most applied with their ability to include return-on and recovery of capital on a discounted cash flow basis (Farragher and Savage, 2008; Puška, Beganovic and Šadic, 2018). Farragher and Savage (2008) show that institutional respondents like REITs are more interested in the equity dividend rate and accounting return on investment measures. However, Nsibande and Boshoff (2017) stress that the process of forecasting expected return should not be strictly a quantitative rationalistic approach, primarily when investing in the retail sector. Consideration needs to be given to factors such as the quality of centre management and the retail lease. Which play an essential role in forecasting expected returns in the retail space. Their study reports that forecasting expected return was the most crucial stage for South African institutional investors.

2.8.1.1.5 Assessing and Adjusting for Risk

This stage focuses on the level of uncertainty on returns and the need to adjust risk on the expected returns. (Farragher and Savage, 2008) identified that the risk assessment can be conducted quantitatively (using tools such as debt coverage ratio, and loan to value ratio) and qualitatively (verbal discussion of risk). Their analysis shows that most investors require a quantitative risk assessment, and its use has increased since 1996, mainly with sensitivity analysis and scenario analysis. It has only seen slight application and appreciation in the real estate sector. Risk adjustment follows after a risk assessment and involves the adjustment of the forecast returns or minimum required rate of return. The risk adjustment is either done subjectively or by using certainty equivalents. The requirement for a quantitative risk adjustment has increased since the 1996 study. This concept of assessing and adjusting for risk in returns is also limited in the Australian REIT, where respondents talked about the return with minimal reference to risk regarding the risk-adjusted return, challenging to explain their understanding of the terms (Parker, 2014). Another study by Nsibande and Boshoff (2017) also found that institutional investors

ranked the stage of assessing and adjusting for risk as crucial to the investment decision-making process.

2.8.1.1.6 Decision Making

At this stage, many investment options have been eliminated from the decision-making process after REIT managers have understood the risks and returns and conducted risk adjustments. c indicated that individual project factors are of greater importance than a portfolio or strategic factors when managers need to decide. The finding from the research also identified that respondents are concerned about diversification by geographic location and property type factors. Roberts and Henneberry (2007) find that respondents to their research had a debate about what should come after the final decision to invest. While some agree with adding further stages, as seen below, others believe that the stages post-decision-making process on the actual investment lay beyond the boundaries of the actual decision-making process. Parke's (2014) study of the Australian REIT regime found that the last stage in the investment decision-making process can be reclassified as an executing stage comprised of governance decision, transaction closure/documentation, due diligence/independent appraisal, settlement and post-audit.

2.8.1.1.7 Implementing Accepted proposal

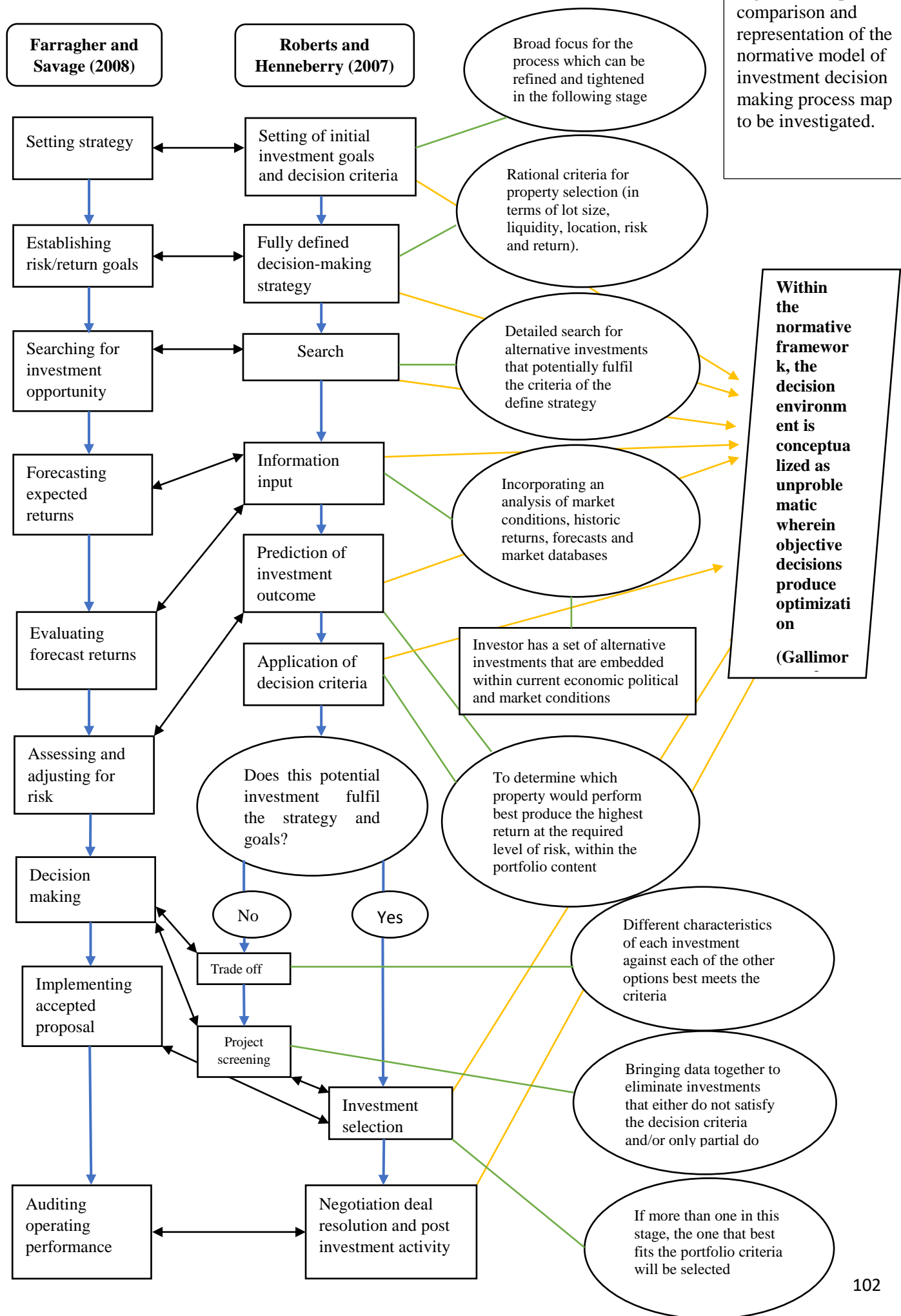
After the decision-making stage, there is the requirement to implement the accepted decision properly. This is crucial where the decision makers for the acceptance of an investment opportunity and the people charged with executing that decision are different. Farragher and Savage (2008) agree that by creating an action plan and selecting a project manager with the responsibility of executing the action plan, there is better to implement the accepted proposal. Their study found that a high percentage of respondents had an action plan to implement decisions and appointed a project manager. This process of having an action plan and project manager was primarily observed with institutional investors, while larger companies mostly had a project manager in charge of the accepted proposal. Nsibande and Boshoff (2017) noted that institutional investors could take control of the assets as they possess the required skill and financial capability to enable implementation and monitoring. However, they noted that respondents in the South African REIT sector selected this stage the least.

2.8.1.1.8 Audit

This stage involves the review, which is expressed in terms of the initial assumption of the operating performance of the implemented investment. Parker (2014) research identified that this process for REITs in Australia overlaps with the REIT management reporting and performance measurement. The process involves comparing plans made during the initial planning stage and using feedback to encourage improvement rather than punishments for wrong decisions. Farragher and Savage (2008) state that the process should be intended to help decision-makers have more realistic and honest forecasting as they will be held accountable for their forecasts. While this stage has clear merit for conducting, researchers find that respondents hardly discuss the audit process after investment decision-making (Farragher and Savage, 2008; Parker, 2014).

While the research by Farragher and Savage (2008) investigates all the stages above and finds that the investment decision-making practice, while reasonably advanced, was not far off from earlier research by Farragher and Kleiman (1996). In the study by Roberts and Henneberry (2007), the initial normative framework, which consisted of ten stages, was reduced to five stages by respondents in France and Germany and six stages by respondents in the UK. These further stresses the behavioral perspective of investment decision-makers, bringing normative decision-making models closer to reality, where decision-making is sometimes chaotic and done with incomplete information (Eiser and Mathew, 2012; Ro and Gallimore, 2014).

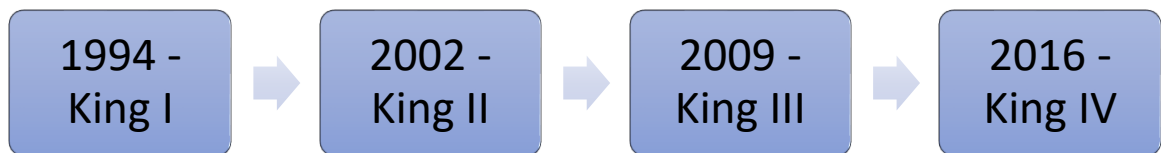
Figure 9: Graphical comparison and representation of the normative model of investment decision making process map to be investigated.



2.9 Conceptual Framework for Corporate Governance and Investment Decision Making for REIT.

The policy and regulations around corporate governance and its application are never static, and no corporate governance framework can be deemed entirely comprehensive. The changing corporate governance regulations, as seen by the example in Figure 10 below for South Africa, show that whatever framework is provided will be subject to the changing cultural situations, context and direction of policy and research (Armstrong and Sweeney, 2001; Roche, 2005; Ibe, Ugwuanyi and Okanya, 2017).

Figure 10: Timeline of South Africa Corporate Governance Code

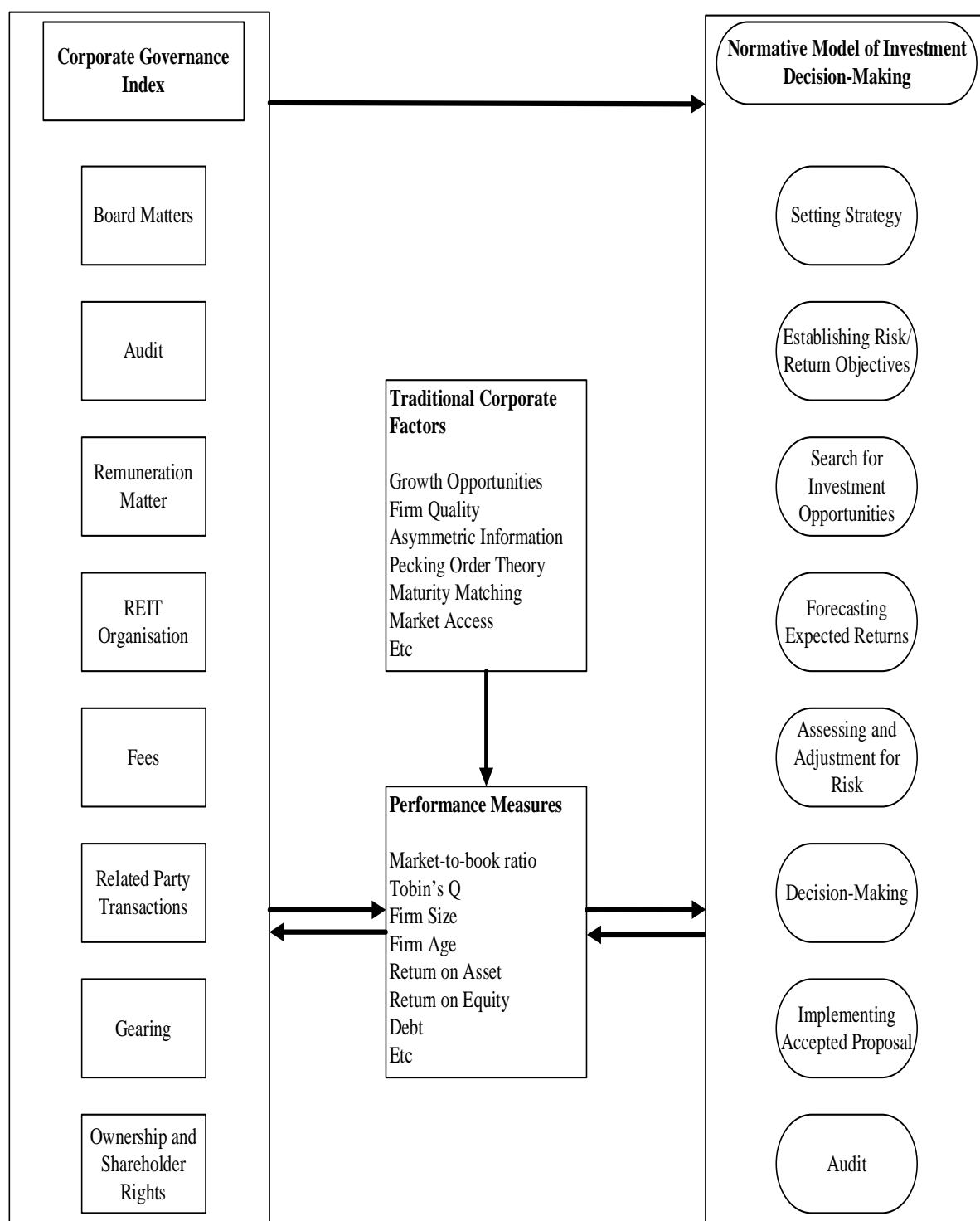


For this research, the conceptual framework in Figure 11 below shows the interaction between the corporate governance index and sub-index with the normative investment decision-making process linked to established metrics for measuring the performance of corporate governance and the investment decision-making process. It also presents the conceptual framework for assessing the impact of corporate governance on investment decision-making. According to the literature, the arrow indicates how the corporate governance index and sub-index should directly impact the investment decision-making process (Parker, 2014; Roberts & Henneberry, 2007). This impact is evident in how the strategy is formulated and in the role of committees in guiding the selection of investment opportunities that meet the REIT's performance requirements. At the bottom of the framework, the traditional corporate factor from Ghosh et al. (2011) is expected to drive the selection of performance measures used to assess the performance of the corporate governance index and sub-index, as well as the overall impact of the investment decision-making process on managing agency problems to ensure efficiency in shareholder returns. Additionally, the direction of the arrow for traditional corporate factors and performance measures highlights the nature of the organisation, such as a REIT, in determining the performance measures to be monitored. The arrows from the performance measure box to the corporate governance index and investment decision-making process show a two-way

relationship, highlighting how the measures are continuously monitored and are subject to change to improve performance.

The explanation for the corporate governance index and sub-index is provided in Section 3.5.6. The stages included in the investment decision-making process are discussed in detail in Section 2.8. How REIT performance measures are determined to understand performance is explained in Section 2.3. Finally, the proposed scoring methodology for the conceptual framework is discussed in Section 3.5.7.

Figure 11: Conceptual Framework for Assessing Corporate Governance and Investment Decision making of REIT performance.



2.10 Chapter Summary

Chapter 2 provides a comprehensive review of the existing literature pertaining to the global real estate sector, focusing specifically on the evolution of REITs from their original concept developed in the US. The regulations governing REITs in the United Kingdom, South Africa, and Nigeria share similarities in restrictions related to listing and distribution requirements, shareholding, income generation from real estate, and applying leverage.

The chapter also explores the factors contributing to the performance of REITs, drawing upon various definitions and measurement approaches to assess their impact in a social scientific manner. The literature highlights the complexity surrounding the factors and metrics affecting performance, with different stakeholders viewing them from various perspectives within the REIT regimes. A property asset performance scorecard is introduced to classify the critical factors and metrics influencing REIT performance, taking guidance from highly regulated markets and recommended metrics from global bodies such as EPRA.

Significantly, this chapter delves into the literature on how factors, metrics, and long-term strategic objectives drive the investment decision-making process of REITs. Various decision-making models, including normative, descriptive, and prescriptive, are identified, with the most commonly used normative model. The discussion reveals a gap in understanding how REITs, particularly emerging ones in South Africa and Nigeria, conduct investment decision-making within the constraints of less transparent and developed markets.

The chapter also emphasizes the importance of corporate governance regulations in the studied jurisdictions. While the principle-based approach is applied in all three REIT regimes, the presence of agency problems, as highlighted in the literature, is not limited by legal provisions. Although studies on corporate governance issues using agency theory have produced mixed results in the US and Asian REIT regimes, limited research exists for the South African, Nigerian, and United Kingdom REIT regimes. To address this gap, the literature explores the development of a framework for scoring corporate governance, with a preference for the academic scoring approach due to its simplicity and ease of implementation. The conceptual framework shows the association that should exist between corporate governance proxies linked to the decision-making process, which are

influenced by traditional corporate factors measured using either standard academic metrics like Tobin's q or industry preference like return on asset or return on equity.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

Earlier chapters have helped outline the literature around corporate governance, the investment decision-making process pertaining to the global real estate sectors, and how these influence REITs performance. The significant theories and literature also provide the framework for understanding and structuring this research. It also helps identify the gaps that presently exist in analysing the surrounding concepts and themes in this study. A defined approach to research methodology is required to provide solutions and draw conclusions.

This chapter presents and justifies the research methodology and philosophy underpinning this research. The justification for the proposed data collection and data analysis techniques applied is also discussed in this chapter. Figure 12 below shows the methodological framework employed in this study. Figure 12 will be discussed within the chapter showing how this research adopts a subjective ontological positioning, allowing the researcher to explore the themes of investment decision-making and corporate governance by engaging with key decision-makers and understanding their perspectives. This approach aligns with an interpretivist epistemology, as it seeks to interpret and understand the meanings and experiences of the stakeholders involved. The research also recognizes the importance of a multi-stakeholder perspective, considering the viewpoints of various actors within the REIT regimes.

Additionally, the research incorporates a positivist epistemology when conducting the scoring and quantitative analysis to assess the impact of corporate governance on performance in all three REIT regimes. This approach relies on objective measurement and statistical analysis to examine relationships and draw conclusions. By combining both qualitative and quantitative data collection and analysis techniques, a pragmatic approach is taken, allowing the researcher to choose the most appropriate methods to address the research objectives and achieve the overall aim of the study.

The rest of this chapter is broken down as follows; Section 3.2 provides an evaluation of the research paradigm guiding the thesis, Section 3.4 discusses the philosophy applied, Section 3.5 evaluated the research design, and Section 3.6 provides an evaluation of the

qualitative and quantitative data collection and analysis method of data collection and analysis applied, Section 3.7 summarises this chapter.

Figure 12: Methodological Framework

METHODOLOGICAL FRAMEWORK			
PHILOSOPHICAL POSITIONS	DATA COLLECTION	DATA ANALYSIS	RESEARCH OBJECTIVES
<div> Ontology Subjectivism </div> <div> Epistemology Interpretivism and Positivism </div> <div> Methodology Mixed-Multi </div> <div> Research Philosophy Pragmatism </div>	<div> Corporate Governance Scoring Annual Reports </div> <div> Investment Decision Making Process Semi-structured Interviews </div>	<div> Quantitative Data Gretl Descriptive Analysis OLS, FE & RE </div> <div> Qualitative Data NVivo QCA QDA </div>	<ul style="list-style-type: none"> To evaluate the concepts, operations, structure, and regulations of Real Estate Investment Trusts (REITs) in the United Kingdom, South Africa, and Nigeria. To identify and document the factors contributing to the performance of Real Estate Investment Trusts (REITs). To investigate how Real Estate Investment Trusts (REITs) make property investment decisions. To analyse the impact of the quality of corporate governance on real estate investment trusts (REITs) performance. To develop and validate the corporate governance scoring framework and supporting guidance for real estate investment trusts (REIT) investment decision making process.

Source: Author

3.2 Research Paradigm

Kuhn (1962) defines the research paradigm as the assumptions and intellectual structure that underlie research and development in a field of enquiry. It is the theoretical underpinning guiding the research through specification and choice of what to study, formulation of the hypothesis to explain the phenomenon under observation and identifying the best research method. The philosophical way of thinking, the perspective, thinking, school of thought or set of shared beliefs informs the meaning or interpretation of research data. Lincoln, Lynham and Guba (2011) argue that the research paradigm trumps research methods questions. They state that qualitative and quantitative methods may be used appropriately with any research paradigm. The research paradigm encompasses ontology, epistemology, research philosophy, and the logic of reasoning. Critically, for

researchers, it tells us how meaning will be constructed from the data gathered based on individual experience (i.e. where we are coming from) (Kivunja and Kuyini, 2017). It is vital that matters relating to the research paradigm be resolved at the earliest stages of research projects. Paradigms should not be simply methodologies we use to look at the world, the different assumptions about what the world is like and how we can understand or know about it (Cairney and St Denny, 2015). As the complexity of assumptions exists, most researchers raise the question of whether different paradigms can live together. This is true for the complex way the different assumption on corporate governance issues and investment decision-making processes are presented and researched.

Grunert, Khalifa and Gmelin (2004) believe that the classification of a social science paradigm could effectively help create new ideas and approaches for practical issues in management and business studies which is key in this research that intends to understand the effect of corporate governance of REITs on its performance. Grouping the taxonomy of research paradigms can be slightly tricky, but three broad categories generally exist, which are; positivist, interpretivism and critical paradigms (Candy, 1989). Lather (2003) sets out four paradigms: prediction (positivism); understanding (interpretive approaches); emancipatory (critical theoretical approaches); and deconstruction (post-structural). Lukenchuk (2013) also identifies six paradigms which she notes exhaustively: Empirical-analytic (scientific, concerned with prediction and control, correlational, explanatory, quantitative); Pragmatic (focus on ‘what works’, trial and error, problem-centred, practical, action-oriented, qualitative and quantitative); Interpretive (hermeneutic and existential understanding, meaning-making, constructivist, qualitative); Critical (ideology-critical, concerned with the analysis of power and ideology, transformatory, qualitative and quantitative); Post-structuralist (anti-foundation knowledge, deconstructionist, qualitative), Transcendental (asserts reasons, intuition, foundational, qualitative).

This research uses the earlier work of Crotty (1998) and Grunert, Khalifa and Gmelin (2004) to provide a basis for categorisation (Table 12 summarises the main points of each paradigm) and to understand the research paradigms by dividing the research paradigms into four main categories. Here, following the summary presented in Table 12 and the works of Kuhn (1962), Crotty (1998) and Grunert, Khalifa and Gmelin (2004) the pragmatic paradigm is deemed as most suitable for this research as it allows the researcher the ability to meet the various objectivities set out in this research. The researcher’s position is further described in Section 3.3.

Table 12: Research Philosophy

Research Paradigm	Research approach	Ontology	Epistemology	Axiology	Research Strategy
Positivism	Deductive	Objective and Independent of social actors	Observable. Focus on causality and law of generalisation	Value-Free. Researcher independent of data and objective	Highly Quantitative and structured
Interpretivism	Inductive	Subjective, socially constructed, may change.	Subjective meanings motivating actions and social phenomena	Biased. Research is value bound.	Qualitative. Small sample but an in-dept investigation
Realism	Deductive/Inductive/ Abductive/Retroductive	Objective. Exists independently of human thoughts and beliefs (direct realist) and knowledge of existence interpreted through social conditioning (critical realist)	Observable. Focus on explaining within a context or context. Insufficient data means inaccuracies in sensation (direct realism) or phenomena create sensations which are open to misinterpretation (critical realism)	Biased	Quantitative or Qualitative. Method used to fit the subject matter.

Pragmatism	Deductive/ Inductive	Objective or Subjective. Reality is constantly renegotiated, debated and interpreted.	Either or Both observable phenomena can provide acceptable knowledge depending upon the research question. The best method that solves the problem	Values play a significant role in interpreting the results.	Qualitative and/or qualitative. Mixed or Multiple method design
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Source: (Crotty, 1998; Eastwood, Jalaludin and Kemp, 2014; Grunert, Khalifa and Gmelin, 2004)

3.2.1 Dominant Research Paradigm: Pragmatism

The dominant research paradigm, pragmatism, argues that using a mono-paradigmatic orientation (positivist or interpretivist paradigm) to access the ‘truth’ is impossible. The most crucial factor is the research question which guides the philosophical positioning of the researcher, that thought should lead to action, prediction and problem-solving. Hence, the research approach will be one which could be more practical and pluralistic, that could allow a combination of methods that together will shed more light on the actual behaviour of participants, the beliefs that stand behind those behaviours and the consequences that are likely to follow from these different behaviours (Tashakkori & Teddlie, 1998). Grunert, Khalifa and Gmelin (2004) report that if the research question is not open to more than one interpretation that a positivist or interpretivist philosophy be adopted, then a pragmatic stance can be used. They highlight that a mixed-method approach using qualitative and quantitative methods is possible and possibly appropriate within one study. The research practice should comprise a range of strategies that allow research to be conducted. It is a practical option rather than idealistically driven (Hammersley, 2013).

Cohen (2002) states that the pragmatic paradigm is not an ‘anything goes’, sloppy approach; it has its standards of rigour, and these are that the research must answer the research questions and ‘deliver’ helpful, practical, reliable and valid answers to questions put forward by the research. The main issue with a pragmatic paradigm that advocates for a mixed-method is whether paradigms are ‘commensurable’. The qualitative and quantitative approaches have very different rationales, such that mixing both methods causes the abandonment of critical assumptions (Hammersley, 2013).

Research following the Pragmatic Paradigm will demonstrate some of the following characteristics (Creswell, 2013; Erlandson, 1993; Hammersley, 2013; Kivunja & Kuyini, 2017; Tashakkori & Teddlie, 1998);

- The belief is that the choice of research methods depends on the purpose of the research.
- The rejection of the positivist notion that the ‘truth’ about the real world can be uncovered by social science.
- The emphasis on ‘workability’ in research.
- The use of a worldview allows for a research design and methodologies that are suited for the study.

- Using a line of action best suited to studying the phenomenon being investigated.

With these critical characteristics at hand, this research on the REITs corporate governance, investment decision-making and performance further explores various aspects of the research paradigm by addressing issues of ontology, epistemology, research approach, axiology and the appropriate research strategy to meet the objectives. For example, in exploring the choice of research method for understanding the investment decision-making process by REITs, qualitative and quantitative methods are deemed suitable, as observed in the works of (French & French, 1997; Roberts & Henneberry, 2007), where both methods are applied. Similarly observed when carrying out research in corporate governance studies, Nakpodia (2016) applied a qualitative, interpretivist approach when focusing on how to make corporate governance work, while studies attempting to measure the impact of corporate governance on firm performance, such as Brown & Caylor (2004) create complex index applying a quantitative method. The literature helps justify the proposed approach to follow a pragmatic approach to meet the objectives here to ensure the research is workable.

3.3 Research Philosophy

A choice of research philosophy should be guided by practical considerations and fit the study being carried out. This will also form the basis on which the researcher views the world and guides the research strategy and methods adopted. Johnson and Clark (2006) stress that a commitment to a particular philosophy has a significant impact on what we do, and the argument that persists within the research community surrounds the thinking that a research philosophy is superior to another, failing to appreciate that each philosophy may be better at achieving different results.

An excellent approach to understanding research philosophy is to work backwards by better-appreciating research questions (Dainty, 2010). This leads to a realisation that particular research questions may not fall exclusively into one philosophy calling for greater flexibility in research methodology (Grunert, Khalifa and Gmelin, 2004). This view is supported by the earlier work Mingers (2001), with different methods providing a different view of the world. The incommensurability of paradigms has been overstated, stressing that it is possible to detach research methodologies from philosophies and use them with defined appreciations to arrive at different assumptions. The primary influence will be the view of the relationship between knowledge and the process by which it is

developed. The critical issue is not if the research is philosophically-informed but how well the researcher can reflect on philosophical choices and defend them to the alternative we could have adopted (Grunert, Khalifa and Gmelin, 2004; Johnson and Clark, 2006).

In discussing philosophical positions available to the researcher, three significant ways of thinking will influence the research process: ontology, epistemology, and methodology, all of which are included in matters of the research paradigm (Guba, 1990). It is critical to understand these elements as they form the basic assumptions, beliefs, norms and values that each paradigm holds. By positioning the research in a specific paradigm, the researcher will be expected to uphold and be guided by the chosen paradigm's assumptions, beliefs, norms and values (Kivunja and Kuyini, 2017).

3.3.1 Ontology and Implication to the Study

Ontology concerns the nature of reality, what is assumed to exist, and its characteristics, assessing the questions regarding how the world is built (Creswell, 2013). It is the philosophical study of being or becoming, the categories of things that exist, and their relations (Crotty, 1998). The ontological philosophical assumption of the nature of being, existence, and reality is essential. It enables the researcher to examine the underlying belief system and understand the data gathered. This helps the researcher think about the research problem, its significance, how it might be approached to draw answers to the research questions, understand the problem investigated and how to contribute to its solution (Kivunja and Kuyini, 2017).

The researcher interprets the ontological questions to determine whether the social phenomena investigated are perceived as real or relative, endowed with an autonomous existence outside the human mind and independent from the interpretation given to it by the subject (Corbetta, 2003). The two aspects of ontology are **objectivism and subjectivism**. **Objectivist ontology** refers to a position where a social phenomenon and meaning exist independently of the actors (single reality). This implies that it is the same regardless of where a phenomenon occurs. On the other hand, **constructivist/subjectivist ontology** (multiple reality) sees social phenomena as an interaction between perceptions and, consequently, social actors' actions, resulting in constant flux. Remenyi et al. (1998) point out that researching the details of the situation is to understand the reality or perhaps a reality working behind them. The subjective/constructivist ontology view is that reality is produced by social interaction between the different players and is continually being

revised due to these interactions (Grunert, Khalifa and Gmelin, 2004). While the objectivists will look at organisational culture as something that the organisation 'has', the subjectivist's view will be that culture is something that the organisation 'is' as a result of continual social enactment.

Following the identified research objectives and the underlying concepts of this research, i.e. corporate governance and investment decision-making of REITs to measure performance, it is evident that this cannot be done without interaction with the key players involved. Hence the way REITs operationalise and report on corporate governance and how they conduct their investment decision-making is brought about by the interactions of the key decision-makers and the jurisdiction in which they operate, affecting their performance. While there is, an assumption of reality for each decision maker in their REIT regime is relative. The researcher with a **constructivist/subjectivist ontology** will seek to grasp the reality of the social actors to understand resultant motives and actions. Thus, to develop an evidence-based corporate governance framework and supporting guidance, the multiple realities of the key decision-makers across the REIT regimes of the United Kingdom, South Africa and Nigeria will be drawn.

3.3.2 Epistemology and Implication to the Study

Epistemology refers to what has generally accepted knowledge in a field of study and describes how we know something. It focuses on how the researcher can acquire human knowledge, justify it, and extend, broaden, and deepen understanding in that field of study. Epistemology is vital as it helps the researcher establish faith in collected data and affects how knowledge will be uncovered in the investigated social context (Kivunja and Kuyini, 2017). The epistemology of research can also be seen from two perspectives; **positivist epistemology** will adopt some methods of natural sciences. It is one of objectivism. Using this approach, the researcher uses observable realities to collect credible data, resulting in a law-like generalisation. The researcher here is independent (value-free) and requires a highly structured methodology to enable replication (Remenyi et al., 1998; Gill, Johnson and Clark, 2010). Although positivist research applies data analysis like those in the natural sciences, there is the possibility to carry out quantifiable observations leading to statistical analysis; an example is hypothesis testing using data collected through in-depth interviews.

On the other hand, **interpretive epistemology** sees the differences between the objects of natural science and actors in the phenomena having individual subjective meanings. It is subjectivism based on real-world phenomena. The research must adopt an empathetic stance, and the challenge for the researcher is to enter the actors' world and understand the actors' points of view. It accepts ideologies that knowledge is culturally and historically derived and interaction between consciousness and phenomena (Crotty, 1998; Johnson and Clark, 2006).

When a researcher's *ontological position is subjectivism*, it is agreed that the epistemological position is dominantly that of interpretivism (Lincoln, Lynham and Guba, 2011; Franklin, 2016). The *interpretivist epistemology* is hence adopted for this study. This approach is consistent when multi-stakeholders are studied in research. In this case, the stakeholders selected are vital decision-makers at the board and senior executive level, responsible for making decisions regarding issues affecting performance. Additionally, the researcher adopts *positivist epistemology* when deciding how the corporate governance index is formed and statistically analysed to measure the impact of adherence to corporate governance codes on REIT performance. Hence a mixture of positivist and interpretivist epistemology is adopted.

3.3.3 Methodology

The third prong of the research philosophy is the **methodology**. It refers broadly to the research design, methods, approaches and procedures used in an investigation that is well-planned to find something (Keeves, 1998). There is often confusion between the terms "methods" and "methodology". Mingers (2001) on methodology helps to distinguish the three meanings attributed to the term. Firstly, the term's general meaning is the study of methods used to cover various methods (Checkland, 1981). The methodology can also refer to a research study, the actual research method or methods used in that research, with every research having a specific methodology attributed to it (Tashakkori and Teddlie, 1998). This refers to the actual research methods used in research. Lastly, the methodology can generalise the second, a combination of practice methods or theoretical deductions.

The methodology is a structured set of guidelines to reach valid and reliable research results. Mingers (2001) summarises that some difficulty sometimes exists in distinguishing between method and methodology or between methodology and a general research approach. This is supported by the later work of Glatthorn, Joyner and Joyner L (2005),

where the research methodology is required to meet the criteria of; being appropriate to achieve objectives identified by the research and being able to be replicated having drawn from a similar methodology in other research of similar nature thereby providing consistency.

Further looking at the methodology can also be described as the framework associated with a particular paradigm used in conducting research (O'Leary, 2004). Questions to be asked when selecting the methodology by the researcher should be: How shall I obtain the desired data, the methodology, knowledge and understandings that will enable the researcher to answer the research question and contribute to knowledge? In summary, the research methodology describes the methods, approaches, and designs in detail, identifying those used for the study and scoping the choices by describing the advantages and disadvantages of each approach and the practical applicability of the research design for that study.

Critical to the positioning of the research methodology and methods for this research, the researcher draws from Mingers (2001), who states that once research examines aspects of the social world in which REIT corporate governance exists, within driven by aspects of how developed each REIT regime is help affected by the values held by various actors to produce varying self-understanding of the sector and participants in the United Kingdom, South Africa and Nigeria. This gives way to applying both quantitative and qualitative methodology consistent with the researcher's ontological and epistemological positioning.

3.3.4 Axiology

A third valuable philosophical position a researcher takes is **axiology**. This is seen as ethics of the research process, which relates to what is considered right and wrong behaviour relating to research and what the researcher's values play in the different stages of the process to bring about greater credibility. When the researcher has a clear value position, it helps in deciding what is appropriate ethically and argues this position in the event of queries about decisions that have been made (Grunert, Khalifa and Gmelin, 2004). The question of the appropriate ethical conduct is guided by four criteria: teleology, deontology, morality and fairness. Heron (1996) points out that as researchers, we demonstrate this skill by articulating values based on judgement on what research is being conducted and how the researcher is doing this. The researchers' experience has inspired

the decision to adopt the field of REITs and areas of study. While acknowledging this bias, the researcher uses and documents the methodology, methods, and sampling used to reduce bias, increasing the research's validity and ensuring the results' robustness.

3.4 Philosophical Position and Approach of the Research

Many theories around paradigms continue to compete for dominance within the built environment. Researchers still draw upon the traditional approach in the natural sciences studying social phenomena and explaining human behaviour, while proponents of interpretivism will focus on understanding human behaviour (Dainty, 2010). The early work of Johnson and Clark (2006) summarises that the research philosophy reflects the researchers' values and choice of data collection techniques.

Looking at the research philosophies adopted in the built environment and construction economies, researchers have positioned mainly in the positivist epistemology using a quantitative methodology that very much sits in the objectivist ontology. Evidence of this is seen in the research carried out by Dainty (2010), looking at the methodological research position of authors and methods (quantitative and qualitative) used in the built environment research, carrying out an analysis of the methodologies and methods used by researchers in the *Construction Management and Economics* in Volume 24, 2006. The result shows that the research community is adopting more quantitative methods (positivist philosophy) to study construction economics that incorporate complex managerial problems.

Raftery, McGeorge and Walters (1997a) earlier research using reporting on a similar journal (*Construction Management and Economics*) notes that researchers reported are mostly positivist/rational traditions. Additionally, identified is the over-reliance on qualitative semi-structured interviews seen both symptomatic of the 'interview society' while forgetting the fact that interviews are methodologically constructed social products and not 'experientially authentic truth' (Gubrium and Holstein, 2012)

Following these debates on built environments and construction, economists applied a narrow ontological and epistemological standpoint. There has been a call for multi-methodology to evaluate the sector as it encompasses knowledge in technology, law, industry, economics, finance and much more (Raftery, McGeorge and Walters, 1997b; Dainty, 2010). This study answers that call by adopting a research philosophy enabling a

multi-methodological approach that will depart from a singular use of positivism, interpretivism or realism. Dainty (2010) calls this the new perspective of methodological pluralism, with the basic principle hinged on using multiple theoretical models and methodological approaches to aid the continual discussion and understanding of established models and further knowledge.

Minge's (2001) study presents two strong arguments that favour methodological pluralism. Firstly, while each paradigm focuses on different aspects of real-world situations, the real world is ontologically stratified and differentiated, made up of multi-occurrence or non-occurrence, which calls for the need for multi-method research for the most robust answers. Secondly, the research is not a single event but a process encompassing several phases with different tasks and problems posited by the researcher. The research method has a role to play in specific phases than in others, so the prospect of combining them has an appeal to produce a better range of results. Johnson and Clark (2006) refer to this research positioning as *Pragmatism*. They argue that the decision of epistemology, ontology, and axiology is drawn from the research question, with one more appropriate for a question than another. The resultant aim of using any is a better understanding of the world, and this is done through the rigour of research, finding value, consistency, applicability, and validity (Choy, 2014).

The research methodology approach in real estate shows that there are many ways in which market data and related critical information can be collected, with many applied similar to scientific research methods. Bell and Bell (2015) noted that in real estate research, it is easy to follow the scientific research method as much of real estate can be described in terms of the sale price, interest rates, and square footage. This applies to this thesis when considering the performance of REIT measured against corporate governance reporting, as documented by past authors. However, Bell and Bell (2015) also stressed that people make deals happen, not properties. Hence, the focus should be on participants with specific backgrounds, motivations and expectations. Focusing on the qualitative aspect of how corporate governance is applied and investment decision-making is considered. Additionally, the heterogeneity of property attributes influences participants in the market, impacting quantifiable data such as sale price and other qualitative issues calling for a pragmatic multi-methodological approach (Adair, Berry and McGreal, 1996; Bell and Bell, 2015). Displaying the requirement for rigorous quantitative data that goes alongside

qualitative data to yield research results provides a complete appreciation of the issues and motivations with comparative research in REIT regimes (Appraisal Institute, 2013).

Bell and Bell (2015) note after identifying the various research methods available to real estate professionals that whether real estate professionals know it or not, the valuation process follows an epistemology that is in line with economics and sociology. The assignment determines what methods of inquiry will be applied. The benefit of the multi-method strategies is identified when considering the triangulation strategy, which uses qualitative methods to corroborate research findings from quantitative research (or vice-versa); the facilitation strategy, which describes using one data collection method is used to aid research using another approach; and complementarity strategy which uses two or more research strategies to dovetail different areas of the study (Johnson and Clark, 2006; Allwood, 2012).

However, in advocating for adopting a multi-methodological approach to research in the construction industry, it is essential to highlight that the specific outcome of its use may be unpredictable. The argument for caution when applying a multi-methodological approach follows the '**paradigm incommensurability**'. This implies that researchers must choose rules under which they conduct inquiry based on the fundamental assumptions of chosen rules (terms and definitions and prioritisation of problems). **Additionally, qualitative and quantitative approaches (data collection and analysis) have their core assumptions and methods, representing different, incompatible research paradigms** (Raftery, McGeorge and Walters, 1997b; Johnson and Clark, 2006; Dainty, 2010; Allwood, 2012). Taking these into knowledge is essential when employing a multi-methodological approach; the researcher is poised to develop new paradigms drawing from the strengths and weaknesses of existing ones, as it is rarely possible for a single paradigm to uncover all real-world situations, especially in corporate governance environment which sees constant flux and change, REIT regimes in developed and emerging jurisdiction affect by changing market conditions and policies which comes together impact how performance is viewed.

3.5 Research Design

In a broad definition, the research design refers to the process or plan on how the research will answer the research questions connecting these research questions to data (Saunders, Lewis and Thornhill, 2009). It will contain clearly defined objectives derived from the research question, specify sources from which the researcher intends to collect data, and

consider the constraints that will be encountered, displaying that the researcher has taken enough time to consider why a particular research design has been employed (Grunert, Khalifa and Gmelin, 2004). In most research, the researcher is faced with either a qualitative or quantitative approach for data collection, and data analysis with the integration of these two methods is now standard (Bryman and Bell, 2007). Creswell (2013), in the introduction model of various research designs, identified what each approach intends to achieve. He suggests that in qualitative research, the researcher applies an exploratory approach to probe a topic when the variables and theory base are unknown. In quantitative research, the researcher attempts to solve a problem by understanding the factors or variables influencing an outcome. In a mixed method study, the researcher employs either the qualitative or the quantitative approach (or a combination). Both are not necessarily rigid and distinct dichotomy, and a study could emphasise either quantitative or qualitative research, which is displayed in the introduction. Hence, the research design fundamental is based on the research questions and objectives, which in turn are affected by the researcher's philosophy and the research methods employed.

3.5.1 Qualitative Method of Enquiry

This data enquiry method explores a phenomenon's understanding developing a holistic picture of the meaning ascribed to human or social problems by research subjects (Creswell, 2013; Ajayi, 2017). It is a process of understanding based on the traditional methodology that explores a social or human experience based on the assumption that reality is not easily divided into discrete, measurable variables and is rooted in the constructivist perspective (Guba, 1990; Crotty, 1998). This means that theory is not placed at the beginning but develops through interpretative inquiry of participants' views following inductive reasoning (Bloomberg and Volpe, 2015).

Emmitt and Gorse (2003) and Fikri Mohamed and Anumba (2006) on qualitative research methods of analysis identify three categories:

- **Conversation Analysis:** Concerned with contextual sensitivity of language focusing on interaction and social action. This is conducted through analysis of qualitative interactive events such as those from transcripts or audio recordings used as data for conversation analysis.

- **Discourse Analysis:** A broader version of conversation analysis involving scrutiny of discussion and statements transcripts. Focus is placed on content and linguistics when establishing the meaning and intention of the interactions.
- **Semiological Analysis:** This assumes a relationship between the appearance and structure of the text and interaction and the meanings it produces within a specific culture or context.
- **Content Analysis:** While similar to the discourse analysis, it adopts a positivist approach by using some statistical analysis.

Following this inductive reasoning consistently applied in qualitative research, the discussion of the qualitative research approaches could be that of;

- a. **Narrative Research:** this draws from the humanities, where the researcher studies the individuals, asking one or more of these individuals to provide stories about their lives which the researcher then retells by applying a narrative chronology. This collaborative narration combines views from the researcher's and the participant's life (Clandinin and Connelly, 2004; Creswell, 2013).
- b. **Phenomenological Research:** this is a research approach drawn from philosophy and psychology in which the researcher describes the lived experiences of individuals about a phenomenon as described by participants (Creswell, 2013). It is a study that attempts to understand people's perceptions, perspectives, and understanding of a situation. This approach prioritises the individual's accounts of intentionality and subjective meanings gotten mostly through interviews. The failure of this approach is the difficulty of coming to terms with the different social structures that underpin and position actors' intentional behaviours (McKenzie, Powell and Usher, 1997; Fikri Mohamed and Anumba, 2006; Creswell, 2013).
- c. **Grounded Theory:** drawn from sociology, this research approach attempts to construct a theoretical model using multiple stages of data collection and refinement and the interrelationship of categories of information (Brent and Leedy, 1990; Creswell, 2013). Based on data collection mostly from interviews, observation, and such things relevant to the research questions. However, the grounded theory analysis somethings fall short of a proper controlled content analysis which has given rise to a large number of poor studies, with inadequate sample sizes to ensure saturation of categories and failing to develop the

conceptual analysis of theory (McKenzie, Powell and Usher, 1997; Fikri Mohamed and Anumba, 2006).

- d. **Ethnography Research:** draws from anthropology and sociology, which describes and interprets a cultural or social group or system. The researcher studies the shared patterns of behaviours, languages and actions of an entire cultural group in a natural setting over a prolonged period. The key strength of this method lies in the fact that it gives a detailed view of the entire cultural scene by pulling together all aspects learned about the group and showing its complexity. This approach falls short because it may be difficult to generalise and contribute to other domains of study and length to conduct (Fikri Mohamed and Anumba, 2006).
- e. **Case Study:** is an approach of inquiry used in many fields, especially for evaluation in which the researcher develops an in-depth analysis of a specific case which may be an event, activity, process or one or more individuals. Case studies are bounded by time and activity, and researchers collect detailed information using a variety of data collection procedures over a sustained period (Fellows and Liu, 2015). Case Studies have been used as a strategy to answer the question of 'how' and 'why' when the researcher has little control over events and when investigating a phenomenon within some real-world context (Yin, 2009). Critics of the case study method believe that the small number of cases applied offers no ground for reliability or generalisability of findings. This is controlled by case studies becoming more theory-based, rigorous and objective, applying the three essential elements: must define the unit of analysis, select the appropriate cases to study, and decide on what data to collect and how to collect it (Johnston, 1994).

3.5.2 Quantitative Method of Enquiry

This method of research enquiry seeks to examine the relationship between variables to explain a phenomenon (Cohen et al., 2018). Quantitative research is convenient with using numbers and word operationalisation (Crotty, 1998). Fellows and Liu (2015) define quantitative research as an investigation that is related to positivism and seeks to gather factual data and to study relationships between facts and how such facts and relationships accord with theories and findings of any research executed previously. (Emmitt and Gorse, 2003) categorised quantitative analysis into two different types:

- **Statistical Analysis:** Information collected quantitatively is usually analysed with the aid of either descriptive (which segregates and aggregates data and uses various methods to present the graphically) or inferential statistics (which uses various formulae to determine the probability of something occurring or to identify the strength of the relationship between two or more variables).
- **Content Analysis:** This analysis seeks to classify communication acts with standard features. This analysis provides the researcher with a qualitative picture of the respondents' concerns, ideas, attitudes and feelings.

The quantitative research procedure relies on deductive reasoning, beginning with certain premises and then drawing logical conclusions from them. Creswell (2013) identified two commonly used quantitative research methods:

- a. **Survey Research:** In this approach, the researcher asks the same question to a large sample of respondents and then records their answers (Neuman and Djamba, 2002). It applies a numeric description of the respondents' trends, attitudes or opinions. It could be cross-sectional or longitudinal, using a questionnaire or structured interviews to collect data from generalising respondents' findings (Creswell, 2013). The disadvantage of this method is that it is quite challenging to develop new conclusions, recommendations or ways of interpreting the researched phenomena. This could result from the requirement to have clearly defined hypotheses tested and to adequately develop the data collection instruments to solicit the responses required to test the defined hypotheses (Alasuutari, Bickman and Brannen, 2012). In terms of data quality, structured interview surveys provide better data than questionnaires.
- b. **Experimental Research:** It is a method that measures the effect of manipulating one variable on another variable to find causal relationships between variables. It includes experiments, random assignment of subjects to treatment conditions, and quasi-experiments using-randomized assignment (Keppel, 1991). The main objective of an experimental method is that external factors are bracketed out, and every effort is made to control for those factors. (Fellows and Liu, 2015) identified two approaches to experimental research: laboratory experiments (conducted in purpose-built laboratories and more ascribed as actual experiments) and field experiments (done in a dynamic social, industrial, economic and political arena). The disadvantage of this method is that it becomes problematic when used to study

human activities. Some types of research, especially in the social sciences, are challenging to experiment with (Neuman and Djamba, 2002; Alasuutari, Bickman and Brannen, 2012).

3.5.3 Mixed Method as the Pertinent Approach to the Study

In support of a multi-methodological approach advocated for in the built environments and construction economics, **this research embraces a pragmatic philosophy** to investigate the impact corporate governance and investment-decision making have on the performance of real estate investment trusts (REITs). Grunert, Khalifa and Gmelin (2004) help make sense of the **mixed-model research** used in this research. The pragmatic philosophy taken here is supported by the fact that certain aspects of this research allow for better understanding through the application of **multiple-methods research** using both qualitative and quantitative methods of data collection techniques and analysis procedures in the research design to answer the question raised. This is strongly advocated for within business and management research. This approach is a subset of the multiple research methods that are advocated as a choice for reaching the aim outlined in this research. The **multiple methods** are comprised of the **multi-method** and **mixed methods**. A **multi-method** approach is broken down into **multi-method qualitative** or **multi-method quantitative studies**.

Using a multi-method qualitative or quantitative study requires the research to be restricted to data collection and analysis in the chosen method. Hence, assuming a researcher adopts a multi-method quantitative study approach, multi-data quantitative collection and analysis techniques can only be used, not mixing quantitative and qualitative techniques and procedures. On the other hand, a mixed-method approach involves using both quantitative and qualitative data collection and analysis techniques. This is further broken down into mixed-method research or mixed-model research. The **mixed-method** research approach uses quantitative and qualitative data collection and analysis techniques either in **parallel or sequential** but never combined with one of the techniques or procedures being predominantly used over the other. On the other hand, mixed-model research combines both quantitative and qualitative data collection and analysis techniques. It allows for the possibility to **qualitise quantitative data** and/or **quantitise qualitative data**.

Creswell (2013) supports these arguments presented by Grunert, Khalifa and Gmelin (2004) by presenting the three primary classifications of mixed method design which are:

convergent parallel mixed methods, explanatory sequential mixed methods and exploratory sequential mixed methods in the fields of evaluation, nursing, social and behavioural research.

- a. **Convergent Parallel Mixed Method:** is the form of mixed-method design where there is a convergence or merge of quantitative and qualitative data to analyse them separately and then compare the results for triangulation. The preferred approach to be applied in this research on the effect of corporate governance on REITs performance is conducted by applying a quantitative data collection and analysis method. This is supported by qualitative data collected through semi-structured interviews.
- b. **Explanatory Sequential Mixed Method:** if the researcher first conducts quantitative research data collection and analysis, building upon the results to explain them in more detail using qualitative study for further explanation. This approach is popular in fields with a strong quantitative orientation.
- c. **Exploratory Sequential Mixed Methods:** The reverse of the explanatory sequential mixed method involves the initial exploration of the research phenomenon using qualitative data collection and analysis. A result is further explored using quantitative data collection and analysis.

After considering the various methods discussed above and bearing in mind the nature of this research, which is designed to determine whether REIT's performance is affected by the quality of corporate governance structures and investment decision-making by REITs managers; and the development of the scoring framework, there is a clear indication that both qualitative and quantitative methods could help in answering the various objectives identified in this study. Both methods provide an avenue for robust research, data collection and analysis for greater understanding, prediction and explanation of the corporate governance, investment decision making and REIT performance issues seen in the developing regimes of South Africa and Nigeria and the developed regime in the United Kingdom. Hence, the convergent parallel mixed method approach is appropriate for this research which will involve two phases of data collection and data analysis, which is merged using triangulation. Supporting evidence from relevant literature will be employed to analyse data on the quality of corporate governance (quantitative). Semi-structured interviews (qualitative) to understand what variables are crucial for REITs performance and develop the Corporate Governance Framework and supporting guidance.

The research objectives are achieved by measuring corporate governance quality following an understanding of the different rating methodologies available. Some of these rating methodologies include that provided by Institutional shareholder Service (ISS), known as the Corporate Governance Quotient (CGQ) index in the past and currently called the Quality Score for measuring corporate governance quality of listed companies globally. Also, drawing from the R-Index which was developed to measure externally managed REITs in Asia (Lecomte and Ooi, 2010) to measure the quality of corporate governance and the rating methodology developed by Black et al. (2017) which are all drawn upon to learn the process of scoring the quality of corporate governance in the United Kingdom, South African and Nigerian Real Estate Investment Trusts (REITs).

Additionally, REITs managers' investment decision-making process will be analysed to understand "how" they make property investment decisions and if this is affected by the quality of corporate governance of the REIT—drawing from the literature review and earlier sections in this study, a critical review of the REITs market, corporate governance and investment decision-making process in the selected countries of study (the United Kingdom, South African and Nigeria). Although the United Kingdom has a recent history in terms of the introduction of REITs, it has a healthy and vibrant real estate market, corporate governance structure and economy. These are applied comparatively to evaluate best practices in corporate governance and investment decision-making in the more recently formed and structured REITs in Nigeria and South Africa.

In studying corporate governance and real estate investment decision-making, many researchers have identified that no single reality exists as the individuals involved exhibit subjectivity and objectivity. The quality of corporate governance and the investment decision-making process taken by REIT managers influence the performance of REITs, which can be measured using strictly quantitative and qualitative methods. As observed in the quantification of qualitative data obtained from the disclosure on compliance to corporate governance proxies found in REITs firms' annual reports.

After considering the various methods discussed above, this research to develop a corporate governance framework for analysing REITs performance and investment decision-making process leans toward applying qualitative and quantitative methods to help answer the identified objectives. Both methods provide an avenue for robust research, data collection and analysis for greater understanding, prediction and explanation of the corporate governance, investment decision making and REIT performance issues seen in

the developing regimes of South Africa and Nigeria and the developed regime in the United Kingdom. Hence, the convergent parallel mixed method approach is appropriate for this research which will involve two phases of data collection and data analysis, then merged using triangulation. Supporting evidence from relevant literature will be employed to analyse data on the quality of corporate governance (quantitative). Semi-structured interviews (qualitative) to understand what variables are crucial for REITs' performance and develop the Corporate Governance Framework and supporting guidance.

The corporate governance quality will be measured using rating criteria similar to that applied by the Institutional Shareholder Service (ISS), known as the Corporate Governance Quotient (CGQ) index in the past and currently called the Quality Score for measuring corporate governance quality of listed companies globally; also the R-Index developed to measure corporate governance quality in externally managed REITs in Asia Lecomte and Ooi (2010) and lastly the corporate governance rating methodology by Black et al., (2017) is drawn from to develop the rating criteria applied in scoring the quality of corporate governance in the United Kingdom, South African and Nigerian Real Estate Investment Trusts (REITs).

Additionally, the REITs manager's investment decision-making process will be analysed to understand "how" they make property investment decisions and if this is affected by the quality of corporate governance of the REIT—drawing from the literature review and earlier sections in this study, a critical review of the REITs market, corporate governance and investment decision-making process in the selected countries of study (the United Kingdom, South African and Nigeria). Although the United Kingdom has a recent history in terms of the introduction of REITs, it has a strong and vibrant real estate market, corporate governance structure and economy. This is used comparatively to evaluate best practices in corporate governance and investment decision-making in the more recently formed and structured REITs in Nigeria and South Africa.

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quantifying qualitative data from the disclosure on compliance to corporate governance proxies found in REIT firms' annual reports.

3.6 Qualitative and Quantitative Data Collection and Analysis Applied

In this section, the data collection methods that are employed and the details of the collected data are presented. Data collection methods are the techniques or procedures used to gather and analyse data related to some research question or hypothesis (Crotty, 1998). In deciding on suitable data collection instruments, a conscious effort was undertaken to identify the relevant instruments suitable when applying a pragmatic philosophy which supports the convergent parallel mixed method of using both qualitative and quantitative methods. Table 13 below shows how the relationship between objectives and data collection methods was achieved.

Table 13: Relationship between Research Objectives and Research Methods

	Objective	Methodology	Method for data collection
1	To evaluate the concepts, operations, structure, and regulations of Real Estate Investment Trusts (REITs) in the United Kingdom, South Africa, and Nigeria.	Qualitative	<ul style="list-style-type: none"> Literature review (journals, proxy statements, reports)
2	To identify and document the factors contributing to the performance of Real Estate Investment Trusts (REITs).	Qualitative	<ul style="list-style-type: none"> Literature Review (secondary data) Semi-structured interview
		Quantitative	
3	To evaluate how Real Estate Investment Trusts (REITs) make investment decisions.	Qualitative	<ul style="list-style-type: none"> Literature Review Semi-structured interview
4	To analyse the impact of the quality of corporate governance on real estate	Qualitative	<ul style="list-style-type: none"> Literature Review

	investment trusts (REITs) performance.		<ul style="list-style-type: none"> • Semi-structured interview
		Quantitative	<ul style="list-style-type: none"> • Secondary data from annual reports, proxy statements, financial data
5	To develop and validate the corporate governance scoring framework and supporting guidance for real estate investment trusts (REIT) investment decision making process.	Qualitative	<ul style="list-style-type: none"> • Literature Review • Semi-structured Interview
		Quantitative	<ul style="list-style-type: none"> • Secondary data from annual reports

3.6.1 Sampling and Sampling Techniques.

This research aims to develop a Corporate Governance Framework and Supporting Guidance for REIT Investment Decision Making. Three main criteria filter the target population. First, the firm must have a "REIT status," defined in Chapter Two. This sample thus exempts listed property funds and real estate operating companies (REOC). Second, as the study in this research uses panel data regression analysis that requires the use of time series and cross-sectional data for quantitative data analysis, the REITs in the jurisdiction of study must have annual reports and corporate governance disclosures for the sample period between 2014 and 2018 (See Table 16 below for the complete sample). This time frame is chosen as it allows the optimal capturing of REITs reporting data in all three jurisdictions, with the REITs status being fully operational in South Africa in 2013 and 2007 for Nigeria and the United Kingdom.

Additionally, while the time frame incorporates various changes and updates to the corporate governance codes in the United Kingdom (Code 2014, 2016 and 2018) and South Africa (King III Report 2009 and King IV Report 2016), the underlying theme of the corporate governance codes in all three REIT jurisdiction follow the principle-based approach of governance. Finally, for the qualitative data collection phase, semi-structured interviews are applied. This helps solicit data that helps develop new concepts and bring about a new understanding of existing ones.

The sampling technique followed purposive or judgement sampling, allowing the researcher to select information-rich participants to gain an in-depth understanding of the phenomenon under investigation (Erlandson, 1993; Patton, 2002). Following the sampling techniques, participants selected in each REIT jurisdiction is based on providing the information that can be applied across all research jurisdictions; as such, it is crucial to identify the decision maker as the respondent (Gallimore, Hansz and Gray, 2000; Baum, 2002; Creswell, 2013).

The respondent at a REIT level is ultimately either the unitholder or the Board. However, the operational respondent is more relevant for the nature of qualitative research required in this study, which is to understand and answer the research objectives 4 and 5, and to contribute to the Corporate Governance Framework, the key decision makers at the REIT operational management level will be members at the “C Suite” level being the Chief Executive Officer, Chief Financial Officer, Chief Operational Officer, Chief Investment Officer, or Managing Directors depending on the typology of hierarchy applied by individual REIT. All of whom ideally have an overview of the entire property investment decision-making process within the REIT and how corporate governance may affect this process.

3.6.2 Final Sample

The final sample selection, choice of database and disclosure of the required documents led to the elimination of some REITs in the three regimes; a summary description is presented in Table 16 below, with only REITs having published annual reports for all sampled periods from 2014 to 2019 used for quantitative data collection and analysis. Two REITs in South Africa and One in the United Kingdom are removed due to merger and acquisition. Additionally, REITs formed during the time frame (2014 to 2018) are

exempted as they do not have the required number of annual reports and observations required for analysis. For the United Kingdom, this accounted for five, and in South Africa, three. Finally, for the remaining REITs, further elimination was carried out to remove REITs that had changed management structure either from externally to internally or from internally to externally during the time frame for data collection to keep corporate governance observation consistent. In the United Kingdom, one REIT was observed to have changed management structure and three in South Africa, all converting from an externally managed REIT to an internally managed REIT structure giving credence to suggestions made by many researchers recommending the conversion from externally managed structures to internally managed structures even in regimes with predominantly externally managed REITs (Lecomte and Ooi, 2013; Chong, Ting and Cheng, 2017a).

Table 14; Composition of REITs Sample Size by Jurisdiction

Sample Characteristics	United Kingdom	South Africa	Nigeria	Total
Number of REIT	32	29	3	64
Number of REITs used in the study	25	17	3	45
The proportion of the sample to the total number of REITs	78%	59%	100%	70%
Number of pool observation	150	102	18	270

3.6.3 Qualitative Method of Data Collection

While carrying out a convergent parallel mixed method, qualitative data collection is achieved using a literature review, and in-depth interviews with individual participants were employed, focusing on key decision makers at the operational management level of all the REITs in the study jurisdiction.

Qualitative data collection through literature review involves the documentation of a comprehensive review of published work from secondary sources (either print or digital) and primary sources (original work of theory and empirical studies) of data in the areas of

corporate governance and the process, steps or stages involved in real estate investment decision making. This review already conducted in Chapter 2 helped to ensure that essential variables were not ignored and important seminal works that have contributed to the present understanding of how the key themes in this study are currently being viewed (Fellows and Liu, 2015). Neuman and Djamba (2002) identified five processes for a systematic literature review: define and refine the search, design a search; locate research reports; evaluate research articles, and take notes. Journals, reports, regulation and codes related to corporate governance and investment decision-making in real estate and REIT was drawn. A wide range of databases was drawn, for example, Google Scholar, Ethos, electronic journals and textbooks.

Qualitative data collection was also captured using in-depth semi-structured interviews. Bryman et al. (2014) showed that the data collection through interviews ranges from structured to semi-structured to unstructured. Fellows and Liu (2015) find that the significant constraints with the different interview categories are placed on the respondent and the interviewer. The structured interviews are based on a questionnaire, which is almost quantitative, having a scale and is used in survey research. There is little scope for probing the responses using supplementary questions to gain more insight and pursue new and exciting aspects. In semi-structured and unstructured interviews are more qualitative and are characterised by a level of flexibility and lacking a strictly defined structure. The interviewer introduces the topics and records the replies of the respondent. This approach allows the researcher to follow some standard questions with one or more individually tailored questions to get clarification or probe a person's reasoning (Brent and Leedy, 1990; Drewer, 2006).

The semi-structured interview approach is selected for this research as it provides a level of flexibility expected in this study. Especially true in the area of how REITs carry out property investment decision-making in the different jurisdictions of study. The semi-structured interview format requires an Interview Guide (see Appendix 7) which applies a series of questions developed by the interviewer and can vary the sequence of questions to encourage two-way communication best. This allows asking further questions when the researcher identifies something of considerable interest. This approach typically involves asking a series of questions designed to get the opinions and views of respondents from a key decision maker in roles such as; board members, Chief Executive Officers (CEOs,)

Chief Financial Officers (CFOs), Chief Investment Officers (CIOs) and Chief Operating Officers (COO). Data capture using semi-structured interviews is conducted by telephone due to the geographical dispersal of the various respondents, especially those in Nigeria and South Africa. Additionally, the time and cost constraints of this research made the use of telephone calls suitable. While this approach is not widely supported by some researchers, from a practical perspective, the anonymity provided by using a telephone interview, as noted by the researchers, may be a factor in a more open discussion between the interviewer and respondents (Sturges and Hanrahan, 2004; Rubin and Rubin, 2012; Gubrium, Holstein and Shuy, 2016).

The sample size for the respondents followed research applying a similar methodology used in previous studies in real estate property investment decision-making has shown a modest response rate for both mailed and online surveys in the United Kingdom and the United States of about 26% to 46%. Farragher and Savage (2008), where a wider net is applied covering REITs, pension funds, life insurance companies, private investment and development companies to reach 807 US-based companies surveyed, resulted in 188 companies responding but achieving a response rate of 23%. It has also been identified that results would be smaller when attempting to sample respondents from a niche sub-sector of real estate investment such as that in which REITs operate (Farragher and Kleiman, 1996; MacCowan and Orr, 2008; Parker, 2012)—mainly observed in research of emerging listed real estate markets. In the recent publication by Nsibande and Boshoff (2017) investigating the investment decision-making practices in South Africa, a sample of twelve organisations was used with 20 questionnaires sent to Chief Investment Officer (CIO) and received just ten valid responses.

A limited response rate was observed for interview-based studies. Parker (2012) and Nakpodia (2016) document that when investigating investment decision-making stages or structures and corporate governance, if respondents are given a choice to participate in interviews, the response rate in these disciplines is usually limited. Evidence of this is observed in various research; Adair, Berry and McGreal (1994) used a sample of 30 interviews; Gallimore, Hansz and Gray (2000) from a population of 200 and 80 randomly sampled property investment companies stated that securing agreement to participate was not easy, but eventually, only 13 companies are sampled with diverse company characteristics; Baum, Crosby and Gallimore (2000) study conducted interviews with 20

senior fund managers or equivalent and a second set interviews with 11 representatives of the leading valuation firms.

These sample sizes are deemed adequate due to the consolidated nature of the institutional property investment market, the researchers' intuition and having reached saturation at ten interviews. Newell and Seabrook (2006) selected 30 leading hotel investors/owners/operators in Australia, with only 15 respondents used in the two-stage questionnaire and interview survey; Roberts and Henneberry (2007) report that due to the lack of adequate sampling frame, a snowballing technique of individual likely to engage directly in property investment decision-making was applied to interviews across the three European Markets of France, Germany and the UK should be adequate. In total, 64 interviews were undertaken for the research in Germany (20), France (19) and the UK (20).

Accordingly, in determining the appropriate number of respondents, Franklin (2016) reported on the works of various researchers such as Romney, Weller and Batchelder (1986); Mason (2010); Baker and Edwards (2012) and Parker (2012) show that there is no consensus regarding this appropriate number, that experts within a similar field and geographical location tend to agree with each other and a small sample from experts ranging from 5 and 60 participants possessing a high degree of expertise and competence in the domain of inquiry will be sufficient.

3.6.3.1 Semi-Structure Interview Process

Following this, the researcher established contacts with key decision makers in the 45 REITs (Appendix 1-3) in the United Kingdom, South Africa, and Nigeria selected from the total 64 REITs suitable for the research through purposive or judgement sampling following similar procedures applied by (Merriam, 1998; Gay, Mills and Airasian, 2006). Patton (2002) and Ajayi (2017) agree that this choice for qualitative research allows the researcher to freely select information-rich participants to gain an in-depth understanding of the concepts and theme in the research, with the ability to contribute to the research objectives and to aid achieving the aim set by the researcher.

However, some challenges were encountered despite the apparent benefits of conducting semi-structured interviews. For most of it, the key issues were engaging with the appropriate interviewees at the “C Suite” level drawn from a limited number of REITs

aware of the various corporate governance procedures and the investment decision-making process. Following this concern is the lack of a central database system for contact information for potential respondents. The researcher generates the contact database, and this process involves going through individual REIT company websites, annual reports and other publicly available information to identify the appropriate participants and contact details of these appropriate REIT participants.

Potential respondents were sent a Participant Information Sheet (Appendix 4) and Invitation to Participate (Appendix 5) by email, which made them aware of the research's nature, scope and purpose. Securing an agreement to participate had some challenges, but 19 participants were interviewed from January to May 2019. The size of the sample reflects the consolidated nature of REITs corporate governance and institutional property investment making, which may be limited to a few numbers of organisations and similar steps. It also reflects the difficulty of soliciting respondents, similar to what has been expressed by other researchers such as (Baum, Crosby and Gallimore, 2000; French, 2001; Roberts and Henneberry, 2007; Sah, Gallimore and Clements, 2010; Parker, 2014; Franklin, 2016). By several eligible sampled REITs, the response rate from each REIT jurisdiction is broken down as seen in Table 15 below. As shown below, approximately 48% of REITs are sampled in the United Kingdom, 29% in South Africa and 67% in Nigeria. In summary, 42% of the REITs selected for this research participated in the semi-structured interviews. Similarly, to earlier reported studies mentioned in Section 3.4.3 for response rates for real estate investment decision-making interviews.

Table 15: Composition of Participants Sampled by REIT jurisdictions

Country	Number of REITs	Number of Participants	% of REIT Sampled
United Kingdom	25	12	48
South Africa	17	5	29
Nigeria	3	2	67
Total	45	19	42

An email of the Research Project Consent Form (Appendix 6) was issued for those who agreed to participate. This enabled the respondent to give their informed consent easily and quickly via email or phone after receiving the consent form. After acknowledging consent, each interview was undertaken at a pre-arranged time to best suit the respondent's

availability and schedule, helping to reduce the issues of cost and geographical dispersal; interviews were conducted from a telephone-based on pre-booked meeting confirmed via email. This was especially useful for REITs in the jurisdictions of South Africa and Nigeria. For this, the option for a call by WhatsApp or Skype was also offered for the interview. The audio quality of calls was generally good, and the researcher was able to record the calls by following the informed consent beforehand. Each audio recording was saved in a protected password file, and the transcripts were referenced following coded names as established in the process for ethical consideration and confidentiality.

As Bryman and Bell (2007) recommended, an Interview Guide (Appendix 7) was developed and used during the interview. This interview guide also included questions to seek elaboration and understanding of influencing factors. During each interview, notes were made on the guide, which covered key points of interest and guided the subsequent transcription and analysis. Transcription of audio files was conducted by the researcher using Otter.ai software. This enables all conversations to be backed up and transcribed in encrypted software before being transferred to NVivo for analysis.

The Interview Guide (Appendix7) helped strike a balance between unprompted and prompted responses. The semi-structured interviews were conducted within 45 to 90 minutes and were broken down into four sections that focused on providing responses and answers to the objectives raised by this research.

- Section A: Background and General Information
- Section B: Measuring REITs Performance
- Section C: Corporate Governance and REITs
- Section D: Investment Decision Making in REITs.

Before the commencement of the interview, the researcher ensures that respondents know that their confidentiality and anonymity is guaranteed by coding their responses. In addition, the first few minutes of the interview were also spent introducing the fundamental concepts of the research to elicit an information-rich interview. Close-ended questions are used in Section A to get factual data confirmed by evidence in the public domain and to verify the research participants. The open-ended questions in Sections B, C and D allow respondents to respond to corporate governance and investment decision-

making stages. These questions are prompted with care to provide the topic without indicating a possible interviewer-biased response.

3.6.3.2 Profiling Research Participants

As mentioned, the choice of participants chosen for the research are those familiar with the corporate governance and investment decision-making process of the REIT structure.

These are individuals at the operational management level (C-Suite level) and board level.

Table 16 below presents information regarding participants that were interviewed during the data collection.

Table 16: Profile of Participants

No.	Participants Code	Country	Position	Sector	Years of Experience	Duration (in minutes)
1	SA1	South Africa	Non-Executive Director	Diversified REITs (Retail, Commercial, Industrial, Residential)	2	51
2	SA2	South Africa	Acquisitions and Disposals	Diversified REITs (Retail, Commercial, Industrial, Hospitality)	2.5	29
3	SA3	South Africa	Head of Acquisition and Disposals	Diversified REITs (Retail, Commercial, Industrial)	8	27
4	SA4	South Africa	Asset Manager	Diversified REITs (Retail, Commercial, Industrial)	6	31
5	SA5	South Africa	Asset Manager	Diversified REITs (Retail, Commercial, Industrial)	6	67
6	UK1	United Kingdom	Director	Residential REITs (Student Accommodation)	4	21
7	UK2	United Kingdom	Managing Director	Speciality REITs (Healthcare)	23	9

8	UK3	United Kingdom	CEO	Speciality REITs (Self-Storage)	16	70
9	UK4	United Kingdom	Head of Financial Reporting	Speciality REITs (Healthcare)	6.5	31
10	UK5	United Kingdom	CFO	Industrial and Office REITs	13.5	22
11	UK6	United Kingdom	CFO	Retail REITs	9	21
12	UK7	United Kingdom	CEO	Hotel and Lodging REITs	8.5	44
13	UK8	United Kingdom	CIO	Retail REITs	10	29
14	UK9.1	United Kingdom	Assistant Fund Manager	Speciality REITs (Self-Storage)	6	66
15	UK9.2	United Kingdom	Company Secretary	Speciality REITs (Self-Storage)	3	
16	UK9.3	United Kingdom	Compliance Officer	Speciality REITs (Self-Storage)	1	
17	UK10	United Kingdom	Head of UK Investment	Industrial and Office REITs	10	51
18	NG1	Nigeria	Corporate Finance Associate	Commercial, Residential	2	19
19	NG2	Nigeria	Investment Manager	Commercial, Residential	2	53

Considering the profile of the research participants, the analysis of the data collected to address the aim and objectives identified in Sections 1.3 and 1.4 is discussed in later chapters. In total, 19 participants were interviewed, twelve from the United Kingdom, five from South Africa and two from Nigeria. The participants across all REIT regimes have years of experience ranging from one to twenty-three years. Participants from the UK had the most experience, followed by experts in South Africa and Nigeria. While the reduced years of experience by the Nigerian participants is noted as a limitation to this study, this draws from the limitation of contacting the right people in senior positions in emerging economies surrounded by the resistance to share information. In all, the respondents play a significant role in understanding the role of corporate governance, and investment decision-making have on REITs performance.

3.6.4 Qualitative Method of Data Analysis (Content Analysis (QCA) and Discourse Analysis (QDA))

Following the qualitative data collection, the analysis used the qualitative content analysis (QCA) technique which embeds processes purely applied in qualitative research (Schreier, 2014). Nakpodia (2016), agreeing with this earlier statement, notes that this approach should not be about frequency count. Still, following trends and themes identified from the literature are further explored and reconciled to identify core themes. The first step will be adequately exploring the key aspects for familiarisation (conducted in the literature review). This is followed by labelling and grouping into similar themes and further exploration to identify and interrelations between the themes (Braun and Clarke, 2006; Creswell, 2013). The QCA approach was applied to familiarise and identify the critical themes in sections 2.3.1 and 2.5.1.1. Discourse analysis is used when reporting comments made by interviewees on aspects of the investment decision-making process and corporate governance proxies. This aids in exploring some of the socially developed ideas that key decision-makers have around how they view the investment decision-making process and corporate governance. The discourse analysis approach allows the researcher to apply aspects of the literature to create, support, contest and disseminate meaning from the semi-structured interviews (Hardy, Phillips and Harley, 2004).

3.6.5 Quantitative Method of Data Collection

This research involved qualitative and quantitative studies at an intensive and extensive level. The earlier Section 3.4.3 presented the qualitative method of data collection; this section presented the quantitative method of data collection and description.

3.6.5.1 REITs Performance Data

For the measure of REIT's performance data, several variables are widely used by various researchers, as earlier identified in the literature. For firm valuation, Tobin's q is applied. Operational performance data is measured using Return on Assets (ROA) and Return on Equity (ROE), as this allowed the research to be carried out, given the limitation of finding consistent data for other operational performance variables such as Jensen Alpha. Data are retrieved from publicly traded information on individual jurisdiction listed markets, data for other performance measures are retrieved from each REIT's corporate website, and annual reports are available on each stock exchange.

3.6.5.2 Firm Valuation

Similar research in the REITs valuation and corporate governance (Yermack, 1996; Bauer, Eichholtz and Kok, 2010; Lecomte and Ooi, 2013; Chong, Ting and Cheng, 2017a), this research adopts Morck, Shleifer and Vishny (1988) and Chung and Pruitt's (1994) approach to calculating Tobin's q (Tobin, 1968), which defines it as the sum of the market value of equity plus the liquidating value of outstanding preferred stock and the value of total debt minus its short-term assets divided by the book value of the firm's total assets. The Market-to-book ratio is the market value of the total liabilities divided by the book values of assets that represent these liabilities.

When comparing the two methods of understanding financial performance, it is observed that the market-to-book ratio will generally show that a higher ratio will imply that investors expect to earn higher returns on their invested capital, whereas low ratios are the inverse. However, Tobin's q is a better measure of financial performance; though closely related to the market-to-book ratio, it is not a measure of the performance of the existing stock of assets, but it measures the financial performance of new investments, which in this case is the replacement cost of existing production assets. So, for Tobin's q , the higher it is for a company (when Tobin's q is above one), the more profitable it is to invest in the reproduction of the entire production capacity of that company. Investment in a firm by shareholders may be paused when Tobin's q falls below one.

Qiulin (2005) also points to the various problems associated with using Tobin's q , such as the accounting artefacts causing distortion when reporting company performance that relies on different degrees of intangible capital, such as patents. When a depreciated book value for tangible capital is applied, it is faulted as having accounting issues when calculated using the true economic rate of capital depreciation. It is expected that accounting profit rate and Tobin's q will be correlated, and while Qiulin (2005) provides no solution to these problems observed, the conclusion reached is that each method has advantages and disadvantages. This research applies firm-level Tobin's q measured at the end of every reported year, which is used as the dependent variable in firm value regressions.

$$Tobin's\ Q_t = \frac{MVE_t + PS_t + DEBT_t}{TA_t}$$

Where

MVE_t =Market Value of REIT equity (unit price x common units outstanding at *time*)

PS_t = Market value of REIT outstanding preferred equity at *time*

$DEBT_t$ =Value of REIT total debt *time* (*t*)

TA_t =Book value of REIT total assets at *time* (*t*)

3.6.5.3 Operating Performance

This research measures corporate governance's effect on REITs' operating performance using Return on Asset (ROA) and Return on Equity (ROE). This is in line with similar researchers in this field, such as; (Gompers, Ishii and Metrick 2003; Brown and Caylor, 2006; Bauer, Eichholtz and Kok, 2010; Chong, Ting and Cheng, 2017b), found that while there is an impact of governance on valuation and investors incorporating ex-ante expectation on corporate governance into the stock pricing, a positive relationship between operating performance such as ROE, NPM and SALES on corporate governance is less documented.

Hence, ROA and ROE are measured consistently with the literature (Gompers, Ishii and Metrick, 2003; Bauer, Eichholtz and Kok, 2010). ROA as a measure is preferred to ROE given its more desirable distributional properties, especially for REITs. It is not affected by leverage and other items as ROE may be. Control variables are also applied to better understand corporate governance's effect on operating performance, especially in a homogeneous industry such as a REIT.

3.6.6 Corporate Governance Data

The methodology applied to measuring the quality of corporate governance has been briefly touched on in Section 2.6. For this research, the quality of corporate governance is based on a mix of an academic and industrial rating methodology. The APREA CGSF developed by Lecomte and Ooi (2010) measures Singapore REITs' performance but is modified to measure Asian, mostly externally managed REIT structure. The APREA CGSF measured eight major sub-indices: Board Matters, Audit, REIT Organisation,

Remuneration Matter, Fees, Related Party Transactions, Gearing and Ownership. Also incorporated in the corporate governance data applied to this research are methodologies and definitions from the ISS Quality Score. The ISS Quality Score covers over 30 markets. Terms of regional coverage include publicly traded companies in the Americas, Asia-Pacific (Hong Kong, Singapore and Japan) and EMEA (the UK and South Africa but not Nigeria). The ISS, corporate governance is measured using 4 rating categories (Board, Audit and Risk Oversight, Shareholder Rights and Takeover Defenses and Compensation/Remuneration) (ISS, 2017).

Finally, this research also incorporates a similar methodology applied by Black et al. (2015) in the areas of data labelling, categorisation and management approach used by their research in measuring the strength of public companies in the emerging markets of Brazil, India, Korea and Turkey allowing it to be applicable in this research due to its country-specific corporate governance indices rather than just sector-specific. Black et al. (2015) and Nakpodia (2016) agree that emerging markets are shrouded by a lack of data, especially time-series data. Their country-specific governance indices captured governance disclosure in the following broad categories; Disclosure Index (11 elements), Board Procedure Index (6 elements), Ownership Index (5 elements), RPT Index (5 elements) and Shareholder Rights Index (7 elements).

The new scoring framework is referred to as the Integrated Corporate Governance Index (ICGI) (see Appendix 9), which is drawn from the APREA CGSF, ISS Quality Index and Black et al. (2015). The Integrated Corporate Governance Index is further modified to include characteristics common elements in all three REIT regimes. However, while corporate governance's strength is drawn from these elements, this method is not free from fault. It may be vulnerable to endogeneity issues. For example, larger firms are likely to pay managers more money, have easier access to debt, and attract greater attention from institutional investors than smaller firms or the limited change to ownership and shareholder structure with the introduction of institutional owners such as insurance and pension fund classification means there may be limited change to this proxy for observation. This will also be the case with the attractiveness of a developed REIT regime compared with an emerging REIT.

Table 17: Comparison of sub-indices between APREA CGSF, ISS Quality Index, Black et al. (2015) CGI and ICGSF

APREA CGSF	ISS Quality Index	Black et al. (2015) CGI	ICGI
1. Board Matter 2. Audit 3. REIT Organisation 4. Remuneration Matter 5. Fees 6. Related Party Transaction (RPT) 7. Gearing 8. Ownership	1. Board Structure Pillar 2. Compensation/Remuneration Pillar 3. Shareholder Rights and Takeover Defenses 4. Audit and Risk Oversight	1. Disclosure 2. Board Structure Index 3. Board Procedure Index 4. Ownership Index 5. RPT Index 6. Shareholder Rights Index	1. Board Matters Index 2. Audit Index 3. Remuneration Matter Index 4. REIT Organisation Index 5. Fees Index 6. RPT Index 7. Gearing Index 8. Ownership and Shareholder Rights Index

Hence, the governance data, therefore, consists of the variables that control for REITs corporate governance categories, which are: Board Matters Index, Audit Index, Remuneration Matter Index, REIT Organisation Index, Fees Index, RPT Index, Gearing Index and Ownership and Shareholder Rights Index as seen by the table above.

3.6.6.1 Board Matters Sub-Index

The assessment of board matters sub-index consists of 26 core elements made of 9 categories and is a core element of corporate governance in all regions (OECD, 2015b). These core elements are similar for both externally and internally managed REITs. For both structures, the scoring framework for the board matters index has 3 bonuses (if at least one board member is related to the trustee if the concept of independent director is appropriately defined and if the aggregate level of stock ownership of the officers and directors, as a percentage of shares outstanding is disclosed) is given. 2 penalties score

would be deducted (if the proportion of board members are linked to the Sponsor and REIT manager and if any director attends less than 75% of the aggregated board and applicable committee meetings without a valid excuse). The weightage of the board matters index on the overall score from the 31 common elements has a weighting of 18.2% of the total index.

Internal monitoring mechanisms (as well as the various committee) through the board structure and its composition have been found to impact market valuation, especially in emerging markets, substantially. In terms of board size, it is documented that firms with a smaller independent and well-structured board may be deemed more effective, especially when it comes to monitoring managers and encouraging higher valuations in REITs (Yermack, 1996; Bauer, Eichholtz and Kok, 2010). Notably, the board matter index is also the structure of power through the separation of powers of the CEO and the Chairman of the board, also known as CEO duality, which from literature has a negative effect on firm performance and value. However, Brickley, Coles and Jarrell (1997) research finds an inconclusive impact of CEO duality on firm value and performance. In an emerging REIT and especially emerging markets supported by good corporate governance codes, board independence is deemed highly relevant and will affect performance (Claessens and Yurtoglu, 2012).

3.6.6.2 Audit Sub-Index

The audit sub-index consists of 13 core elements made up of 4 categories. The core elements are similar in all REIT regimes. 1 bonus point is given if at least one committee member is related to the trustee or trustee-related companies, and 2 penalties score would be given if at least one member is related to the Sponsor or is related to the Manager. The weighting of the audit sub-index is 9.4% and ranked 5th.

The audit sub-index plays a vital role in corporate governance strength. Bauer, Eichholtz and Kok (2010) find that the REITs surveyed the audit structure positively correlates with the CGQ Index. However, in the externally managed Asian REITs, it is found that the audit index had a negative impact on the value of REITs in Asia, discounting the value and returns of the REITs. Hence will not lure or encourage investors' confidence in the market but shows the importance of audit practices (Chong, Ting and Cheng, 2017a). The regulations, committees and public scrutiny on listed REITs are generally high, and the committees greatly influence decision-making. With the improvements in the audit

committee's function and structure to regulations in each REIT regime, committee members' strength, competence, background, independence, and experience play an essential role in REIT performance. Hence, it is expected that more active audit committees will be monitored more efficiently, meet more often and play an essential role in earning management (Qiulin, 2005).

3.6.6.3 Remuneration Sub-Index

The remuneration varies for each regime and management structure. Internally managed REITs employ management staff, while externally managed REITs do not hire any management staff but outsource this process to a management company. Hence, the elements to be observed will be higher for internally managed REITs than externally managed REITs. For internally managed REITs, the emphasis is placed on paid to pay for performance, basic pay and so on compared to externally managed REITs, where the focus will be on non-executive pay, director or executive performance pay. The weighting of the remuneration sub-index for REITs is 25.9% ranked 1st with 44 elements.

For both management structures, 4 bonus points are identified if; the exact remuneration of executive directors is disclosed (in currency units); all board members linked to the sponsor (except Chairman) do not receive directors' fees; there is disclosure on the degree of alignment between the company's TSR and change in CEO pay over the past five years?; there is a disclosure on the alignment between the company's annualised three-year pay percentile rank relative to peers and its three-year annualised TSR rank relative to peers. 3 penalties are deducted if; a majority of members of the Remuneration Committee are linked to the sponsor/ manager; part of the bonus granted or to be granted guaranteed; a problematic pay practice or policy that raises concern is identified (non-performance-based compensation such as perquisites; risk-taking, option backdating or no shareholder approval).

The remuneration sub-index assessment intends to assess the effect of executive compensation on firm performance in the REITs sector. The financial crisis was linked to banks' weak corporate governance structure within companies exhibiting excessive risk-taking, skewed incentive compensation for senior managers, and the board culture's dominance encouraging short-term gains over long-term sustainable performance (Claessens and Yurtoglu, 2012). Ghosh et al. (2011) study on entrenchment, incentives, and governance influence REIT capital structure, confirming the offsetting influence of using

equity-based compensation to align managers' and shareholders' interests. The compensation of managers has a crucial role in leverage levels. Wen, Rwegasira and Bilderbeek (2002) reported an inverse relationship with managers on well-fixed compensation pursued lower leverage as a way to avoid risk-taking. This finding is also supported by Brenni (2014), showing that managers of REITs in the UK adopted lower leverage to avoid the financial risk of debt and retain attractive compensations.

However, Yönder (2013) finds no significant evidence of the compensation structure's effect on abnormal returns. This he classified as the “REIT Effect” that follows the requirement to distribute 90% of income, which was diminished during the financial crisis caused by more scrutiny on discretionary cash left to managers causing an increase in good governance. REITs with more abundant free cash flows have weaker corporate governance and are likely to correspond with managers' increased compensation. While remuneration should be par with the industry standard that may prevent managers from taking jobs competing for business, it should not be excessive compared to what an equally good alternative management team would receive.

3.6.6.4 REIT Organisation Sub-Index

The REIT organisation sub-index comprised 19 elements weighing 11.2% and ranked 4th. 4 bonus points are available on observations, if the REIT has a whistleblowing policy in place; if key risks and methodology to cover them are disclosed in the annual report; if rules are limiting the manager's ability to vote on management changes; if the explanation for non-compliance to any aspect of Corporate Governance Code is provided. Additionally, 2 penalties are available if; the executive is related to the sponsor; and if REIT has been sanctioned for not meeting the country REIT requirement.

Following Wai's (2013) research and Chong, Ting and Cheng (2017b), a REIT Organisation sub-index is constructed that replaces the Organisation sub-index in the APREA CGSF. More variables are applied to measure the external manager's role, possible sponsors, trustees, and the standard variables of AGMs and governance guidelines measured. Chong, Ting and Cheng (2017a) find that the REIT organisation index, amongst other corporate governance variables, decreases REITs' performance in Asia, implying that further reform may be required on how REITs are structured to improve performance. However, the earlier research by Wai (2013) finds no significant positive relationship between Tobin's q and the REIT Organisation Index.

3.6.6.5 Fees Sub-Index

The fee sub-index becomes more relevant to REITs as this forms the bases on which the manager's or external stakeholder fees are observed. The fees sub-index consists of 25 elements and weighs 14.7%. The fees sub-index has 3 bonus points available covering the following; if fees paid to the Manager, Property Manager and Trustee are fully disclosed in a Tabular form; if in case of acquisition fees, the holding period for units received in payment is greater than 1 year; if payment of management fees in the form of units is submitted to the Board or discussed in EGM. Additionally, 3 penalties are possible if the manager has applied for a waiver from the local stock exchange's rules concerning disclosure of fees (related party transactions), if total fees paid to the manager and property manager increased on a year/year basis, while earnings per unit decreased or remained equal; if fees paid to property manager include leasing commissions.

Lee and Foo (2010) find that the trust structure can generate an array of fees from the trust manager, the property manager, and the trustee, with the manager's fees being the most important ones among the fees. The manager performs all the work on behalf of the trust in exchange for a base fee, performance fee and acquisition/divestment fees. Wai (2013) finds that higher disclosure in the fee sub-index positively impacts firm performance. Fees paid to property managers, managers and non-executive directors must be benchmarked and disclosed to improve corporate governance against performance. Chong, Ting and Cheng, (2017a) research finds that the sub-fees index had a negative effect on Asian REIT performance and Tobin's q shows that it decreases the performance of the sector and discounts its value as the current fee structure by Asian REITs would not encourage investor confidence due to low disclosure levels. They suggest reform, transformation and improved disclosure are needed to improve the sector.

3.6.6.6 Related Party Transactions (RPTs) Sub-Index

The related party transaction (RPT) sub-index is measured as made up of 16 elements; this sub-index has a weighting of 9.4 %. The sub-index also has 2 bonus points are identified covering aspects of; If the Trustee or Trustee-related companies are defined as related parties: if transactions with parties related to Independent Non-Executive Directors are submitted to rules on related party transactions. Additionally, 1 penalty point is deducted if the Audit Committee replaces unitholders in assessing related party transactions.

In emerging REIT regimes, related party transactions stand out as one of the ways misappropriation of a company's capital may occur by using complex related party transaction structures (Claessens and Yurtoglu, 2012). Evidence shows that a more robust board structure reduces the likelihood of fraud and expropriation through related party transactions (Lo, Wong and Firth, 2010). Lecomte and Ooi (2013) research found that related party transaction has a negative relationship with stock returns of the externally managed REITs of Singapore.

However, portfolios which are above the median score for RPT showed a return above 8.71%, which is in line with researchers such as (Gordon, Henry and Palia, 2004), who find that RPTs may be efficient transactions that fulfil other economic demands of a firm such as the need to secure external skills and expertise, especially from participants with private information. Kohlbeck and Mayhew (2004) also identified that RPTs with investments appear to be linked with efficient contracting, while those linked with the directors, officers and shareholders are more associated with opportunism. While it may seem that RPT provides a possibility for exploitation by managers and the board, how they are used provides a deeper insight on performance, with the indication that for an emerging sector where limited expertise exists, higher RPT may be expected by contracting to provide the knowledge not available by executive teams.

3.6.6.7 Gearing Sub-Index

The gearing sub-index consists of 6 elements. No bonus point is attributed; however, 1 penalty score will be deducted if borrowing costs exceed 50% of Net Property Income. For the gearing, sub-index has a weighting of 3.5% and is ranked 7th. A gearing limit restricts the extent of leverage that a company or REIT can employ by limiting the entity's debt-to-equity ratio. A gearing limit of 60% means that a maximum of 60% of a company's total funding can be in the form of debt. A company with excessive leverage will demonstrate this by having a high gearing ratio. During times of economic downturn, it may be more vulnerable as they will have to pay service their payments and high-interest rate payment during a period of the downturn (CAHF, 2017).

With the REIT structure having strict gearing and leverage ratios in most jurisdictions, it is expected that the corporate governance regulations around leverage and gearing will show no significant impact on REIT performance. For the UK, REIT regulations interest expense is limited to the financing cost ratio, which is defined as property profit that is

profit from the rental business before a deduction for interest, losses from a previous accounting period and tax depreciation (capital allowances) divided by the property financing cost (that is finance related to the property rental business). The finance costs are limited to interest costs and amortisation of discounts relating to finance. For UK REITs, property profits must be at least 1.25 times the property financing costs; if not, tax charges may arise depending on circumstances that caused the REIT to fall below the 1.25 income cover. For South African REITs, debt financing of a company REIT is limited in terms of its memorandum of incorporation and the Companies Act, and a Trust REIT is limited in terms of its Trust Deed and the CISA. Furthermore, the JSE requirements only permit a REIT to be geared up to levels of 60% of the gross value of the underlying assets. For the Nigerian REIT regime, as indicated by regulation, the management company's policy on gearing and minimum liquid asset (in percentage terms) requirement of the scheme; provided that the trustees may, on the advice of the manager, borrow on behalf of unitholders up to 15% of the scheme's gross assets.

3.6.6.8 Ownership and Shareholder Rights Sub-Index

The ownership and shareholder rights sub-index is assessed using 13 elements. While no bonus scores are measured for this sub-index, there would be penalties if; the manager has a strategic shareholding in the REIT (entrenchment); shareholders related to the Sponsor/ Manager/State have a blocking stake in the event of a takeover, or there are other factors such as priority rights/ownership/controlling shareholder factors; the company has classes of stock with different voting rights; the company has an ownership ceiling; the company has ownership ceilings for specific parties (institutional or foreign investors). The sub-index has a weighting of 7.6% and is ranked 6th.

REIT regulations have restrictions on ownership concentration which may reduce the pressure on the market for corporate control. Multiple researchers have widely studied corporate governance proxies on ownership and shareholder rights on REITs' performance (Cannon and Vogt, 1995; Friday, Sirmans and Conover, 1999; Capozza and Seguin, 2000; Hartzell, Sun and Titman, 2005). Evidence from this research points to the role of insider ownership, which may correlate to the CEO's power or entrenchment levels, with low levels of insider ownership associated with higher firm value. In addition to the ownership structure, there is research on institutional investor ownership and governance role. The absence of takeovers in the REIT sector as an indicator of ownership and

shareholder right may suggest that the role of the board and large shareholders and the incentive effects of managerial ownership and compensation have a more critical effect on REITs' value. Wang, Erickson and Gau (1993) find that between REITs Tobin q's and their institutional ownership, REITs with more significant institutional ownership exhibit higher risk-adjusted-performance. Institutional ownership is also positively correlated with firm size and closely tied to Tobin's q if they have greater institutional ownership or a larger director and officer stock ownership. With the Asian REITs, ownership has a significant positive impact on Tobin's q, with block ownership influencing and enhancing value; it also curtails and mitigates excess return in the REITs in Asia, showing that unitholders are generally and minimally protected in these regimes (Chong, Ting and Cheng, 2016). On shareholder rights, Bauer, Eichholtz and Kok (2010) point to the Gompers, Ishii and Metrick (2003) research where they find that a trading strategy of buying firms with the greatest shareholder rights and selling companies with the least shareholder rights earned an average annualised abnormal return of 8.5% from 1990 to 1990. Less shareholder right is also linked to more leverage.

3.6.7 Scoring Methodology

Following a similar methodology applied by (Lecomte and Ooi, 2013b; Wai, 2013; Black et al., 2015; Chong, Ting and Cheng, 2016), the scoring of individual sub-index is based on two situations (yes = 1 or no = 0 and in few instances 0.5 for partial disclosure) and is applied to my research. This provides a fact-based rigid scoring system that reduces subjective judgement in corporate governance rating. Table 18 below shows 170 common elements in the scoring framework, of which 133 are core elements, each worth one point. In addition, a bonus and penalty system are used to account for the voluntary ("comply and explain" and "apply and explain") features of corporate governance practice in the United Kingdom, South Africa and Nigeria: 17 bonus and 20 penalty points in total. The overall score is a sum of all the points (core plus bonuses minus penalties), as shown in Table 20 below. Sub-scores are provided for each of the 8 corporate governance categories covered in the scoring framework, and the higher the score and sub-score, the better the corporate governance practice of the REIT.

Table 18: Scoring framework: elements in the 8 corporate governance categories and weights

Category	Core	Bonus	Penalties	Maximum score	Minimum score	Elements in category	Weights in total score (%)
Board	26	3	2	29	-2	31	18.0
Audit	13	1	2	14	-2	16	9.3
Remuneration	39	4	3	43	-3	46	26.7
REIT Organisation	13	4	2	17	-2	19	11.0
Fees	19	3	3	22	-3	25	14.5
RPT	13	2	1	15	-1	16	9.3
Gearing	5	0	1	5	-1	6	3.5
Ownership and Shareholder Rights	7	0	-6	7	-6	13	7.6
Total	135	17	20	152	-20	172	100.0

3.6.8 Definition of Control Variables

Control variables are applied in this study. These include: firm size, firm age; growth; leverage; dividend payout ratio, and dividend payout ratio to free cash flow. Data for these variables are retrieved from individual REIT stock markets, and for any missing information, data are collected from financial reports that are available on the corporate website of each REIT. REIT firm size is measured using the total assets expressed in the **natural logarithm terms** (Lecomte and Ooi, 2013). REIT firm age is the number of years the REIT has been listed on the stock exchange since its establishment expressed in **natural logarithm terms, i.e. the natural log of firm age in a year**. Growth is a control variable because REIT firm performance is linked to its ability to invest. Ghosh and Sirmans (2003) use the market-to-book value (Growth) in each year as a control variable, similarly applied in this study. Leverage is also applied as a control variable in the regression model, which is also used in similar studies as leverage can influence firm performance. Here leverage is measured as the ratio of the book value of total debt to the book value of total assets transformed to its natural logarithm term. For dividend payout ratio, researchers such as Feng, Ghosh and Sirmans (2007) and Hartzell, Sun and Titman

(2005) use the dividend pay-out ratio to monitor REIT performance. Dividend payout to free cash flows is adopted to account for possible additional expenses that leave cashflow not accounted for in net income (Hayunga and Stephens, 2009; Bauer, Eichholtz and Kok, 2010). Table 19 below summaries the control variables, descriptions and formulas used in this research.

Table 19: Description of Control Variables Applied.

Description of Control Variable			
Variable	Symbol	Description	Defined as Follows
Firm Size	FrmS	The natural log of total assets of the REIT.	$Size_t = \ln(Total\ Assets_t)$
Firm Age	FrmA	Natural log of the number of years a REIT has been listed on the stock exchange since its establishment.	$Age_t = \ln Age\ of\ Firm$
Growth	Grwth	The market-to-book values.	$Growth, MTB_t = \frac{Market\ Value\ of\ Equity_t}{Book\ Value\ of\ Assets_t} - 1$
Leverage	Lev	The ratio of book value of total debt to book value of total asset in its natural log term.	$Leverage_t = \ln(Debt_t / Asset_t)$
Dividend Payout ratio	DPR	The ratio of total dividend to net income.	$Dividend\ Payout\ Ratio_t = \frac{Total\ Dividend_t}{Net\ Income_t}$
Dividend Payout to free cash flow	DPFC	The ratio of dividend payout to free cash flows	$Dividend\ Payout\ Ratio\ to\ Free\ Cashflow = \frac{Total\ Dividend_t}{FFO_t}$
Forex	Fx	The exchange rate at year-end	$Domestic\ currency/GBP$

An important consideration for financial data from different REIT jurisdictions is that they may have different financial reporting calendars. Corporate governance and financial data for the firms' analyses will be sourced following annual financial data linked to the annual

reports. Accounting dates commonly used in the United Kingdom, South Africa and Nigeria show that most financial reports have a year-end date in December, with few firms releasing reports in March.

3.6.9 Corporate Governance regression model

Following previous studies, the dependent variables for the measurement of REIT performance include return on assets (ROA), return on equity (ROE) and Tobin's q respectively (Black and Kim, 2007; Prima, 2014; Chong, Ting and Cheng, 2016; Black et al., 2017; Chong, Ting and Cheng, 2018)

The general regression model of the REIT corporate governance is as follows:

$$Dependent\ variable_t = \beta_0 + \beta_1 ICGI_t + \sum_{i=2}^{i=n} \beta_i (Control\ Variables_t) + \varepsilon_t$$

The general regression model of the individual corporate governance attributes of the REITs in the United Kingdom, South Africa and Nigeria is as follows:

$$\begin{aligned} Dependent\ variable_t = & \beta_0 + \beta_1 BoardMatters_t + \beta_2 AuditCommittee_t \\ & + \beta_3 Remuneration_t + \beta_4 REITOrganisation_t + \beta_5 Fees_t \\ & + \beta_6 RPT_t + \beta_7 Gearing_t + \beta_8 Ownership_t \\ & + \sum_{i=9}^{i=n} \beta_i (Control\ Variable_t) + \varepsilon_t \end{aligned}$$

The hypothesis is that when a firm has a weaker governance score, there is the potential that it will underperform. The level at which a firm adheres to the country-level corporate governance requirement is expected to result in a positive relationship to the performance measures. ICGI denotes the REIT corporate governance score; *Board Matters* is the score of board matter in the index, *Audit Committee* is the score of the audit committee in the index, *Remuneration* is the score of the remuneration matters in the index, *REIT Organisation* is the score of REIT organisation in the index, *Fees* is the score of the fees score in the index, *Related Party Transaction* is the score of RPT in the index, *Gearing* is the score of gearing in the index, *Ownership* is the score of ownership in the index; $\sum_{i=2}^{i=n} \beta_i (Control\ Variables_t)$ denotes the control variable at t (time), and n is a numeric

number (number of REITs); $\sum_{i=9}^{i=n} \beta_i (\text{Control Variable}_t)$ denotes the control variable at t (time), and n is a numeric number (number of REITs). All control variables are discussed in Section 3.5.8 and Table 21, which are included to control for firm-specific and time-specific effects.

3.7 Chapter Summary

In this chapter, an investigation of the method of enquiry to be applied has been conducted. An evaluation of research concepts, paradigms, philosophy and design was conducted to identify the ideal positions suitable for the research and understand the researcher's philosophical positioning. This study uses a pragmatic philosophical approach, which applies a multi-methodological approach to understanding how the quality of corporate governance and the investment decision-making process affects REITs performance. A mixed method convergent parallel is applied to allow the use of qualitative and quantitative data collection and analysis techniques relevant to the areas of study. The literature review is approached from a phenomenological point of view, allowing for the collection of extensive extant information to create a deeper understanding of the crucial thematic aspects of the research, such as corporate governance regulation, scoring frameworks, investment decision-making process, factors affecting performance and relevant performance metrics. Qualitative data is described and collected using semi-structured interviews of key decision makers aware of the investment decision-making process and corporate governance practices in the REITs operation. The qualitative data collected is analysed using qualitative content and content analysis. The quantitative data and variables are described for the operational and firm valuation metrics. Quantitative data collection follows from the creation of the ICGI, which is drawn from the academic and commercial scoring framework and the variables applied in the regression model in the quantitative data analysis are reported and described. Crucially the process of restricting the data sources, time frame and exclusions to the REIT samples in each regime is evaluated to arrive at the final sample.

CHAPTER FOUR

FACTORS CONTRIBUTING TO REIT PERFORMANCE

4.1 Introduction

This chapter centres upon research Objective 2 – 'To identify and document the factors contributing to the performance of Real Estate Investment Trusts (REITs).' This objective is the most general one, and it reflects the initial frame of inquiry of the researcher in exploring the rest of the objectives of this research. Following the initial investigation conducted in Section 2.3 and Section 2.5, which identified academic and industrial factors commonly applied to measure REITs performance, these factors are further reviewed in line with the semi-structured interviews, which were transcribed and then analysed to establish the factors which are most relevant to the industry experts in the REIT regimes of the United Kingdom, South Africa and Nigeria. Following the literature, it is expected that just like REITs in other regimes, the majority of factors expected to impact performance will be drawn from a performance scorecard which is linked to strategic, operational excellence, financial, customer and stakeholder and lastly, the innovation and learning (Moullin, 2002). Metrics used to measure performance against these factors will be consistent with the EPRA recommendations in the UK but depart slightly from those applied in SA and Nigeria, as REITs in emerging markets do not yet fully conform to EPRA best practice recommendations. Hence metrics that interviewees may discuss will include but are not limited to share price, net asset value, rental income, and operational cost, which is consistent with the work of Ghosh et al. (2011). The questions to answer this objective are drawn from Section B (see Appendix [7](#)) of the semi-structured interview guide, which asked:

Section B: Measuring REITs Performance

Q.2. Can you please share with me your thoughts on what some of these firm-specific factors that may affect your REITs performance in the jurisdiction you operate?

Q.3. Using performance metrics commonly applied by your REIT firm to measure performance, can you please share with me how some of these firm-specific factors may contribute to how your REIT performance?

Q.4. Which of these firm-specific factors and performance metrics do you think are the most vital in the operations of your REIT?

The following questions above in Section B will be evaluated based on the individual REIT regimes and reclassified following the work of (Moullin, 2002) into the relevant themes discussed by the respondents. In Appendix 6, a quick summary of the findings obtained from interviewees provides a look at the factors generally believed to contribute to performance: what performance metrics are used to measure these firm-specific factors that contribute to performance; and finally, the most vital performance factors and metrics.

4.2 Factors contributing to individual REIT regime's performance

Q.2. Can you please share with me your thoughts on what some of these firm-specific factors that may affect your REITs performance in the jurisdiction you operate?

For all respondents, the funnel chart information from NVivo displayed the most discussed firm-specific factors that all respondents perceived to impact their REITs performance. The top five most discussed factors by respondents revolved around *Management Strategy*, *Property Type or Class*, *Experience*, *Management Structure* and *Economy*, further explained and discussed based on respondents from each REIT jurisdiction. Table 20 presents the aggregated coding reference and individual country coding reference of the factors discussed by interviewees. Of these, 12 interviewees were in the UK, 5 in South Africa and 2 in Nigeria in the three REIT jurisdictions.

The takeaway from the factors discussed by interviewees in all three REIT regimes is consistent with that in the literature of Atkinson, Waterhouse and Wells (1997), Marr (2004) and Wagner (2009), where the factors discussed are those generally understood by the people involved in the sector. These factors are linked to critical success factors such as *Operating Stability*, *Property Type*, *Location* and *Management Structure* of the business, which form the basis of performance management. This is closely linked to the resource implication of the strategic plan for the REIT, with factors such as *Management Strategy*, *Diversification*, and *Asset Quality* playing a crucial role in how overall performance is measured. For all three REIT regimes, factors such as *Experience* and *Location* play a significant role as the underlying properties, regardless of sectoral specification, are still affected by real estate fundamentals. The array of factors interviewees discussed with different levels of emphasis based on the regime (see Table 20

below) helps to drive the notion that several factors linked to strategic, operational excellence, financial, customer and stakeholder and innovation and learning must be examined better to evaluate firm performance (Moullin, 2002; Wagner, 2009).

It is important to note that when interviewees discuss the factors that contribute to the performance of their individual REIT and the investment decision-making process, there is a significant role played by bias and human beliefs in how the evidence is presented.

Analysis of the aggregated common references on factors affecting performance shows that two of the top five factors, *Management Strategy* and *Experience*, can be impacted by judgment bias, which may positively or negatively affect the REIT's performance. The interviewee's commentary tends to align with the narrative from the literature, highlighting overconfidence, herding (especially when comparing management strategy) and confirmation bias. Overconfidence can lead to interviewees attributing good performance outcomes to their talent, while confirmation bias can result in the selective presentation of factors and performance outcomes that confirm preconceived notions of how the REIT regime or sector operates. (Kumar & Goyal, 2015; Tsado & Gunu, 2011).

Table 20: Factors Affecting Performance of REITs

No	All Factor	Aggregated Common Ref	UK Factors	UK Ref	SA Factors	SA Ref	Nigeria Factors	Nigeria Ref
1	Management Strategy	17	Property Type or Class	13	Operating Stability	5	Economy	6
2	Property Type or Class	16	Management Strategy	13	Experience	4	Experience	6
3	Experience	16	Management Structure	11	Location	4	Location	6
4	Management Structure	15	Quality of Tenant	10	Management Strategy	4	Diversification	4
5	Economy	14	Supply and Demand Factors	10	Management Structure	4	REIT Size	4
6	Diversification	13	Diversification	9	REIT Age	4	Asset Quality	2
7	Location	13	Economy	8	Property Type or Class	3	REIT Age	2
8	REIT Age	12	Asset Quality	7	Asset Quality	2	Level of Rent	1
9	REIT Size	12	Knock-on Effect of External Factor	7	Capital Optimisation and Cost	2	Operating Stability	1
10	Asset Quality	11	Level of Rent	7	Knock-on Effect of External Factor	2	Supply and Demand Factors	1
11	Supply and Demand Factors	11	Location	7	Location	2	Tenant Not Paying	1
12	Quality of Tenant	10	REIT Size	7	Reputation	2		

13	Knock-on Effect of External Factor	9	Reputation	7	Diversification	1		
14	Reputation	9	Experience	6	REIT Size	1		
15	Level of Rent	8	REIT Age	6				
16	Operating Stability	8	General Investment Criteria	4				
17	Capital Optimisation and Cost	5	Capital Optimisation and Cost	3				
18	General Investment Criteria	4	Operating Stability	2				
19	Tenant Not Paying	2	Liquidity	1				
20			Tenant Not Paying	1				
21			Volatility	1				

4.2.1 United Kingdom REIT Regimes Factors

Based on the analysis of the semi-structured interview data on NVivo, Table 20, above provides a breakdown of the factors discussed by respondents in the United Kingdom, contributing to performance from a firm perspective.

The real estate sector in the United Kingdom has been well documented and researched. However, little has been done to investigate what REIT managers see as the factors affecting their performance. The REIT regime in the UK is matured, with REIT managers focusing on factors that affect underlying assets, improving revenue, or increasing assets to debt (Deng, Hu and Srinivasan, 2017; EPRA, 2018).

The most discussed factor that respondents believe played an essential role in the performance of the REIT was the *Property Type or Class*. In the United Kingdom and all jurisdictions, the *Property Types or Classes* usually invested in by REITs are retail, industrial, office, residential, residential, self-storage and so on. Respondent's response here was drawn from how their REIT *Property Type or Class* affects their performance within the market. Most UK respondents mentioned the *Property Type or Class* in various ways. This linkage to the overall requirement of REITs to operate efficiently and distribute close to 90% of their profits generated from rental incomes. The current issues (online shopping and e-commerce) faced by the retail sector have been spoken about by UK6 (a CFO), showing the structural changes occurring in the sector. UK6 states:

99% of our income comes from collecting rent, and all that rent we collect, 85% comes from sort of general merchandise, predominantly fashion and about 15% comes from leisure. So that's restaurants, cinemas, ski slopes, and so on. And it's the leisure piece that is increasing, and the general merchandise is decreasing.

The general sentiment to the UK property market is an issue mentioned by the respondents. With sentiments low for retail properties, as discussed by UK6 above, other alternatives from the traditional property sector begin to look attractive to an investor. It shows that the bias expressed by interviewees in the non-performing sector may acknowledge difficulty but can be flawed with overconfidence or optimism, which may lead to a failure to look at the complete picture. For UK7, whose REITs invest in an alternative mentioned:

So, we are impacted by sentiment towards UK property. We are what would be called an alternative in the traditional property sort of sectors...., Self-storage and student accommodation have risen as what I will call alternative sectors and beginning to get some sort of interest from property investors because we are slightly different.

The next most discussed factor which REIT managers believe affects their performance is *Management Strategy*. The discussion of *Management Strategy* by UK respondents revolved around how they are positioned within the REITs' sector, how they invest or divest, and how specialisations bring about management efficiency. UK10 (Head of Investment) boldly stated that:

....just because you're in xxxx does not give you the right or does not necessarily equate to attractive share price performance. And, and a lot of it is around your strategy and where you, how you buy and sell and where you locate.

This opinion on the requirement for sectoral specialisation is further strengthened by UK3 (a CEO) and UK7 (a CEO) statements. They both believe that a professional management team in a sector knows the ins and outs of that sector. Investors should invest in REITs in specialised sectors, thereby achieving diversification this way rather than expecting a management team to make decisions in markets where they do not have reliable information. UK3 reflecting on a meeting, said:

....I want to a breakfast the other morning, I had a guy who's those PRS (professional retail sector), a guy who does local community shopping centres, I was from xxxxx, a guy who does student accommodation. So, we have a mixture with all specialists in what we do. In terms of the operation and investment, but some of our strategies were the same. And those strategies mainly revolve around questions of governance, gearing, capital structure, focus on cash flow, not net asset value, this sort of stuff. Where we differed is that we invested in different types of assets. But there are other factors, you know, sticking to big urban centres, sticking to areas where the barriers to competition are highest... The differences, we were doing it with different types of asset classes of which we all have expertise in our asset class.

The agreement on the need to have a specialised focus on investment by REITs expressed by UK3 is mentioned again by UK9.1 (an Assistant Fund Manager). *Management Strategy*

in UK9.1 opinion should focus on know-how or specific knowledge. UK9.1 states here that:

Specific, sectors specific knowledge and you can go further and say sub-sector specific knowledge, what the XXXX, XXX REIT is about is large logistics, facilities and investing in that for our shareholders.

This sentiment on *Management Strategy* in relationship to *Operating Stability* is both expressed by UK7, who stated that:

...we are the most efficient, at doing what we do. Operating student accommodation is quite sort of intense in terms of the staffing, the resource, the investment, maintenance and things like that. You must make and scale, absolutely has benefits in terms of being able to procure the product, supply chain, in terms of the size and scale we are in any one of our cities therefore so management efficiencies, and so on.

On the *Management Structure*, the UK has both internal and external *Management Structure*. UK3, a CEO of an internally managed REIT explains that:

Any REIT should be run by just one management team. And that should be internalised within the REIT, and if the REIT is too small, then it needs to get bigger, by merging with others or acquiring others or growing. But when you have external managers, there is no way ever that they can over the medium to long term have their interest aligned with shareholders, because should anything go wrong, or there be any issues, their immediate response will be to protect the vehicle that's doing the management rather than worrying about the returns to the stakeholders within the REIT.

However, UK9.1, an Assistant Fund Manager of an external manager REITs, mentions that though they have an externally managed structure, they operate with a precise alignment to the shareholder values as their appointment and performance as the board and market overview the external managers. UK9.1 state:

We're quite unusual in fact that we are externally managed... From a management point the decision-making process should be similar (to internally managed REITs).. If I look back at my current role here and when I work for a regular structured company, my role is the same as in support the board, act as an adviser to the board and the link between the

management and the board. So even though we are externally managed, we still have to have everything in place as you will do in a normal company and you still have to do your disclosure to the market.. The board can appoint the new external manager; we are, if this external manager is found not to be performing correctly, they have that power and that control. And obviously as an external manager that keeps us working hard.

Most respondents also mentioned the drive to secure *Quality Tenants* as a factor contributing to performance. The market for *Quality Tenants* has increasingly become more of an issue for the REIT retail sector expressed by respondents invested in this sector. This can be balanced by having ideal prime *Locations*. The alternative (self-storage, student accommodation and logistics) focused REITs have expressed their ability to extract more performance from these sectors due to structural changes such as more focus on higher education, online shopping and e-commerce. UK10, whose REITs invest in the logistics and warehouse sector, focuses on catering to tenants that can take up big spaces. UK10 state:

We invest in logistics. And when I say logistics, as a rule of thumb, they tend to be buildings in excess of 10,000 square meters, or 100,000 square feet... The performance of those is being driven by a whole host of things. That is primarily the structural changes in retail and, and the likes of Amazon, and three to third-party logistics providers, DHL, Hermes, and the like. Whom are taking big, big warehouses to distribute throughout the UK.

The need for *Quality Tenants* is expressed simply by UK4, whose REITs invest in the healthcare sector, where the strategy with investment in this sector is usually long-term and vested in the communities they build. UK4 states that:

...our business model is around the long-term secure nature of our income, and with a very strong tenant strength in terms of the risk profile of the tenant is very low... and, yeah, we keep our leases long.

Having the ability to secure *Quality Tenants* with the ability to sign long leases and have a low-risk profile should be the most attractive prospect for the REIT respondents. However, the retail sector has begun to see structural shifts away from physical space to online shopping, affecting the retail sector more drastically. This is also supported by UK6, whose REITs invest in a diversified retail portfolio in UK and Spain and points to the

situation that while the sector may be struggling, having properties in the best locations attracts big brands. UK6 states that:

...our big centres are a number of years old but their rents continue to grow because if you are retailing you want a smaller number of locations where you got shops, you want them in the best locations..., So, a brand like Next is reducing the number of shops it has, but in the last five years with XXXX it's tripled the amount of space it has with us.

Summarising this factor, UK9.1, whose REITs invested in warehouses, mentioned that the *Quality of Tenant* they attract tend to invest heavily into the space to bring it up to their standard; UK9.1 said that:

They invest a huge amount of capital in their buildings and infrastructure that in order for it to work financially, they need have a long lease to amortise down the cost of that investment, which ties nicely with the lease... But right, fortunately, we've selected very strong tenants because that's typically what we do, and we monitor that.

A REIT's performance reflects how healthy the *Economy* is at any point in time. While some sectors fair better than others at different times, REITs, like typical real estate investments, experience cyclical economic changes. The UK real estate sector experienced rapid growth, favourable demographic terms and a supportive regulatory environment in the REIT legislation (Jadevicius and Lee, 2017; Omokhomion, Egbu and Robinson, 2018a). Many respondents share this view, especially regarding *Location* in the UK, events within BREXIT and changes in online shopping, further emphasising these views. UK10 stated that:

...our performance does not just relate to what's happening in the UK, it relates to what's happening in our European destinations as well.... in London, as the population continues to grow, and even more houses needs to be built, industrial land, in traditional has been the lowest value land. So, what's been happening in London is various pressures on industrial land are magnified because all the industrial land has been taken away by higher value uses. So, you have a twin impact of; structural demand changes, everybody wanting stuff to be delivered to the door tomorrow and massive loss of industrial land to higher value uses.

This was also supported by UK5 (a CFO), showing that there is a link between how the *Economy* stands, demographics and consumer spending affects the performance of the REIT. UK5 stated:

...all real estate tends to be a local issue. So local supply and demand are very important. If you have a shopping centre or retail, then depending on what the competition is nearby, then that can impact how well that asset performs. Supply and demand are one thing, do you have a good population and is the demand good, are you relatively far away from other assets that compete with you. So, if somebody builds something nearby, that would be an external factor that impacts you, the other external factors that impact you are, the economy. In retail, particularly the consumer economy, are people going to go out to shop, spending their money, and then specifically in retail, what's the disruption from the online world? The online world is like additional supply; it's like having another building next to you.

Respondents also discuss *Location* in the UK as a factor that reflects on the REITs performance. While there are REITs that have a level of *Diversification* by *Location*, this is focused on cities or regions that provide the *Economy* to generate shareholder value and give them some competitive advantage, such as entry restrictions. Additionally, REITS have cross-border investment activities, especially across the EU, providing greater diversification. UK7 believes that a lot of the performance they have experienced is due to developing in the *very best location*. UK10 (Head of UK Investment) points to having *Management Strategy* to purchase land in strategic *Locations* to remain competitive as a REIT. In that regard, UK1 (a Director) states:

XXX chooses to have a portfolio that focuses in and around London. We've got the bulk of the value of the portfolio is in places like Shoreditch, Bloomsbury, Greenwich, and London is a city that from a student housing perspective is in incredibly high demand.

This view is supported by UK6 (a CFO), who noted that the retail space is currently experiencing some difficulty. It was pointed out that their old properties are in the most desirable locations in the UK and Spain. UK6 noted that:

..our big centres are a number of years old but their rents continue to grow because retailing is, if you are retailing you want a smaller number of locations where you got

shops, you want them in the best locations, and we have the best the best location in each city in the region we trade in the UK or Spain.

Many respondents also discussed how the *Asset Quality* of a REIT plays a vital role in understanding the performance in the UK REIT regime. This is understandable as real estate with higher *Asset Quality* is more desirable and provides investors and the REITs with a higher return on assets. The only dilemma here is that when it comes to purchasing real estate property into the REIT stock, properties of high *Asset Quality* are limited, and *Locations* where they can be constructed are highly sorted after (Bauer, Eichholtz and Kok, 2010; Yap, Ong and Yeo, 2018). UK1 on the *Asset Quality* in their REIT portfolio states:

I think the quality of our assets is one of the three key pillars for performance of the company. We have built or building new, and they are what we consider to be the latest iteration when it comes to student housing in the UK. So, we spend a lot of time, day one working with interior designers and architects to come up with a product which is different from our competitors, but we think it is superior. Yes, smaller room sizes, which feel bigger because of the clever design.

For respondents who had older properties which might be deemed as having lower *Asset Quality*, it is noted that they benefit from a *Location* advantage. UK6 earlier noted this. Another respondent UK7 said that:

while some of our properties, because we have been doing it for longer, are perhaps older than some of our competitive properties, they are generally in the very best locations, you know, very good proximity to campus or local amenities or transport links.

Respondents UK9.1-3 all agree that the performance they are experiencing related to higher returns to their shareholders comes from having good *Asset Quality* as the properties in their portfolio have all been constructed. UK9.1 explained that:

But we do spend a lot time looking at the strength of the quality of asset providing that income stream to our shareholders and the quality of the product; I think the vast majority, approximately 80% of our portfolio has been built at the turn of the millennium. So, they are modern properties, which is a crucial important factor regarding performance and quality of products whether the tenants stay, or they want to let the building and the cost of all of that is essential factor performance.

In addition to what has been discussed so far, though, to a lesser degree, some respondents in the UK touched on REIT Size, Age, *Experience and Reputation* as factors that affect the performance of their REIT. Regarding *REIT Size*, many respondents believe this factor is essential to the performance of the REIT. The general agreement is that REITs must grow, and size has advantages, such as improved stock liquidity and the ability to raise finance cheaply. On this, UK3 states:

I think size is important. I think you will eventually have to get to a relatively large size, and it has various benefits. For one is that it improves liquidity of the stock.

UK5 using an example here mentioned:

Size has an impact in terms of our overall performance because what I was talking about that was on this... The other aspect is how much gearing you add, and so size does have an impact on your ability to raise finance cheaply. And, to be able to write a check quickly. So, we bought a site recently where we were not the top bidder, but they were very worried about the Brexit vote this was in December. One of the many votes, but they were very worried about, and so they rather took our money, because they knew we could deliver within three days rather than someone else's. So, the scale can have an impact on speed, and on the cost of finance.

Respondents discussed *REIT Age* as a factor that affects performance. UK1 thinks this factor is important as people measure performance from different points since a REITs IPO. UK1 stated that:

The age of the company, I guess has a bearing if you're looking at it, returns since IPOs. People measure performance in different ways. Some people may be looking over the last six months, three months, three years. And there'll be people who will be trying to forecast what our performance is for the next year, two years, three years. We don't produce performance forecasts....

The *REITs Age* as a factor affecting performance is used as a yardstick to understand credibility and assess the sector's future performance. This factor was also discussed in relationship with the *Reputation* of the REITs, providing investors and credit providers with a level of certainty that younger REITs may not be able to show (Ghosh et al., 2011). UK5 (a CFO) stated that:

...I think Age only with respect to Reputation... people will deal with us because it is XXX because we are a FTSE 100 company. And so again if they want certainty of the deal will get done because on their side, they don't have the time or whatever. Then YES, it does have a benefit. But it only marginal in the overall performance... I think age is less important than size and scale. You know, I think money tends to talk, it is cheaper for bigger companies.

Based on the analysis of the semi-structured interview data on NVivo, Table 20, above provides a breakdown of the factors discussed by respondents in the United Kingdom, contributing to performance from a firm perspective.

4.2.2 South African REIT Regime Factors

Based on the analysis of the semi-structured interview data on NVivo, Table 20 above shows a breakdown of the factors discussed by respondents in the South African REIT regime, contributing to performance from a firm perspective.

The South Africa REIT regime was introduced in 2013 and is the largest in Africa due to its vibrant real estate market (CAHF, 2017). Having the highest levels of institutional and real estate market maturity in Africa, the factors affecting the REIT regime in South Africa showed close similarity to the UK REIT and Asian REIT regimes, as observed in studies by (Wei Lan Chong, Ting and Cheng, 2018). With the REIT regime growing in maturity, most respondents focused on the *Operating Stability* of their individual REIT. Efficiency in the timely rental collection, reduced vacancies, fuel price and energy cost are some of the operational challenges faced by the REIT firms, which they believe play a role in performance. In this vein, SA2 mention:

.... factors will be interest rate, fuel prices going up because it affects the tenant and then obviously when tenants are affected, they are looking for concessions to..., lower their rental because it is their main and largest cost....

This point is nicely summarised by SA3 from the point of view of the REIT as:

....to operate efficiently. So that's about managing the resources that we have in the most efficient manner possible.

SA5 on *Location* mentioned that this directs how they buy, manage and own property in the REIT portfolio. The overall aim is to consolidate assets in the portfolio to big cities, which is in line with *Operating Stability*. SA5 opined that:

...if we've got a building that is in a very isolated town, it does become expensive to manage it..., which is not a significant cost but that is time taken away from say having a portfolio in a big city, and if you're going to site visits, it's moving from point B to C, rather than having to fly out to a small town somewhere just to look at one building. From a cost point of view, if you're going to have to do an external valuer, look at that, that's another cost cover for the accommodation transport and to go to that space.

The *Location* factor was also discussed in collaboration with the *Property Type or Class* as a factor affecting REIT performance. Like most investments, real estate performance is cyclical, with the need to redirect investment strategically across *locations* and *property type or class*. This is most noted in recent times with the need to rethink sectoral investment with REITs invested in retail or other specialised sectors. SA5 raises the point that once a specialised tenant leaves, the cost of reinstating that type of building is huge, affecting the REIT's performance. In addition, SA3 opined that:

...one of our responsibilities is to make sure that we invest strategically in sectors that we think show value and to make the correct investment decisions at any given point in time some sectors might outperform others. It is very difficult to say, you know, to kind of quantify the effect that would have, or sector allocation would have on overall performance.

Management Strategy (SA3, SA4 and SA5) was also discussed by respondents as a factor that affects the performance of their REITs. This was discussed in line with the corporate or organisation strategy directing how REIT managers apply *management strategy*. This factor helps explain performance as respondents discussed its link to the deployment of capital and reaction to competitors' behaviours. *Location* drives how the REITs invest and how they are affected by the broader regional economic markets. Respondent SA2 points to the isolation of their REITs in the Western Cape region as being beneficial in the past, having an economy of its own. The comment by SA2 and SA3 shows that some bias with dealing with downturn may be associated with events outside their control but success linked to factors such as the *management strategy*. SA2 reflecting on this, mentioned that:

...Only now in 2019 our businesses even in Cape Town, are seeing the effects of you know the rates and low cash flows, increases interest rates, you know, the pressure of the dollar-rand exchange rate all those kind of factors now affecting us and not just our competitors, but us as well.

The views on the effect of *REITs Age* as a factor that affects the performance are mixed. Some respondents believe that while this factor may not necessarily affect performance, it must be viewed in line with *Experience* level of the board and management community. On *REIT Age* as a factor, SA3 (a Head of Acquisition and Disposals) rightly summarised this as:

For me, it's not necessarily about how long the firm has been in existence. But it's more about the experience of your board and the leaders of the company.

SA4 believes that *REITs Age* comes into play from an investor's point of view as sometimes, age of existence brings about confidence.

... there are confidences if the REIT has been in existence for a while as opposed to a REIT that just opened last year. But it also depends on if you're an investor who is has a high-risk propensity, and you want to take a chance on new REIT. But if you're confident enough with the management and who is behind the REIT, I don't think then that would deter you as an investor to invest in that REIT. But if you are risk-averse you might want to avoid REITs that don't have a long track record to monitor so you be able to go for REIT that have been in existence for 5 years or more and then you can be able to track their performance.

Another most discussed factor on REIT performance by participants (SA2 and SA4) in South Africa was *Management Structure*. As mentioned by some respondents, having a flat management structure and open-door policy system allowed them to work in such a way that enhanced performance. SA2 rightfully mentioned that:

.....we've got a very flat, I would say flat hierarchical system. We sit in a very open-plan office, and all our property management is done internally. So, everyone who we need sits in this office, we don't externalise any management whatsoever or operations. it's an open-door policy... it makes us very nimble where our competitor like XXX or XXXX there is a certain number of hurdles that if the person in the same position in my role at XXX

may have to jump through five hoops before he gets the final yes or gets a solid decision, whereas I have got quick access to not only our executive management but as well as our investment committee and our board, which makes everything quite easy and simple.

This argument supports the choice of internally managed REITs having more agility and control of the direction of the REIT and can manage operational costs to increase performance, thus increasing shareholder value. This is also evident in some South African REITs' transition from externally managed to internally managed structures. It is also in line with earlier arguments brought up in Section 2.5.1.1, where it was noted that REIT regimes found in the markets of the Asia Pacific and Africa initially find externally managed structure attractive because of economic and political instability; civil law-based legal systems; lack of development and management expertise; high level of corruption and poor disclosure (Cashman et al. 2014; Das and Thomas 2016). As the South African REIT develops in maturity, the need to cede control will reduce, causing the internally managed structure preferable.

Other compelling factors that affect performance in the South African REIT are *Reputation, REIT Size and Asset Quality*. SA3 and SA4 on *Reputation*, believe that it should form a critical factor that drives performance and should be managed to build confidence in the trust and investment decisions it makes. For *Asset Quality*, SA2 believes that for most REITs buying, the aim remains to buy good quality assets, which has become increasingly more complicated and will increase capital availability. SA2 mentioned that;

...we only look to buy high-quality assets, high enough yields to be included to the fund, we don't just buy for the sake of buying, we buy assets that we know will take care of themselves or that need little to no maintenance...

4.2.3 Nigerian REIT Regime Factors

Based on the analysis of the semi-structured interview data on NVivo, Table 20 above showed a breakdown of the factors discussed by respondents in the Nigerian REIT regime, which contributes to performance from a firm perspective.

For the respondents in Nigeria, an emerging REIT regime which is entirely externally managed, the response is reflective of issues related to most emerging markets which has been noted by (Chong, Ting and Cheng, 2018). NG1 and NG2 fund managers covering the

three REITs in Nigeria agreed that *Economic* performance is tightly related to how their firms perform. Their performance reflects how the *Economy* feeds into the need for more space. NG2 stating that

... when the economy is booming, you can increase your rental income, you get more clients that would take up your properties, and when there is an economic downturn most clients will be looking for cheaper places to let

NG2 stressed that in alignment with *Economy, Asset quality and Level of Rent* matter a lot. With a slowing *Economy*, there will be challenging to find appropriate tenants to take up high-grading property, which usually attracts high rental value. NG2 mentioned that property has been in the market for years without being occupied in a slowing *Economy*. This brings up the issue of *Asset quality* as an essential factor in the performance of the REIT. With the quality of the underlying REIT asset ageing, issues around *Operational Stability* arise. These issues then feed into the decision-making of REITs, where questions of investment or divestment of assets occur. NG2 rightly mentioned;

when you have a property that you had for a very long time maybe 10, 15 years a major problem will be its maintenance. Maintenance cost starts increasing over time. The cost of repairs, electrical faults, one or two fire outbreaks, you know and breakdown of facilities. All those things for long-dated properties you experience that a lot and I know that's our major problem right now.

NG1 is also of the opinion that the firm-specific factor affecting the performance relates to issues of, *Tenants not paying rent, Diversification* in terms of *Location* and *Property type*. NG 1 points to the lack of *Diversification* of *Location* and *Property type* of another REIT managed by them as a concerning issue for that portfolio; the poor existing *Economic* situation compounds this. NG 1 contended that:

...xxxx REITs is less diversified, in the sense that it's concentrated in one part of Lagos, ...also concentrated in further by the fact that a lot of its properties tend to be luxury, real estate.so the demand for luxury listings isn't, I mean in Nigeria right now it is waning so what caused it, the trend that we are looking right is People are moving out of high-priced locations into moderate prices and even lower-priced location, so forth.

Additionally, in the Nigerian REIT, a *REITs Age*, *Age of the fund manager*, and *Experience* plays a far more significant role in the long term. The effect of *Experience* by a REIT management team becomes more relevant when trying to operate and grow in an emerging market. The lack of *Experienced* management teams in emerging markets is seen as one of the reasons why an external management team is deemed favourable (Newell and Lee, 2012). On the effect of *Experience* on the performance of REITs, NG1 mentioned that:

I think it's more about how long you've been in the market as a fund. How long, the people who run the fund, the fund manager, property manager how much experience you have during that job will determine how you perform because do you get. With their experience, they can know we need x and x. For instance, for XXX there was a time we are exiting properties in Abuja and that was informed by the experience of our fund manager at the time that decided that it didn't make sense for us to have properties in Abuja. The fund manager believes back then it would be better for to sell and invest in certain areas in Lagos that were seen as what is it called, what is the word I am looking for, new frontier location if you can call it. And that really paid up for the fund.

However, according to NG1 and NG2, *REIT Size* is only essential when trying to understand the external manager's fees in the short term and would not necessarily affect performance but could become necessary for a REIT when understanding the cost of doing business.

4.3 Metrics are commonly used to measure REIT performance

Section 2.3.1 identifies performance metrics commonly used in the literature to measure REITs performance in general and those applied in REIT corporate governance research. This is summarised in Table 21 below. The interviewee's discussion of the metrics used to measure REIT performance highlights a consistent use of EPRA best practices in the UK. However, these practices have limited applicability in the SA and Nigerian REIT regimes. The metrics discussed by interviewees are those most commonly reported in annual reports and are important for stakeholders to make informed decisions. These metrics include *Rental Income*, *Income Distribution*, *Net Asset Value*, and *Operational Cost* which are consistent with the summary performance metric in Table 21. Unlike academic metrics such as Tobin's q, REIT Age, and Volatility, these metrics are closely associated with practitioners measuring REIT performance. The interviewees' metrics align with those

used to measure traditional corporate factors identified in the literature. The specific metrics used depend on the context of the investigation. For example, in the UK, interviewees used *Net Asset Value* to measure the corporate governance proxy of remuneration, which is also a significant financial metric for understanding firm size and quality over time (Ghosh et al., 2011). Overall, the interviewee's discussion provides valuable insight into the metrics used to measure REIT performance and underscores the importance of using context-specific metrics to make informed decisions.

Table 21: Summary of Performance metrics commonly applied by REITs to measure performance.

REIT General Performance Measure	REITs and Corporate Governance Performance Measures	EPRA Measures
REIT Return	REIT Size	EPRA Earnings
Volatility	Leverage	EPRA NAV
Total Market Return	Return on Asset	EPA Net Initial Yield
Index Return	Tobin's q	EPRA Topped-Up Net Initial Yield
Dividend Price Ratio	Total Asset	EPRA Vacancy Rate
Inflation	Market-to-book ratio	EPRA Cost Ratios
Market Capitalisation (REIT Size)	REIT Return	
Leverage	REIT Age	
Industrial Production Growth	Profitability	
Book-to-market ratio	Total Debt	

Q.3 below was asked in the semi-structured interview to gain insight from the interviewees.

Q.3. Using performance metrics commonly applied by your REIT firm to measure performance, can you please share with me how some of these firm-specific factors may contribute to how your REIT performances?

For all respondents, the table presented below extracted from coding done on NVivo displays the discussed performance metric used by the respondent's REIT to measure the various factors that contribute to the performance (see Table 20 for factors). The top five most discussed metrics by respondents revolved around *Rental Income*, *Net Asset Value (NAV)*, *Dividend Pay-outs*, *Operating Cost* and *Share price*. These choices of metrics have a clear link to the overall objectives of a REIT, which is to distribute income earned from the underlying property to the shareholders. These performance metrics will further be explained and discussed based on respondents from each REIT jurisdiction.

Table 22: Performance Metrics used by REITs

No	All Metrics	Aggregated Common Ref	UK Metrics	UK Ref	SA Metrics	SA Ref	Nigeria Metrics	Nigeria Ref
1	Rental Income	17	Net Asset Value	15	Income Distribution	5	Operational Cost	3
2	Net Asset Value	16	Rental Income	11	Operational Cost	4	Rental Income	3
3	Dividend Pay-out	16	Total Return	10	Rental Income	3	Dividend Payments	2
4	Operational Cost	12	Dividend Payments	9	Vacancy Rate	3	ROA	2
5	Share Price	10	Share Price	9	Weighted Annual Unexpired Lease	3	Vacancy Rate	2
6	Total Return	10	Yield	7	Debt Cost	2	Yield	2
7	Yield	9	Operational Cost	6	Loan to Value Ratio	1	Inventory	1
8	Vacancy Rate	7	EBITA	5	Net Asset Value	1	IRR	1
9	Debt Cost	5	Debt Cost	4	Share Price	1		
10	EBITA	5	Gearing	4				
11	Weighted Annual Unexpired Lease	5	EPS	3				
12	Gearing	4	Leverage	3				

13	Loan to Value Ratio	4	Loan to Value Ratio	3				
14	ROA	4	IRR	2				
15	EPS	3	ROA	2				
16	IRR	3	Vacancy Rate	2				
17	Leverage	3	Weighted Annual Unexpired Lease	2				
18	Inventory	1						

4.3.1 United Kingdom Metrics

The United Kingdom REIT regime is the most advanced of the three regimes in this study. With that in mind, interviewees discussed metrics commonly applied by the REIT regime, which mostly were in line with the EPRA recommended best practice metrics. The use of the EPRA performance measures is also reported in the annual reports of UK REITs. Unsurprisingly, the interviewees' top five metrics (see Table 22 above) are; *Net Asset Value*, *Rental Income*, *Total Return*, *Dividend Payments*, and *Share Price*.

When interviewees answered the question of what metric they used to measure the performance of their REITs, the topmost discussed metric was *Net Asset Value* as opposed to the commonly applied Tobin's q by academic researchers. The effect of measurement of the *Net Asset Value* comes with understanding valuations conducted on individual properties in the REITs portfolio carried out every quarter and understanding how most REITs also evaluate the *Share Price* metric. However, varying opinions exist on using *Net Asset Value* and, most significantly, the *Net Asset Value per Share* as metrics to understand the performance of REITs in the UK. This comes with the general assessment that most REITs operating in developed regimes trade at a discount to *Net Asset Value*; this can be ascribed to the agency problems (Wei, Hsieh and Sirmans, 1995; Friday, Sirmans and Conover, 1999). On this, UK7 states:

So, the net asset value, the value of all your properties, less sort the debt and the various holding that others might have against those properties is a much less important metric. So, it is still something we do talk about, and it is something that our investors will consider because our share price is in some way shape or form always benchmarked against that NAV... we are worth more than the net asset value, so our investors value what we do above and beyond bricks and mortar.... within the REIT market, there is just a handful of us that do operate at a premium, and it is probably pretty much the alternative. It is us, the likes of Big Yellow, Safe Store who are the self-storage companies... We are generally all operating at a premium to our NAV because we are all generating good visible earnings and investors can see that earnings grow and also as you rightly say a lot of the more traditional REITs, those invested in office and certainly in retail are having a tough time at the moment and so obviously investors are deciding where they want to put their money.

This view on interviewees on *Net Asset Value* and the *Net Asset Value per Share* is also supported by UK4, who states:

a widely reported metric in respect of REIT is the premium or discount to NAV on Net Asset Value. And we're a company that has held a premium to NAV for several years now, you know, you look at some of the retail companies trading very wide discounts to NAV in their reporting now.

This view on *Net Asset Value* has seen interviewee UK3 mention that they do not publish *Net Asset Value per Share* on an annual report because the *valuations are behind the curve on happenings in the market*. UK3 mentioned that:

So, they have management teams, and indeed shareholders and analysts focus on the NAV per share, in our view, these are nonsense. We don't even publish our NAV per share because we think it's a meaningless number. And we don't believe that businesses like listed REITs, should run strategies, management teams, based on what Jone Lang Laselle or CBRE or Knight Franke think every six months, we only do valuations now, once a year, externally, and we only do it because our banks want just have to have a look, but for a bank that seeing evaluation once a year, that's fine.

Also, interviewees discussed the *Rental Income* metric, which forms the primary fundamental of REITs. For instance, UK6 informed that:

So 85% of our income, 99% of our income comes from collecting rent.. So, we look at, so we have like for like rental income growth.

UK1 note that the growth in *Rental Income* for the REITs relates to demand and supply for accommodation in the space they operate. Interviewees highlighted this metric; growing *Rental Income* every year is essential. UK10 and UK8 agree with this, noting that their REIT tracks a *Rental Income* growth metric which feeds into the *Dividend Payment* metric. UK10 notes:

So, sort of preference to improve our rent every year, increase it... I mean, this, this is probably the most direct target in order to keep our dividends growing, is growing the rent. If this year we collect a pound, the next year we collect a pound twenty. Clearly, we are in the position to grow our dividend, that is really what the goal is.

The following discussed metric by interviewees is the *Total Return* which is the *REIT Return* metric and is related to the rent cyclical income-producing commercial real estate assets (Graff, 2001). The *Total Return* for REITs is generated from price appreciation, and rental income from real estate, which make them more predictable and less volatile compared to general stocks (Ooi, 2009a) UK5 mentioned that part of the metric that is reported to shareholders and the market by the REIT is the *Total Property Return*. UK5 states here on these metrics:

If I should say to people what you should concentrate on. Total property return. So that includes both the valuation performance and the income performance says the value of the property goes up by 5%, and you got 5% income. During the year, that will be a 10% total property return. So, its total property return is really what we managed to get out of the asset, both in valuation and on income.

UK7 mentions the aim of using a *Total Return* metric is to:

target around high single digit, to low double-digit sort of Total Returns. So, a range of about eight to 12% is the return we target to deliver to our shareholders.

This agrees with the UK9.1 statement, where the aim is to increase the *Total Return* of the REIT to increase shareholder return. UK9.1 states here that:

we obviously look at importantly, Total Return. And we do look at sort of the Total Return to Shareholders...

Furthermore, interviewees also discussed *Dividend Payment* as a metric for assessing the performance of REITs in the United Kingdom. The attraction to a REIT by shareholders is the ability to pay dividends regularly and grow the *Dividend Payments* regularly. *Dividend Payments* by REITs in the UK must meet the dividend pay-out mandatory requirement.

UK1 mentions that the performance of the REIT is measured by *Share Price* and *Dividends* that shareholders receive. Using the *Dividend Payments* by the REIT, UK10 rightly states this about *Rental Income* as a metric that needs to grow to increase *Dividend Payments*. Using *Dividend Payments* as a metric for measuring the performance of the REIT, the UK4 statement is in support of UK10, where UK4 states:

...last few years, our share price has picked up and probably going steady over the last couple of years. And dividends that we pay, are growing, reflects also our growing earnings stream and how he's been able to manage the balance sheet.

Statements by UK7 which is in line with other interviewees on the use of *Dividend Payment* where UK7 states:

How much we're delivering back to our shareholders is reflected in our dividend per share, how much dividends we are obviously paying out and returning cash to shareholders is effectively the return the cash return they get from investing in our business and then total return which is a combination of where we are enhancing asset value.

The *Share Price* and *Dividend Payment* metrics are interlinked in understanding the performance of REITs. Once capitalised, *Share Price* at the end of each fiscal year becomes the *Market Capitalisation*, which is the *REIT Size*. UK1 notes that the metric for performance should be the function of how shareholders receive the *Share Price* and the *Dividend Payment*. However, UK6 believes that the *Share Price* metric is predominantly an external factor controlled mainly by the market. Here UK6 states:

...we are assessed on our Share Price, which is an external factor...I mean we cannot directly control the share price.

There is a reluctance by many interviewees to use *Share Price* as a metric to evaluate the performance of their REITs. This is attributed to the situation where REITs generally trade at a discount to *Net Asset Value per Share*. This is noticed in the statement by UK7, which states on this;

So, it is still something we do talk about, and it is something that our investors will consider because our share price is in some way shape or form always benchmarked against that NAV.

UK8 supports this in that, in the end, shareholders and investors will look at *Share Price*. But this should be related to the underlying fundamentals of the physical assets in the REIT portfolio for a true appreciation of the metric as a measure of performance. UK8 notes:

Ultimately the performance of the share price to our investors. Obviously, the actual share price itself is covered by other small factors underneath underlying investment portfolio fundamentals.

Most interviewees also discussed the need to keep an eye on *Yield* of the REIT, a similar metric recommended by EPRA. In detail, questions need to be asked on what '*Yield*' interviewees speak about as interviewees also discussed the '*IRR (Internal Rate of Return)*'. The EPRA best-recommended measures track three yields; the EPRA Net Initial Yield, Topped-up Yield and *Equivalent Yield* (EPRA, 2019). On the metric of *Yield*, UK9.1 state that they track the EPRA *Yield* and the *IRR*, which feeds into the company performance metric. UK9.1 state:

But on the property side, which obviously feeds into that into the company, performance metrics, we have a keen eye on yield, which is obviously income. Net initial yield and running yield and I would say more and more equivalent yield... Look at the targets of IRR of around 9% and we have always managed to purchase on a property net initial basis asset, that a yielding a 5% or above. It's just about the one that is on place.

In the United Kingdom REIT regime, comments from interviewees show that the metrics they apply to measure performance closely match EPRA best practices recommendation guidelines. This similarity in discussion and reporting standards is an approach by the regime to reach uniformity, consistency and transparency in practice allowing investors and stakeholders in the sector to be presented with information that is most relevant to them. Hence while interviewees report the *NAV* and *NAV per Share* metric, which is a metric recommended by EPRA, the comments by interviewees, especially those not trading at a premium to *NAV*, are not in favour of using the *NAV per Share* as a metric but rather to focus on the fundamental metrics of the REIT itself such as *Rental Income* and *Vacancy Rate*. This view of not focusing on *NAV* as a metric is also seen in how interviewees discuss the *Share Price* of the REIT. While some agree that it is a metric observed by the external market and shareholders, the metric is out of their sphere of control due to the very nature of the stock exchange.

4.3.2 South Africa Metrics

The South African REITs regime is further ahead in its maturity (by market capitalisation, legislation and investment diversification) compared to the Nigerian REITs regime. The

ever-increasing influx of capital investment represents the growing maturity of the REIT sector; this is observed in the top factors (*Operating Stability, Experience*) discussed as contributing to the performance and the top metrics used to measure performance. For the South African REIT regime, the top five metrics most discussed (see Table 22 above) are *Income Distribution, Operational Cost, Rental Income, Vacancy Rate and Weighted Annual Unexpired Lease (WAUL)*.

The first most discussed metric employed by interviewees was the need to measure how well the REITs perform using the *Income Distribution* requirement related to dividend payments by the REITs. SA3 noted that the market observes two main KPIs: *Income Distribution* and *Net Asset Values* used to judge performance. SA2 states that all REITs must pay out *Income Distributions* to shareholders to avoid being taxed. So SA2 notes that:

So, the dividend per share is our main measure as a business, and our aim is to grant dividend per share year on year by at least inflation reaching. So last year we did 10% growth and the year before that 11% growth on that so, and this year we are aiming for 7% to 8% growth, and so that is our main measurement for the fund itself internally.

SA1 thinks that as a REIT, this remains the most crucial aspect they strive to achieve and grow yearly. SA1 stated that:

..because we are REIT distributions are very important, so are the distribution is growing, are they reducing? Obviously, to appease investors, we want those distributions to be growing all the time.

However, a respondent, SA5, believed the *Income Distribution* has increasingly become a less important metric for measuring their REITs and instead, the focus has been placed on improving *Operating Cost* as a metric that contributes to performance. SA5 stated that:

It has been important in the last few years, we are considering letting that one go for now, and more rather focus on maybe reviewing the expense. So, we may see our dividend might be we, we might go down a little because it's not sustainable. We are losing tenants because our buildings are not in very good state and the smaller players are stealing out tenants... So, it is something that we would consider looking at, maybe cutting down our dividend and retain profits for Cap expense.

Rental Income, Vacancy Rate and Weighted Annual Unexpired Lease are discussed jointly by most interviewees as metrics which are commonly used by their REITs to measure the performance in the South African REIT regime. Quoting SA4 on *rental income*:

...you don't collect rent claim, you don't have a steady income flow, and that affects the REIT, ..make the properties deteriorates..

SA5 and SA1 both agree that the *Rental Income* and *Vacancies* are metrics that come with a lot of questions which feed into the income statement of the REIT. SA5 notes that current government policy has allowed the influx of new competition into the property market of South Africa. With long Leases between 9-11 years, monitoring how well the REITs performs becomes crucial. SA5 states that:

...we do look at our vacancies. Our vacancy rate currently because of the situation with government, a lot of competition, because when this BEE policy came out, it helps a lot of people, Black South Africans getting into the property market, because in the individual that can buy a building, that is occupied by the government can then be entitled to the 9-11 lease, 15 year which is quite easy to get and the bank are willing to fund it.

The *Weighted Annual Unexpired Lease* has discussed a metric used to measure performance by SA2. Using the *Weighted Annual Unexpired Lease* gives the REIT manager an idea of the strength of leases in the REIT assets, which provide rental income. Having a longer *Weighted Annual Unexpired Lease* is generally acceptable by REIT managers as it gives the REIT a longer guaranteed source of income. SA2 referring to *Weighted Annual Unexpired Lease* stated that:

Internally the other factors that we use as measurements for the portfolio, will be the WAUL which is the weighted average unexpired lease rate, I am sure that's kind of the strength and the tenure of the income that we have on the fund is long that, so that right now it is about close on three years of guaranteed income with renewals happening every week in our office.

Finally, the interviewees also discussed issues around *Debt Cost* and the cost of financing for the REIT. As REIT regulations on debt are stringent, most REITs monitor this metric closely. A metric which SA2 applies is the *Cost of Capital*. SA mentions that when it

comes to purchasing assets into the REIT portfolio, using this metric is essential to the REIT. SA2 stated here:

And then the other factors that I would say would be kind of the years we are buying our properties at. We use our weighted average cost of capital as the benchmark for the purchasing of assets, and so long we are above that benchmark then we consider ourselves as performing good beyond the relationship to our acquisition's strategy.

While the South African REIT is still an emerging REIT regime, it shows signs of quickly moving to a developed regime. This can be seen with the South African REITs as part of the EPRA Global REIT survey under the Africa and Middle East Index alongside Dubai, Israel and Turkey. The emerging nature of the regime and moved to resemble a developed regime is observed by the focus of interviewees on a metric which improves operational efficiency, such as the REITs *Operational Cost*, *Vacancy Rate*, *Weighted Annual Unexpired Lease*. These metrics feed how well the underlying REIT assets operate, resulting in better *Income Distribution*, better and more reliable *Rental Income* and the possibility to have cheaper *Debt*, and grow *Net Asset Values*, which improves *Share Price*.

4.3.3 Nigeria Metrics

While many performance metrics for assessing how factors contribute to the performance exist, performance metrics necessary to emerging and growing REITs primarily represent the unique situations observed by shareholders and management. For Nigerian REITs in an emerging regime, respondents discussed that the metrics they applied the most were (see Table 22 above), *Operational Cost*, *Rental Income*, *Dividend Payment*, *ROA*, *Vacancy Rate*, *Yield*, *Inventory* and *IRR (internal rate of return)*.

Regarding the *Operational Cost* of REITs in Nigeria, NG2 notes that with the age of properties in the portfolio being an average of 15 years, maintenance costs begin to go up. This increase in maintenance cost to keep the property at the required quality to attract the correct type of tenant has a significant effect on income hence becoming essential to monitor. NG2 here rightly states that:

Operating cost on each asset, the renovation cost. The cost of improving an asset over time. You know when you like let me use an example. Improving an asset maybe making a

total replacement of a particular asset or addition of a building or block to that kind of asset, that also would have an impact on the quality of the asset.

The need to manage and track *Operational Cost*, especially that related to maintenance expenditures, is highlighted in the NG1 statement, where the respondent rightly mentions:

...you're spending to keep those properties going because regardless of whether somebody is in it or not, you must spend to make sure it's in good condition and your regular maintenance that is required for those properties.

The next most discussed metric is *Rental Income*. This formed the basis of all REIT income distributed to shareholders and observed constantly. While it would be fitting to expect it to be the most discussed factor, it is understandable that for an emerging economy, trying to reduce *Operating Cost* may become a focus during periods of uncertainty in the *Economy*. NG2 on *Rental Income* used as a metric state:

In term of measuring performance, it would probably be the return, the annual income, which is probably the rent income we earn on that asset over time.

Not surprisingly, the next most discussed metric was the *Dividend Payments* which follow naturally from *Rental Income*. As REITs are expected to distribute most of their rental income to shareholders, it continues to be a metric used to measure REITs performance. In this, NG2 mentioned that the REIT had ensured sustainable *Dividend Payments* year on year since its inception of the REIT. *Vacancy Rates* are also discussed as a crucial metric monitored by REITs in Nigeria and are linked to the situation in the *Economy* and growing *Operating Cost*. NG2 on the *Vacancy Rate* stated that:

So, vacancy rate increases when the economy is down, maintenance cost is on the high side especially with the inflation rate and exchange rate.

Concluding on the Nigeria REITs regimes, the metrics commonly applied by REIT managers to measure the factors contributing to REIT performance are like those discussed by interviewees in South Africa. With interviewees pointing to the declining nature of the *Economy* as the main factor that affects the performance of the REITs in Nigeria, interviewees point to the use of metrics such as *Operational Cost*, *Rental Income*, *Dividend*

Payments, Return on Assets and Vacancy Rate, all which are drastically affected during times of *Economic* decline.

4.4 Performance factors and metrics that are perceived to be the most vital in the operations of REIT?

Q.4. Which of these firm-specific factors and performance metrics do you think are the most vital in the operations of your REIT?

In Sections 4.2 and 4.3, interviewees discussed what they believed were the performance factors and metrics that influenced their REITs regimes. An additional question, *Q4*, was asked to the interviewees to find out the critical factors and metrics to the REITs' performance in this research's jurisdictions. In Table 23 below, the aggregated coding references from interviewees from the 3 REIT jurisdictions show what they believe to be the critical performance factors that contribute to the REITs performance and the critical metrics that they believe should be tracked to measure the performance of the REITs. These are consistent with the aggregated codes for top factors in Section 4.2 and top performance metrics in Section 4.3 for all three jurisdictions. From an individual REIT regime perspective, it is also possible to identify what interviewees identify as critical. See Table 20 and 22 for performance metric and factors in all 3 REIT jurisdictions.

For interviewees in the United Kingdom, the factors which are stated as having a critical effect on contributing to the performance of the REIT include; *Operational Stability, Quality of Tenant, Asset Quality, Experience, Strategic Investment, Management Structure* and *Supply and Demand Factors*. While for the critical performance metrics mentioned by the interviewee included; *Total Return, Rental Income, Yield, EPS, Debt Cos, Loan to Value ratio, Weighted Annual Unexpired Lease, Capital Optimisation, EBITA* and *Leverage*.

Table 23: Critical Metrics and Factors for all 3 REIT regimes

No	Critical Metrics	Ref in all 3 Regimes	Critical Factors	Ref in all 3 Regimes
1	Rentals Income	6	Operational Efficiency	6
2	Total Return	6	Quality of Tenant	4
3	Dividend Per Share	3	Experience	3
4	Weighted Annual Unexpired Lease	3	Strategic Investment	3
5	Yield	3	Asset Quality	2
6	EPS	2	Capital Optimisation and Cost	2
7	Interest and or Debt Cover	2	Economy	1
8	Loan to Value Ratio	2	Management Structure	1
9	EBITA	1	Supply and Demand Factors	1
10	Leverage	1		
11	Share Price	1		

In support of the above table explanation, using both the factor that contributes to performance and the metrics, UK4 speaking of *Quality of Tenant* mentioned that:

*..to make sure we're investing in an asset that is consistent with our existing portfolio, making sure that we don't harm our portfolio metrics in terms of the **quality of the tenant** and the **length of the lease** are the most fundamental factors. I think they are probably the important ones from the way you are looking at it.*

UK9.1 mentioned that for the REIT, the critical factors were to ensure *Operational Stability*, keep *Quality Tenants* and track and grow the *Rental Income*. In agreement with UK7, *Operational Efficiency* is conducted in line with *Strategic Investments* that remain consistent with the REIT's strategic objectives. UK7 states here regarding the *Strategic Investment* that:

Overall, Higher Education is growing and doing very well. But not all universities are doing as well as others; we spend a lot of time thinking about our alignment, to what we consider to be the best, or the right university to be working with.

For the South African REITs, interviewees were also able to identify the factors which are stated as having a critical effect on contributing to the performance of the REIT, including; *Operational Stability, Capital Optimisation and Cost, Experience, Strategic Investment*. While for the critical performance metrics mentioned by the interviewee are; *Dividend Shares, Rental Income, Share Price* and *Weighted Annual Unexpired Lease*.

The first metric interviewees in the South African REIT regime believe it is critical to follow the *Dividend Per Share* gained from the distribution requirement. Interviewees generally accept this metric. SA4 mentions that investors monitor the distribution, hence the *Dividend Per Share*. When asked, SA4 rightly says:

...there is share price should improve or at least not fall. It should keep growing, and as an investor, obviously, you look at the distributions, but for dividends, but just looking even from an outsider, if we look at the stock exchange, you want to see those REITs that are improving or staying the same... when they make a lot of investments, like when they buy a lot of other properties, the share price stagnates a bit, while they find their footing, but at least not falling.

The top factor critical to contributing to performance is *Operating Stability*. SA5 on the *Operating Stability* states that:

What I do on a month to month is look at vacancies, then leasing and how to engage with the operations department of our vacancies, how much space we have managed to let out and disposal of non-core, non-performing assets.

Supporting this, SA3 mentioned that:

For me, I would say that the three key ones are operating stability, optimising your capital and investing strategically. And for me, those are the three that could differentiate ourselves from our competitors.

For the Nigerian REITs, interviewees identified the main factors which are stated as having a binding effect in contributing to the performance of the REIT regime. These factors include; *Economy* and *Experience*. While for the essential metrics of performance mentioned by the interviewee are; *Rental Income* and *Dividend Payment*. When asked

what NG2 believed to be vital as a factor for understanding the REIT performance, NG2 stated here that:

... the economic situation has played a major role. That is the most important of them all.

NG1 statement on *Experience* as a vital factor reemphasised that;

.. It is more about the experience of the fund manager and the people that he works with, which is vital to the performance of the REIT...

Interviewees on *Rental Income* as a vital metric agree that for an emerging REIT regime, it is crucial to see *Rental Income* grow. Supporting this, NG2 mentioned that;

So, in terms of return to shareholders, it's generating rental income every year, our clients are stable, we have not lost any major clients...

In terms of *Dividend Payment* as a vital metric, the comments are to ensure that it remains sustainable and in line with the requirement for income distribution. Supporting this as a critical metric to follow, NG2 states here:

So, in terms of dividend payments as being vital, it has been sustainable since the REIT has been set up. We have always paid our dividend every year.

The comments on what factors and metrics are vital for the performance of the Nigerian REITs regime are limited as interviewees only provided brief statements to reaffirm words asked in Q2 and Q3 during the interview.

Table 24 summarises the findings of what interviewees in the three REIT regimes have identified as the vital firm-specific factors and performance metrics that they keep an eye on to understand performance. Looking at major organisational objectives specified in Section 2.3.1 and Table 24, it is observed that the overall requirement of the REIT manager in any regime is to meet the corporate objectives of the REIT. Moullin, (2002) sets out that performance should be placed alongside and grounded on corporate objectives and its surrounding beacons of; Strategy, Customer and Stakeholder, Financial, Operational Excellence and Innovation and Learning Objectives. The various factors discussed by interviewees fit into these objectives, with different metrics to ascertain how well the factors perform to meet the overall corporate objectives.

Interviewees from the UK REIT regime identified that to achieve the overall corporate objective of the REIT; there must be a strong strategic objective of the REIT. This is observed by the overwhelming number of factors (4) linked to the strategic objective; the rest are distributed between the Customer and Stakeholder, Operational Excellence, Financial and Innovation and Learning objectives. The metrics most discussed as vital to monitor performance by interviewees sit firmly within the financial and operational objectives. For interviewees in South African REIT regimes, the vital factors fall under the strategic, operational excellence, financial, innovation and learning objectives. At the same time, the metrics discussed as most critical by interviewees fall under operational excellence and financial objectives. Finally, for the Nigerian REIT regime, the vital factors discussed by interviewees are those related to strategic and, innovation and learning objectives.

Table 24: Vital Factors and Vital Metric for Performance of REITs

REIT Regime	REIT Objective				
	Strategic	Customer and Stakeholder	Operational Excellence	Financial	Innovation and Learning
UK REIT	Asset Quality	Quality of Tenant	Operational Stability	Capital Optimisation and Cost	Experience
	Strategic Investment				
	Management Structure				
	Supply and Demand Factors				
	Metric				
			Rental Income	Leverage	
			WAUL	EBITDA	

			Total Return	EPS	
				Yield	
				Interest and or Debt Cover	
				Loan to Value	
SA REIT	Strategic Investment		Operational Stability	Capital Optimisation and Cost	Experience
	Metric				
			Rentals Income	Dividend Per Share	
			WAUL	Share Price	
NG REIT	Economy				Experience
	Metric				
			Rental Income	Dividend Payments	

The findings from all three REIT regimes on the vital factors and metrics are consistent with the literature. Marr (2004), identified that the motivation for using the various factors and metrics is to monitor the performance for controlling, strategy planning, everyday decision making and strategy validation. The REIT regimes in all three jurisdictions have extensive regulatory and legislator frameworks that guide their operations. This requires extensive formal systems for reporting as opposed to informal reporting observed in smaller company sizes (Davila and Foster, 2007). The findings are also consistent with (Marr, 2004), where it was identified that organisations measure performance from 3 or 4 different perspectives, with most measuring from a financial perspective because accounting measures are readily available. This is observed in all REIT regimes, with the predominant vital metrics required for performance being financially based while still focused on strategic factors. Little or no mention is placed on other factors or metrics; for example, while the corporate governance code requires the reporting on the experience of the board, which may be given as years of experience in different relevant sectors, this is

not a metric discussed by interviewees to measure performance. Lastly, internal and external stakeholder and consumer aspect of the corporate governance code is not discussed in detail as only interviews in the UK mentioned the Quality of Tenant with no supporting metric provided.

4.5 Summary of Findings

This chapter sought; 'to identify and document the factors contributing to the performance of Real Estate Investment Trusts (REITs).' which is to achieve Objective 2 of this research thesis. It critically examines evidence from literature and data from interviewees on the REITs organisational objectives, the factors contributing to performance and what metrics are used to measure performance. Overall, the main aim of REIT managers in the United Kingdom, South Africa and Nigeria should be to provide investors with a reliable long-term return to shareholders.

Regardless of REIT size, age or jurisdiction, the reporting requirement of a publicly traded REIT follows strict reporting standards monitored by the regulatory authorities. While the market has required REITs to report on broader factors such as the customer and stakeholder, governance and so on, the findings from interviewees from all REIT regimes show that the focus is placed mostly on the financial and operational metrics. This is in line with the requirement for a holistic model of reporting performance which aspires to look beyond the strategic, financial and operational factors and metrics but also to include customer and stakeholder and stipulated factors and metrics. This approach toward a holistic model is strongly supported by the corporate governance codes of the United Kingdom and South Africa. Still, it is yet to be observed in the regulation in the Nigerian REIT regime, even in the recently released 2018 corporate governance code.

CHAPTER FIVE

CORPORATE GOVERNANCE AND REAL ESTATE INVESTMENT TRUSTS

5.1 Introduction

This chapter focuses on research Objective 4 – 'To analyse the impact of the quality of corporate governance on Real Estate Investment Trusts (REITs) performance'. A convergent parallel mixed method is followed, as indicated in Section 3.5.3. This study commenced with qualitative research using a literature review to understand the regulation (Section 2.4.1) and academic understanding of how corporate governance codes affect the performance of REITs (Section 2.5). It is followed by a qualitative data collection and analysis phase, which is followed by a quantitative data collection and analysis of the impact of corporate governance on REIT performance in Chapter 7. However, in this chapter, the yearly mean score for each sub-index is provided to give a quantitative context to the qualitative data collected.

The qualitative data collection and analysis (Section 3.6.3 and Section 3.6.4) using semi-structured interviews were conducted in all three REIT regimes in the study jurisdiction. The questions to answer this objective are drawn from Section C (see Appendix 5) of the semi-structured interview guide, which asks;

Section C: Corporate Governance and REITs

5. *Can you please tell me the extent to which established corporate governance proxies such as the ones below may impact your REIT performance (positively or negatively);*
 - a. *Board*
 - b. *Audit*
 - c. *Remuneration*
 - d. *Fees*
 - e. *Related Party Transactions*
 - f. *Gearing*
 - g. *REIT Specific Matter*
 - h. *Ownership*

6. *Using a scale of 1 to 5 (1-very negative, 2- negative, 3-neutral, 4-positive and 5-very positive), how would you judge the overall quality/strength of your REITs' corporate governance based on how it follows the corporate codes in the jurisdiction you operate?*

The quantitative data collection and analysis follow the methodology discussed in Section 3.5.1, Section 3.5.3, Section 3.6.6 and Section 3.6.6, which will be discussed later in this chapter. From the previous literature review, qualitative and quantitative data analysis will be integrated to develop the corporate governance framework and supporting guidance for Real Estate Investment Trusts (REITs).

5.2 Perception of Corporate Governance Proxies on REIT performance

The introduction of this chapter outlines the utilisation of a convergent parallel mixed method to investigate the impact of corporate governance quality on REIT performance. Interviewees were asked to share their opinions on corporate governance proxies derived from regulations, institutional rating providers, and past academic research(Ooi, 2009b; Lecomte and Ooi, 2013b; Black et al., 2015; Nakpodia, 2016). The section presents relevant findings from the semi-structured interviews, which contribute to academic knowledge on the effects of corporate governance proxies on REIT performance. It is worth noting that previous research in this field has been mainly quantitative, making these qualitative findings particularly valuable. The yearly mean scores from the index are provided, showing higher reporting against the index in the UK regime, followed by SA and Nigeria. Individual REIT scores were not presented to avoid the potential risk of linking interviewees to their scores, thereby breaching anonymity.

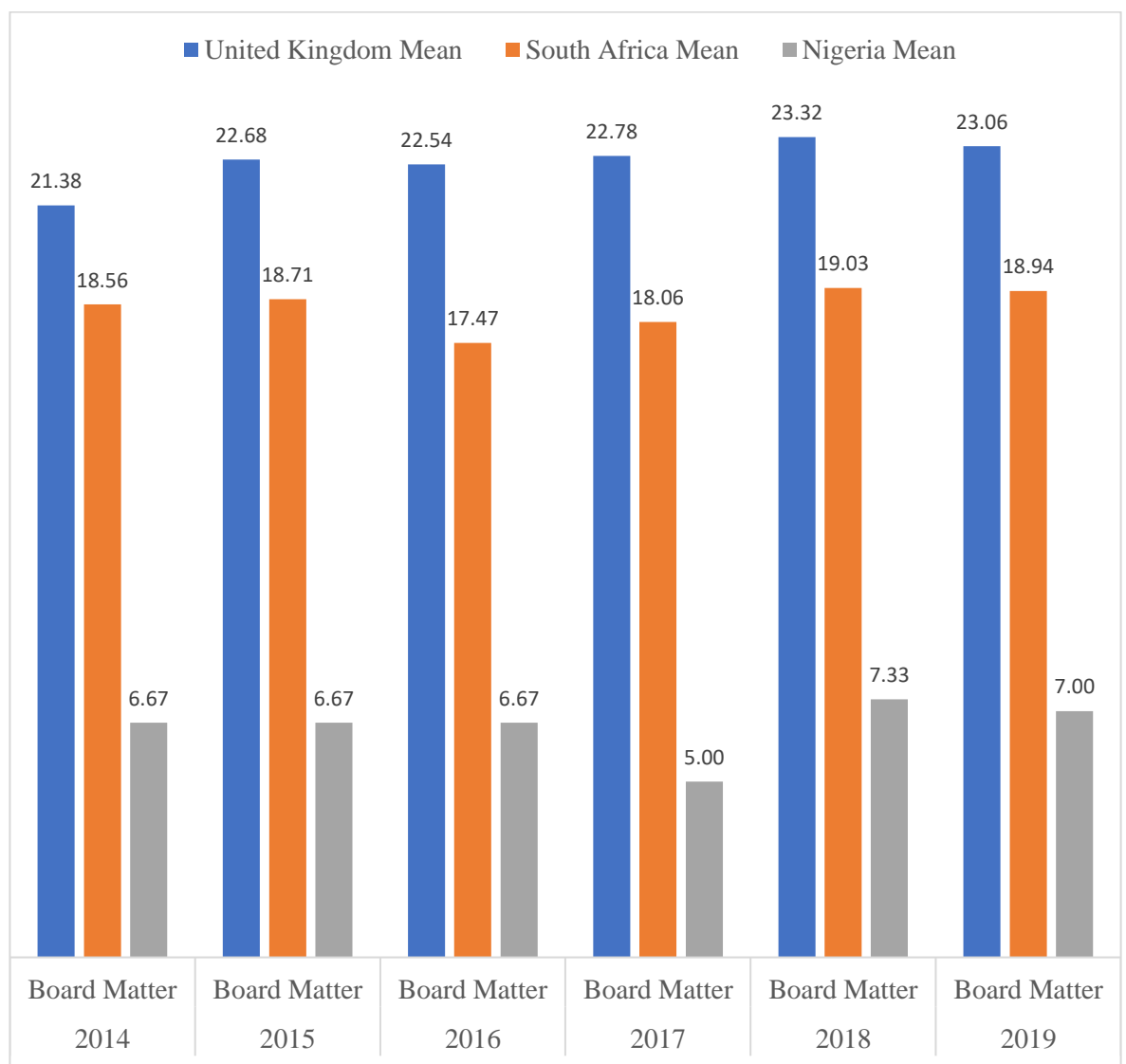
It is important to note, however, that interviewees expressed a generally positive sentiment about how their respective REITs implemented the various corporate governance proxies, which could suggest the presence of confirmatory bias and overconfidence. Additionally, despite positive attitudes expressed by participants from two different REITs during the study, recent market reports have revealed that one REIT has collapsed while the other has been selling off a significant portion of its assets.

5.2.1. Board Proxies

In Section 3.6.6.1, it was identified that the board and its various committees form the internal control mechanism, which is relevant for internally and externally managed

REITs. It has also been documented that for both emerging and developed countries, the board size, independence, experience and structure play a crucial role in the effective monitoring of management (Yermack, 1996; Bauer, Eichholtz and Kok, 2010). In Figure 13 below the annual mean score for the Board Matters sub-index with a maximum score of 29, the mean scores for the sub-index show that there is a higher disclosure against corporate governance codes by REITs in the UK, followed by the SA regime and lastly Nigeria. The trend in the mean scores shows that throughout the observation, there has been an increase in disclosure in all regimes, with the highest observed in the UK.

Figure 13: Annual Mean Scores for Board Sub-Index in each REIT regime



The comments by interviewees from the United Kingdom, South African and Nigerian REIT regimes show a general agreement that the board significantly impacts the REIT performance as they provide scrutiny, guidance and oversight of the investment decision-

making process. Contrary to Figure 13, interviewees in SA and Nigeria still held this belief. In the UK regime, UK1 answering this states that:

the board of XXX have discretion over investment decisions. So, the answer is yes, because they could say no to a deal that I recommend, or they could say yes to a deal I recommend. And if it is a bad deal, it will have an impact on the company's performance, so the board does have a strong influence over the potential performance and historical performance of the company.

UK8 makes a similar statement about providing the necessary additional level of scrutiny to ensure executive managers make decisions that are in alignment with the set strategy.

UK8 states;

So, with executive directors and a majority of non-executive directors on the board and that, therefore, provides a good level of scrutiny on how the company is performing and also brings knowledge and advice into the business. So, I think that is from our experience a good driver of performance because it gives actual scrutiny to actually enhance management.

From the South African REIT regime, comments by interviewees are also in alignment with the role of the board to monitor and direct the performance of the REIT. SA1 states here:

...the role of the board is to monitor performance and evaluation and then if things are going wrong to steer the executives into fixing performance issues.

SA5 here commented that the board has a significant impact on the investment decision-making process, which should relate to the positive performance of the REIT. Alongside the ability to discuss with the board's chairman, the executives can keep decision-making in line with shareholder objectives. Similarly, SA2 goes on to comment that the decision-making process needs to be guided by the board, which goes to show the critical role the board plays in the future performance of the REIT. SA2 states:

So, decision making is guided by, the decision making of the executive management team is guided by the board, so the value of the board cannot be ignored.

SA3's comments also noted that as the board provides and approves the set strategy.

Given the board in terms of expertise would have an impact. Because you know, the board is obviously responsible for strategic guidance and probably to do with expertise required.

In the Nigerian REIT regime, NG2's statement also shows that the board positively impacts the REIT's performance by scrutinising investment decisions. NG2 states here that:

...the board has a significant impact on the performance because whatever asset that is being invested in has to be decided by the board.... So, the quality and skills of the members of the board and the ability to make the right decision have a huge impact on the affairs of XXXX and the performance of the XXXX REIT.

The structure and experience of the board were also a topic of discussion by interviewees in the United Kingdom, South Africa and Nigeria REIT regimes. The board should be comprised of individuals with the skills required for that organisation to provide the necessary level of scrutiny. Though having experience to be on the board is desirable, evidence in emerging REIT show that there are cases of limited number of people with sufficient experience available to take up highly technical and regulated roles at a board level. SA5 commented that all four non-executives at the time of the interview came from a property background. SA2 comments highlighted the additional level of experience and exposure a diverse board brings to the REIT. SA2 commented that:

...they (the board) provide expertise and experience and connections and contacts from all different sectors and sub-sectors of the industry and or other industries as well. So the decision-making of the executive management team is guided by the board, so the value of the board cannot be ignored.

UK7 acknowledges that the board positively impacts performance, which is attributed to the group's collective strength, bringing individual skills and experience to the decision-making process. UK7 states:

... our board are made up of a collection of individuals who all have specific skills or experience. And collectively, those people coming together are you know sort of greater in sum of the parts, and so yeah, I think they very much contribute to our overall success. And the board are very much engaged in the success of the business as well. So, we very much work not quite as a team because we probably don't come together enough to be a team, but we are very much in it together.

NG2 also noted that the experience of board members ensures that the investment decisions are those that are right for the long-term success of the REIT. NG2 states:

I think having good knowledge of the real estate market, ensuring the board members are well informed and our real estate background that is very important. Because if they don't have good quality real estate background... you might be investing in an asset that would turn out to be a liability to you in future.

On the structure and independence of the board, it is agreed that the board should be made up of non-executive directors to provide that independent scrutiny and should meet regularly to ensure management decision-making aligns with the agreed strategy. UK6 stating the requirement for the board to be made up of independent non-executives and to meet comments periodically:

We have two large shareholders who historically had a board seat. We've had, so they have been knocked off for non-independence. We meet six times a year we have robust debate on a number of topics. So, we've acquired a number of big centres, we have issued equity, the board obviously went through that those various acquisitions. They would have signed off the strategy to on the acquisitions... more recently, we will be starting to recycle out of assets, sell some assets to invest our money or to pay down debt. And again, the board will have would have signed off that as well. So, the board's role of governance is not about whether we do a letting to this company or that company but is more about the ownership of the individual assets.

Comments by UK3 further show the REIT's critical stance regarding the board's independence and composition. UK3 noted that non-executives are limited to the years they can serve on the board and cannot be former management or related parties involved with the REIT. This is in line with the corporate governance regulation of the United Kingdom. UK3 on the board independence states:

...the key is that they have to be independent (non-executives). They cannot be ex-management, friends, colleagues relate to the REIT, that sort of stuff. And if they, if they were advisors, that to have left their advisory firms... before they can get involved. To me, so the question of independence and challenge by the non-executives is key.

UK3 also highlighted the substantial impact the board's composition brings to REIT. UK3 expressed the need for the board to have diversity not just from the point of gender diversity but also diversity in terms of experience by board members. Speaking on the next round of recruitment for non-executive roles, UK3 states:

we will go with a woman in this and so when we achieve what's called a 30% rule, at a minimum, and I think it's important, and one other aspect is that I think the composition, whether women or man, or whatever, on the board should not be drawn from a narrow set of disciplines. So, by way of example, one of our non-execs comes from what's called the third sector. So, she's involved with running a charity and is also a historian. And so, therefore, they bring something different to the board, and in her case, her responsibility under the new code.... will be about the aspects of governments that relate to engagement with the workforce.

SA3 made similar comments to those of UK3 regarding independence, diversity and the importance of succession planning for the success of the REITs. SA3 stated:

Independence is of critical importance, to in essence have a board that has a major non-executive director, ensure independence to the executive management. I think age, diversity is important. Gender and racial diversity are important to the company. Succession is important, I mean these are all kind of key factors that are really critical.

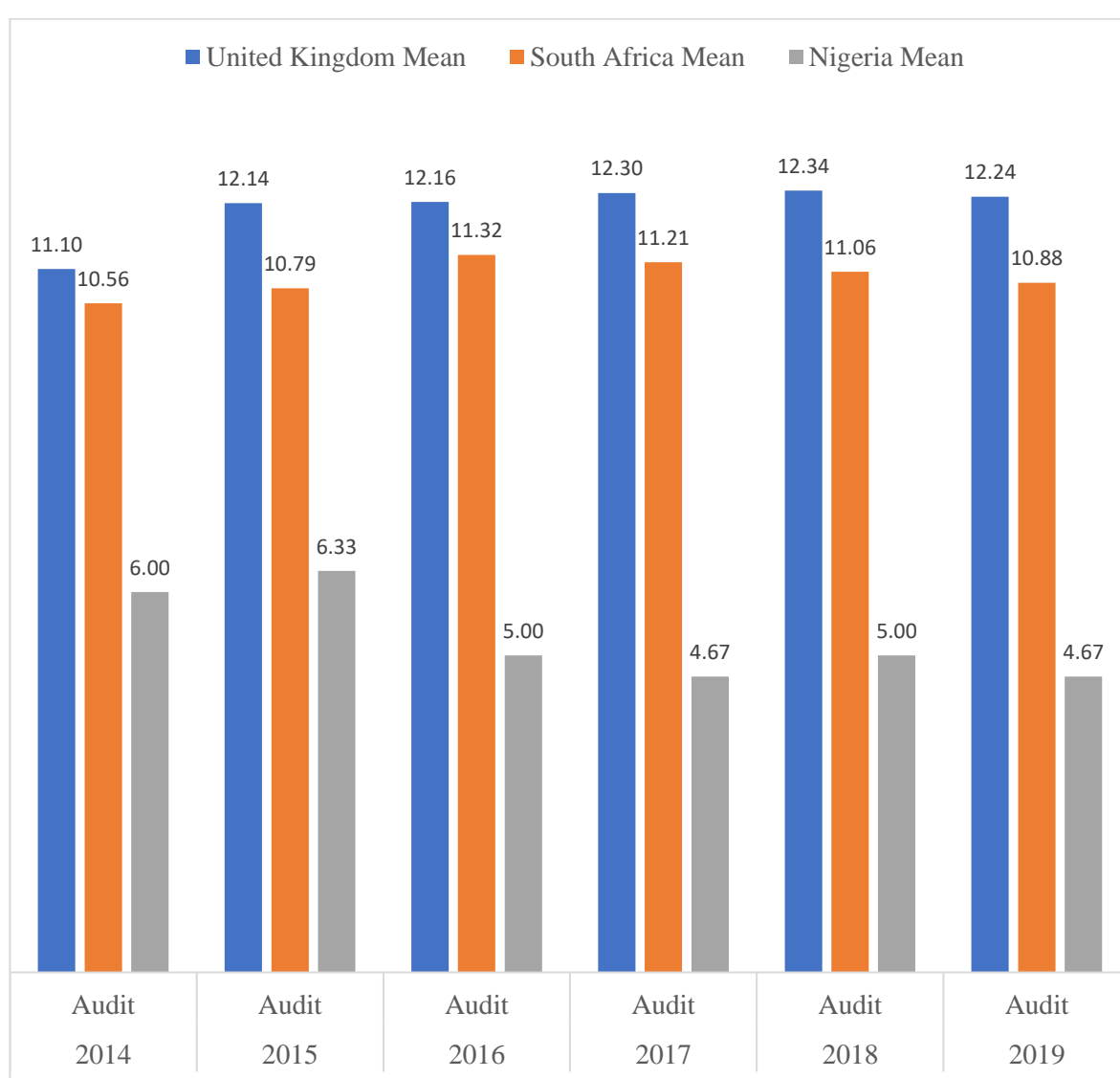
Only one interviewee, UK2, stated that the board had no impact on the performance of the REIT of which not explanation is provided for this view. However, the general agreement by interviewees in all three REIT regimes is that the board's structure, composition, independence and experience played a vital role in the performance of the various REITs.

5.2.2. Audit Proxies

As earlier noted in the literature review (Section 3.6.6.2), the regulations, committees and public scrutiny on listed REITs are generally high, and the committees greatly influence decision-making. The improvements in the function and structure of audit committees to regulations in each REIT regime, the strength, competence, background, independence and experience of committee members play an essential role in REIT performance. It is expected that a more active audit committee will monitor more efficiently, meet more often and play an essential role in earning management of executives (Qiulin, 2005). The

audit committee and process will ensure an effective control environment and integrity of reporting of decision making. In Figure 14 below, the annual mean score for the Audit sub-index with a maximum score of 14 and minimum score of -2, the mean scores for the sub-index show that there is a higher disclosure against corporate governance codes by REITs in the UK, followed by the SA regime and lastly Nigeria. Disclosure levels increased in the UK and SA but decreased in Nigeria from 2014 to 2019, which can signify issues with auditing processes in the emerging REIT regimes regardless of comments provided in the interviews.

Figure 14: Annual Mean Scores for Audit Sub-Index in each REIT regime



In emerging REIT regimes, Franklin (2016) noted that the audit system for listed firms is still faced with both old and modern cultural limitations and corruption that affect the audit process and to a greater degree the efficacy of corporate governance. Interviewees display

an uncertain attitude toward the role of the audit committee and the internal and external auditors in the REIT's performance, mainly as seen from a corporate governance point of view.

In the South African REIT regime, interviewees widely discussed the audit committee's role in performance. SA1 commented that the audit process is retrospective in nature regarding decisions. SA1 says that the audit process ensures that the correct checks and controls are in place to identify issues. On the role of the audit committee, SAI comments that:

we as a board have a checklist to make sure that we as an audit committee are fulfilling all our functions in regards to the audit and the auditor and the CFO, and then we report to the board as the audit committee to confirm to the board that we have managed all of that.

SA2's comments go on to support this by stating that the audit process does play a crucial role in the business of the REIT. This is further reinforced when looking at the current audit crisis in South Africa (i.e. KPMG). SA2 stated:

Well not necessarily on our performance but it does have a crucial space in the business because due to the, it's no secret what happened to Steinhoff, which was once one of the largest retail company companies in the world, and they sold it and their auditors KPMG didn't catch them out. The audit community which was once seen as the best is now got serious question around them with the Guptas and KPMG, so it is valuable for our audit committee to keep our auditors in check and to ensure we have credible and accountable auditors on our team, on our side.

The role of the auditor committee is to ensure that the internal and external auditors are credible and to keep them in check. SA3 agrees that the audit committee and the external auditor have a role to play in the performance of the REIT. SA3 also stressed that the audit committee should be predominantly independent of executive management. SA4's comments further explain the role of the audit process in the performance of the REIT by explaining that while the internal audit ensures the executive management is performing within the set strategy, external auditors are essential to ensure the process is objective. SA4 commented here that:

...you have to have a third-party checks and balances, because it is well enough to audit yourself to make sure you will be performing within your delegation of authority, policies and procedures. But ultimately, at the end of the day you also have to bring in external people to, who will be objective in telling you where you are failing. So, it's an essential part of any REIT and if for REIT that don't take the outcome of this risk audit and audit processes, then you would find, then ultimately, they end up mismanaging the assets there is a problem in that.

Depending on the size and complexity of the business (principle of proportionality), a REIT may or may not require an audit committee or have an internal audit conducted by its staff. Following corporate governance principles, the reason for this should be explained in the annual report of the REIT. This is the case for SA5's REIT, where the internal audit and the external auditor are outsourced. In contrast, NG2's REIT risk management and audit fall under the fund manager's remit under the investment committee's direction.

SA5 commented that there is a transparent engagement with the audit committee and external and internal auditors by the board and executive team to ensure a complete understanding of the impact decisions will have on the performance of the REIT. SA5 states here that:

...we do have internal auditors that come in from a different audit firm, we do use Grant Thornton for that and external auditors we use BDO.... there is direct communication with the auditors, although the audit risk committee does meet up more with the auditors.... we have access to the auditors on how it would affect our reporting in the end, for example, we want to make this decision; what impact will it have on our financial results at the end of the year, we are very free to schedule a meeting to discuss with them from an advisory point of view, tax and so forth.

As mentioned earlier, NG2 noted that the REIT does not have an independent audit committee. The role of risk management is vested with the fund manager, whom the investment committee directs. However, NG2 noted that as a listed company, an audit process still has to be conducted but does not comment on if this process affects the performance of the REIT. NG2 states here that:

We don't have an audit committee, but an audit is performed on the firm on a yearly basis which is required by SEC as a publicly listed company. So, in terms of an audit committee,

it is the members of investment committee that naturally make up the audit committee and also go through the affairs of the firm. The same investment committee that meets over the affairs of the firm are also the same who meet over any audit issues raised.

This raises some issues as it is expected that proper scrutiny and checks are in place. Investment committee members should have the required financial skill and experience to ensure an adequate level of control and risk management is in place.

In the United Kingdom, the perception of the impact of the audit process and audit committee on the performance of the REIT is mixed. Some state that it does not impact performance (UK1 and UK2). In contrast, others noted it as a necessary process for listed companies primarily in light of the financial crisis brought about by a lack of proper internal controls and risk management. UK7 stated that the process is necessary as it is a requirement by listing standards but does not add to the success of the REIT. UK7 comments:

I think the audit process is very much necessary to confirm that we are doing things in the right way. The sort of accounting standards are regularly changing; there is obviously much more scrutiny and oversight of the sort of accounting behavior of listed companies. You know sort of Eron effectively. So, I think it's a necessary process, I don't believe it significantly adds to sort of our success though. I think, you know, I think it's really just making sure we are doing things in the right way to it's more confirmatory I guess for us rather than a positive success factor.

Similarly, UK8's comments show that the audit process is a control mechanism to ensure proper reporting to all necessary stakeholders. UK8 states;

Again, for the audit process is a very rigorous process in the UK REITs very well sort of controlled practice. So, think it is not sure if the audit process itself drives performance or impacts performance. It is more a control mechanism ensuring that the company's being run properly and that our investors have confidence in the reports and accounts, the published information.

UK6 and UK4 both comment and describe the audit process conducted by the internal and external auditors and the audit committee as necessary for internal monitoring, fund structuring and risk management. UK4 commented that it ensures that the produced

accounts are in line with regulations. Similarly, UK6 states that it provides the business's internal and external audit and controls are correct.

These comments show the limited but vital role the audit committee plays in the actual performance of the REIT through the provision of checks and balances by ensuring the internal and external control mechanisms and risk management practices are in place. The requirement to keep this process objective for the external auditor is the expectation for a review of the length of engagement and rotation of auditors from the same practice. This process is reviewed in line with corporate governance principles. Interviewees in the United Kingdom were more aware of this process, with UK4, UK6, UK7 and UK8 noting a tender, rotation and tenure process for the existing external auditor. In South Africa, SA5, SA3 and SA4 were aware of this process. However, the Audit sub-index sees a decrease in the mean scores for the South African REIT from 2016. The Nigerian REIT regimes never returned to high in 2015, below the sub-indexes mean score (7).

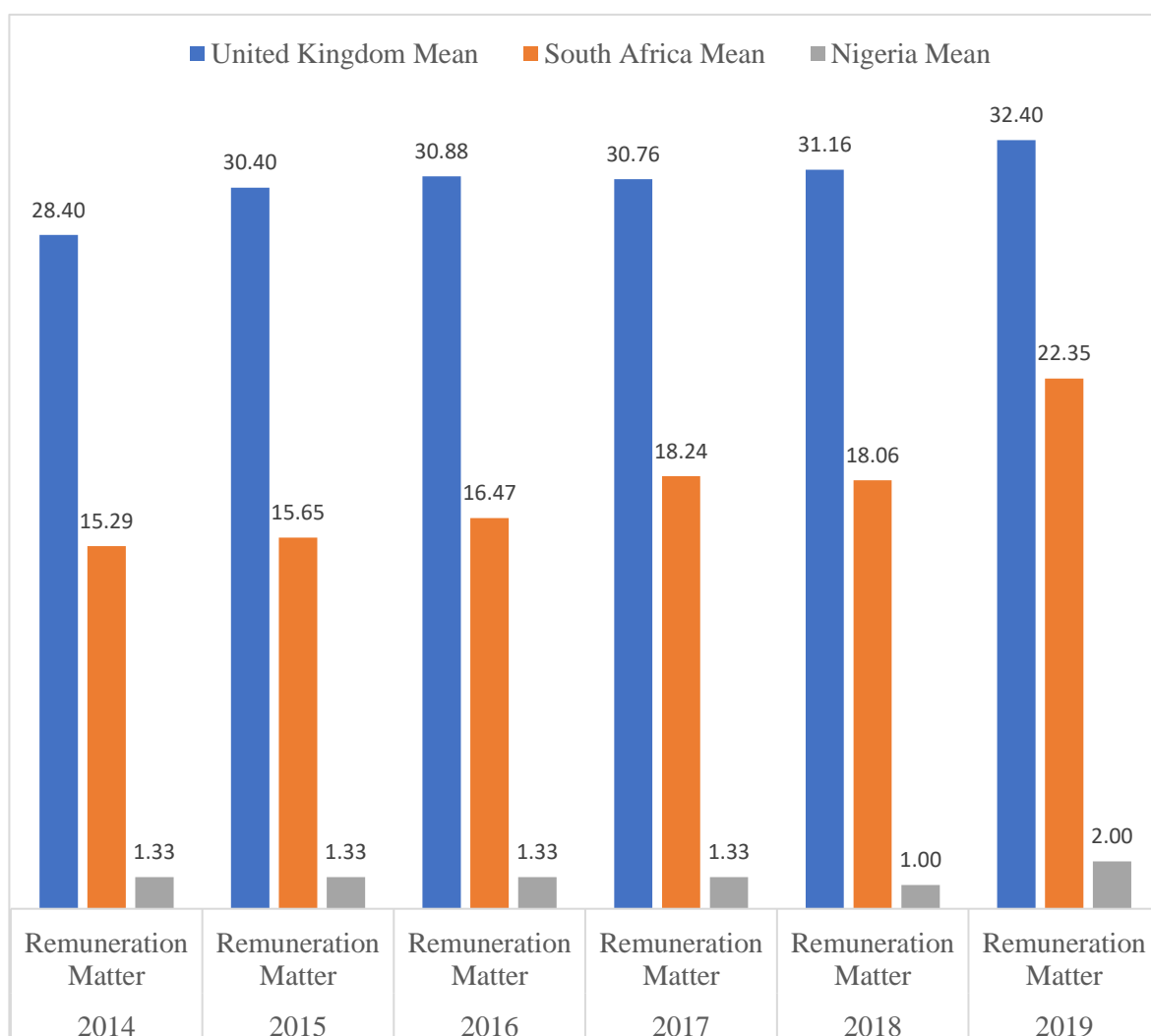
5.2.3. Remuneration Proxies

As noted in Section 3.6.6.3, how remuneration is accounted for is different for internally and externally managed REITs. Notwithstanding, the remuneration to the external fund manager, executives or non-executives should be at par with the industry standard. This may prevent them from taking jobs competing for business, and it should not be excessive compared to what an equally good alternative external fund manager or executive or non-executive team would receive. Transparency on remuneration is essential to mitigate the agency problem and is an effective mechanism to enhance long-term shareholder return and firm performance. The corporate governance codes of all three REIT regimes require the creation of a separate remuneration committee which should be made up of non-executive members of the governing body and chaired by an independent non-executive member who is not the chair of the board. For internally managed REITs, the remuneration policy is often comprised of two main elements; a basic salary and a variable remuneration in the form of short (bonus) and long-term incentives (shareholding) linked to performance-based conditions of the managers. For externally managed REITs, the external manager is entitled to management fees in consideration of their service rendered calculated based on the REIT's net present value (NAV). The corporate governance principles require that the reporting of remuneration packages in the annual report should

have clarity, not pay reckless and poor performance, and be predictable and simple to understand.

The descriptive analysis of mean values from scoring the Remuneration Matter sub-index contrasts how the developed REIT regime of the UK adheres to the disclosure requirements of their code when compared to the emerging REIT regimes in SA and Nigeria. In Figure 15 below, the UK REIT regime's mean score is significantly higher (above the mean score for the sub-index) than the other regimes. Constant improvement is observed in the SA REIT regime from 2014 to 2019, which is detailed in how interviewees discuss disclosure around remuneration. On the contrary, annual reports from the Nigeria REIT regime show that the external fund management structure significantly prevents any credible observation and reporting on remuneration apart from that paid to the non-executive board members.

Figure 15: Annual Mean Scores for Remuneration Matter Sub-Index in each REIT regime



The analysis of the semi-structured interview showed that interviewees from all three REIT regime believe that various remuneration proxies play a crucial role in the performance of the REIT and helps reduce the misalignment of interests between management and multiple stakeholders. NG2, who works for an externally managed REIT, noted that, as the REITs do not have any employees, the remuneration discussed in the annual reports are the fees paid to the fund manager and the property manager. However, no comment is provided on what basis the fees paid to the fund manager are determined. Referring to remuneration paid to the board, NG2 also states that this has no impact on the performance of the REIT. NG2 states:

The board structure, they are only paid seating allowance, and it is only the intended committee members that are paid seating allowance, and those fees are quite very small, they are less than 1% of the value of the REIT. So, they don't have an impact on the REIT.

In South Africa, a similar observation is made that the remuneration policy and the remuneration committee had a significant impact on the performance of the REIT. Interviewees also better perceived the corporate governance code and the principles related to the remuneration policy (for example, the need for shareholders to vote favourably for the remuneration policy). SA1 spoke in detail about the remuneration policy and the board's responsibility in setting the remuneration for the executives, board and staff as required by corporate governance codes. SA1 stated that the remuneration policy improved the performance of the REIT by aligning shareholder objectives with that of management and the board. SA1 stated:

...the board is responsible for remuneration of both the executives, the staff, the board itself and these policies are drawn up which the board is responsible for drawing up. And then these policies are then voted on by the shareholders... The JSE has gone further to say, if more than 25% of the shareholders vote against the remuneration policy then the board must engage with the shareholders on this. The engagement might be to go meet each shareholder who voted against it to share their concerns, or it might be telephone calls with these shareholders.

SA3 explained that the remuneration committee should be independent, preventing executive management's influence. SA2 and SA3 both agree that the remuneration committee should ensure that the executive management gets fair remuneration for their

work, which is at par with the market competition, as this is the only way to ensure the long-term performance of the REIT. They both commented that the remuneration should be linked to metrics and some level of discretion at a company level. Here, SA3 stated that:

...it is their (referring to the independent remuneration committee) responsibility to ensure that management's is remunerated properly, and accordance with market norms. Which I think is critical. A fair remuneration is critical to the performance of the company.

On how performance-based remuneration is evaluated, SA3 comments:

...there are set parameters, that is a lot of discretionary remuneration based on company-level performance. Predominantly in relation to the company shares. So, we evaluate ourselves based on our peers and in the REIT sector in South Africa, and the extent to which management is remunerated is directly correlated with that performance.

SA5 and SA4 comments agree with the perception of remuneration as a motivator for people believing the workforce needs to be incentivised correctly. For both interviewees, this could be in the form of bonuses or share incentives. SA4 commented:

So overall performance of a REIT or any other company, you have to look at how to motivate your employees so that they can give the best performance.

SA5 commented that for those entitled to a performance bonus, it could lead to better performance of the REIT. SA5 stated:

So only at grade 12 then an employee would be entitled to performance bonus. So there is performance bonus linked to the performance of the company. So the better we perform, the better the bonus at the end of the year also applies to the executive directors. But from a board point of view the remuneration does not change its constant as they are agreed in the beginning or in the process.

From comments by interviewees in the South African REIT regime, it is possible to infer that there is a reasonable level of understanding of the impact remuneration has on the performance of the REIT. Additionally, the role of shareholders' engagement in the remuneration policy and an independent remuneration committee in determining the remuneration package is discussed in alignment with corporate governance practices, such as linking short- and long-term incentives to performance metrics of the REIT.

In the United Kingdom, interviewees were also very aware of how the corporate governance proxy of the remuneration committee and remuneration policy affect the REIT performance. While comments from externally managed REITs are inconclusive. Internally managed REITs predominantly agree that an independent remuneration committee, remuneration-linked performance metrics, and set personal objectives of executives ensure better REIT performance and alignment with shareholder objectives.

UK2 from externally managed REITs commented that the remuneration proxy does not relate to the REIT and would not affect performance. UK1 explains that the remuneration for the board is not affected by the performance of the REIT, but the investment managers fee increases with performance as it is linked to NAV. This comment aligns with the literature on externally managed REITs, focusing on the NAV as it provides the opportunity for higher earnings for the external manager. UK1 states:

...our fees are based on the net asset of the company. So our fee goes up if the net asset go up.

UK9.3, the company secretary of an externally managed REIT, stated that remuneration-linked performance metrics are used as an incentive for the manager. To ensure greater alignment between shareholders' interest and that of the external manager, a percentage of the fee received by the manager is reinvested in shares of the REIT, creating a sense of shared responsibility for the performance of the REIT. UK9.3 stated:

The management fee is linked the Capital Value... Certain percentage of our management fees is reinvested in shares... So, there is a direct incentive and tying with alignment between our shareholders and our board... that the staff and key personnel provided, and I think most of them do have shares in the REIT. That their remuneration package is linked to the REIT as well. So, you get shares as part of your fee performance and so on... But I think what it does do is create a culture of collective responsibility and direction and sense of responsibility to the success of the company.

For interviewees from internally managed REITs, UK10 noted that the board and the remuneration committee have a role in deciding on the remuneration the executives recommend. UK10 also pointed out that remuneration is linked to performance metrics that help incentivise the executive team. UK10 comments:

we are incentivised against our performance metrics. So, you have to deliver on a whole host of performance metrics, which would, if you hit those, your shareholders are doing well as well. So it's very difficult to get significantly bonus, for example, without the company doing well... like any, any bonus scheme, any remuneration scheme it is not perfect. But broadly, we've got a very, very strong retention rate, we have got a very high employee engagement rate.

UK6 pointed out that the remuneration of the REIT did drive performance and is linked to medium- and long-term metrics to provide better alignment. UK6 states:

We look at earning per share, and we incentivise on earning per share... I feel the compensation improves performance. I mean we have an independent remuneration committee that governs management incentives and... incentive management of both medium-term measures and long-term measures and therefore are there to drive behaviour.

UK7 noted that while the remuneration policy and the committee ensure greater alignment between executives' set objectives and the REIT, the present corporate governance principles on remuneration do not fully address the factors but focus more on executives' pay. UK7 here stated that:

...I think it certainly ensures that we have the right objective set, that we make those objectives sort of suitably strand so on the whole and I think it is ensuring there is greater alignment from in terms of saying what my sort of objectives are... So, I think from that perspective, I think it's positive in terms of alignment. I do think though that remuneration policy, does focus on some of the easy targets of sort of executive pay and does not necessarily address all of the factors that it could do or should do but I think it is heading in the right direction...

UK7 explains that corporate governance disclosure requirements on remuneration, such as CEO pay ratio, do not give as much guidance or explanation around what is acceptable or justifiable. UK7 stating in this section mentions that:

when reporting CEO pay ratio for example, and our CEO pay ratio, which is public, I think is about 19 times, that is relatively low for a listed company. But what there isn't is any clear guidance as to what is acceptable or what justification there is for that, there's

no sort of accepted norms... But it's all just a little bit sort of grey at the moment. We are reporting, but we don't quite know whether what we are reporting is good, bad or indifferent.

UK8 commented that the pay for non-executives did not affect the performance of the REIT as there is no performance metric attached to it. Executive remuneration for the REIT is linked to performance metrics and personal objectives. UK8 explains:

...non-exes not, are purely on base remuneration, there isn't performance links components... The executives themselves have a personal rewarded also sort of elements of corporate rewards through a mixture of total properly return criteria through a benchmarking of a share price compared with the peer group and also with sort of set personal objectives which are more operational based other than investment return based.

However, UK3 disagrees with the notion that executive base salary remuneration drives performance and increases alignment. Believing at a point, the potential risk for empire-building becomes harder to account for by just remuneration. The better option, according to UK3, is to ensure better alignment between executive and shareholder objectives through the requirement for executive shareholding. UK3 states:

But a much better alignment is not to do it through remuneration. But to do it through investment in shares, where the individual is sufficiently engaged in terms of their shareholding to be aligned with the stakeholders, and so many listed companies, the directors don't have enough direct investment in shares...but rewarding beyond a certain level does not deliver performance, in my view. And therefore, if you have management teams who are constantly just obsessed with that, with remuneration, I think you'll find that for REITs they are the wrong management team.

UK3 stated that these encourage long-term strategy and long-term investment that is linked to long-term remuneration. UK3 explains that remuneration performance metrics such as NAV are increasingly becoming less critical for the REIT as they are behind the curve for listed real estate but relevant for banking purposes. On the relative metric to apply for remuneration, UK3 states that this should be a mix of qualitative and quantitative performance measures. UK3 stated:

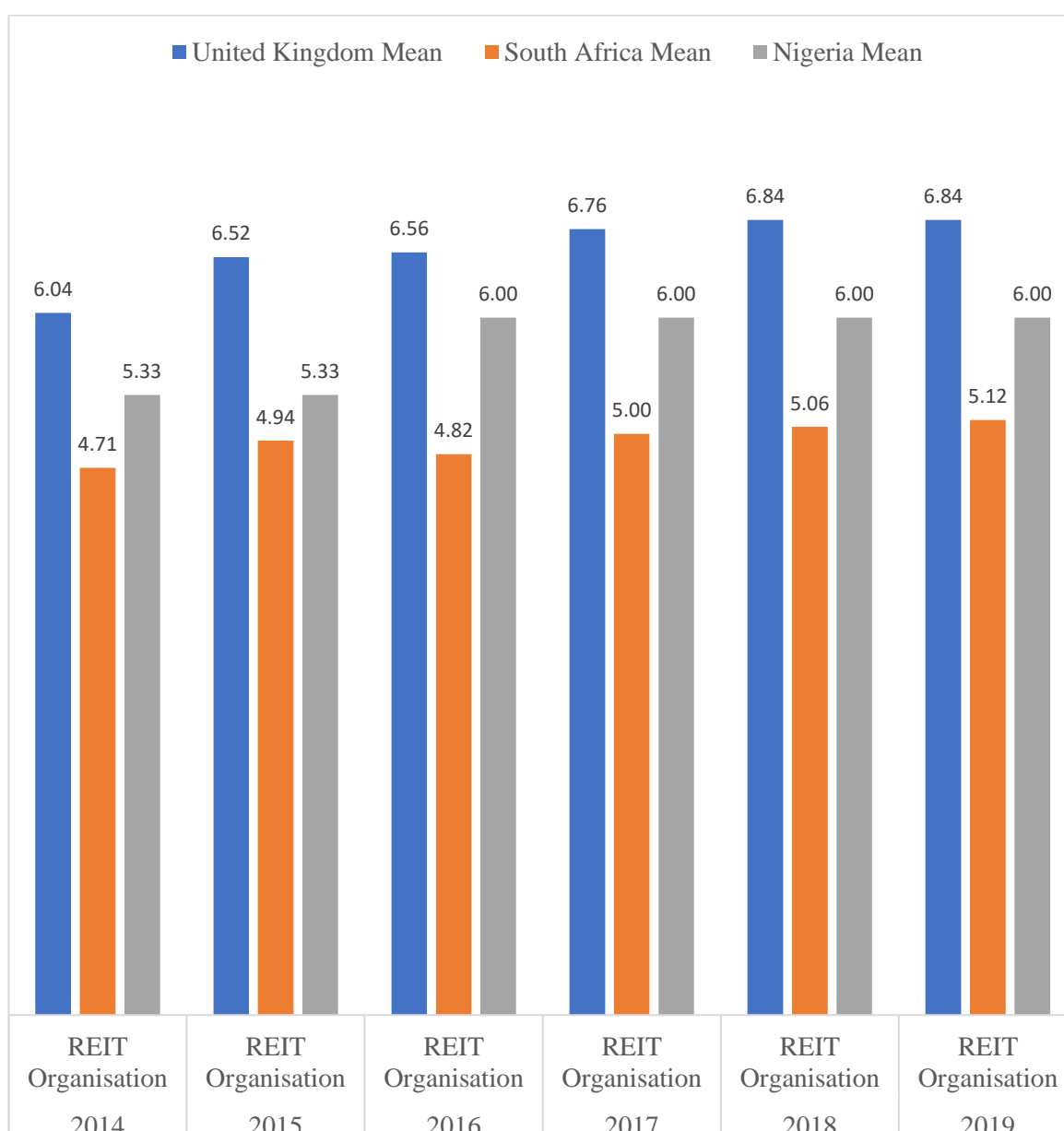
KPI should not just be quantitative... they should look at things like employee engagement... customer reviews, they should look at things like brand... We need to look at these scores because often, as I said earlier, decent performance in those scores reflects through to longer-term total shareholder returns, particularly in relation to real estate investment trust.

The remuneration proxies in corporate governance codes in all REIT regimes have received greater attention over the years. The focus has been placed on greater alignment between stakeholder holders and management (internal and external) objectives using fair base pay, short-term (bonus) and long-term (shareholding) remuneration linked to performance metrics. The performance metrics should be a mix of qualitative metrics such as those related to customers and the workforce and quantitative metrics such as NAV, TSR and EPS.

5.2.4. REIT Organisation Proxies

In the literature review (Section 3.6.6.4), it was identified that there is a tendency for externally managed REITs to underperform when compared with REITs with an internally managed structure due to the increased agency cost imposed by external advisors. Critically, Cannon and Vogt (1995) stated that externally managed REITs tend to have a closer relationship among respective sponsors, managers and trustees, thereby exacerbating the agency problems. By complying with corporate governance codes and a higher level of disclosure around key risks and methodologies to cover them, whistleblowing policy, REITs specific proxies for internal and external managed REITs should show greater alignment to shareholder objectives. However, the scoring of this sub-index in Figure 16 below shows that all REIT score below the mean score of 9 for this sub-index. In this sub-index, the Nigerian REIT outperforms the SA REIT throughout the period of observation but remains unchanged from 2016 to 2019 showing no improvement in reporting standards against the code. In all three REIT regimes, disclosure improved from initial point of observation in 2014.

Figure 16: Annual Mean Scores for REIT Organisation Sub-Index in each REIT regime



Interviewees from the three REIT regimes provided opinions on how REIT-specific proxies may affect performance. A variety of opinions here are provided that focus primarily on the fundamental of the REIT structure, such as the requirement for a higher proportion of the income of the REIT to be derived from rental income, the distribution requirement and the makeup of the board.

In the United Kingdom REIT regime, UK1 from an externally managed REIT states that the REIT-specific factor that affects performance is the fees paid to the external investment manager. UK10 said that the REIT-specific factor impacting performance is the

requirement to distribute a more significant portion of the income as a tax rule. UK10 mentions here:

I would say is we are actually we are obliged, to distribute a certain proportion of all of our income. And I think I want to say it is round about 95%,... We are obliged to distribute a large portion of our income, and that is a tax rule. And then, as I have already mentioned, as a company growing our income stream to increase our dividend and increase total shareholder return is one of our key metrics.

UK2, UK4 and UK7 stated that the REIT-specific rules do not affect how the REIT performs. However, UK7 explains that the REIT structure has specific regulations on how income is generated and fits the REIT purpose, primarily related to real estate development. These particular rules have an impact on the performance of REIT. UK7 explains:

The REIT rule themselves do have specific rules about the nature of the income you're generating and whether it is sort of good income for REIT purposes or not. We're still actively developing and building assets. Obviously, that's not something that is necessarily typical for a REIT to do, but it is entirely possible under REIT rules as long as you are building it to own it and operate it, it rather for investment purposes and not for sale. So, there are elements like that we need, we need to think about...

UK8 stated that the REIT-specific issues are reflected in how the UK corporate governance codes require the structuring of publicly listed companies. However, no explanation is given on how this affects the performance of the REIT.

In the South African REIT regime, SA1 commented that the distribution requirement and the source of income of the REIT structure as a REIT specific had an impact on performance due to its strict application, which affects the potential to generate better earnings from transactions elsewhere. However, SA1 agrees that despite the limitation on what REITs can do in terms of investments, it remains a tax-efficient structure. SA1 mentions here:

one of the requirements of a REIT is that the majority of your income comes from rental and so the way that, the way that affects our performance is that for example we can't breach that level. So even we wanted to increase earnings for example by doing

commodities trading as a random example. We wouldn't be able to do that. So I think the one performance countermeasure, but obviously, from a tax perspective, the advantage of the REIT is that it is tax-efficient for our investors and so and so I think that also affects us, because the tax, the after-tax performance then effectively is improved because we are a REIT.

A different perspective is provided by SA2, commenting on the impact of management reputation as REIT specific factor that, if not maintained, can affect performance. SA2 states:

if our management team was to be caught into some kind of scandal or whatever, like other management teams across South Africa have been caught, obviously causing an effect on our performance because people don't want to associate with our business anymore our share price would take, take a dip and that would make it very difficult to go and place on the market and do deals on the market.

In the Nigeria REIT regime, NG2 provided feedback on how REIT-specific factors may affect the performance of the REIT. The REIT structure requires investment in a quality property that generates secure long-term rental income. NG2 comments reflect on the impact of the lack of quality assets with a secure rental income for purchase in the emerging REIT regime of Nigeria on the REIT's performance. NG2 states:

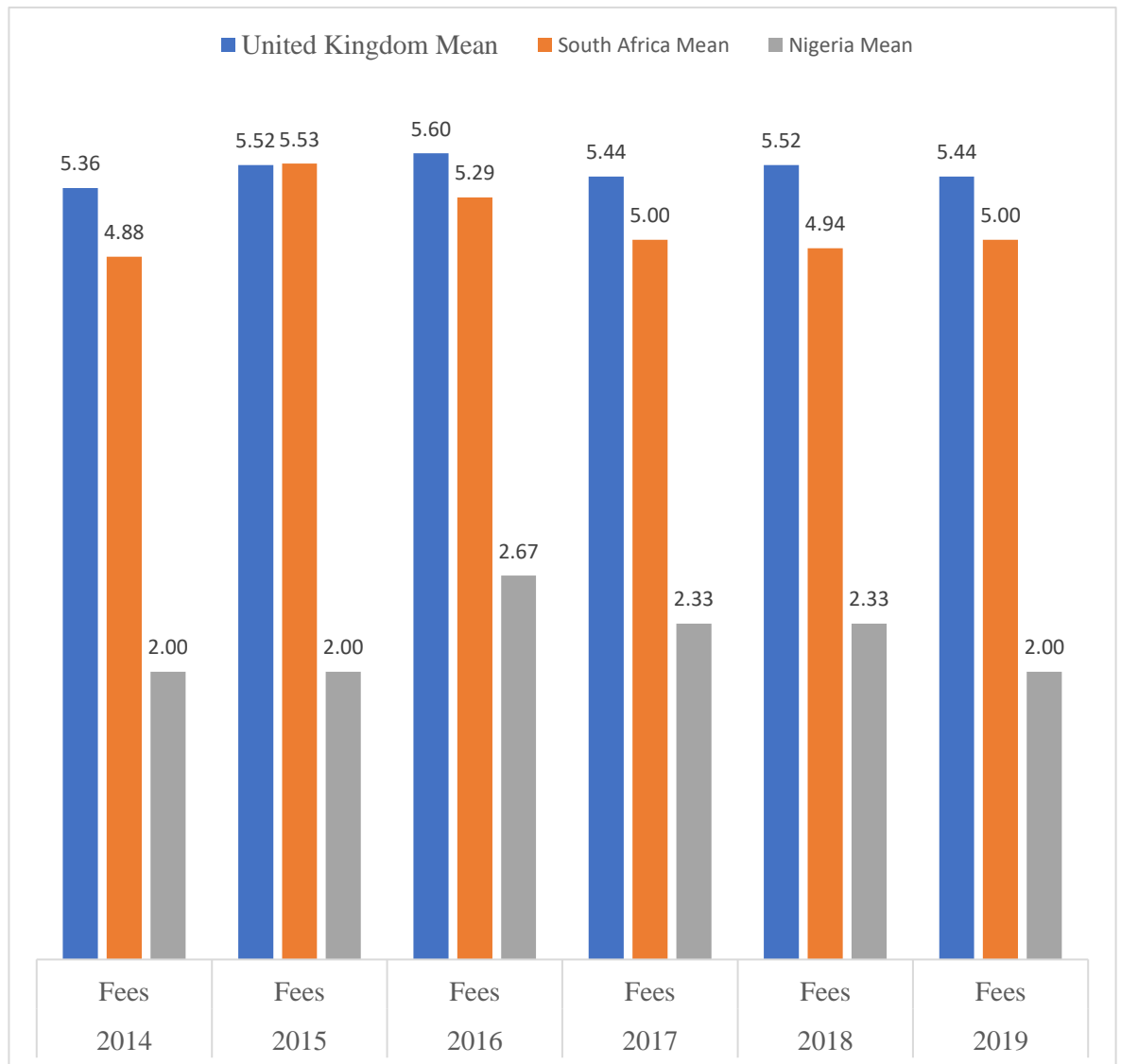
we were looking buy a property and we couldn't find the kind of property we wanted to acquire. In normal effect, the REIT has to be made up of tenanted property, so if I was going to acquire a property, it must be a property that already has tenants in it. So, I'm not acquiring a fresh new property, but I am acquiring a property that is already generating rental income. Those kinds of property are very hard to find, and they will be overvalued.

As discussed by various interviewees, REIT-specific factors showed that overall real estate maturity, corporate governance principles and the REITs structure impacted the performance. However, interviewees did not discuss REIT-specific factors such as those earlier identified in the literature as affecting performance. This highlights a divergence on what REIT-specific factors are deemed necessary to interviewees and those considered essential to academics of corporate governance and REITs performance.

5.2.5. Fees Proxies

The fee structures and conditions for the fee payment following corporate governance principles must be fully disclosed as discussed in Section 3.6.6.5. Interviewees in all three REIT regimes shared their perceptions of the effect fees paid by the REIT may have on the overall performance. The fees discussed here are mostly related to those paid to property management companies, facility management, fees from joint ventures, asset management, and acquisition and disposal fees where necessary. The response here is that fees do not have a significant impact on the performance of the REIT. However, interviewees see the fees paid and received by the REIT as a necessary cost or revenue (from joint ventures), where the aim of these fees is just a payment for services rendered for or by the REIT. Figure 17 below shows the annual mean scores for the Fees sub-index, with all the REIT regimes scoring below the mean value (11) for the sub-index, indicating that limited disclosure is carried out here when measured against the scoring methodology. It also aligns with comments by interviewees that the Fees sub-index is a necessary part of doing business and has a limited impact on performance, especially when fees are paid to external property managers of the assets under management by the REITs. It is expected that fees should be paid at a competitive rate to meet property performance, and such fees should be adequately disclosed, which is not the case based on data from quantitative scoring of disclosure on fees.

Figure 17: Annual Mean Scores for Fees Sub-Index in each REIT regime



From the qualitative studies, interviewees from the emerging REIT regimes noted that the fees paid, while mostly negligible and had little effect on performance, are linked to how much the service provider, such as property and asset management, is paid and the quality of the service rendered. NG1 stated that the fees paid by the REIT are not significant enough to influence the REITs performance. NG1 states:

The property managers fee, the fund manager fee, those things are usually less than 5% of the whole value of the REIT, so they don't have significant impact on the REIT. In terms of those fees, they don't have a significant impact. The fees are quite small, and they are only inquired as at when due. The compensation structure for the property manager is only paid at the end of the year. Once a year.

SA2 also stated that the fees paid by the REIT had no effect on performance and gave a breakdown of these fees. SA2 states:

Well, they don't have a significant effect on our performance, but the fees do exist. We have legal fees, banking fees, we have structural team fees, these fees do exist, obviously, but they're negligible and are part and parcel of running the business, but they're not they don't change how the business runs.

Just like SA2, SA5 noted that the fees paid by the REIT to the property and asset management companies are for services rendered and are based on bills not linked to rental income from the REITs property, which implies the fees paid should not affect performance.

SA1 noted that the property manager receives a fee linked to the REIT's performance. Therefore, the property manager gets a higher fee during periods of higher REIT performance to ensure alignment between the property manager and the REIT. SA1 states:

we think that there is a fee that you pay the manager needs to be related to the performance... So, I think that's an important issue. What we do is that we try and negotiate fees so that there's alignment between us and the property manager so that if properties are underperforming, then fees are reduced for the property manager, if properties are outperforming then fees are increased for the property manager. So that there is a lot of alignment between the two.

SA3 explains that fully internally managed REITs; do not have to pay any external fees to manage the assets under the REIT, which ensures significant savings for the REIT, leading to better performance. However, fees are still paid for the acquisitions and disposals of assets. SA3 here commented that:

I mean because we are fully internally managed, we don't pay external fees which is big, it's one of the differentiating factors, compared to our peers. And we have quite a significant savings there, which I think has a boost on performance. But yeah, in terms of other fees for acquisitions and proposals, it is always of key important to minimise those fees as to maximise the returns for all of those investments. So it certainly does have a correlation to performance.

SA4 explains that the fee structure had the potential to affect REITs' performance. Explaining that the fees paid to the companies that manage the assets under the REIT should be competitive to encourage good performance from the property management company and hence the REIT. SA4 explained that:

If you don't remunerate your property companies, well, then they might not perform, and you have to remunerate them market-related tariff... if you have your underlying properties not being managed well, then that will affect the funds... if you pay them well, then they manage the assets well, and then these assets can generate the revenue and returns that the REIT is looking for.

In the developed REIT regime of the UK, interviewees noted that the fees paid and received by the REITs do not significantly impact the REIT performance. UK2 said fees should be adequately disclosed to ensure no conflict of interest. UK10 stated that they do not receive fees for acquisitions or disposals but acknowledges that the practice does exist in the industry. On this practice, UK10 states:

I question whether that is the best thing to do for your shareholders...

UK10 also stated that the REIT received fees from joint-venture projects they manage as the asset manager. UK10 goes on to explain that the fees received here are performance linked. UK10 explains:

...sometimes we do get fees, it is in a joint venture structure. So if we have a joint venture, a 50-50 joint venture, with another fund whereby we are the asset manager, we get paid once again performance fees for you know, If we hit certain targets, at once again that is tied to performance not to buying and selling.

Following similar comments made by UK10, UK7 stated that the REIT received fees as an asset manager that comes in the form of contribution toward the operating assets it manages. UK7 also mentioned that the REIT did receive acquisitions and disposal fees, which contributed to covering the overhead cost. UK7 states here that:

...we receive fees because we manage assets on behalf of others, the way that those fees are constructed is effective as a contribution towards assets overhead cost. We very much look at it as being a sort of a fair contribution towards the true cost of operating those

assets. it's not necessarily a profit centre for us is just fair compensation for effectively the overhead we incur. We do then charge as you say sort of acquisition fees and things like that if we do acquire anything, but again, they very much just contribute towards the overhead cost that we are carrying from having that capability in our business...

UK8 and UK4 both commented that as the REIT is internally managed, the fees are internalised and monitored by the REIT management. UK4 explains that for an internally managed REIT, the aim remains to grow the income and reduce costs as possible, which is indicative of the better performance of the REIT. UK4 explained that fees for the REIT are reported on a cost ratio basis, which is in line with EPRA requirements to ensure proper disclosure. UK4 here mentioned:

...we obviously report a cost ratio in line with industry standard, and our cost ratio is very low. I'm sure investors very much appreciate that.... they're (speaking about investors here) more interested in making sure the income is growing, as opposed to making sure that the cost ratio is as low as possible, but it will certainly be a contributing factor to your income growing...

Finally, this observation is also noted by UK6, where it is pointed out that the fees are the cost of doing business for centres it runs and only make a minimal percentage of the REIT's earnings. UK6 states:

we have a number of joint ventures that we pick up fees, with a reimburses for our cost of running those centres. From that asset management point of view and a little bit on top of that as well....it's basically a cost-plus basis. Of our 500 million pounds of gross rent that we collect, the fees are 2 per cent of that.

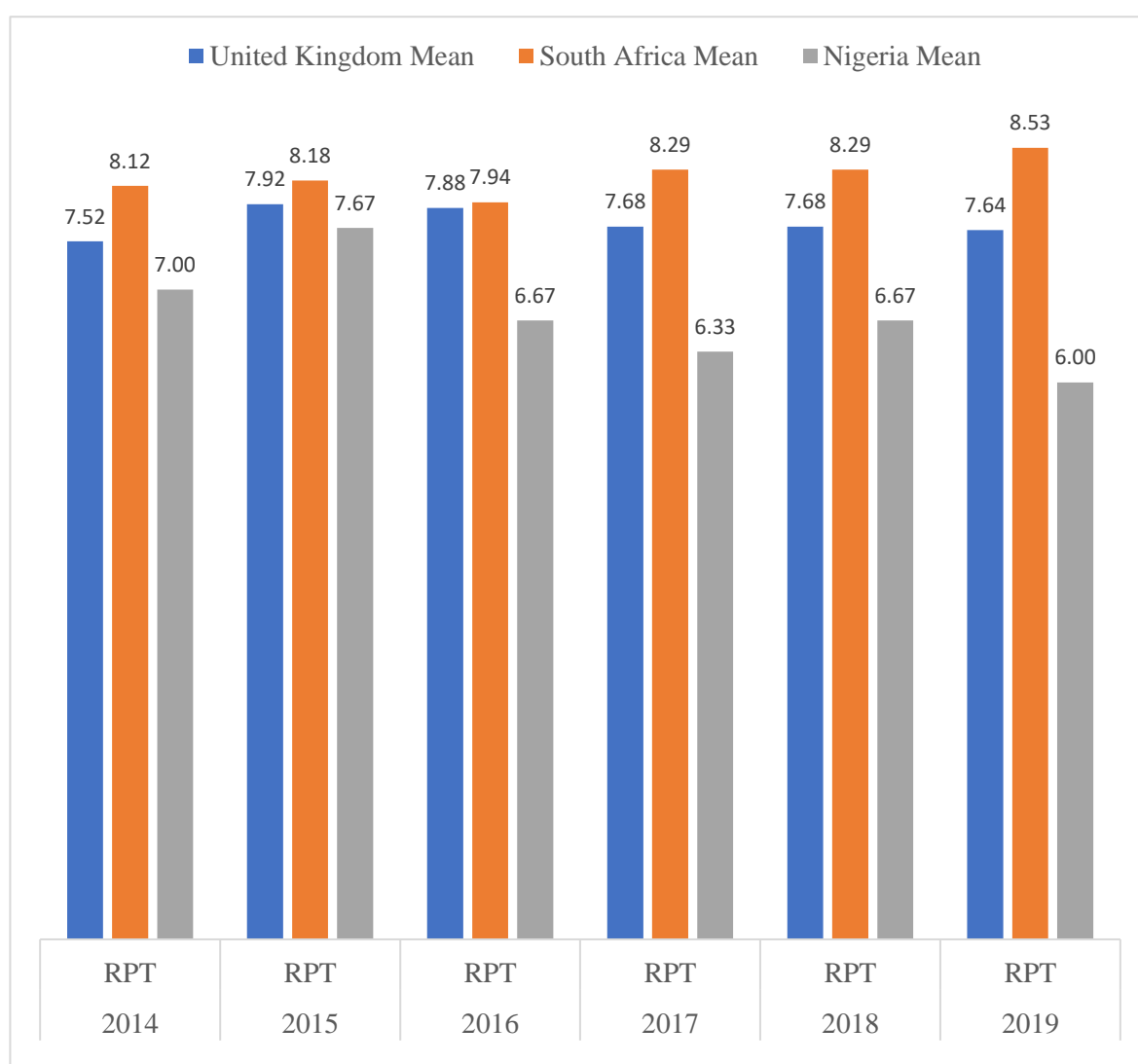
5.2.6. Related Party Transactions (RPTs) Proxies

The literature (Section 3.6.6.6) on related party transactions shows that it is likely to be abused due to the inadequacy of disclosure, especially around identifying the interested parties and the relationship with the REIT. This helps to showcase any conflict of interest that may exist. It is expected that for REITs with a higher number of independent directors on the board, RPT issues are lower due to higher disclosure. Listing requirements and corporate governance principles in all three REIT regimes require that RPTs be disclosed and voted upon, with the related party shareholder not allowed to participate in such

voting. Interviewees from all three REIT regimes in the study could share their opinion on how RPTs affect the performance of their various REITs. The effect of RPTs on the performance of REITs in both developed and emerging markets is inconclusive as interviewees focused more on the disclosure of RPTs and conflict of interest where they exist.

However, quantitative data from scoring the RPT sub-index in Figure 18 below shows higher disclosure on the sub-index occurring in the SA REIT regime above the mean score of 8 for this sub-index expect in 2016 where all three REITs scored lower when compared to the previous year. This indicates the importance that RPT play in emerging REIT regimes and the need to increase consistent disclosure on proxies used to measure it.

Figure 18: Annual Mean Scores for Related Party Transactions (RPTs) Sub-Index in each REIT regime



In the United Kingdom, only UK1 expressly states the RPT as having a positive impact on the REIT performance by providing the REIT with a competitive advantage. UK1 here states:

There is a plain clear agreement between the REIT, and its sort of development partner... In my view, I see it as positive because it is access to assets without having to compete for it in the market.

UK2 and UK7 comments align in that the focus was on explaining the need to disclose any conflict of interest to ensure transparency. Further decisions on RPTs are left to the board to decide once it has been identified. UK2 explains that:

We (herein the REIT) go we make very sure that if there are conflicts, they are adequately disclosed, and independent directors will take the decision.

UK7 here goes into more detail by stating:

we do have to ensure that we manage conflicts, such that we do not seem to favour one... we have a very disciplined process for doing that we have a complex management tracker or sort of a related party tracker to ensure that if there is a if there is a particular decision or something that perhaps would give rise to a conflict, it is properly documented, and the basis of the decision set out, and then we do share that with the other parties. So, we operate a very transparent way which I think means that it does not get in the way of success and we don't make unreasonable decisions.

From the emerging REIT regimes, similar comments are also observed with interviewees discussing the effect RPTs has on the performance of the REIT more from the need to conduct greater disclosure of any conflict of interest that may exist. SA1 explains that following listing regulation, once the transaction with a related party is above 2.5% of the market cap, the decision moves to the shareholders for a vote. SA1 explains:

we as a board look to make sure that all related party transactions are done fairly and in the best interest of our shareholders, obviously, the JSE as the regulator also looks to ensure that those related party transactions are done in such a way not to jeopardise or harm specifically minority shareholders or discriminate against them.... if it's larger than the 2.5%, then it must go to shareholders for voting and related party shareholders are not allowed to vote in that.

SA3 explained here that with RPTs, the REIT pays close attention to any conflict of interest. SA3 explained here that:

If it is larger than the 2.5%, then it must go to shareholders for voting and related party shareholders are not allowed to vote in that.

In the Nigerian REIT regime, NG2 that the key RPT the REIT is involved in is with the property manager, who is also a significant shareholder of the REIT. NG2 does not explain how the REIT manages the conflict of interest but notes that it might influence REIT performance during periods of underperformance. NG2 states:

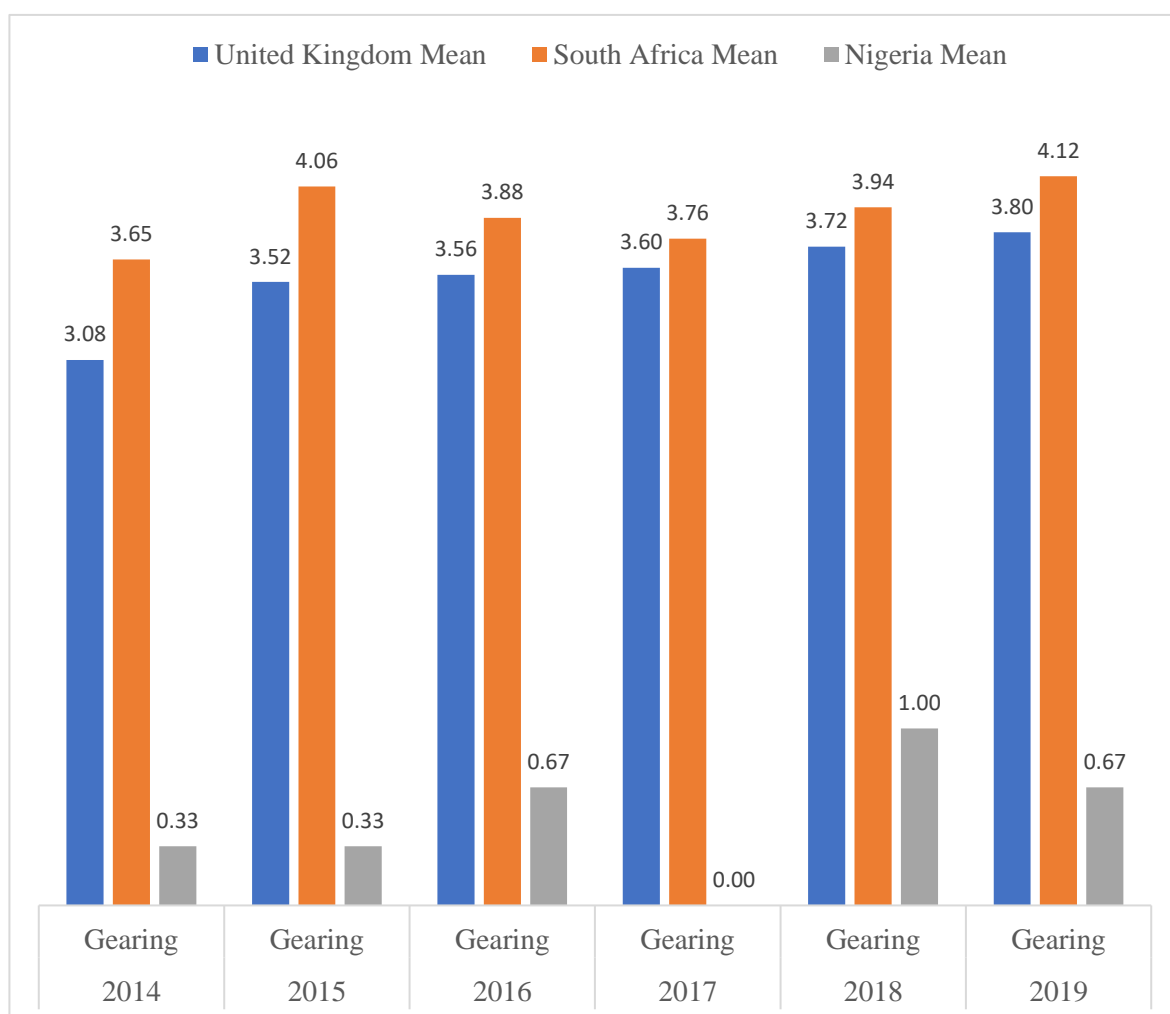
The key related party transaction with the property managers. The property managers, the major shareholders too of the XXX REIT which is XXXX they are also the property managers of the fund. Does it have a major impact on the yield of the firm? Not really if they were underperforming yes, I can say yes. But at this moment it does not because their fees are based on how much rental income, they are able to also generate. So, the amount of fees they collect is also tied to the performance of the REIT.

While the effect of RPTs on REIT's performance from interviewees' comments is inconclusive, more focus is placed on the requirement to have a sound system for identification and tracking any conflict of interest between related parties and the REIT that may exist. Additionally, and especially for emerging REITs, more scrutiny should be placed on disclosing these transactions to shareholders.

5.2.7. Gearing Proxies

With the REIT structure having strict gearing and leverage ratios in most jurisdictions, the literature review (Section 3.6.6.7) identified that there was a likelihood of externally managed REITs to use higher gearing to enhance NAV, compensation (as the base fee is dependent on asset base) and reputation (Capozza and Seguin, 2000; Ooi, 2009a). Figure 19 below shows little to no disclosure provided by the emerging REIT regime of Nigeria against the Gearing sub-index. NG1 noted low performance's negative impact on their ability to service debt. The annual scores for the UK and SA REIT regimes are observed to be higher than the mean score for the sub-index indicating higher disclosure requirements in these markets while also keeping in line with the REIT requirements. This is also in line with comments made by interviewees on the Audit sub-index around scandals that have recently affected the SA and UK market, meaning more attention is paid to borrowing by shareholders and managers.

Figure 19: Annual Mean Scores for Gearing Sub-Index in each REIT regime



Gearing proxies in the three REIT regimes play an essential role in the performance of the REITs operating there, as documented by comments from interviewees. In the emerging REIT regime of Nigeria, NG1 noted that the size and borrowing affected the REITs performance and became even more important for determining fees.

In the United Kingdom, the REIT regime also employed debt to gain a leverage effect while keeping in line with the REIT restriction of using debt. UK1 stated here:

So, XXX have some long-term debt, cheap debt from XXXX. So if our property are yielding four and a half per cent, we're paying them the 3% in interest, and then we've got 26% LTV, so all that, it does is that in a market were there that yields are flat, the performance of XXX should be benefiting a little bit from that leverage effect.

UK3 explains that for the sector, REITs should employ less debt linked to cash flow. UK3 explains that higher gearing is detrimental to REITs in the long run, especially when heading into a shrinking market. With REITs attempting to deleverage by shedding off non-performing assets, this leads to an oversupply in the market resulting in some REIT sectors trading at a higher discount. UK3 states:

So, I think the measure of gearing should always be around cash flow, debt service cover and debt service cover are always going to have, should have a significant margin for error. If you then translate that back into balance sheet theory, for us it probably means you're going to have balance sheet gearing of 30-35%... my view is that our view very clearly, is that leverage cannot be a driver of returns. Leverage can be something that just gives you a little bit of additional performance over and above what you consider to be the long-term equity return for your business.

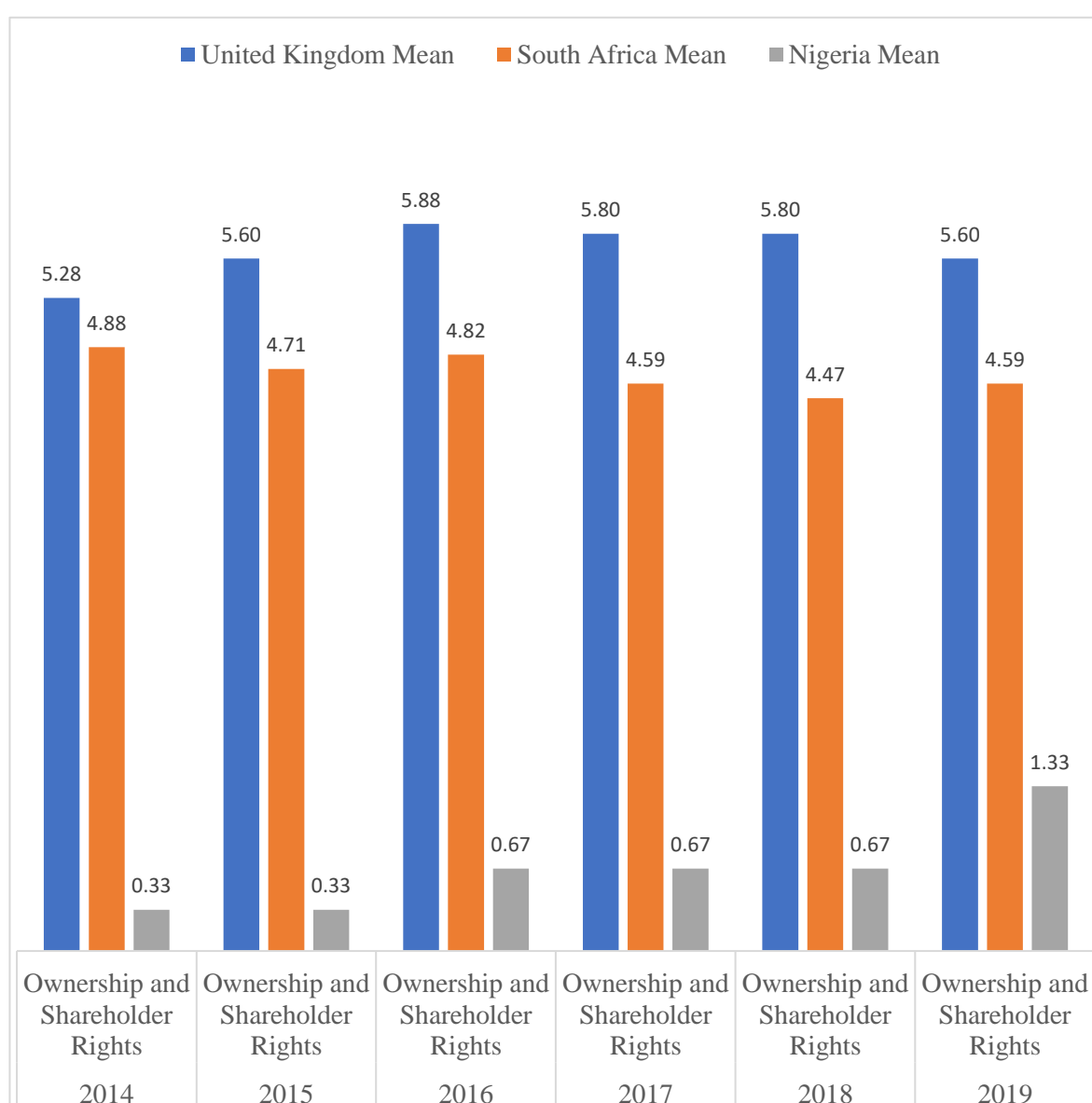
Similarly, UK5 explains that gearing for the REIT is related to the size of the REIT. It allows the REIT a better ability to raise finance quickly and cheap. However, no comment is provided on how the gearing disclosure impacts the performance of the REIT from a corporate governance point of view. UK8 also comments that there attention paid to the gearing level of the REIT and its impact on shareholder returns of the REIT. There is a need for further investigation on the disclosure of borrowing, liquidity, and solvency as documented from a corporate governance principle and REIT restriction on lending has on the performance of the REIT.

5.2.8. Ownership and Shareholder Proxies

The ownership structure of a REIT plays a critical role in its performance in both emerging and developing REIT regimes. Complicated ownership structures can be detrimental to performance and affect the rights of shareholders, as noted in the literature (see Section 3.6.6.8). While institutional investors have been observed to play a crucial role in many developed markets, little is known about how ownership structure affects performance in an emerging market. To shed light on this issue, interviewees from all three REIT regimes provided their perceptions of the impact of ownership structures on performance. For externally managed REITs with sponsor-satellite ownership models, which are prevalent in emerging REITs in Asia, there is a tendency for such structures to display higher information asymmetry, which may negatively impact shareholder value (Lecomte and

Ooi, 2010). Disclosure of ownership structure and related proxies is crucial to ensure better performance of REITs, as this attracts more investment and increases market and investor confidence. In Figure 20 below, the emerging REIT regime of Nigeria annual mean scores are consistent with the qualitative description of the ownership structure provided by interviewees which has the potential to create conflict of interest and information asymmetry. Disclosure on the sub-index for the UK REIT shows it dropping in 2019 with no considerable improvement in both UK and SA REIT regimes above their highs in 2016. Comments by interviewees mostly focused on engagement with shareholders.

Figure 20: Annual Mean Scores for Ownership and Shareholder Sub-Index in each REIT regime



Interviewees from emerging REIT regimes described the ownership level within their REIT, with some commenting on the ownership structure's impact on performance. In Nigeria, NG2 agrees that the ownership structure of the REIT does have a significant effect on performance due to the presence of the controlling interest of the sponsor, which can influence the decision-making of the REIT. NG2 here states:

the ownership structure does have a significant impact on XXX in the sense that most of the assets that make up ... the XXX REIT come from one of the majority shareholders which is the XXXX.

NG2 goes on to explain the impact the ownership structure may have on the performance by stating:

It actually has a huge impact on that because the major shareholder, they can convince the board to buy a specific property. So, they have a huge impact. When you have your largest shareholder, and the other members swing to one side of the affairs. They have a huge impact on the ownership structure.

In the South African REIT regime, interviewees discussed various ownership structures. SA1 agrees that ownership structures can impact performance. Still, for the REIT, which is diversely owned with no significant influence from large shareholders, this has not influenced the performance of the REIT. SA1 here comments:

none of them are so significant in a shareholding that they affect the day to day operations of our business. But obviously, we were very careful to look to align our business, our ethos, our strategy with our, with our shareholders.

SA1 noted that the shareholding characteristics of the REIT were diverse but ensured constant alignment between shareholders and the REIT. On the detriment of not having block ownership and major shareholders, SA1 commented:

we don't have any implicit guarantees from any large shareholders who will bail us out if we were in trouble.

Similarly, to SA1, SA3 is noted as a listed company, and the REIT following listing regulation is widely owned with an ownership structure primarily out of their control. SA3 states here that in the case of the REIT, there should not be any impact on the ownership

structure that should affect the REIT negatively. SA5 commented that the REIT did have a sponsor (a bank), but this comes with the ability to raise debt quickly. SA2 noted that while the REIT owned 100% of the assets, up to 40% of the shareholding of the REIT was held by board members. Comments from interviewees on how this ownership structure affects the performance of the REITs were sparse.

In the United Kingdom, UK1 clearly states that the ownership structure has an impact on the performance on the REIT due to the presence of a dominant shareholder. UK1 stated;

if you have a dominant shareholder and they choose to sell, they might have an impact on your share price.

UK2 noted that owning a percentage of the REIT shares helps with the performance through actively managing it and taking a proprietorial interest in the REITs success. Similarly, UK6 stated that the REIT has two shareholders accounting for about 40% equity ownership, and both are involved in the day-to-day business of the REIT. UK6 does not comment on how this impacts the performance of the REIT. However, UK6 explains the level of engagement undertaken by the REIT with other shareholders. UK6 states:

we report to the market four times a year. And we do formal roadshows, we put our results out at the end of February in the last month, we probably done about 80 different investor meetings with other shareholders or potential shareholders and we will repeat that again in the late summer, early autumn on the back of our half-year results.

Similarly, UK7 noted that while the REITs current investors are made up of traditional property investors and generalist investors due to its conversion from a PLC to a REIT, the emphasis is placed on engagements with all significant shareholders. UK7 states:

we obviously engage with all of our shareholders, you know, post results on a bi-annual basis... Talk to them about the business and the direction of the business and how it's performing. But just in, much more in terms of good stakeholder engagement and good governance.

UK4 noted that the REITs have a diverse shareholding base, and the ownership structure is changing over time; for the REIT investors, this has not been a particular issue so far. In a similar vein, UK8 states that the ownership structure of the REIT does not impact its performance as it is widely owned, attracting international investors.

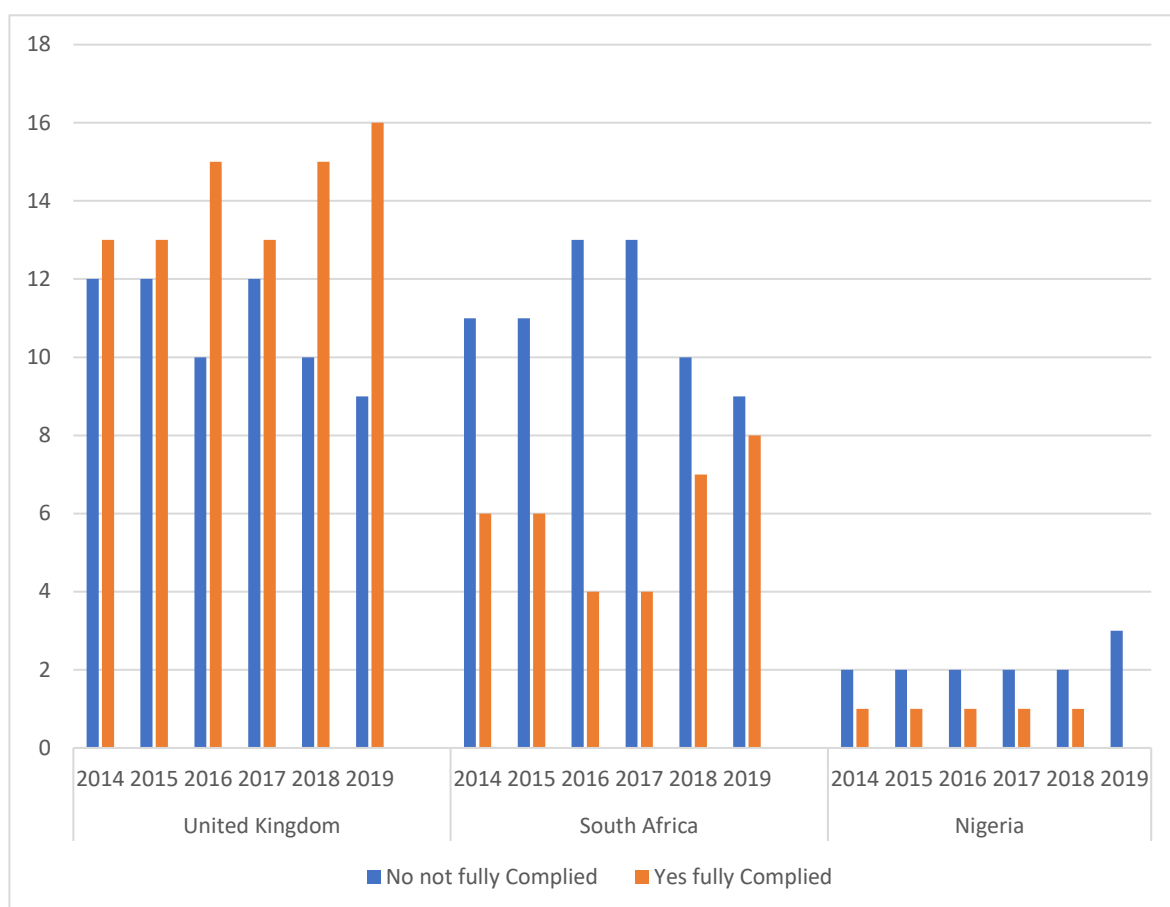
The evidence from the literature review shows that the ownership structure described by NG2 and SA2 has the potential to encourage high RPT transactions, which affects the performance of the REIT. UK1 and NG2 both agree that the presence of dominant shareholders can drastically affect the REIT if they decide to sell. Other interviewees believe that the ownership structure of the REITs was very diverse but emphasised the role of shareholder engagement as essential to the REIT's performance.

5.3 Perception of the overall corporate governance quality of individual REIT

Finally, in Section C of the semi-structured interview, interviewees from all three REIT regimes were asked to provide an opinion of the corporate governance quality of their individual REIT in relationship to how it adheres to the corporate governance codes of the respective REIT jurisdiction using a Likert scale. In this study, a Likert scale of 1 to 5 was applied to represent the scale of the quality of corporate governance of the REIT, where 1- poor, 2- fair, 3-good, 4-very good and 5 excellent. This provides an avenue for summing up participants' responses for each measure and documenting any comments on why they have chosen that specific response while noting the individual role bias may play in providing a more positive assessment of interviewees' view of their individual REIT. Alongside interviewees' qualitative assessment of corporate governance, the scoring methodology provides a quantitative assessment of compliance or application of individual country-level codes, as seen in Figure 21.

Chapter Eight of this thesis provides a more detailed explanation of compliance, but Figure 21 below demonstrates some key trends in compliance across the UK, SA, and Nigerian REIT regimes. The graph shows that the UK REIT regime experienced a steady increase in full compliance from 2014 to its peak in 2019. The SA REIT regime also saw steady improvements in compliance throughout the observation period. However, in 2019, none of the Nigerian REITs reported full compliance. Additionally, both the UK and SA REIT regimes experienced a drop-in compliance in 2016 following a recession caused by a drop in crude oil prices. Interestingly, the interviewees' self-assessments appeared to align with the compliance data in Figure 21 below. In Chapter Eight, it is noted that a majority of UK and SA REITs provided explanations for non-compliance, which is consistent with the voluntary nature of the code. However, this was not observed in the Nigerian REIT regime.

Figure 21: Statement of Compliance or Application of Code



Using a scale of 1 to 5 (1-poor, 2-fair, 3-good, 4-very good and 5-excellent), how would you judge the overall quality/strength of your REITs' corporate governance based on how it follows the corporate codes in the jurisdiction you operate?

An initial analysis of responses showed that eight (50%) of the sixteen interviewees that answered this question believed that their REITs had a 'very good' quality of corporate governance when evaluating how well they perceived the REIT followed the corporate governance codes in the jurisdiction they operated. Five (31%) believed it to be of 'excellent' quality and three (19%) believed it to be 'fair'. None of the interviewees who provided an answer thought their REIT was perceived as having a 'poor' quality of corporate governance, but most who perceived it as 'very good' thought there was room for improvement.

In the United Kingdom, seven (70%) of all interviewees believe that their REIT has a *very good* quality of corporate governance. In comparison, three (30%) of all interviewees thought that their REITs' corporate governance quality was *excellent*. Interviewees that

stated the quality of their REITs as being *very good* commented that there was room for improvement as it is not a perfect system. For instance, UK4 explains the choice of the REITs corporate governance as being *very good* states:

Could we make improvements? Probably, and do I know what does improvements are? No. I'm not going to sit here and say that we're perfect. Yeah, I think we have an appropriate structure for our business and the size of it.

UK5 explains that the REIT listing requirement ensures a higher level of transparency and scrutiny, especially around governance but agrees that there is always room for improvement for the REIT. UK8 also commented that the quality of corporate governance is *very good*; the REIT was progressing to *excellent*. Similarly, UK10 explains that

In the South African REIT regime, the response by interviewees was diverse, with three (50%) of all interviewees believing that the corporate governance of their REITs is *excellent*, 25% to be *very good* and 25% believe it to be *fair*. SA1 stated that the REIT has a *very good* corporate governance quality but stated that the REIT has room for improvement. SA2 noted that since the recent corporate governance scandals in South Africa, more attention has been placed on the corporate governance structure of the REIT. SA2 explains:

I would put it on five because obviously after all the mishaps reported, of Steinhoff international and the collapse of other companies as well as MTN struggles our CFO has made, has taken upon himself to take corporate governance very seriously.

A similar view is also shared by SA3, which states much focus has been placed on the corporate governance of the REIT in recent years. SA3 explained the reason for giving the REIT an *excellent* rating by commenting:

I already think that's such a tremendous focus placed on corporate governance in the company over the past five years or so. And we have come on leaps and bounds. I think I really don't see any shortcomings at the moment from a corporate governance perspective.

In the Nigerian REIT regime, both interviewees agree that the corporate governance quality of their individual REIT can be improved, with both (100%) interviewees stating it was presently *fair*. NG2 explaining why the corporate governance quality was *fair* stated:

...because there are some assets that are getting quite old in the REIT that one has to rethink of disposing them off because of the operational cost are getting quite high and is reducing the yield of the asset.

In conclusion, in the emerging REIT regimes of Nigeria and South Africa, interviewees reported a more comprehensive range of opinions on the quality of corporate governance in the sector. The view in South Africa was more dispersed than in Nigeria, which shows that more needs to be done in the REIT sector to improve the implementation and understanding of corporate governance principles. In the developed REIT regime of the United Kingdom, the quality of corporate governance was deemed to be high, with the majority of interviewees stating that their REITs' corporate governance is *very good* and *excellent*. This can be ascribed to the better institutional environment surrounding the application of corporate governance principles and higher reporting and disclosure requirements by the stock market driving REITs to ensure that they follow the corporate governance code.

5.4 Summary of Findings

This chapter sought; 'to analyse the impact of the quality of corporate governance on Real Estate Investment Trusts (REITs) performance' through the application of qualitative data collection and analysis methods. Interviewees understood the perception of corporate governance's impact on the performance of REIT in the three jurisdictions of the United Kingdom, South Africa and Nigeria. On the various corporate governance proxies drawn from the literature review and corporate governance codes, interviewees in all three REIT regimes focused extensively on the board, remuneration, and fees' impact. However, it is essential to note that for emerging REIT regimes, the role of corporate governance should go beyond these obvious three but should be an all-around improvement on the level of disclosure against all proxies, which will improve transparency and attract more players to the sector.

In the developed REIT of the United Kingdom, the board, remuneration and fees corporate governance proxies are discussed are relevant to performance. In emerging REITs of Nigeria and South Africa, the audit and ownership proxies are further discussed in the United Kingdom. The audit proxies are discussed extensively in South Africa, with particular interest by interviewees given to the recent financial scandals caused by poor

corporate governance practices in these regions. Additionally, in the Nigerian REIT sector, interviewees commented on the impact concentrated ownership may have on the performance of the REIT.

When interviewees were asked to rate how well the quality of corporate governance of individual REITs aligned with the regime corporate governance code, interviewees from the United Kingdom REIT regime overwhelmingly believed that the quality of corporate governance was *very good*, at least with some feeling it to be *excellent*. The responses here should be viewed with some criticality due to the potential of bias by interviewees to overwhelmingly portray their individual REIT in a positive light. However, with REITs in the UK improving on disclosure and compliance against the code, there is an arrangement in the overall higher compliance rating mentioned by interviewees. A mixed and inconclusive response was documented from comments made by interviewees from the South African REIT regime. However, when reaggregated, the prevailing sentiment is that the quality of corporate governance falls above just being *good*, aligning with the quantitative data showing that while improvements have been made in the region, more than half of the SA REITs surveyed for the period do not fully comply with the code.

In contrast, interviewees in Nigeria thought the quality of corporate governance was *fair*. The response from the emerging REIT regimes shows that more work still needs to be done to improve the quality of corporate governance in these regions. The quantitative data collected shows that the negative sentiment expressed by interviewees is sound, with no REIT reporting full compliance in 2019, and in other periods no explanation is provided for non-compliance in breach of the country's corporate governance code.

CHAPTER SIX

REITs INVESTMENT DECISION-MAKING PROCESS

6.1 Introduction

In Sections 2.8 and 2.8.1, the literature on the property investment decision-making process was critically evaluated and investigated to understand how REITs carry out investment decision-making in developed and emerging jurisdictions. objective 3: to evaluate how Real Estate Investment Trusts (REITs) carry out investment decision-making) was met. It also contributes to objective 5, which is to develop and validate the corporate governance scoring framework and supporting guidance for real estate investment trusts (REIT) investment decision making process. The evaluation of the literature on how REITs carry out investment decision-making led to the identification of the appropriate normative model to be tested using semi-structured interviews of decision-makers in the developed REIT regime of the United Kingdom and emerging regimes of South Africa and Nigeria. The normative model of investment decision-making that was investigated in this section is in line with studies by (Farragher and Kleiman, 1996; Farragher and Savage, 2008), where the various stages of investment decision-making include;

1. Setting strategy
2. Establishing risk/return objectives
3. Searching for investment opportunities
4. Forecasting expected returns
5. Assessing and Adjustment for risk
6. Decision making
7. Implementing the accepted proposal
8. Audit

Hence, by investigating the stages of investment decision-making above, this chapter focuses on answering Objective 3: 'To investigate how Real Estate Investment Trusts (REITs) make property investment decisions'.

The questions asked during the semi-structured interview to solicit answers to meet the objective are presented in Section D (see Appendix 7) of the semi-structured interview guide. The relevant question in Section D are:

Q7. Can you please tell me the ideal steps or stages which you would follow when making decisions regarding property investment within your REITs?

Q8. Please, can you describe what, in your opinion, may occur within each of the steps or stages you outlined in the previous question?

a. Of these steps or stages, which of these are critical for the property investment decision-making and why?

Q9. In your opinion, how would your REITs corporate governance affect the property investment decision-making steps/stages?

The following questions above in Section D will be evaluated and discussed from the interviewees' responses. This allows the input of behavioural perspective of decision making to help explain what happens when decisions are made and the development of the descriptive model of property investment decision-making by REITs in the various jurisdictions. This approach is consistent with the method used by Farragher and Kleiman, (1996), Gallimore, Hansz and Gray (2000), Roberts and Henneberry (2007) and Farragher and Savage, 2008; Parker (2014).

6.2 Descriptive Investment Decision-making Process in the United Kingdom, South Africa and Nigeria

Q7. Can you please tell me the ideal steps or stages which you would follow when making decisions regarding property investment within your REITs?

AND

Q8. Please, can you describe what in your opinion may occur within each of the steps or stages you outlined in the previous question?

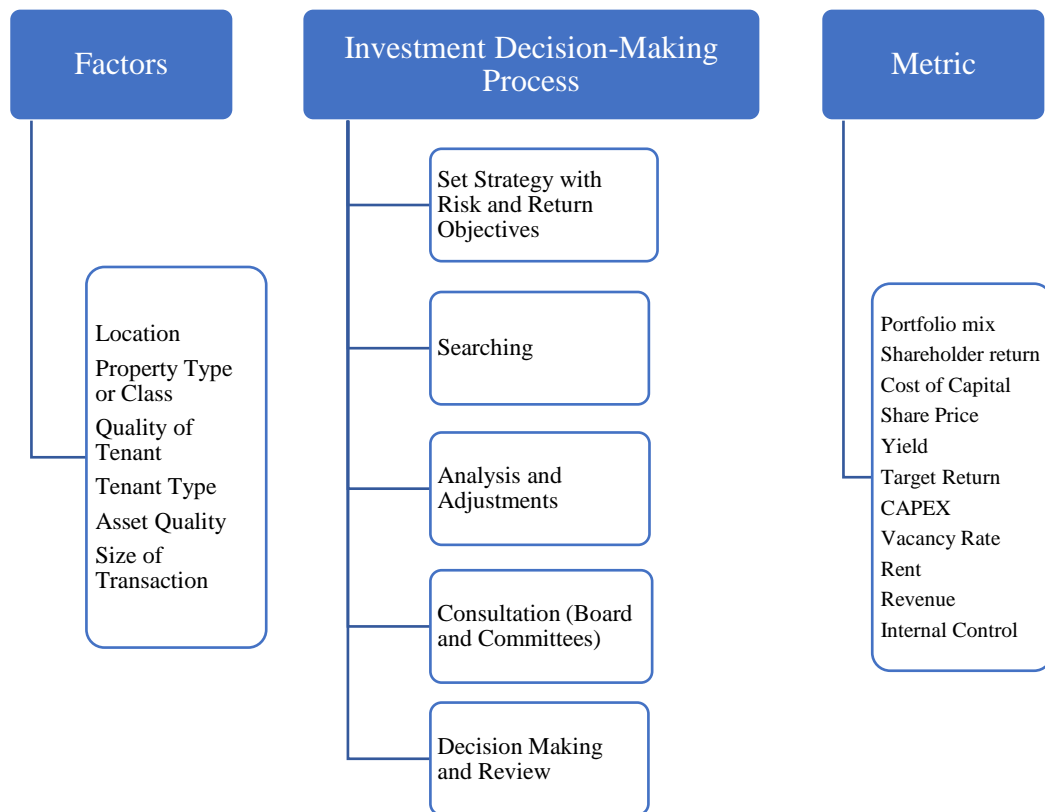
Just as in the findings by Roberts and Henneberry (2007), the analysis of the process of investment decision-making applied by investment managers in the REITs regime of the United Kingdom revealed a significant simplification of the eight stages identified in the literature (Section 2.8.1). These stages are reduced to five stages (Figure 22 below) for the

United Kingdom, South Africa and Nigeria investment decision-making process; each stage will be discussed in turn.

All interviewees described the investment decision-making stages regarding how their individual REIT operates. This description reflected the sectoral preferences in which the REIT operated, the size of the physical asset, and the value of transactions generally witnessed in the REIT-operated sector. For example, comparing decision-making made by specialist healthcare REITs investing in GP practices and the NHS to a retail or warehouse REIT investing in a large warehouse or retail mall would show distinct differences in what may be critical at different stages of the investment decision-making process.

The analysis of discussion with the interviewees in the Nigeria REIT regime is also consistent with finding for smaller emerging real estate markets in the literature. The process of investment decision-making undertaken by the decision makers within the REIT is similar to those of small real estate companies that are in the United Kingdom and parts of South Africa, where satisficing may occur due to limited resources, capital and the information to make better decisions (Gallimore, Hansz and Gray, 2000).

Figure 22: Descriptive Investment Decision-Making Process in the Three REIT regimes



6.2.1 Set Strategy with Risk and Return Objectives

Setting strategy forms the initial decision-making criteria focusing on the suitable investment opportunities that meet the overall corporate and business model of the REIT. The need to have an initial strategy with an understanding of the risk and return objective that guides the preceding stage was identified in discussion with interviewees from the three REIT regimes.

Through the setting of a strategy, the investment policy of the REITs is set, which is applied in subsequent stages of the investment decision-making process. The conversation around developing a strategy and themes around the crucial factors that affect performance, such as *Location* and *Property Type or Class* the REIT invests in, identified in Section 4.2, was also discussed as a guide to the strategy established by the REIT.

UK 10 rightly mentioned that the need to communicate this strategy is critical. UK 10 said:

'Communicate' does not matter who you are just communicating. Whether it's your guys that work for you, you girls who work for you or your people that you work with or

whoever, just communicate and as long as you're doing that, and you have got a strategy, and everyone knows what they are heading towards, it should be pretty straightforward.

UK 9.1 and UK 9.3 agree that a strategy must be set at a company level, and these criteria guide the investment decision-making process. They stated that:

..it starts with the company level strategy, that is the objectives of the company and the criteria we work within, and next to corporate governance of course and we obviously have that constantly on review that whatever we are proposing to invest we put forward to the board...

This is supported by UK 4, which stated that the strategy is linked to essential factors specific to the REIT. Highlighting the role specialisation by sector and property type had to play in how REITs set strategy. UK 4 stated here that:

...we will consider each individual opportunity looking at a number of different factors, and which is specific to our REIT, and obviously, will be consistent given that we have one type of property.... it suits our corporate governance structure, and we have a number of criteria, we consider for each investment and disposal. We tick all those boxes and be signed off by the Investment Committee before it will happen.

When asked a follow-up question about the possibility of chasing opportunistic investment opportunities against those from the set strategy, many interviewees believed that this was likely not possible due to the strategy set by the board or investment committee and linked to the REIT business model.

For instance, when UK10 was asked about the possibility of opportunistic investment as against the set strategy, UK10 stated here that:

More strategic than opportunistic, because we, one of the reasons, this might go back to your very first question around performance of REITs. We think one of the things that has assisted us in our performance is having a very clear strategy from day one. if I turned up tomorrow, I said to my board, I've seen the most unbelievable opportunity. It's a shopping centre and forget what's going on the road. Let's say it's just a shopping centre and it was just so cheap; you couldn't help and make money out of it and it was in Glasgow. They would just, I will get shot down. They will say, first we don't invest in retail. Secondly, it's not in a core location. We don't care how much money you can make out of it? What message does that send to our investors?

UK9.1 and UK 9.3 also answered this follow-up question on the flexibility of the strategy to opportunistic investments, which may fall outside the set strategy, by highlighting the difficulty identified by UK10. They stated:

The only flexibility will be if you went back and change your investment strategy. But that's not an easy thing to do. So, the way I interpret this question is, what would happen, if you wanted to buy something that was slightly off your investment criteria but, you thought it was going to perform in a particular way? It meets some but not all the criteria. Well, in those circumstances, we would take it to the board. And if the board does not feel it met the investment strategy, then they would have to decline it.

UK4 also agrees with the statement that the set strategy does not allow for opportunistic ventures. With REITs having specific sectoral and property type investments, the chance to carry out opportunistic investments is limited. When linked to the high-risk nature of opportunistic investments, REITs invest long-term at low risk. UK4 stated regarding the opportunistic investment that:

Not so much in our sector. I mean the buildings are there for a long time, it takes a long time to get the NHS to sign off on a new development. The GPs that we buy from or sellers are normally in a rush to sell particular buildings, it is a long term, very slow-moving sector. So, you know, we've, as I have already commented, one of our sorts of key differentiating factors, is there is a long term and low risk. And I as such, opportunistic opportunities aren't necessarily something that happens, as there's not really much to be gained, there is no benefit to taking a risk because, it will just change the profile of our portfolio.

UK6 stated that the set strategy allowed for some opportunistic acquisition for the REIT, especially in the retail sector, where developing suitable stock takes considerable time.

UK6 here stated that:

From an acquisition point of view to some extent that is more opportunistic because we, depending on the vendor wanting to sell and then we will look at it.

While most interviewees think there is a need to set a strategy before investment decision-making is conducted, a contrary opinion was shared by UK5 when asked if there was a chance for opportunistic investment. UK5 stated that:

I think sometimes it is opportunistic, but we like to present it like strategic. The reality is that the team will know roughly what type of things we are looking at. So, we will be currently looking at development sites, so they will look at a variety of those, and they will filter them down into things that fit with our strategic plan of where we want to be developing next. So, I would say it's largely strategic but, it would be wrong to say that sometimes opportunistic deals do not come along. And I would say this is rare you know, sometimes you can, look at those and think something actually could make very good sense as an add on. For example, the leisure portfolio we bought, that was presented to us it was an opportunity, we hadn't gone out of our way thinking, we must find leisure opportunities but once presented to us because there weren't many leisure assets put together on the portfolio once we were shown that opportunity. It did make very good strategic, sense. So I will say almost all the time, you have strategic idea of what you want to invest in and you go and find assets that work for that strategy, but you have to be open to opportunity ideas as well.

For South African REITs, interviewees agree that the need to set a strategy with risk and return objectives is essential for their REITs. Additionally, the role performance factors such as *Location, Property Type and Class* played in how strategy is formed was discussed as it aligned to the portfolio and investment decision-making process.

For example, SA1, when answering this question, stated the need to know a broader strategy is required, linked to the portfolio cycle of the REITs. Here SA1 is reported as saying:

Is the area and the property appropriate for our tenants and of course all of these will, all this will happen in the context of the broader strategy of the company... I do think that strategy is very important. So, knowing the broader strategy for the stage at which the business is in, is important. So, for example, at XXX, we have generally been in a non-acquisition phase. And in fact, we have made a few disposals, and that is in terms of strategy because where the market is at the moment, we don't see a lot of good opportunities for acquisitions.

The position taken by most South African interviewees was linked to the current investment strategy cycle, which will be either an acquisition or disposal phase, as seen from SA1's comment above. This view is supported by SA4, which notes the need to change decision-making based on the set strategy of the fund. This decision revolves

around investment or disposition, location or property type. SA4 points out that the set strategy for the REIT guides the investment decision-making process, which is reflected in what kind of acquisitions and disposals the REIT conducts. SA4 states here that:

...it is to do with the overall strategy of the funds if you are planning to grow the fund and if you're planning to grow the fund in which direction?...

The approach discussed by SA5 shows that the procedure for the REIT followed a broader strategy focused on the risk and return objectives linked to property assessment, which is not a high-level detailed set strategy. SA5 stated here that:

It isn't very high level does not have a lot of information, but just the property summary. This is the location, this is the GLA, this is the range per square, this is the yield, this is the budget... Then the Investment Committee does put in their points, of course...

This is similar to evidence drawn from Roberts and Henneberry (2007), where it was found that interviewees from France and Germany reported that the setting strategy stage tends to be broad guidance open to some level of interpretation in these countries. When SA5 was asked if there was a chance of opportunistic investment against the set strategy, SA5 stated that it is strategic given the tenant type targeted by the REIT. SA5 stated that:

It is very strategic; the main point being is it xxx tenanted or not. Our strategy is xxx so we have sitting with the board with the investment committee, and we have to prove it, it's a very challenging space... it's the type of tenant, the location is also very important, we do have government buildings that are in smaller towns and in larger towns...

For interviewees in the Nigerian REITs, the role of a set strategy with risk and return objectives was discussed. NG2 stated that the investment decision-making process applied by the REIT followed the set strategy, which is supposed to ensure fair returns to investors. This was also discussed based on the attitude of the decision-makers. With REITs, a long-term investment, especially in an emerging market like Nigeria, the need to adopt a passive long-term strategy to guide investment decision-making is seen as more acceptable than aggressive investment decision-making, which is akin to opportunistic investments. When the follow-up question on the possibility for opportunistic investment as opposed to the set strategy, it was no surprise when NG2 stated that:

...there is not much room for opportunistic investment in the sense that, it just follows the strategy. It follows the strategy and every strategy followed thoroughly. And there are

things put in place. It's not possible to try an opportunistic approach because would have to hold series of meetings, and by time you had all those meetings, you probably lost opportunity. You won't be able to take advantage of.

Additionally, the need to have the set strategy linked to the risk and return objectives of the REIT was discussed. Setting the strategy alongside risk and return objectives is an additional complex process for the decision-makers, which may result in simplification or ignoring critical information (Hutchinson and Alba, 1997). Linking the set strategy with risk and return was not discussed in detail by interviewees from all three REIT regimes. This may be attributed to the link between risk and return objectives and the close connection to the set strategy and business model stage.

The result here is consistent with literature stating that more thought needs to be given to clearly articulating the REIT's risk and return objectives in the investment decision-making process (Farragher and Savage, 2008). For the set strategy, it was noted that most interviewees expressed this in qualitative terms for risk. At the same time, the return was defined qualitatively and quantitatively (for example, the use of IRR). From the discussion in the UK REIT regime, the debate on established risk and expected returns are discussed only by a few interviewees. UK10 discussed that the investment decision-making process followed an established risk and return objective. UK10 notes that the process makes the search stage that follows complex. Here UK10 states:

...to try and find an asset that fits your criteria perfectly can sometimes be difficult. But broadly the things that we focus on are really, really basic stuff... does it fit within our core location? Is it a prime modern building? Is it capable of being re-let? Is the tenant that occupies it a strong and reputable tenant that will always pay their rent on time? And with all those things in the mix? Can you hit your target terms? And this comes back to the IRR metric, you know lets, we have a range of target returns for different investments.

This qualitative description of the risk and return objective is consistent with the interviewees from the United Kingdom. Following this trend, UK3 states similar criteria are applied for the REIT when establishing the risk and return using questions such as;

What are the supply risks like for people to come and compete with us? Is there any land around that would allow competitor to open nearby?

UK8 comments also identify that the set strategy with risk and return objective is a crucial stage in the investment decision-making process. UK8 here states that:

...the ideal approach would be we will clearly have the business plan and forecasting going ahead for business which would be looking at existing portfolio, expected returns from existing assets. And that would identify assets which we would regard as having potential to risk underperformance. So, that is a flag for potential disposal candidates or past mature assets which are expected to have a good performance in the short term, but may will have medium-term risks that we wouldn't want to expose the business to looking ahead on the medium-term basis. So, it is a forward planned Investment strategy. That will also identify capital available for investments either by increased debt or recycling capital, other capital raising opportunities.

The set strategy discussed by UK7 shows that apart from the crucial factors of *Location and Property Class or Type*, an assessment of the *Quality of Tenant* affects how the REIT sets out its strategy alongside risk and return objectives. UK7s REIT in the Higher Education sector looked at:

we will look at the University's stated strategy, are they looking to grow? Are they looking to develop a new campus or whatever? We will look at the University's ranking in the Higher Education

6.2.2 Search

The *search* stage of the investment decision-making process was identified from the evaluation of semi-structured interview discussions conducted in all three REIT regimes. The search stage from all other stages in the normative investment decision-making process is one of the few that remain consistent in the descriptive investment decision-making model and draws close similarity to the observed results by Roberts and Henneberry (2007). This stage is guided by the crucial factors of performance such as *Location, Property type and class, Asset Quality and Quality of Tenant*.

In the United Kingdom, the search stage for REITs for potential investment decision-making was linked to the set strategy with risk and return objectives and *Location* or core market sector the REIT already operates in. UK1, responding to Q8, stated that they look at:

...whether opportunities in the marketplace exists that fits with the investment policy.

This is evident in comments made by UK9.1, where the set strategy with risk and return objectives are used as the criteria to guide the search for suitable investment opportunities. UK9.1 explains that:

...we work with the board in doing this process... everything that is screened or put forward must meet the criteria. If there are discussions, if the scenario is not quite meeting our objectives or meeting that criteria, we will, we will obviously speak to the board.

The search stage for UK3 ensures that the identified investment opportunity meets the REIT strategy's selection criteria. Here UK3 presents a series of questions which guide the search by stating:

...Isn't going to play well? Is it in the right location? Is it in the right city? Is the GVA per capita in that city, right? What are the supply risks like for people to come and compete with us? Is there any land around that would allow competitor to open nearby?...

The response by UK3 is similar to the search stage identified by UK8, where the search process for a suitable property in the retail portfolio is done based on research on the location and existing pricing in the market. UK8 stated that:

...Areas which we thought were attractive, which territories, or particular retail asset classes, and we do research around those...

UK5 stated that in some cases; investment opportunities are presented to the REIT for acquisition which technically does not involve an actual search by the investment team. UK5 said here that:

as we go through an acquisition, we would probably hear about it in the market. So, our investment team would be made aware of the potential opportunity...

The search stage still follows the crucial factors of *Location* and *Quality of Tenant*, with UK7s REIT searching for suitable land for construction based on these factors. UK7 stated that when the investment decision-making process involves asset disposal, the search stage will include the identification of potential buyers. UK7 states that:

...we will look to dispose based on there being appetite to from buyers to take asset offers and we will also dispose to fund our future growth. So, as a REIT, we don't believe we should continually be going back to our shareholders and investors to secure more money

to grow. So, if we dispose of asset that means we can take the proceeds from those disposals and reinvested back into new development or buying new assets....

However, when the investment decision-making involves the building or buying new assets, UK7 noted that this process is linked to the *Quality of Tenant*, in their case, how the University performs on the Higher Education league table. UK7 states that the search stage here involves:

We will then look at supply coming into the city, so are others building new supply, are the university building new supply? We will assess the quality of the relationship we have with the University. And then we will look at our track record in that city...

In the emerging REIT regimes of South Africa and Nigeria, the interviewee also discussed the search stage of the investment decision-making process. SA1 noted that this search stage for investment happens in different ways. SA1 here mentioned that:

We get potential investment in various ways. So, some come to us via brokers proposing acquisition of a property while other properties investment we seek them out and approach potential sellers.

SA5 identified this approach of sourcing new potential investment opportunities in the search stage. SA5 recalled that the REIT is approached by brokers, attends network events and tries to reduce going through the third party as this brings additional cost when the investment decision has to be made. Here SA5 mentioned that:

...so we've got different ways in which we identify a potential asset most of them do come by brokers, but some we do meet directly with the seller, you know, just to try and avoid paying huge commission fees by going through a broker, but we do try to attend a lot of networking events just to put feelers out there in the market. So, people are aware that we are looking at acquiring new assets. So, once we do identify assets with potential, we then present a paper to the Investment Committee,

Like comments from interviewees in the United Kingdom REIT regime, the search stage is closely linked to the set strategy with risk and return objectives, which determines if the REIT will invest or divest in various property asset classes or locations. SA4 mentions here that the REITs present strategy shifted to a more retail focus portfolio; hence the search stage for the REIT is focused on that. SA4 states:

...we recently disposed of commercial properties in Cape Town. So, most of the Cape Town portfolio was disposed of, and that was a decision made to dispose more of the commercial and become more retail focus. So obviously, looking at prospective retail properties to acquire.

For the emerging REIT regime, SA2 notes that the search stage for investment opportunities from potential sellers needs to be done based on trust as it affects the ability to obtain the required property information in other stages. SA2 explains that:

...step one would be identifying an asset, identify the owner, get in contact with the owner, establish trust and obtain high-level income and expense numbers.

The search process continues, leading to the next stage, but no decisions are made on these investment opportunities. As explained by UK4 during the search stage, the team of highly qualified individuals:

...identify opportunity, they cannot sign off any opportunities on their own, they must bring all opportunities to the Investment Committee...

In the Nigerian REIT regime, the search stage follows a similar approach which is guided by the strategy set by the investment committee, which the fund manager actualises. Here, NG2 notes that the REITs have a mix of investment options they can pursue. Using asset allocation and following the REIT requirement to invest 75% in real estate, the REIT can look for investment opportunities elsewhere. NG2 here mentions that:

I would say are in two categories investments in physical assets and investments in liquid assets investment. Investment in liquid assets like bonds, will be property-related, like real estate related bonds, treasury bills issued by real estate firms, those ones are tied down... But in terms of physical assets, like acquiring a building, sale of a building, purchase of an asset, lease of asset, does would have to be done at investments committee meetings.

6.2.3 Analysis and Adjustments

The discussion with the interviewees provided evidence that the normative steps after the search stage (forecasting expected returns and assessing and adjusting for risk) can be reduced to a single stage termed an analysis and adjustment stage. Potential investment opportunities identified in the search stage are analysed to appreciate the risk and returns. Where possible, adjustments are made to ensure the potential investment opportunity is

appropriate for the REIT set strategy and is an excellent fit for the existing portfolio of the REIT. If adjustment is not possible after analysis, the potential investment opportunity can be abandoned. As discussed by all interviewees, this process is conducted using a level of quantitative analysis of crucial factors that contribute to performance and focus is given to appropriate metrics for measuring performance. A top-down perspective follows therein; the strategy directs the search, analysis and adjustment process (Roberts and Henneberry, 2007; Farragher and Savage, 2008).

In the United Kingdom, interviewees mentioned the analysis and adjustment process during the investment decision-making process that their REIT does to ensure that the investment opportunity follows the set strategy and fits the existing portfolio. UK1 discussed the requirement to analyse the potential investment opportunity. UK1 states that:

...we run some analysis to see whether adding that property to the wider portfolio will enhance value based on what we think the asset will deliver. Whether it will enhance the performance, you know shareholder returns. If it won't enhance returns then we won't recommend it, but if we believe it will, based on our cost of capital at that point in time, which is a function of our share price and what we can borrow it, then we will recommend the acquisition...

UK4 explains that this analysis and adjustment process for the REIT is based on the building they will be investing in. UK4 refers to the process here that:

we don't have one set yield. We will target on an individual building; we will tweak that yield based on the risk profile, and not every building is going to be valued the same. And the factors that we have talked about will contribute too, and whether we perceive that to be a lesser a greater risk, and where there's a greater risk, we're expecting, obviously, a higher return.

Here, UK10 explains, by example, how the REIT may analyse a potential investment opportunity by applying a target rate of return and the possible adjustment on the target rate of return with an effect on the final decision to be made. UK10's explanation in the interview shows that the approach to analysis and adjustment has a link to the set strategy and risk appetite of the REIT when looking at a variety of investment opportunities. UK10 states that:

...on a particular investment type, you wanted to hit a 7% target return, and the investment delivered 6%. Well, you might say, well, that does not hit your target return, so we shouldn't buy it. But as always with target returns, they are a forecast. And there might be upside and downside. Or alternatively, you might be a low target return, but the risk might be extraordinarily low. So, it might be 20-year, government income on index-linked reviews, and which case you will probably be willing to accept your lower target return because you've got a fantastic income profile. And perhaps elsewhere in the business, we might be willing to take on a greater risk and balance it out and get a higher target with turn.

The analysis process looks at various holding periods for that investment depending on the risk envisaged, which will be adjusted in the new rate of return. From comments by UK10 above, the long-term investment option into low-risk government income might be for 20 years. For UK5, real estate investment analysis is linked to a five-year performance review. UK5 states here that:

...we look at what we think the performance will be over the next five years from all our assets, and we rank those on the total property return basis and geared. So, we just look at what the asset performance will be. And then we decide whether we want to own those assets...

With many REITs having trouble finding quality assets to purchase in the open market, the only option is to build, which also has its limitation in terms of finding the right location at a reasonable cost. The cost of land and its effect on development is one factor in the analysis and adjustment stage discussed. UK7 here mentions that:

..for the actual investment itself, we will look at effectively the cost of land, the cost of the development, what is the return we will get on that...

Going on further, UK7 does explain that adjustment on risk and return is based on analysis conducted on different factors. This follows the fundamental principle that the higher the risk, the higher the expected rate of return they will want from an investment. UK7 states that:

it is really based on the level of return. So, we have a return expectation, that is based on different market factors whether we are taking in full development risk, whether we're taking letting risk or maybe we have got someone else is developing it for us, or maybe

University is going to take a building on from day one. So, we have; basically, our key risk adjustment is our return expectation of the higher the risk, the higher the return expectation we would want from that investment decision.

From a disposal point of view, UK7 explains that the analysis and adjustment are made in reverse, looking at how well the asset will perform in the future. UK7 states here using a series of questions that:

..do we believe that particular asset we're operating will do as well in the future as it has done in the past. So maybe if the University isn't growing or student numbers are declining, will there be less demand, maybe someone else has opened the new building close by that is better located than ours. So maybe ours will suffer then we will look to dispose based on there being appetite to from buyers to take asset offers and we will also dispose to fund our future growth. So, if we dispose of asset that means we can take the proceeds from those disposals and reinvested back into new development or buying new assets.

The process in South Africa and Nigeria does seem to follow a similar approach. The process undertaken in the analysis and adjustment follows a due diligence process involving the qualitative and quantitative analysis and adjustment of risk and returns for the proposed investment decision.

From comments made by SA2, the process may be seen to be quantitative for the REIT, with focus placed on:

...financial leasing, due diligence and financial leasing income and expenses..

This process observed from comments made by SA5 shows that the investment into an existing real estate asset involves the analysis and understanding of the financial performance of the operating real estate asset. SA5 explaining this process of analysis states that;

...we present all the information, more like a DD (due diligence) to some point, run the financial models and see if it is yield impeditive or not. If we are happy, we still do a presentation, full paper highlight what structural issues we've seen, we also do engage the operations department that they do a structural DD, in terms of CAPEX, how much we look at spending to get this built into a state and then maybe if we are given access, we do engage with the tenants. We acquire single tenanted buildings because it does take away a

lot of stress, it's easier to just deal with one tenant or at least not more than five. And we just get a feel of what their challenges are, are they looking at renewing? If we were to fix the building, will they stay? That kind of feel...

SA5 here mentions the analysis process involving getting a *feel* of the tenant. This is linked to the *Quality of Tenant* factor that significantly affects the performance and is part of the qualitative analysis, which cannot be obtained by number crunching. This qualitative screening is consistent with the finding of Gallimore, Hansz and Gray (2000), where some interviewees, when asked about the initial screening of investment opportunities, are cited as using a 'feel' of the property. On the adjustment taken after these analyses, SA5 states that the adjustment made is based on the vacancies and would not make the investment if it does not follow the desired vacancy rates. SA5 states:

we look at vacancies. We do not acquire any building that has more than 5% vacancies or anticipated vacancies? So, if we see potential vacancies, we do not even entertain that. We also look at the return on investment, is it aligned with where we're trading, are we happy to proceed.... We've been looking at 11.5%... We've got some buildings that have had, that have had tenants that are on a month to month for over four or five years and you can imagine what their rent rate is there. So, in terms of collections, we are collecting, but then we don't have the leases to back it up..

In the Nigerian REIT regime, a comment from NG2 shows that the fund manager's analysis and adjustment process follow a quantitative approach. NG2 states that the discussion at this stage is around:

...looking at the figures, the revenue figures, the new yield before any decision is made on that....

The comments from the Nigeria REIT regime on this are limited as there was a hesitation by the interviewees to expand on how this is conducted. NG2 comments highlight that a combination of qualitative factors, revenue and the yield required plays a vital role in the analysis and adjustment process.

6.2.4 Consultation (Investment Committee and/or Board)

Investment opportunities presented at the consultation stage of the investment decision-making process are deemed suitable for the set strategy and fit into the risk and required return expectation identified from analysis and adjustment of the REIT. The consultation

stage here is similar to the finding of Roberts and Henneberry (2007), who stated that the interviewees identified this as an element of 'quality control' in the decision-making process. The investment decision-making process requires checks and balances from the executive management investment committee or the board, ensuring that the process has a level of control and scrutiny, having both qualitative and quantitative justification for the decision-making to be made in the next stage. Interviewees stated that once a predetermined threshold in terms of size or value investment is exceeded, the investment opportunity needs to go through a consultation stage before a decision can be made. This process is strongly linked to the corporate governance control mechanism that ensures managers do not engage in activities that result in empire building (Ghosh *et al.*, 2011).

In all three REIT regimes, interviewees mentioned a form of consultation with senior executive required to sign off on investment opportunities within a specific spending limit. Any investment opportunity above that set limit must go to the board and the senior investment committee for a sign-off with additional scrutiny. After the consultation stage, the decision will be made to invest or not to invest in that potential opportunity.

In the United Kingdom, interviewees had various comments on the consultation stage. UK1 states this process in a simple manner where the interviewee states:

I will formulate a plan. I'll put it to my board. And if my board says no, then I can't do it. But ultimately, if they say yes, then that decision is being made, and that will have a big impact on the company's performance

The paper presented to the board shows the crucial performance metrics and factors that affect performance. This process is to ensure that the board or committees are provided with an adequate level of information to make an educated decision. UK2 states here that:

...having got a proposal ready, we prepare a board paper. Which goes to the board for sign off and the board paper looks at the internal rate of return, the yield, the defensive characteristics of the property, the chances of renewal, who the tenants are and so on...

Similarly, UK3 provides the board with an *acquisition report* for approval before any fund commitment to an investment opportunity is made. UK3 explains that the consultation process for REITs is continuous, especially when making huge investments, with the managers ready to engage with all stakeholders likely to be affected by whatever decision they make. This process is in line with the corporate governance code of the United

Kingdom, requiring a broader level of engagement with all stakeholders by companies.

UK3 states that:

...we've fully engaged on all of those big decisions with our board and with our non-executives, all of whom need to unanimously approve these things. And if there are any questions, we respond to them and explain why. I've always run a very consultative approach to these things. I am always happy to face challenge and questions, whatever the questions are, because often, whether it's from a shareholder, whether it's from a non-executive, whether it's from an analyst, banker, employee, whoever you have to be very hubristic, if you're not prepared to listen to people questioning you and challenging you. And, you know, if you've got the right answers, then you'll get the right decision.

UK4 also identified the consultation stage undertaken by the REIT and highlighted the threshold required for a consultation involving board scrutiny. UK4 also notes that a certain level of power is placed on the investment committee to make proper decisions that align with the REITs strategy. UK4 states:

they must bring all opportunities to the Investment Committee, which is a collection of senior managers. And we will consider each individual opportunity looking at a number of different factors, and which is specific to our REIT, and obviously, will be consistent given that we have one type of property and above a certain level investments would then need to be ratified by the board, and but not in all cases, in most cases the Investment Committee is sort of the highest level of authority that would sign off on an individual condition or disposal.

UK9.1 identified a similar process applied by the REITs for consultation and the requirement to ensure that their initial due diligence is done to a high level before it is brought before the board. UK9.1 mentions here that:

We obviously will speak to the board about them well in advance and during the process flag anything that we think is of a material concern to discuss with the board. You obviously have importantly, the Investment Committee, which is key, which discuss which discusses investment opportunities against each other, it is stress-tested, it was vigorous, it was documented, it was minuted. And if required, we will take it to the board for another level of discussion with their guidance.... we get advice, and if there is any new plans, we discuss those, and if they are not...

The interviewees also discussed the threshold requiring board scrutiny in the consultation stage. UK5 mentions that the consultation is conducted with the investment committee and the board on investments and disposals over the set limits. UK5 states for disposal here that:

...when we have a buyer, a prospective buyer, we would then take that through our investment committee who would confirm whether or not we can go ahead with that disposal. And if the disposals above 150 million pounds, it goes to the board so, so that's the disposal process...

Additionally, for acquisitions, the process follows a similar procedure. UK5 states here for acquisitions that:

...they bring into Investment Committee, and again, ask investment committee to sanction the purchase. Again, if they are over 150 million pounds, we would have to say that the board ultimately, but we will wait till we have arrived in the final stages of that, we will bid subject to board approval...

Similarly, UK7 mentions how the process of seeking consultation from the board may go UK7 states:

Depending on the quantum of that proposal, it will then need to go, potential go from the MIA (major investment approval) to our full board, our main board for approval. we (MIA) can approve up near, up to 20 million pounds. Over 20 million pounds it needs to go, if it is an investment or a divestment, it needs to go to the main board for approval.

From this analysis, the interviewees show that the board's consultation is required for investment opportunities above twenty million pounds, with the maximum mentioned being one hundred and fifty million pounds. This gives the executive management team a high level of flexibility when seeking investment opportunities that fit the set strategy and making the final decision.

In the South Africa REIT regime, a similar process is followed for the consultation process. SA3 explains the process broadly, stating that during the consultation stage, the role played by an executive committee, the investment committee, and the board differs depending on the funds required for that potential investment opportunity. SA3 comprehensively explains the process of consultation, stating that:

before any investment decision is made, there is a decision made by our Executive Committee... the five executive director that we have there the first port of call, and they have authority to make decisions under certain quantum without seeking approval from higher committees, typically for acquisitions and disposals and development that's up to a maximum of 200 million Rand. Anything above that needs to go to our Investment committee... the Investment Committee is comprised purely at the moment of independent members.... they need to consider the merits of investment decision and provide the approval or rejection. The Investment Committee has authority to provide approval up to 750 million Rands in terms of an investment decision, anything above it that needs to go to board level, so, it needs to go through Executive Committee, then through Investment Committee and then board level and investment committee needs to make a recommendation to board if it approves the transaction, and then it would be considered by board. Board has authority to approve any transaction that isn't required to shareholder approval by virtue of its size. So that is, in essence, the framework that we follow.

Comments made by SA5 are in alignment with that of SA3. SA5 commented that the board needs to be consulted once the threshold of a potential investment opportunity exceeds more than 10% of the current market capitalisation of the REIT. For the REIT, this will be one billion rands at the time of the interview.

SA1 here identified that consultation with the board is contacted once the executive committee is satisfied. SA1 states here that:

And then everything to the stage would be done by the executives. Thereafter once the executives have done the analysis, and they're happy that, that's the property is appropriate. A presentation would be then made by the executive to the investment committee and depending on the size of the transaction. And if we are happy, if the investment committee is happy then we will then continue...

SA2 states that a paper (investment report) is made to the investment committee or executive for approval. SA2 states here that:

...I would write a report and present that report to update the executives or Investment Committee meeting for them to consider and approve during their period...

In Nigeria a similar response from the interviewee to those from the United Kingdom and South Africa is observed. NG2 shares the process of consultation required by the REITs when it comes to making an investment decision. The approach followed here places the level of consultation needed based on discretion given to the fund manager and those set on the investment committee. NG2 states that:

this investment decisions I would say are in two categories investments in physical assets and investments in liquid assets investment. Investment in liquid assets like bonds... treasury bills issued by real estate firms... Those one's the fund managers full discretion over those kinds of decisions. But in terms of physical assets, like acquiring a building, sale of a building, purchase of an asset, lease of asset, does would have to be done at investments committee meetings... we make the recommendation based on the fund manager who makes the recommendation. We have the discretion to make that recommendation... But we still have to meet with Investment Committee you see now look at a proposal and see if it is worth actually going through with that decision.

6.2.5 Decision Making and Review

Most interviewees see decision-making as the final stage of the investment decision-making process. Like in the literature, there is a conflict regarding when the investment decision-making process and if there is a process of implementation of accepted proposal and auditing that occurs after this stage (Roberts and Henneberry, 2007; Farragher and Savage, 2008). The decision-making stage identified by interviewees closely aligns with the executing stage in the study (Parker, 2014) of the Australian REIT regime, which comprised the governance decision, transaction closure/documentation, due diligence/independent appraisal, settlement and post audit. In all three REIT regimes, the decision stage used in this research is discussed by the interviewees and comes after the consultation stage, but the process of transaction closure/documentation, settlement and a level of post audit is implied. In most cases, the need for additional due diligence/independent appraisal was not identified as required once consultation with the executive committee or board had been obtained.

In the United Kingdom, interviewees discussed the decision-making stage while also elaborating on any other activities that may occur after deciding to invest or divest. UK3 notes that the nature of the business requires a long-term strategy involving the purchase of land and development as a branded company. With that in mind, the need to carry the

board is discussed as being crucial for the final decision-making stage, implementation of the decision and a post-audit. Using technology, UK3 also believes this has improved the decision-making process and increased transparency. UK3 states:

...we open the store. And then obviously, the board then gets updated at meetings on the operational performance of all the assets, and so on. and you know, how they're performing relative to how we thought they were going to perform in the first place. For us, each of our assets is around a 7 to 10-year cycle. So, you buy an asset, it takes it two years to get planning, you build it for a year. And then it's three years plus, to fill it up. So, the shortest time frame is six, seven years. But for some of the bigger assets in London, it can take you three to four years to get planning consent. So, you're out to 10 years before you started getting maximum cash flow...

In terms of post audit that occurs after the decision has been made, UK3 follows up by stating that:

...we give them (the board) drill down into each individual asset they want to see, as the highest performing, they get graphs, they get move ins, move outs, the motions break whatever they want. We give them the information; it goes on to digital platform. So, it's very secure... It gives the board members very transparent access to performance. And all the rest and an ability to go back have a look at last time pick in/pick out. The whole history of board papers, search facilities, and actually think that using technology to improve the way board communicates and receives information definitely increases oversight.

The comment made by UK4 shows a level of consensus on the approach of decision-making post consultation stage. UK4 states here on the decision-making stage that:

... it suits our corporate governance structure, and we have a number of criteria, we consider for each investment and disposal. We tick all those boxes and be signed off by the Investment Committee before it will happen.

Regarding events that occur after the decision-making stages, UK4 explains that as the average size of acquisitions for the REIT is about three and a half million pounds, the need for a special implementation and post-audit team is not required. UK4 mentions that:

the average size of our building is about three and a half million pounds. And we're not talking about particularly large assets, that will be particularly complicated in many cases there one or two-story building, so that's just the range of issues there that could be any amount of time in liaising is relatively low compared to the other large REITs..

UK7 explains the process of review that the REITs undertakes after the development to ensure lessons are learnt from the process to improve future investment decision-making processes. UK7 states that:

internally, every year, we do a post-completion review... where we will go back and look at what we said we would deliver in terms of that building, what the returns would be, what the rents would be, what the occupation would be, and compare that to what we actually delivered and to the extent that we have outperformed or underperformed. Set out why that was the case. And the extent necessary lessons learned for us going forward for our future investment or divestment decisions.

UK8 mentions that the final decision taken by the REIT comes after much research has been done. The REIT implementation process is deemed valuable, especially for strategic planning by the REIT. UK8 mentions that:

...the processes from a real estate basis is a recipe, tried and tested sort of options as to how one would execute a disposal whether it be by a selective marketing or individual discussions or through a sale to existing partners, equally on the acquisition side it could be we targeted off-market as direct approach to existing partners

Regarding the audit process conducted by the REIT, UK8 states that it is seen more like a review process. UK8 says here that:

There would be a review process of actual transactions in terms of execution and delivery and then a further review process of a period of time to assess has performance been delivered, what was expected to be delivered from the asset acquisitions and so on. It is more a review rather than an audit.

This comment is similar to that of UK9.1, where the process after the decision-making stage is referred to as a review of how the investment performs and how the tenants perform by looking at their financial performance as part of the review. Nevertheless, the

review must also be done and reported as external stakeholders rely on reports from the review. UK9.1 state that:

So, we have real estate cost assessments done every year or two years, check that is insured properly for insurance purposes. We have obviously valuation and inspections from our valuers... Several property level check that go on with regards to sort of preventative elements, we obviously inspect the building, we have a project monitoring surveyor, ongoing review with managing, making sure the properties that is in development is built out in according to specification... So, we have reporting and also, we have lenders and other stakeholders, who rely on us for the ongoing evaluation. And really it is about risk management.

In the South African REITs regime, the decision-making and review stage also follows a similar process. SA1 and SA3 both comment that once the consultation with the executive committee, investment committee, and the board has been conducted, and these committees are convinced, the investment decision is made. SA3 comments show that the board decides after consultation. SA3 states:

...the transaction is represented to the executive committee with the due diligence findings. At that point they make the decision whether or not to proceed...

SA3 states it can be complicated to transition external investment into the REITs structure by explaining the review process after the investment decision is made. The method of auditing the investment decision-making process is conducted internally and reviewed by an external auditor. SA3 states;

once we have the relevant approvals, we would then ensure that the any legal documentation is completed, we will then follow a transfer process. A conveyancer would be appointed to handle the transfer process and then there is a hand over process that is concluded between our team is acquisitions and disposals and the business which will take on the property.

Comments by SA5 show that the post-investment audit process is essential as an internal control mechanism for good corporate governance. However, when it came to reviewing and evaluating investment decisions, there was no clear guideline applied by the REIT while it rapidly expanded. SA5 commented that:

...I think at the rate the fund grew it was it was very quick, so it's only now that we are starting to see, okay, maybe this was not a good investment, maybe in future, we need to do it this way. So, you might find, for example, when we did the acquisitions on that specialised portfolio, at that point we really didn't have a structure, while the government was our main strategy, but I mean, investing in something specialised was not a good idea.

This approach to how REITs carry out the decision-making and review stage with the potential for implementation and post-audit process in the Nigerian REIT regime was discussed by NG2. NG2 notes that the investment committee decides the investment opportunity's final decision or the fund manager depending on the asset type. When asked if the REIT undertakes a formal post-investment audit process after an investment decision is made, NG2 states there is no formal audit process but a review process undertaken by the investment committee to check how far decisions have been implemented using minutes from previous meetings. NG2 here states:

I would not say, there is not like a particular formal audit report that is being done to follow through on the decision that is being taken. I would say it is still the investment committee meetings because there are minutes of the meetings that are made and based on that minutes, the Investment Committee goes back to polish the decision that is being taken and to ensure that decisions are followed through.. For every committee meeting any decision that is being taken there would be brought back again to see how far. What has been deliberated and how far it has been implemented, how far it has been achieved.

From the conversation with all interviewees in the three REIT regimes, there is a need for more focus to be placed on the implementation and post-investment decision-making audit as part of a review process as it is a crucial aspect for the success and performance measurement of the decision-making process, this becomes more important depending on the size and complexity of transactions. The inconclusive findings for the review and implementation process are consistent with that documented in Roberts and Henneberry (2007), where it was observed that a majority of the interviewees from the United Kingdom, France and Germany supported the inclusion of post-investment and dealt negotiation and structuring phase to the final stage. The finding on the final stage is also in alignment with that of Nsibande and Boshoff (2017), who documented that institutional investors in the South African REIT regimes were mainly concerned with the decision-

making and review stage linking this with analysis and adjustments of expected returns and risk.

6.3 Critical Investment Decision-Making Stages

Q8a. Of these steps or stages which of these are critical for the property investment decision making and why?

From Section 5.2, interviewees from the three REIT regimes could discuss the investment decision-making process in stages undertaken by their various REITs. From this, the new descriptive model, which includes the heuristic nature of the investment decision-making of the interviewees, was used to develop the investment decision-making process. The new descriptive model for investment decision-making comprises four stages, reducing the eight earlier stages identified in the composite normative investment decision-making stages.

A follow-up sub-question, *Q8a* (see above), asked the interviewees to determine what stage or stages they deemed critical to a successful investment decision-making process. In the emerging REIT regime of Nigeria, NG2 states that the actual *decision and review stage* should be the most critical as the implication of making a wrong decision will significantly impact the REITs. NG2 also notes that the illiquidity of the underlying assets makes them more challenging to dispose of once purchased. NG2 states:

...The decision-making stage really, that is the most important part and because you have because 75% of your asset is in physical assets, once you acquire that asset it is very hard for you to dispose of it. So, you have to ensure that you are buying the right assets because once it has been bought it has been bought. You cannot go back to; you can't easily dispose those assets in the market. So, I think that's the most important part in decision making whether or not to acquire an asset or not.

NG2 further explains that while the decision-making and review stage is essential, the overview provided by board members during the consultation stage is crucial. The board members should be individuals with the right skill set to make a proper investment decision. NG2 states:

I think having good knowledge of the real estate market, ensuring the board members are well informed and have real estate background that is very important. Because if they don't

have good quality real estate background, you might be making a wrong decision, you might be investing in an asset that would turn out to be a liability to you in future.

In South Africa, interviewee SA1 believes that the *strategy* is the most critical, after which the *analysis and adjustment* stage. Stating that these two stages are crucial for success in the investment decision-making process and should be related to the REIT phase. SA1 stated:

I do think that strategy is very important. So, knowing the broader strategy for the stage at which the business is in, is important... So, I think that strategy is important, I think that over and above the strategy you then need to also think of the detailed analysis of the particular property is very important. You know, you can't afford to do quick desktop valuations. You need to do proper in-depth evaluation of the single property you are looking at.

SA2 also agrees with SA1 that the analysis and adjustment stage is critical for investment decision-making. SA2 comments on *analysis and adjustments* align with the requirement to conduct due diligence before the *consultation stage* to win the support of the board and various committees. SA2 states:

...if you can do the due diligence, right and if everything checks out during the due diligence, it becomes very easy to sell it to the board, and then once you sell it to the board and the executive committee then it moves forward with no hitches...

In the developed REIT regime of the United Kingdom, the responses from the interviewees produced varying comments on what was deemed critical, with some interviewees referring to it as more of a holistic approach (UK2) where no stage is more important than others. Some commented on some stages as more critical than others for successful investment decision-making. UK4 comments on this are related to the *strategy* of the REITs linked to the factors that affect the performance of the REITs, such as *location, quality of tenant, property type and class* and *economic* factors. UK5 and UK7 both believe that all the stages they discussed are essential. UK5 comments that the various stages are all interlinked, and reasonable assumptions must be made for good investment decision-making. This is in line with the literature, where Gallimore, Hansz and Gray (2000) note the availability of timely market information, limiting the decision-making process to what information is readily accessible. UK5 states:

...You need to have made a good assumption. So, you need to know that bit of the market, you need to be very confident with the assumptions that you're making about what asset you can put on that piece of land or what you can get the rents to, have would be your letting? You need to be very comfortable, that you are being realistic, not overly bearish, but realistic about the underlying assumptions...

While UK7 agrees that all the stages are essential, comments made by UK7 are in line with the need to ensure that the investment opportunities are fit for the *strategy* of the REIT following a top-down approach which goes on to the *analysis and adjustment* and *consultation* stages. UK7 states here that:

I think the actually probably the most critical in terms of ensuring we're not wasting our time is the very early engagement around do we want to be buying or building in that particular city, and ensuring we've done all of the work, because then as you get to the later MIA processes, it is much more about the pure economics of that particular investment decision rather than the broader; do you want to increase your presence in Leeds for example... The next two stages, they are much more about the individual investment and the returns from that investment. So those two stages are equally important, and you can only be successful if you have both of those conversations, I think.

UK8 makes similar comments, wherein the *strategy* as a whole and the *analysis and adjustment* of sectoral and individual returns and risk are critical to the investment decision-making process of the REITs. This process UK8 believes are in line with how the REIT sector measures performance by focusing on financial metrics.

Figure 23 below demonstrates the stages interviewees from the developed REIT regime of the United Kingdom, and emerging REIT regimes of South Africa and Nigeria see as critical to investment decision-making. The *search* stage in all REIT regimes is not deemed as the most critical, which begs the question if an investment decision must be made, then a search stage is inherently implied. This may also be the case for the *decision and review stage* by interviewees in the UK.

Figure 23: Critical Investment Decision-Making Stages



6.4 Corporate Governance Effect on Investment Decision-Making of REITs

Q9. In your opinion, how would your REITs corporate governance affect the property investment decision-making steps/stages?

From the literature, it is identified that corporate governance influences how REITs conduct investment decisions. REITs with a higher quality of corporate governance are expected to carry out investments that align with the objectives of shareholders (Chong, Ting and Cheng, 2018). In this section, qualitative data analysis is used to gain insight into what interviewees discussed on the effect of corporate governance on the investment decision stages. While in sub-section 6.2.4, interviewees in the three REIT regimes discussed the role board scrutiny played during the consultation stage, question (Q9) in the semi-structured interview was necessary to allow interviewees to expand on the role corporate governance has on the investment decision-making process.

The responses from the emerging REIT regimes are limited in this section compared with those from interviewees from developed regimes of the United Kingdom. In Nigeria, interviewees commented without expanding that the corporate governance of the REIT had an impact to play in how the fund managers conducted investment decision-making, given that they had a real estate background. From interviewees in South Africa, it was possible

to gain more insight into how corporate governance affects the investment decision-making process. SA2 sees the REITs corporate governance process as necessary to ensure investment opportunities meet the set strategy and criteria of the REIT. Comments by SA2 display that the corporate governance structure of the REIT provides additional scrutiny conducted by the board through its committees. SA2 states here that:

We hope it does because the corporate governance obviously being airtight in trying to keep our noses clean... So, we don't do deals just to please someone or just because we're looking for money to make more money or whatever the case may be. So, our investment committee is very stringent on ensuring that a property crosses certain hurdles which will be yield, location, and all in kind of different metrics to make sure that it works for the fund.

SA3 comments positively on how the corporate governance of the REIT improves the investment decision-making process. With corporate governance regulation in all three REIT regimes requiring board members to have the necessary experience, a REIT board with members with real estate experience aligns with the corporate governance code. SA3 comments that:

It definitely improves the process because, we especially for larger acquisitions, the acquisition needs to be presented to various committees with varying levels of independence. So, to have not only executive committee consider an acquisition but to have independent board members and independent investment committee and we are bound to make more solid investment decisions by having more independence more qualified and people and more experts review the transaction and provide their input. So, I certainly say that the various committees add value to all the investment decisions that we make.

In SA4's opinion, corporate governance's effect on the investment decision stages is discussed through the responsibility of the board to the REIT. The board sets the strategy, and potential investment opportunities fit the strategy. SA4 also commented that the corporate governance structure allowed the delegation of authority (within a given transaction threshold) to the executive committee, allowing them to make investment decisions that fit the strategy without needing consultation.

SA5's comments on the effect of corporate governance on the investment decision-making process point to *management structure* as a factor affecting the process's performance. An

open-door policy with the board and executive committee chair enable open dialogue and flexibility.

In the United Kingdom, interviewees' responses on corporate governance's effect on the investment decision-making process show greater alignment with the corporate governance codes. Like comments from interviewees in South Africa, corporate governance's role is discussed through the responsibility of the board having the required experience in the REIT sector. UK1 commenting on this refers to the requirement through corporate governance rules placed on engagement with the board, shareholders and other stakeholders when investment decisions must be made that will affect them. UK1 states:

I think thankfully XXX has a board that has impact with peek experienced professionals. we're fortunate for our company to succeed... we (the executives) have to demonstrate to our shareholders that we've got a strong board with seasoned experienced property and corporate professionals... I think the recent disasters sort of management of the Woodford Income Fund has highlighted to regulators that they need to work to make sure that, you know, companies should have strong boards overseeing investment managers, and so on.

UK3's commenting on the role of corporate governance show that during periods of good performance, there is a chance that board scrutiny may be less, providing the opportunity for investment decision-making to not align with the overall objective. Additionally, while corporate governance codes give a level of cover from corporate failure, more power is placed on the executives to manage appropriately and make the right operational decisions. UK3 noting quite drastically states:

...I wouldn't want to overplay governance, in terms of preventing corporate failure. But you know, in other words, I think if a management team wants to defraud its shareholders, you could have as much corporate governance as you wanted but I don't think you would necessarily achieve it because the management team is in place 365 days a year. The auditor's visit or whatever three months a year, interims and finals, and the board has six to eight meetings a year or whatever it is, 10 meetings a year or whatever. And, you know, as I say, for management teams bent on doing that and the shareholders have probably made a mistake by investing in the management team in the first place. I don't think governments would actually stop the problem.

Hence, the requirement for proper investment decision-making through corporate governance should be selecting a credible management team and board members with the required sectoral experience. On how well corporate governance reflects on investment decision-making, UK3 states that;

...often the clues are in the track record of the management team if I want to be honest, and in good times, people don't look back at that. You're not interrogated enough.

UK4 makes a similar assertion regarding the past performance of management teams and reputation, bringing an additional level of alignment between corporate governance and investment decision-making. UK4 states that the investment committee guides the investment and development teams' decisions, and their reputation is on the line. This reputation comment aligns with one of the factors deemed critical for performance. UK4 commenting on the investment and development team, states;

their reputation would make sure that they don't then go off and do something that will result in them having a bad or sales price rejected by the Investment Committee, because that's not a successful way for them to (a) manage their careers and (b) build reputations and have relationships with people that they're looking to do business with. I mean ultimately the Investment Committee is the key control, everybody understands is this and it keeps the investment and development teams on the right track.

All interviewees agree that the board, through the investment committee, provides critical oversight and scrutiny for investment decision-making to ensure nothing goes wrong. UK5 noted that the investment committee ensures that potential investment opportunities meet the set strategy, risk and return objectives and that executives evaluate if better opportunities may exist. UK5'S commented that gathering the correct information presented to the investment committee is also crucial for ensuring accurate investment decisions. UK5 noting the role the investment committee must place in the investment decision-making process, states;

...we are talking about internal governance, so if we're talking about investment committee, and then board oversight, then that is absolutely critical. Yeah, the Investment Committee processes entirely... in determining whether or not we make good decisions, good acquisitions. In fact, if you look at it the other way, if something had gone wrong,

that is where we would point to first and foremost. Was the Investment Committee, did it get the right information, and did it make good decisions.

This is in line with the literature on the role information plays during the *search and analysis and adjustment* stage, which ensures that decision-makers attempt to reach optimal capital allocation even in a jurisdiction where the market exhibit a heterogenous pattern of market information (Gallimore, Hansz and Gray, 2000).

The general agreement by all interviewees is that the REIT's corporate governance impacts the property investment decision-making process using the internal corporate governance mechanism of the board and investment committee. The investment committee should consist of individuals with the right skills and experience relevant to the sector the REITs invest in to provide credible input and alignment to corporate codes.

6.5 Summary of Findings

This chapter sought to meet the task set out by objectives 3 and 5 of this thesis. This has been achieved by examining and identifying the literature's normative investment decision-making stages (Section 2.8.1). The specified composite normative investment decision-making stage was then used as an aide memoir to guide questions in the semi-structured interviews of key decision-makers in the United Kingdom, South Africa and Nigeria REIT regimes.

The discussion with the various interviewees enables the creation of a behavioural descriptive model (Figure 25 above) for the investment decision-making process in the three REIT regimes, which reduces the eight-stage process of the normative investment decision-making process to just four critical stages. This discussion showed that the investment decision-making process has good similarities among all the REITs using a top-down approach to strategic capital allocation. While generally agreed that the REIT's investment decision-making process followed closely the strategy set from the top, few interviewees mentioned that their REITs explored opportunistic investment opportunities when they presented themselves.

The role of the board, investment committee and executive committee in the consultation stage was discussed by all interviewees as an essential stage in the investment decision-making process. During the consultation stage, findings identified during analysis and

adjustment of risk and return objectives are scrutinised to gain approval. The requirement to conduct consultation depends on the transaction size and value of the presented investment opportunity. Interviewees agreed that the key to having a good consultation process is to ensure enough due diligence is carried out before the presentation and that the board should be made up of individuals with real estate experience. The last stage of the descriptive investment decision-making process, the decision-making and review stage, is also discussed after scrutiny from the board. Interviewees agreed that some review process of the implementation and post-audit of the investment decision-making process is conducted to monitor performance and measure how well objectives are met.

When interviewees were asked what they identified as the most crucial stage or stages to successful investment decision-making, interviewees from the developed REIT regime of the United Kingdom referred to the set strategy with risk and return objectives, analysis and adjustment and consultation as the crucial stages. These stages should be viewed as a holistic process with a part to play in the final decision. In the emerging REIT regimes of South Africa and Nigeria, interviewees also identified the three main stages; the set strategy with risk and return objectives, analysis and adjustment and the decision-making and review stages as the most critical. The comments from interviewees in the emerging REIT jurisdiction highlighted the illiquidity of real estate, making the final decision a crucial stage to be considered in emerging jurisdictions.

All interviewees accepted that the corporate governance internal control mechanism of the board, investment committee and management committee ensure additional scrutiny on the property investment decision-making steps. These comments were linked to some factors contributing to the performance, such as the *board's reputation and experience and management's* role in ensuring that the proper processes are followed during the investment decision-making. However, an interviewee noted that this process might not prevent corporate failure. In reality, the board and investment committee provide some scrutiny that is not omnipresent and can be overwhelming with information. One solution is to hire an executive team with credible past performance experience but ensure monitoring by all stakeholders is conducted to curtail overconfidence and entrenchment by senior management.

CHAPTER SEVEN

THE IMPACT OF THE QUALITY OF CORPORATE GOVERNANCE ON REAL ESTATE INVESTMENT TRUSTS (REITS) PERFORMANCE.

7.1 Introduction

This Chapter focuses on Objective 4, 'to analyse the impact of the quality of corporate governance on real estate investment trusts (REITs) performance.' In Sections 2.5 and 2.6, the literature on corporate governance and the performance of REITs show that various corporate governance indexes can be used to measure how well the performance is and if there is any corresponding performance improvement.

In the following sections, a comprehensive analysis of the corporate governance variables at both the country level and sub-index level is provided. REIT valuation using Tobin's q , operational performance using ROA and ROE, and the established control variables are presented in Sections 7.2, 7.3, and 7.4, respectively. Also discussed is the correlation analysis of the corporate governance index and sub-index in Section 7.5, and the regression model used for the analysis, including the techniques and tests used in Section 7.6. Also, the common index approach is adopted, similar to Lecomte and Ooi (2010) and Prima (2014), where the analysis is presented at a country level. Additionally, a pooled analysis combining all country-level corporate governance indices, allowing for comparative analysis to other multi-country pooled studies following the work of Black et al. (2014), is applied. Black et al. (2014) suggested looking at country specifics first before jumping to pooled results; it is expected that a pooled analysis is essential for identifying cross-country trends and patterns, which can provide valuable insights into corporate governance practices in REITs.

7.2 Corporate Governance Performance Summary Statistics

The summary statistics for country-level and firm-level corporate governance performance are shown in Table 25 below. The descriptive statistics show the varying corporate governance reporting performance of each country. The United Kingdom reports the highest overall governance index score of 87.75, 69.02 in South Africa, and 23.33 in Nigeria. This is consistent with previous studies that developed REIT regimes with better disclosure reporting higher corporate governance scores than emerging countries with

limited data and transparency (Bauer, Eichholtz and Kok, 2010; Claessens and Yurtoglu, 2012). For the Nigerian REIT scoring below the mean score for the corporate governance index, a similar observation is noted in earlier studies from the Singaporean REIT regimes where the low scores in the main index are reflected on the sub-index due to a need to carry out improvement and consistency in disclosure with the later study in 2016 showing improvement (Lecomte and Ooi, 2013; Chong, Ting and Cheng, 2016). Like in other multicountry studies such as Black et al. (2015) and Prima (2014), which applied a form of corporate governance index designed by the researcher, countries with larger firm sizes measured by market capitalisation tend to score higher on the overall index score. For example, in Prima (2014) the Hong Kong REIT with a higher overall mean score on firm size had a higher score on investor protection.

On the sub-indices scores, the United Kingdom and Nigeria are outperformed by South Africa only on the sub-indices scores on RPT and Gearing, with a mean score of 8.23 and 3.90, respectively. Indicating that the annual reports in the SA REIT regimes provide better disclosure on how they do business with entities deemed to be related parties and also better report to shareholders how the borrowed money is utilised. The Nigeria REIT only outscores South Africa but not the United Kingdom when reporting on the REIT Organisation sub-indices, with a mean score of 5.78. This may be associated with most of the REITs in Nigeria being externally managed and requiring more disclosure.

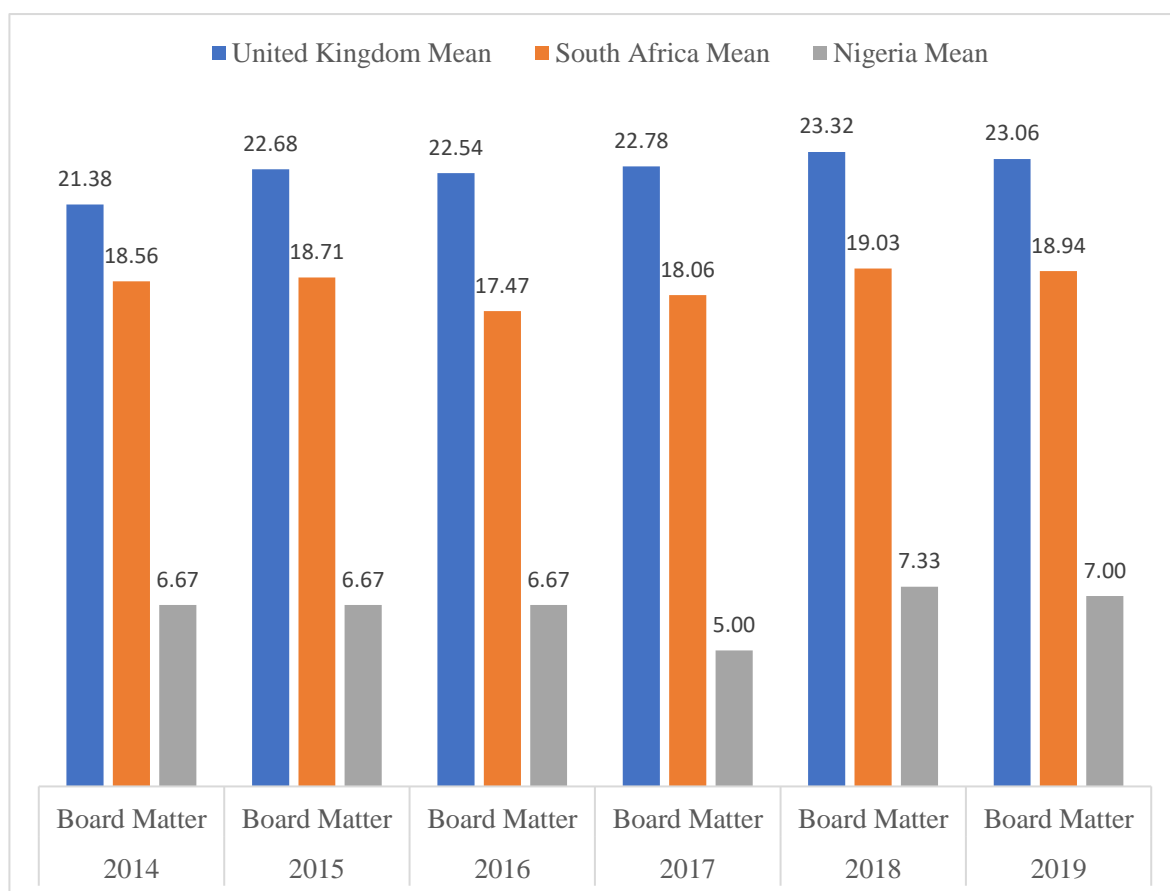
Table 25: Descriptive statistics for Corporate Governance variables

		Governance Index	Board Matter	Audit	Remuneration Matter	REIT Organisation	Fees	RPT	Gearing Shareholder	Ownership and
United Kingdom	Mean	87.75	22.63	12.05	30.67	6.59	5.48	7.72	3.55	5.66
	Median	95.00	23.50	13.00	39.00	7.00	5.00	9.00	4.00	6.00
	Maximum	107.00	27.00	13.00	43.00	12.00	16.00	11.00	5.00	7.00
	Minimum	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Standard Deviation	19.03	3.78	1.70	14.61	2.10	2.89	2.34	0.95	1.61
	Count	150	150	150	150	150	150	150	150	150
South Africa	Mean	69.02	18.46	10.97	17.68	4.94	5.11	8.23	3.90	4.68
	Median	69.50	19.00	11.50	16.00	5.00	6.00	9.00	4.00	5.00
	Maximum	99.50	26.00	13.00	38.00	7.00	9.00	12.00	5.00	7.00
	Minimum	33.00	9.00	2.00	2.00	2.00	0.00	0.00	0.00	0.00
	Standard Deviation	15.28	3.88	1.88	10.85	1.44	2.35	2.98	1.12	2.15
	Count	102	102	102	102	102	102	102	102	102
Nigeria	Mean	23.33	6.56	5.28	1.39	5.78	2.22	6.72	0.50	0.67
	Median	15.50	1.00	4.00	0.00	6.00	2.00	8.00	0.50	0.00
	Maximum	49.00	21.00	11.00	6.00	7.00	3.00	10.00	1.00	5.00
	Minimum	6.00	0.00	2.00	0.00	5.00	1.00	2.00	0.00	-2.00
	Standard Deviation	17.12	8.92	2.78	2.09	0.81	0.73	3.06	0.51	2.09
	Count	18	18	18	18	18	18	18	18	18

At an individual country level, it is possible to observe the level of disclosure of the various corporate governance sub-indices. Regarding Board Matters (see Figure 24 below) mean scores, the United Kingdom and South African REITs both display an increase in mean scores from 2014 to 2015, which was then followed by a drop in 2016 and a

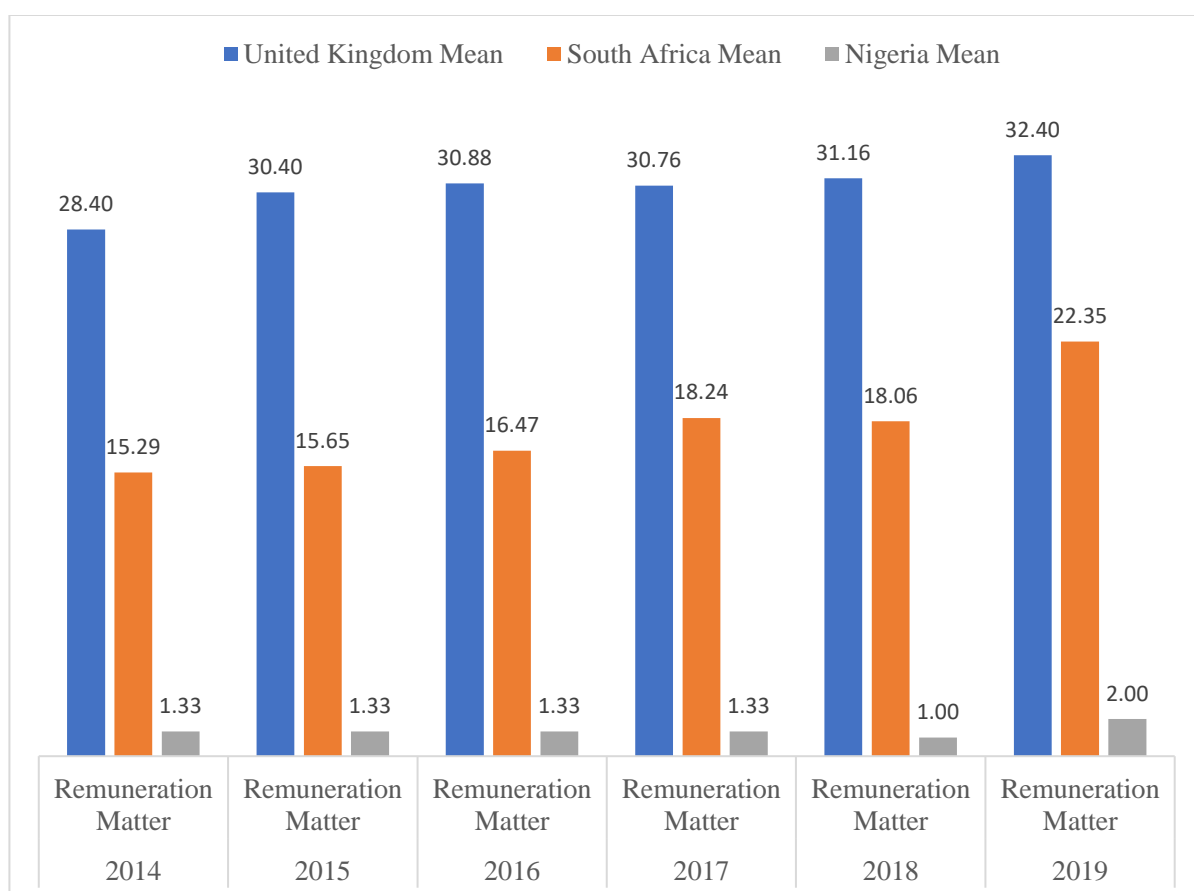
recovery in 2017. The Nigeria REIT Board Matter sub-indices mean scores display some lag compared to the other two regimes, as its scores dropped in 2017.

Figure 24: Board Matters Mean Scores



A similar pattern is observed in Remuneration Matter scores (see Figure 25 below), whereby growth in disclosure is observable in the United Kingdom from 2014 to 2016, followed by a drop in mean score in 2017. From 2014 to 2017, the South African mean scores increased yearly, indicating more disclosure around remuneration for non-executives and executives on the board. Nigeria during this period remains unchanged but drops for Nigeria and South Africa in 2018. From initial observation of the corporate governance index score and some sub-indices, it is possible to note that a drop follows a pattern of increased disclosure collaborated by the higher mean scores can also be ascribed to periods of limited disclosure, which are likely due to periods of economic crisis leading lower disclosure levels and from the literature these firms with lower corporate governance disclosure are likely also to report lower performance during these periods (Bae *et al.*, 2011; Prima, 2014).

Figure 25: Remuneration Matters Mean Scores



7.3 REIT Valuation and Performance Measures Summary Statistics

The summary statistics for firm-level valuation and performance measures are presented in Table 26 below. The average mean scores for various countries show significant variation in the valuation and operating performance measures. Across the three REIT regimes, Tobin's q mean score is highest in South Africa with a value of 1.04; the United Kingdom follows this at 0.99 and Nigeria at 0.80. This implies that on average the South African REIT regime with a lower market capitalisation compared to the United Kingdom REIT is more profitable for investors in contrary to Prima (2014) where it is observed that the Hong Kong REIT with higher capitalisation also reported higher Tobin's q. For Tobin's q, a maximum score above 1.00 is observable in each REIT regime, implying that there are REITs within each regime providing levels of consistent profitability for investors during the period under observation. Earlier works carried over different periods have also shown that REITs in the US have mean values for Tobin's q significantly greater than 1, which may be linked to the higher value and size of REITs in the regime (Hartzell, Sun and Titman, 2006; Bauer, Eichholtz and Kok, 2010; Brau *et al.*, 2013). In many emerging

REIT regimes in Asia, Tobin's q value has been reported to be below 1 (Prima, 2014; Chong, Ting and Cheng, 2016).

In addition, ROA and ROE vary across the three REIT regimes. The minimum ROA and ROE are negative, with the most drastic differences of -0.55 and -6.11, respectively, in Nigeria. This indicates that in the Nigerian REIT sector, the underlying assets in the REITs portfolio which should be based on real estate are underperforming in all aspects. While the maximum ROE of 0.37 is in South Africa, followed by 0.31 in the United Kingdom and 0.22 in Nigeria. The mean ROA in Nigeria is -0.02, 0.07 in South Africa and 0.05 in the United Kingdom.

Evidence from other studies shows that mean values for ROA and ROE can vary widely across study areas but are mostly positive over the timeframe under observation. For example, in Prima (2014), 2002 to 2012 mean value for ROE for all four Asian REITs in the study ranged from 0.0523 to 0.1099. While for ROA, the mean values ranged from 0.02587 to 0.07474. In Chong, Ting and Cheng (2016), during the timeframe from 2008 to 2012 for the Singaporean REIT mean value for ROA and ROE were 0.0689 and 0.0907, respectively, which is also close to the higher mean values of Lecomte and Ooi (2013) observed during the timeframe from 2004 to 2008 having ROA at 0.0425 and ROE at 0.1108. On the contrary, lower mean values for ROA and ROE are generally reported for more developed REIT regimes with larger markets. In the study by Beracha et al. (2017), during the sample period from 1993 to 2015 in the US REIT regime, the mean ROA was 0.0297, and ROE was 0.0635. Similarly, earlier studies by Eichholtz and Yönder (2015) during the sample period from 2003 to 2010 reported a mean value for ROA to be 0.03 and Bauer, Eichholtz and Kok (2010) in the US REIT regime from 2004 to 2006 also reported a mean value for ROE to be 0.029 and ROA to be 0.0184. A higher mean value on ROE for REITs is expected as REITs generally use debt to enhance value, which significantly lowers ROA (Gompers, Ishii and Metrick, 2003).

Table 26: Descriptive statistics for firm valuation and performance measures

		ROA	ROE	Tobin's q
United Kingdom	Mean	0.05	0.08	0.99
	S.D	0.07	0.14	0.17
	Maximum	0.23	0.31	1.45
	Minimum	-0.27	-1.02	0.00
South Africa	Mean	0.07	0.10	1.04
	S.D	0.05	0.10	0.27
	Maximum	0.19	0.37	2.31
	Minimum	-0.09	-0.31	0.58
Nigeria	Mean	-0.02	-0.50	0.80
	S.D	0.16	1.58	0.16
	Maximum	0.09	0.22	1.00
	Minimum	-0.55	-6.11	0.36

7.4 Control Variables Summary Statistics

The descriptive analysis of the control variables is in Table 27. The natural log of firm size shows mean scores that the REIT regimes are more prominent in the UK, followed by South Africa and Nigeria, which is expected due to the high level of market maturity in the respective REIT regimes. The data from the control variable shows that the REITs in South Africa are the youngest, followed by the United Kingdom and Nigeria, with a mean score of 1.66, 2.19 and 2.40, respectively.

The dividend pay-out ratios from the three regimes show that UK REITs pay more than the required 90% of tax-property rental profits within the 12 months of the end of the year. However, this is higher in South Africa, with a higher mean score of 1.00, showing that an increased number of REITs distribute higher than the 75% rental income from property owned or investment income from indirect property ownership. Nigeria's mean dividend pay-out ratio is lowest at 0.73 but close to the 75% distribution requirement. The mean values reported in this research show that compared to the study of Chong, Ting and Cheng (2017), dividend payout ratios, on average, are higher in the UK, SA and Nigerian

REIT regimes distributing at least the minimum as set out by the REIT requirement though during different periods of observation.

In addition to the conventional net income-based dividend pay-out ratio, a dividend pay-out free cash flow metric is also calculated in line with studies by Bauer, Eichholtz, and Kok (2010) and Striewe, Rottke, and Zietz (2013). This approach focuses on the discretionary cash flow available to REIT managers for empire building, which can negatively impact firm value. Interestingly, the descriptive data reveal a different perspective on agency costs. The mean scores indicate that, compared to the amount of free cash available, the amount returned to shareholders is significantly lower in all regimes, even when compared to Bauer, Eichholtz, and Kok's findings for a high and low pay-out. It is worth noting that Chen, Wang, and Shyu (2012) found that firms with optimal cash holdings are essential for maintaining stock returns.

The descriptive analysis of leverage indicates that the UK REIT regime has a higher overall mean of 0.35 compared to the SA and Nigerian REIT regimes. However, other studies that looked at US and Asian REIT regimes reported higher mean scores ranging from 0.45 to 0.54 over various observation periods (Striewe, Rottke and Zietz, 2013; Prima, 2014; Eichholtz and Yönder, 2015). For instance, Brenni (2014) found that the mean level of leverage for listed companies in the UK was 40.30%, suggesting that US REITs are expected to have lower leverage levels when compared to their US and Asia counterparts. Moreover, Carstens and Wesson (2019) reported that financial leverage dropped for REITs in the SA REIT regime after converting to a REIT status. However, determining whether REIT regimes meet the leverage requirement cannot be adequately assessed using mean scores alone and requires further analysis. Striewe, Rottke and Zietz, (2013) noted that the variation leverage could be as an account of changes in the wider economic setting such as economic crisis and the ups and downs following macroeconomic trends and business cycles.

The descriptive growth analysis is typically measured using the market-to-book value ratio, which helps assess market timing behaviour and the impact of growth opportunities (Hutchinson and Gul, 2004; Lecomte and Ooi, 2010; Chen, Chen and Wei, 2011). Studies conducted on Asian and US REIT regimes at different periods reveal that REITs in Asian regimes have many positive growth opportunities. For instance, Prima (2014) reported a mean market-to-book ratio of 1.01 for overall REITs in Asia, while Ramachandran et al.

(2018) reported a mean value of 0.95 for Singaporean REITs. Similarly, studies conducted by Chong, Ting, and Cheng (2016), Prima (2014), and Lecomte and Ooi (2013) revealed mean market-to-book values of 0.94, 0.872, and 0.93, respectively, for Singaporean REITs. In Malaysia, the mean market-to-book ratio reported by Ramachandran et al. (2018) was 0.99, while Prima (2014) reported a mean value of 0.937 for Malaysian REITs. In the US, Demirci, Eichholtz, and Yönder (2018) observed a high mean value of 1.303 for the market-to-book ratio of all REITs sampled during the period, which is lower than the mean value of 1.503 observed by Striewe, Rottke, and Zietz (2013). For the UK and South African REIT regimes, the descriptive analysis of Growth reveals mean values of 0.98 and 1.00, respectively, indicating high growth opportunities. However, the Nigerian REIT regime's mean value is lower at 0.73. Additionally, the literature links REIT performance to market timing, firm size, and leverage, which are crucial in maximizing growth opportunities (Lecomte and Ooi, 2013; Demirci, Eichholtz, and Yönder, 2018).

Table 27: Descriptive statistics for control variables

		United Kingdom	South Africa	Nigeria
LnFirm Age	Mean	1.81	1.00	2.12
	S.D	0.66	0.59	0.21
	Maximum	2.48	1.79	2.40
	Minimum	0.00	0.00	1.79
LnFirm Size	Mean	6.71	6.15	2.66
	S.D	1.65	1.22	0.87
	Maximum	9.20	8.43	4.13
	Minimum	-3.00	3.62	1.45
Leverage	Mean	0.35	0.34	0.20
	S.D	0.14	0.15	0.17
	Maximum	0.73	1.00	0.52
	Minimum	0.00	0.00	0.03
Dividend Pay-out Ratio	Mean	0.98	1.00	0.73
	S.D	0.17	0.27	0.28
	Maximum	1.42	2.19	0.98
	Minimum	0.00	0.48	-0.20
Dividend Pay-out Ratio Free Cashflow	Mean	0.14	0.13	-0.10
	S.D	0.29	0.32	0.22
	Maximum	2.26	1.93	0.08
	Minimum	-0.94	-0.51	-0.57
Growth	Mean	0.98	1.00	0.73
	S.D	0.17	0.27	0.28
	Maximum	1.42	2.19	0.98
	Minimum	0.00	0.48	-0.20

7.5 Correlation Analysis of Index, Corporate Governance variables, firm valuation and control variables

Table 28 presents a correlation analysis of the total score on the Corporate Governance Index and the sub-index groups based on 270 observations for all REITs in the three

regimes. The correlation between sub-indexes and the corporate governance index is primarily positive and significant, apart from the Related Party Transaction, which was surprising. This mostly positive correlation by the sub-index can imply that different aspect of corporate governance is captured though still subject to omitted variable bias (Black et al., 2017).

Ramachandran et al. (2018) also found that the Ownership sub-index did not correlate to the R-index in their study but similar to the finding here that the coefficient is positive. Like Lecomte and Ooi's (2013) work, the correlation analysis indicates that good corporate governance leads to good practices. However, their work only finds a significant positive correlation between the R-Index, Board and Fees. Only the Ownership and Audit sub-index reported a negative and significant correlation between sub-index.

The correlation result here is an improvement on the scoring framework developed by Lecomte and Ooi (2013) by including guidance primarily from Black et al. (2015), where the scoring framework applied in the study research in documentation of more variables and the reduction in omitted variables which results in a more reliable positive correlation between the index and sub-index used in the multi-country research. The RPT sub-index does not correlate with the corporate governance index can be attributed to the majority of the REITs applied to this research coming from internally managed REITs limiting the disclosure requirement to this sub-index. For research with mainly externally managed REITs, like in the study by Ramachandran et al. (2018), a significant positive correlation can be documented between RPT and the R-Index, Remuneration, and REIT Organisation but a negative correlation with Fees.

Similarly, we attribute the weak positive relationship of Fees to the Index to increased disclosure only required by externally managed REITs, as most of the REITs used in the research are internally managed, and limited observations are made for this variable. One explanation for Gearing can be linked to the restriction of a REITs ability to borrow, controlled by the listing requirement. It is noted that Gearing does show a weak to moderate positive correlation with most of the other sub-index and the Index. The Audit sub-index strongly correlates positively to Board Matters, Remuneration and Ownership and Shareholder Rights.

Table 28: Correlation among total index score and sub-indexes for all three REIT Regimes

	Governance Index	Board Matter	Audit	Remuneration Matter	REIT Organisation	Fees	RPT	Gearing	Ownership and Shareholder Rights
Governance Index	1.000								
Board Matter	0.799**	1.000							
Audit	0.727**	0.619**	1.000						
Remuneration Matter	0.943**	0.688**	0.605**	1.000					
REIT Organisation	0.377**	0.294**	0.402**	0.280**	1.000				
Fees	0.140*	0.171**	0.108	0.041	0.009	1.000			
RPT	0.070	0.047	0.175**	-0.115	0.202**	0.067	1.000		
Gearing	0.301**	0.110	0.276**	0.226**	0.099	0.083	0.285**	1.000	
Ownership and Shareholder Rights	0.519**	0.462**	0.530**	0.409**	0.205**	0.207**	-0.075	0.191**	1.00

** . Correlation is significant at the 0.01 level (2-tailed).

* . Correlation is significant at the 0.05 level (2-tailed).

Table 29 shows the correlation between the corporate governance index, Tobin's q, ROA, ROE and control variables. A significant positive relationship is observed with the index and most of the variables apart from Tobin's q, ROA and ROE which is positive but not significant.

Brown & Caylor (2006), using both Pearson and Spearman, carries out a correlation between Gov-Score and four other variables using 1868 firms in the US. They find a positive and significant correlation using both tests between the score and Tobin's Q, the log of assets and the log of firm age. They only find a significant positive correlation using

the Spearman correlation between Tobin's Q, log of assets and log of firm age, which is similar to our study. In contrast, the Pearson correlation between Tobin's Q and the log of firm age is insignificant in their study.

Ramachandran et al. (2018) in the Singaporean and Malaysian REITs found the R-index had a positive and significant correlation with firm size and growth opportunities showing some similarity to this research where the index constructed here has a significant positive correlation with growth and firm size, which is also observed in Bauer et al., (2010) and Gompers et al. (2003). Also, they noted that the R-index increased for larger firms and had a higher market-to-book ratio. Consistent with Ramachandran et al. (2018) findings, the positive correlation results for this study show a relationship with the index.

The findings of this study regarding the relationship between the corporate governance index and leverage contradict previous research. Bauer et al. (2010) found that higher governance scores were associated with lower leverage, whereas in this study, an increase in the corporate governance index was found to increase leverage for the REIT sample. This discrepancy may be attributed to the mixed country data used in the analysis here. Another study by Brenn (2014) supports Bauer et al.'s findings, highlighting that larger board sizes are associated with more significant pressure to reduce leverage levels for improved performance. Interestingly, Brenn also reported a significant negative correlation between the corporate governance index score and Tobin's q but a significant positive correlation between the corporate governance index, ROA, and ROE, which contrasts with the findings of this study. However, similar to Anglin et al. (2013), this analysis reveals a negative correlation between leverage and ROA, observed through both the Pearson and Spearman correlation specifications. This suggests that for the sampled REITs, leverage may not be effectively utilized to enhance rental income.

The evidence from the correlation analysis between the governance index and sub-index in Table 29 gives credence to the research as each proxy captures a distinct aspect of disclosure related to the corporate governance codes.

Table 29: Correlation between Governance Index and Firm Valuation, Operation Performance and Control Variables

Spearman's rho Correlations										
	Governance Index	ROA	ROE	Tobin's q	Growth	Dividend Pay-out Ratio	Dividend Pay-out Ratio (FCF)	Firm Age	Firm Size	Leverage
Governance Index	1.000									
ROA	0.072	1.000								
ROE	0.070	0.894**	1.000							
Tobin's q	0.087	0.371**	0.167**	1.000						
Growth	0.130*	0.373**	0.170**	0.983**	1.000					
Dividend Pay-out Ratio	0.130*	0.373**	0.170**	0.983**	1.000**	1.000				
Dividend Pay-out Ratio (FCF)	0.185**	0.426**	0.351**	0.408**	0.413**	0.413**	1.000			
Firm Age	0.433**	-0.032	-0.065	-0.054	-0.019	-0.019	-0.014	1.000		
Firm Size	0.720**	0.132*	0.098	0.128*	0.149*	0.149*	0.115	0.301**	1.000	
Leverage	0.190**	-0.180**	0.014	0.112	0.125*	0.125*	0.064	-0.024	0.057	1.000

** . Correlation is significant at the 0.01 level (2-tailed).

* . Correlation is significant at the 0.05 level (2-tailed).

7.6 Empirical Model and Analysis

In Section 3.5.9, the regression models are introduced, which will test the hypothesis that when a firm has a strong corporate governance score on the governance index, this will result in better performance to the benefit of shareholders. The level at which a firm adheres to the country-level corporate governance requirement is expected to affect the performance measures positively. Hence, the substitute hypothesis predicts that higher corporate governance scores do not predict firm performance. Section 3.5.8, contains time-invariant and firm-specific control variables such as firm age, firm size, growth. Also, Sections 3.5.2 and 3.5.3 explain the criteria by which REIT performance is measured. Firm valuation is measured using Tobin's q , while ROA and ROE measure operational performance. This approach is similar to the methodology applied by Ghosh and Sirmans (2003); Feng, Ghosh and Sirmans (2005); Hartzell, Sun and Titman (2006); Lecomte and Ooi (2010, 2013); Prima (2014).

To test the impact of corporate governance on REIT performance, three commonly used techniques are the pooled ordinary least square (OLS), fixed-effect (FE) or random-effects (RE) model. The fixed effect is used when there is a need to analyze the impact of variables that may change over time. It, therefore, explores the relationship between predictor variables (firm valuation and operation performance) and outcome variables (corporate governance index, sub-index) within an entity. When using the fixed-effect model, the effect of time-invariant characteristics is assumed to be removed so that it is possible to assess the net effect predictors have on the outcome variable. The time-invariant attributes are entity-specific and not expected to correlate with other individual characteristics. Unlike the fixed-effect model, the random-effects model assumes variation across entities is random and uncorrelated with the predictor or outcome variables in the model. The random-effects model assumes that the model's error variable components vary across individual groups or time, hence allowing the time-invariant variables to act as explanatory variables.

Several tests are typically conducted to decide between the fixed-effect or random effects. Following a similar approach by Prima (2014), the result of the Wald test (F-test) is checked and the Breusch Pagan Lagrange Multiplier (BPLM) test. The null hypothesis (that the coefficients in the model are different from zero) of fixed effect cannot be rejected if the F-test p-value is more significant than 0.05. P-values less than 0.05 (95%) or alpha of

0.10 signify the fixed effect's presence. To decide between random effects and pooled OLS regression, the null hypothesis of the BPLM test is that variances across entities are equal to zero. The null hypothesis is rejected if the p-value for the BPLM test is less than 0.05, which indicates the presence of random effects (therefore, we do not run the pooled OLS).

In the presence of both fixed-effect and random effects, the Hausman test is applied to decide. The Hausman test is used to check if error terms correlate with regressors, whereby the null hypothesis is that they are not. For the Hausman specification test P-value, less than 0.05 of the Hausman test denotes that the fixed effect model is preferred over the random effect model. In contrast, a p-value greater than 0.05 indicates the contrary. Robust standard errors are used to control heteroskedasticity as a box plot identifies outliers in the panel data set for all three REIT regimes (White, 1980; Prima, 2014). Lastly, following the work of Black et al. (2015), omitted variables bias affects the results obtained at both country level and pooled regression analysis suggesting firm effects with preference to fixed effects specification.

The analysis results show that the ownership and shareholder sub-index and dividend payout ratio exhibited exact collinearity and hence were omitted in the data analysis. This is because these variables show a strong linear relationship, which does not independently help the prediction of the dependent variable herein Tobin's q, ROA and ROE. As an exploratory study to identify the predictive potential of the scoring index applied to the United Kingdom, South Africa and Nigeria, testing using the pooled OLS, FE and RE models was deemed suitable for initial analysis.

7.7 Country-Level Results

In Tables 30, 31 and 32, results from country-level analysis using the dependent variables of Tobin's q, ROA and ROE and control variables of growth, dividend payout ratio, dividend payout ratio free cashflow, firm age, firm size and leverage are applied to the pooled OLS, FE and RE models. Using the OLS, FE, and RE, model 1 included the dependent variables, the corporate governance index and the sub-index. In model 2, dependent variables, the corporate governance index and a sub-index with control variables are used. Finally, in model 3, the dependent variable, corporate governance index, and control variables with year-specific effects are used. The total number of REITs for country-level analysis includes 45, with 3 for Nigeria, 17 for South Africa and 25 for

the United Kingdom, with a final sample providing 254 firm-year observations from 2014 to 2019. All models are estimated using robust standard errors to control for heteroskedasticity. The results from the individual country analysis are presented in the sections below. Only the relevant specification is reported for the dependent variable for each model. The coefficient, robust standard errors (in parenthesis) and significance are included for constants but not year dummies in model 3.

7.7.1 United Kingdom

In Table 30 below, using the preferred specification to select out of the pooled OLS, FE, and RE estimation results on whether the country corporate governance index predicts Tobin's q is presented. In all models, the specification test for all three methods of estimations shows that the fixed effect best explains the variation in firm valuation. When the corporate governance index is used as an explanatory variable, firm-level control variables, and time dummies in model 3, no evidence of REITs having a higher corporate governance rating has a higher firm value in all three models. In all three models, the standard errors of the regression (not reported) show that the equation fits the sample data with r-square for model 1, explaining 33.2% variation in firm valuation and 98.8% for both models 2 and 3.

Model 1 shows that the sub-index of RPT is positively related to Tobin's q, though only at a 10% level. This indicates that even in developed REITs, reporting around RPT, which may sometimes be complex, plays a role in firm performance. The RPT sub-index though only at a 10% level shows that aligns with previous research showing that as a single corporate governance mechanism, it increases unitholders' influences around decision-making on related party transactions to enhance performance better (Prima, 2014). Additionally, Downs *et al.* (2016) found that RPT related to real estate acquisitions from related parties had a significant positive effect on firm value, as this is the case in many UK REITs with subsidiaries identified as a related party for property development.

With 76% of the sampled REITs in the UK having an internal management structure, the analysis still shows no significant evidence of Tobin's q being affected by the corporate governance index, which is similar to the finding of the study in Bauer, Eichholtz and Kok (2010) where they find that in the US, there is no significant impact of the CGQ index constructed on Tobin's q. Chong, Ting and Cheng (2017) for the Asian REIT market also

reached a similar conclusion showing that the REIT effect may affect matured Asian REIT regimes like the UK.

For firm valuation, in model 2, the corporate governance index and sub-index alongside control variables are included. In this circumstance, growth is found to be significant and positive at a 1% level to Tobin's q , similar to Chong, Ting and Cheng (2017), where they include the full sub-index having a high coefficient as in this study. The result shows that when the firm effect is included, the board matter sub-index is significantly negative at a 10% level, and leverage, which is also significantly negative at 5%, represents a discount effect as the larger board matter proxies capture issues with the UK REIT regime that may not allow it to manage the leverage levels as contrary to the findings of Brenni (2014) where proxies for the board were seen to lower leverage and enhance value for the UK REIT and Non-REIT sector. In model 3, which includes time dummies, the effect of the corporate governance index shows that growth is significantly positive at a 1% level to Tobin's q , consistent with the work of Chong, Ting and Cheng (2018), who also reports high coefficients for growth but the significant negative level of leverage increases to 1%. Reinforcing the observation here that leverage levels of the UK REIT regime harm shareholders' value.

Regarding operating performance using ROA as the dependent variable, the models reported in Table 30 below using the fixed effect specification are the best means of estimations using the F-test, BPLM test and Hausman test. In all three models, the standard errors of the regression (not reported) show that the equation fits the sample data, with model 1 accounting for 15.2% variation, 53.4% in model 2 and 64.1% in model 3. The impact of the corporate governance index is positive and significant at 1% for models 2 and 3, showing that the corporate governance index used has a significant effect on ROA in the UK REIT regime when accounting for firm and time effects similar to the work of (Chong, Ting and Cheng, 2018). The findings here are contrary to that in Bauer, Eichholtz and Kok (2010) and Lecomte and Ooi (2013) where both papers do not find a relationship between the CGI index and ROA and ROE in the REIT regimes studied. In model 1, there is a significant negative impact between the REIT organisation sub-index and ROA, implying that the ownership and organisation structure of REITs in the UK may negatively impact operational performance which is similar to the findings in the study by Chong, Ting and Cheng (2017) of the Asian REIT regime.

Using individual corporate governance sub-index scores and control variables in model 2, we observe significant negative impacts on individual sub-indexes. Specifically, Board Matter has a significant negative impact at the 5% level, while Remuneration Matter and Gearing have significant negative impacts at the 1% level. Additionally, in models 2 and 3, the analysis reveals significant positive effects on dividend payout linked to free cash flow and the natural logarithm of firm size, both at the 1% level. Moreover, leverage demonstrates a significant positive impact at the 5% level. These findings suggest that as firm size increases, the operational performance of UK REITs improves, leading to increased investment and higher leverage utilisation within the restrictions imposed on UK REITs. Though Ramachandran et al. (2018) finds that using R-index in the Asian REIT regime there a positive impact of firm size on ROA contrary to other studies they also find a negative and significant impact of leverage on ROA. Notably, in model 2, Firm Age exhibits a significant negative impact at the 1% level, indicating that older REITs in the UK may have lower ROA (Chong, Ting, & Cheng, 2017a).

When examining the impact of ROE as the dependent variable, the fixed effect specification is found to be the most appropriate estimation method based on the F-test. Although the BPLM test favors ordinary least squares (OLS) over random effects, the p-values from the Hausman test indicate that fixed effects are preferred over both OLS and random effects. The R-squared values indicate that model 1 explains 17.63% of the variation, while models 2 and 3 account for 54.24% and 59.44% of the variation, respectively. The standard regression errors for all models (not reported) confirm that the equations fit the data well. Interestingly, only model 2 shows a significant positive effect (5%) of the corporate governance index on ROE when considering the firm effect. This finding contradicts the work of Bauer, Eichholtz, and Kok (2010) and Lecomte and Ooi (2010), which did not find a significant relationship between corporate governance and operational performance.

In model 1, only REIT organisation is significant but negative at a 10% level. When accounting for firm effect in the UK in model 2, the corporate governance sub-index of board matter, remuneration matter, fees and gearing had a significant negative relationship with ROE of which Chong, Ting and Cheng (2017) also finds that remuneration matter and fees but not gearing had a significant and negative impact on ROE. The control variables of size and dividend payout linked to free cash flow help to enhance ROE in the UK REIT

market. In model 3, when accounting for the time effect, there is an increase in the significantly positive (1%) effect firm size has but reduced to 5% for dividend payout linked to free cash flow has on ROE. In addition, leverage has a significant positive impact of 10% on ROE, meaning that the correct use of leverage over time can increase ROE. Similar to the work of Chong, Ting and Cheng (2017), there is a significant negative (5%) impact on the growth of ROE.

Overall, the result shows that for the United Kingdom under the period analysed, firm valuation as measured by Tobin's q is best estimated using the fixed effect specification. In this case, the corporate governance index and sub-index do not predict firm valuation. When controlling for time-invariant variables, the board matter sub-index and leverage harm firm valuation. Controlling for time, growth, and firm age positively impacts firm valuation, while increasing leverage and dividend payout free cash flow negatively affects firm value. When examining the operational performance of the UK REIT sector using ROA and ROE, there is a positive impact of the increase in corporate governance index on operational performance, mostly predominantly on ROA and on ROE only when accounting for time-invariant variables.

The rest of the significant sub-index has a negative predictive effect on operational performance. Growth is negative for ROE, but dividend payout linked to free cash flow positively predicts operational performance for ROA and ROE. Firm age negatively predicts operational performance, while Firm size does the contrary. Leverage's positive impact on operational performance is most significant to ROA, showing that as leverage increases, there is more return on an asset than the return on equity. Indicating that during the period of analysis, leverage employed was likely deployed in asset acquisitions that reduced the equity of shareholders, which in turn increased the portfolio under management by the REIT and rental income, which can be returned to shareholders in the form of free-cash-flow (Haslam et al., 2015).

Table 30: Relevant results from UK REIT Panel regression models.

	UK (Tobin's q)			UK (ROA)			UK (ROE)		
	Model 1	Model 2	Model 3	Model 1	Model 2	Model 3	Model 1	Model 2	Model 3
	Fixed Effect	Fixed Effect	Fixed Effect	Fixed Effect	Fixed Effect	Fixed Effect	Fixed Effect	Fixed Effect	Fixed Effect
Governance Index	0.0018 (0.0279)	0.0004 (0.0009)	-0.0004 (0.0002)	0.0046 (0.0070)	0.0226*** (0.0059)	0.0024*** (0.0008)	-0.0012 (0.0198)	0.0368** (0.0153)	0.0026 (0.0033)
Board Matter	-0.0012 (0.0288)	-0.0018* (0.0010)		0.0013 (0.0091)	-0.0191** (0.0069)		0.0100 (0.0239)	-0.0372** (0.0176)	
Audit	0.0121 (0.0382)	-0.0009 (0.0023)		0.0140 (0.0183)	-0.0049 (0.0147)		0.0535 (0.0615)	0.0328 (0.0429)	
Remuneration Matter	-0.0058 (0.0293)	-0.0004 (0.0010)		-0.0095 (0.0068)	-0.0245*** (0.0056)		-0.0077 (0.0175)	-0.0418** (0.0153)	
REIT Organisation	-0.0132 (0.0187)	0.0044 (0.0052)		-0.0379** (0.0167)	0.0014 (0.0126)		-0.0783* (0.0443)	-0.0190 (0.0234)	
Fees	-0.0242 (0.0343)	-0.0023 (0.0017)		-0.0080 (0.0139)	-0.0180* (0.0094)		-0.0318 (0.0240)	-0.0353* (0.0182)	
RPT	0.0795* (0.0425)	-0.0001 (0.0014)		0.0147 (0.0116)	-0.0071 (0.0084)		0.0445 (0.0326)	0.0007 (0.0193)	
Gearing	-0.0356 (0.0329)	-0.0012 (0.0015)		-0.0140 (0.0115)	-0.0244*** (0.0083)		-0.0308 (0.0251)	-0.0634** (0.0247)	
Growth		1.0044*** (0.0224)	0.9971*** (0.0240)		0.0472 (0.0583)	-0.0193 (0.0660)		-0.2709** (0.1085)	-0.3574** (0.1511)
Dividend Pay-out FCF		-0.0016 (0.0021)	-0.0054* (0.0031)		0.0559*** (0.0150)	0.0485*** (0.0120)		0.1587*** (0.0540)	0.1517** (0.0595)
Firm Age(ln)		0.0074 (0.0044)	0.0123** (0.0058)		-0.0820*** (0.0183)	-0.0008 (0.0194)		-0.1979*** (0.0436)	-0.0615 (0.0426)
Firm Size(ln)		-0.0030 (0.0047)	0.0005 (0.0043)		0.0652*** (0.0216)	0.0815*** (0.0157)		0.1954*** (0.0523)	0.2431*** (0.0690)
Leverage (ln)		-0.0191** (0.0069)	-0.0238*** (0.0059)		0.0658** (0.0249)	0.0544** (0.0252)		0.0585 (0.0419)	0.0516* (0.0276)
Constant	0.6217*** (0.1221)	0.0089 (0.0356)	0.0092 (0.0281)	-0.0314 (0.0647)	-0.7345*** (0.1711)	-0.5867*** (0.1257)	0.0101 (0.1387)	-1.5558** (0.6647)	-1.2017** (0.5216)
Observations	150	146	146	150	146	146	150	146	146
Number of firms	25	25	25	25	25	25	25	25	25
Year dummies	No	No	Yes	No	No	Yes	No	No	Yes
F-test	F(24, 117) = 7.17879, p-value 0.0000	F(24, 108) = 8.95912, p-value 2.28868e-016	F(24, 110) = 11.2506, p-value 6.63659e-020	F(24, 117) = 3.6322, p-value 1.60611e-006	F(24, 108) = 5.81069, p- value 6.91407e- 011	F(24, 110) = 7.41832, p-value 6.23448e-014	F(24, 117) = 2.76115, p- value 0.000158227	F(24, 108) = 4.99415, p- value 2.87041e- 009	F(24, 110) = 5.16271, p-value 1.13836e-009
BPLM test	Chi-square(1) = 33.3911, p-value = 0.0000	Chi-square(1) = 88.0098, p-value = 0.0000	Chi-square(1) = 109.764, p-value = 0.0000	Chi-square(1) = 10.3488, p-value = 0.00129	Chi-square(1) = 6.98424, p- value =	Chi-square(1) = 21.7489, p-value = 0.0000	Chi-square(1) = 1.5183, p-value = 0.217877	Chi-square(1) = 1.60519, p-value = 0.205169	Chi-square(1) = 7.25071, p-value = 0.0070873
Hausman test	Chi-square(8) = 38.7051, p-value = 0.0000	Chi-square(13) = 45.1889, p-value = 0.00001946	Chi-square(6) = 20.7193, p-value = 0.00206	Chi-square(8) = 18.6958, p-value = 0.01657	Chi-square(13) = 114.652, p- value = 0.00000	Chi-square(6) = 60.4679, p-value = 0.00000	Chi-square(8) = 20.3859, p-value = 0.00897069	Chi-square(13) = 83.0034, p-value = 0.0000	Chi-square(6) = 35.3574, p-value = 0.0000
R-squared	0.3322	0.9888	0.9886	0.1519	0.5342	0.6410	0.1763	0.5424	0.5944
Omitted due to exact collinearity	own_shareholderri ghts_index	own_shareholderri ghts_index divid_payoutrat	divid_payoutrat	own_shareholderri ghts_index	own_shareholde rights_index divid_payoutrat	divid_payoutrat	own_shareholde rrights_index	own_shareholder rights_index, divid_payoutrat	divid_payoutrat

Notes: Figures in parenthesis represent robust standard errors. R-square adjusted for OLS; overall for RE; within for FE. *, **, and *** respectively indicate significance levels at 10%, 5%, and 1% levels.

7.7.2 South Africa

Table 31 below presents the result from the regression analysis of the South African REIT. 17 REITs (13 internally managed) from South Africa are used sampled, accounting for 102 observations for the period in the panel data. Applying a similar technique explained in Section 7.7.1 above for the United Kingdom, pooled OLS, FE and RE specifications are run for each model to determine the best fit to predict firm valuation and operational performance. When assessing firm valuation, the fixed effect is the best specification in model 1 and the pooled OLS for models 2 and 3. For operational performance using ROA and ROE, the OLS is the best specification for all models in the panel data for the South African REIT. In all models, the standard error of the regression (not reported) shows a good prediction precision within ± 2 standard error of the regression from the regression line, which gives a 95% prediction interval. The r-squared values reported in Table 31 for Tobin's q show that model 1 explains a 19.32% variation in firm valuation, 98.40% and 93.32% in models 2 and 3, respectively. For ROA, r-squared values show that in model 1, 3.18% variation is explained by the model, 27.59% in model 2 and 18.67% in model 3. For ROE, the r-squared value for model 1 is 7.075%, 12.69% and 0.69% for models 2 and 3, respectively.

The finding for firm valuation using Tobin's q shows that the corporate governance index is significantly positive at 5% in model 1 and model 2 in predicting firm valuation. Though not statistically significant, it is noted that the coefficient estimates for the corporate governance index are negative similar to the UK. This implies that for younger SA REITs regime, the REIT effect from Bauer, Eichholtz and Kok (2010) does not hold as higher corporate governance scores do relate to higher firm values even when noting the sometimes-turbulent market faced by REITs in South Africa. However, in model 3, when the corporate governance index alone is used alongside control variables, there is no significant impact of the index on Tobin's q, implying that on its own, it is not a sufficient explanatory variable for firm value in the regime.

In model 1, the sub-index for Audit and RPT is negative and significant at 10%; Board matter and Fees are negative and significant at 5%; and Remuneration Matter which is negative and significant at 1%. This indicates that the individual sub-indexes mentioned harm firm value, but collectively, the index moderates the effect. The result from model 1 highlights that in the South African REIT regime, an increase in the individual sub-index

leads to lower firm valuation, especially for the Remuneration Matter sub-index, which suggests that board structure and level of remuneration are excessive in the SA REIT regime. The finding is closely related to the work of Bauer, Eichholtz and Kok (2010), where no significant effect is found on the CGQ index and sub-index on firm valuation, and for Chong, Ting and Cheng (2017), where the board matters, audit and fees have negative significant when predicting firm valuation. However, when considered collectively, an increase in the corporate governance index does lead to greater firm valuation. In model 2, which accounts for firm effect, the results support the finding of Brenn (2014), showing that REITs with a larger board and excessive remuneration tend to apply more conservative leverage to improve firm valuation. In models 2 and 3, the growth, leverage, and dividend payout free cash flow for only model 3 are significant and positive as control variables. Increases here improve firm value for the SA REIT regime as real estate is a capital-intensive industry, and regulations surrounding REIT mean they have limited free cash. The finding here implies that borrowing enhances firm value and growth. The finding here is similar to those in the Asian REIT regime, where growth and leverage in Chong, Ting and Cheng (2017) and Chong, Ting and Cheng (2016) studied positively and significantly impacted Tobin's q .

The finding for operational performance using ROA and ROE shows that the corporate governance index is better suited to predict the performance of ROE. A negative significance in both situations shows that an increase in the index results in lower operational performance for both ROA and ROE, contrary to the work of Lecomte and Ooi (2010), where the index does not have a significant relationship to operational performance but the result here is consistent with the later work of Ramachandran et al. (2018) using the R-index on the Singaporean and Malaysian REIT regime. For ROA, in model 1, the sub-indexes do not offer significant predictive power. In model 2, when accounting for firm effect using the control variables, there is significant positive predictive power for all sub-index apart from REIT organisations. Chong, Ting and Cheng's (2017) study also finds that the REIT organisation sub-index reports no significance when the entire corporate governance proxies and control variables are used to understand the impact on Tobin's q . Significant positive results are observed for the sub-indexes of board matter and fees at the 1% level, indicating their strong impact. Similarly, the audit, remuneration matter, and gearing sub-indexes show significant positive effects at the 5% level. In model 2, when accounting for firm effect, firm age and leverage display negative significance to ROA at

5% and 1%, respectively. The negative significance of leverage is attenuated in model 3 when incorporating time variables, reaching a significance level of 5%. Interestingly, the growth control variable predicts ROA positively and significantly in models 2 (1%) and 3 (5%), even considering only the corporate governance index and time dummies. These findings align with the study by Ramachandran et al. (2018), which highlights the higher cost of debt maintenance in the SA REIT regime compared to the Asian REIT regime. Additionally, the negative impact of firm age on ROA suggests that as REITs age, their operational performance diminishes, a surprising yet consistent finding also observed by Chong, Ting, and Cheng (2017). This could be attributed to the fact that many of the existing REITs in South Africa have converted from listed real estate companies, which possess ageing legacy assets.

When ROE and individual sub-index are evaluated a positive and significant results in observed for board matter, remuneration matter, fees, RPT in models 1 and 2, with gearing and audit showing a positive and significant result only in model 2. This effect is further enhanced by 5% significance to 1% from model 1 to model 2 when controlling for firm effect. This shows that the corporate governance index and sub-index have a better predictive power for ROE. Accounting for firm effect in model 2, the pooled OLS shows that the control variable of growth is positively significant at 1%, but leverage is negatively significant at 5%. In model 3, while the constant is significant at 10%, none of the control variables significantly predicts ROE when time dummies are included.

Overall, it is essential to consider the context of the SA REIT regime, which is relatively young compared to the UK and Nigerian REIT regimes. However, South Africa demonstrates a higher real estate and capital market maturity level, as reflected in the descriptive analysis. This maturity is also evident in the corporate governance rules and regulations, with the earliest guidelines published by King I in 1994.

In the case of the SA REIT regime, the constructed corporate governance index positively predicts firm valuation but negatively predicts operational performance. The individual corporate governance sub-indexes show positive significance in predicting operational performance but negative significance in predicting firm valuation. Control variables, accounting for firm-specific effects and time, positively impact firm valuation. However, they predominantly have a negative impact on operational performance, except for Growth, which has a positive coefficient but a lower magnitude compared to the

coefficient for firm valuation. This significant positive result for Growth contradicts the findings of Baker (1993), Gul (1999), and Chong, Ting, and Cheng (2017), whom all observed a negative relationship between Growth and ROA/ROE. The result suggests that an increase in the corporate governance score may correspond to improved firm valuation but not operational performance for emerging REITs. The individual corporate governance sub-indexes and control variables provide a better estimate for predicting operational performance, particularly regarding ROA rather than ROE.

Table 31: Relevant results from South African REIT Panel regression models.

	South Africa (Tobin's q)			South Africa (ROA)			South Africa (ROE)		
	Model 1	Model 2	Model 3	Model 1	Model 2	Model 3	Model 1	Model 2	Model 3
	Fixed Effect	OLS	OLS	OLS	OLS	OLS	OLS	OLS	OLS
Governance Index	0.0898** (0.0327)	0.0040** (0.0016)	-0.0002 (0.0003)	-0.0045 (0.0036)	-0.0099*** (0.0030)	-0.0000 (0.0003)	-0.0166** (0.0061)	-0.0242*** (0.0057)	-0.0001 (0.0007)
Board Matter	-0.0686** (0.0310)	-0.0068** (0.0028)		0.0095 (0.0055)	0.0163*** (0.0043)		0.0284** (0.0099)	0.0372*** (0.0088)	
Audit	-0.1324* (0.0726)	-0.0058** (0.0026)		-0.0014 (0.0042)	0.0103** (0.0047)		0.0091 (0.006)	0.0261** (0.0090)	
Remuneration Matter	-0.0984*** (0.0321)	-0.0039** (0.0015)		0.0031 (0.0037)	0.0095** (0.0035)		0.0154** (0.0064)	0.0247*** (0.0064)	
REIT Organisation	-0.0014 (0.0439)	-0.0023* (0.0011)		0.0008 (0.0031)	-0.0007 (0.0029)		-0.0047 (0.0055)	-0.0067 (0.0056)	
Fees	-0.1117** (0.0459)	-0.0053** (0.0023)		0.00423 (0.0036)	0.0092*** (0.0027)		0.0132** (0.0058)	0.0198*** (0.0050)	
RPT	-0.0775* (0.0414)	-0.0024 (0.0015)		0.0026 (0.0045)	0.00917* (0.0046)		0.0175** (0.0080)	0.0252*** (0.0083)	
Gearing	-0.0641 (0.0509)	-0.0054 (0.0048)		0.0082 (0.0066)	0.0135** (0.0057)		0.0166* (0.0088)	0.0265** (0.0095)	
Growth		0.9416*** (0.0097)	0.9487*** (0.0149)		0.0814*** (0.0223)	0.0674** (0.0313)		0.0891* (0.0425)	0.0566 (0.0590)
Dividend Payout Free Cashflow		0.0061 (0.0053)	0.0072* (0.0041)		0.0054 (0.0276)	0.0099 (0.0297)		-0.0166 (0.0583)	-0.0045 (0.0636)
Firm Age(ln)		-0.0036 (0.0040)	0.0123 (0.0150)		-0.0242** (0.0097)	0.0101 (0.0233)		-0.0341 (0.0204)	0.0575 (0.0428)
Firm Size(ln)		0.0043 (0.0030)	0.0012 (0.0030)		-0.0040 (0.0063)	-0.0053 (0.0045)		-0.0100 (0.0113)	-0.0140 (0.0089)
Leverage (ln)		0.0151*** (0.0051)	0.0091** (0.0042)		-0.0304*** (0.0100)	-0.0132** (0.0062)		-0.0337** (0.0137)	0.0021 (0.0078)
Constant	0.7625 (0.7372)	0.1532*** (0.0404)	0.1042*** (0.0305)	0.0860** (0.0350)	-0.0754 (0.0540)	0.0138 (0.0437)	0.1019* (0.0491)	-0.0464 (0.0893)	0.1354* (0.0735)
Observations	102	90	90	102	90	90	102	90	90
Number of firms	17	17	17	17	17	17	17	17	17
Year dummies	No	No	Yes	No	No	Yes	No	No	Yes
F-test	F(16, 77) = 2.05428, p-value 0.0193865	F(16, 60) = 1.03548, p-value 0.434716	F(16, 63) = 1.52699, p-value 0.118387	F(16, 77) = 1.65295, p-value 0.0750328	F(16, 60) = 0.817508, p-value 0.66106	F(16, 63) = 0.923277, p-value 0.54759	F(16, 77) = 1.12351, p-value 0.349491	F(16, 60) = 0.689138, p-value 0.793155	F(16, 62) = 0.935267, p-value 0.53506
BPLM test	Chi-square(1) = 1.71665, p-value = 0.190124	Chi-square(1) = 0.501021, p-value = 0.479052	Chi-square(1) = 0.592804, p-value = 0.441337	Chi-square(1) = 0.0121105, p-value = 0.912371	Chi-square(1) = 2.1748, p-value = 0.140288	Chi-square(1) = 0.760978, p-value = 0.383023	Chi-square(1) = 1.59389, p-value = 0.206771	Chi-square(1) = 3.56598, p-value = 0.0589749	Chi-square(1) = 1.5589, p-value = 0.211826
Hausman test	Chi-square(8) = 12.2517, p-value 0.1932	Chi-square(13) = 529.466, p-value 0.9840	Chi-square(6) = 6.98734, p-value 0.9332	Chi-square(8) = 42.599, p-value 0.0318	Chi-square(13) = 415.608, p-value 0.2759	Chi-square(6) = 16.1882, p-value 0.1867	Chi-square(8) = 45.4643, p-value 0.07075	Chi-square(13) = 222.194, p-value 0.1269	Chi-square(6) = 21.5138, p-value 0.0069
R-squared									
Omitted due to exact collinearity	own_shareholderr ights_index	own_shareholde rrights_index divid_payoutrat	divid_payoutrat	own_shareholder rights_index	own_sharehold errights_index divid_payoutrat	divid_payoutrat	own_shareholderr ights_index	own_shareholde rrights_index divid_payoutrat	divid_payoutrat

Notes: Figures in parenthesis represent robust standard errors. R-square adjusted for OLS; overall for RE; within for FE. *, **, and *** respectively indicate significance levels at 10%, 5%, and 1% levels.

7.7.3 Nigeria

In Table 32 below, the result from the regression analysis of the Nigerian REIT is made up of only 3 externally managed REITs and 18 total observations for the period under investigation. Applying a similar technique explained in Section 7.7.1 and 7.7.2 above for the United Kingdom and South Africa, pooled OLS, FE and RE specifications are run for each model to determine the best fit to predict firm valuation and operational performance. When assessing firm valuation using Tobin's q and operational performance using ROA and ROE, the fixed effect is the best specification for models 1 and 2 but the pooled OLS for models 3. In all models, the standard error of the regression (not reported) shows a good prediction precision within ± 2 standard error of the regression from the regression line, which gives a 95% prediction interval. The r-squared values are reported in Table 32 for all models for firm valuation. Operational performance is significantly high in this case at 89.94% to 99.9%, which while significantly high, is indicative of the variables included in the model and repeated time-series observation (T) larger than the number (N) of individual cross-sectional units, which causes an increase unbalancedness which further affects the estimators (Nerlove, 1971).

The findings regarding firm valuation using Tobin's q reveal a mixed relationship with the corporate governance index in the Nigeria REIT sector. In models 1 and 3, the corporate governance index demonstrates a significant negative relationship at 1% and 10%, respectively. However, in model 2, which includes sub-indexes and control variables, a positive and significant relationship at 1% is observed between the corporate governance index and firm valuation. These contrasting results make it challenging to draw a definitive conclusion regarding the impact of corporate governance on firm valuation in the Nigeria REIT sector. Nevertheless, the consistent negative significance across two of the three models suggests that an increase in the corporate governance index may harm firm value in Nigeria. It is worth noting that this negative impact is moderated when the complete set of sub-indexes is considered alongside control variables.

For the analysis using Tobin's q as the dependent variable, the results of model 1 indicate a positive and significant relationship at the 1% level between all corporate governance sub-indexes and the dependent variable. However, model 2 presents a contrasting picture, with all sub-indexes displaying a negative and significant relationship at the 1% level when control variables are included. The reversal of the findings between the two models is

intriguing and requires further exploration. To shed light on these findings, it is helpful to consider the earlier work of Chong, Ting, and Cheng (2016). Their study focused solely on Singaporean REITs, with a limited sample size of 70 observations. In that study, all sub-indexes, except for Related Party Transaction (RPT), exhibited negative coefficients, with only the REIT Organisation sub-index demonstrating both significance and negative. This suggests that the negative results observed in model 1 of this current study of the Nigerian REIT regimes may be attributed to the specific characteristics of the REIT market and the smaller sample size.

In contrast, Chong, Ting, and Cheng (2017) expanded their analysis to include all Asian REITs, resulting in a larger sample size of 245 observations. This broader and more diverse sample yielded different results, indicating the importance of considering a wider range of REITs in understanding the relationship between corporate governance sub-indexes and the dependent variable. Overall, the divergent findings between model 1 and model 2 underscore the need for further research and a more comprehensive analysis of the impact of corporate governance sub-indexes on the REIT sector, considering various market characteristics and sample sizes.

The control variables of growth and firm age emerge as the only positive predictors of firm value, as indicated by Tobin's q , with significance levels of 1% and 10%, respectively, in model 2. Conversely, all other control variables significantly negatively impact firm valuation. Of particular importance are dividend payout linked to free cash flow, which shows a significant negative effect at 5%, and leverage, which has a significant negative impact at 1%. These findings align with Chong, Ting, and Cheng's (2017) research, suggesting that firm age and growth positively influence firm value. However, contrary to their findings, the Nigerian REIT sector does not utilize leverage to enhance value. In model 3, which incorporates time dummies alongside the corporate governance index and control variables, firm size and leverage are the only variables that exhibit a positive and significant relationship with Tobin's q , with significance levels of 5% and 10%, respectively. Notably, the dividend payout ratio linked to free cash flow continues to exhibit a significant negative impact at 1%, indicating a detrimental effect on firm value. Overall, the results indicate that an increase in corporate governance scores in the Nigerian REIT regime does not necessarily lead to an increase in firm valuation. Notably, the results remain inconclusive when considering the impact of control variables and time, although the negative effect of the dividend payout ratio to free cash flow persists in models 2 and 3.

The findings regarding operational performance, as measured by ROA and ROE, indicate that the corporate governance index is more effective in predicting ROE performance. Model 1 shows a negative and significant relationship at the 1% level between the corporate governance index and ROA, while models 1 and 2 demonstrate a negative and significant relationship between the corporate governance index and ROE, consistent with the findings of Ramachandran et al. (2018). Interestingly, the results suggest that an increase in the corporate governance index does not improve operational performance during the observed period; instead, it negatively impacts operational performance. This outcome cannot be solely attributed to the age of the REIT regime but may be influenced by market maturity. Despite the Nigerian REIT regime being as old as the UK and even older than the South African regime, there are only three REITs currently in operation with relatively low market capitalization, which could contribute to the observed findings.

When introducing time as a factor in model 3, no significant effect of the corporate governance index is observed for both ROA and ROE. This finding aligns with previous studies by Lecomte and Ooi (2010) and Bauer, Eichholtz, and Kok (2010). However, it is essential to note that due to this study's limited number of observations, it is challenging to attribute this result solely to the REIT effect. The nature of corporate governance disclosure observed in the descriptive analysis, characterised by contradictions in the corporate governance codes, further supports this observation. Franklin (2016) also highlights these contradictions.

At the sub-index level for ROA, model 1 reveals a positive and significant relationship at the 1% level for all variables used. This suggests that individual sub-indexes may be more effective in predicting operational performance than the overall governance index. When control variables are included in model 2, only the remuneration matter and fees sub-index displays a positive and significant relationship at the 10% level. This finding contradicts the results of Chong, Ting, and Cheng (2017), who found that only the REIT organisation sub-index had a significant negative impact on ROA. These results imply that more disclosure is provided for the remuneration matter and fees in the Nigerian REIT regime, leading to a limited increase in ROA.

The corporate governance sub-index for ROE shows a significant positive relationship at the 1% level in both models 1 and 2. This suggests that the sub-index may be more effective in predicting ROE, although caution is advised when interpreting these results

due to high R-squared values and reported constants. In model 2, all control variables, except growth, exhibit a significant positive relationship at the 1% level for both ROA and ROE. However, in model 3, which includes only the corporate governance index, control variables, and time dummies, only growth shows a significant positive result at the 5% level, although a high robust standard error accompanies it.

Notably, in model 2, for both ROA and ROE, the control variables of dividend payout ratio linked to free cash flow, firm age, and firm size display a significant positive relationship at the 1% level. This indicates that firm age and size significantly affect operational performance within emerging regimes. In models 2 and 3, the leverage variable shows a negative significance at the 1% level for both ROA and ROE, suggesting that borrowing practices in the Nigerian REIT regime harm operational performance. Ramachandran et al. (2018) reported similar findings regarding size and leverage in their study of Singapore and Malaysia.

Overall, in the emerging Nigeria REITs regimes, the corporate governance index negatively predicts the firm valuation and operational performance over the period observed. An increase in individual disclosure levels on individual sub-index has a positive impact on the operation performance of the Nigerian REIT regimes, which is contrary to the works of Bauer, Eichholtz and Kok (2010), where no evidence of REITs with higher corporate governance results in higher value and no evidence of a relationship between corporate governance and operating performance. Similarly, Chong, Ting and Cheng (2017) find some proof of the impact of individual sub-index on firm value and operating performance. They identified a negative result for REIT organisations but a positive significant for gearing, which helps accelerate the ROA in our model. The result shows that, similar to the Nigerian REIT, firm size is important when considering the benefit, it brings to competitiveness to improve operational performance contrary to Ramachandran et al. (2018). The Chong, Ting and Cheng (2017) result diverts from ours in the control variables of age and dividend pay-ratio, where contrary to their result, we observe a significant positive result for both ROE and ROA in model 2 when not accounting for the time effect. The result for the Nigerian REIT regime in model 3 for both ROE and ROA shows that when accounting for time effect, the corporate governance index and control variables do not predict operating performance; the only exception is growth.

Table 32: Relevant results from Nigeria REIT Panel regression models.

	Nigeria (Tobin's q)			Nigeria (ROA)			Nigeria (ROE)		
	Model 1	Model 2	Model 3	Model 1	Model 2	Model 3	Model 1	Model 2	Model 3
	Fixed Effect	Fixed Effect	OLS	Fixed Effect	Fixed Effect	OLS	Fixed Effect	Fixed Effect	OLS
Governance Index	-0.4955*** (0.0672)	0.5734*** (0.0145)	-0.0258* (0.0062)	-0.5711*** (0.0253)	-0.2596 (0.1967)	0.0047 (0.0091)	-6.0388*** (0.1620)	-5.2853*** (0.1078)	0.0702 (0.0418)
Board Matter	0.5213*** (0.0663)	-0.5765*** (0.0152)		0.5782*** (0.0251)	0.4204 (0.2027)		6.0945*** (0.1680)	5.5117*** (.1106)	
Audit	0.4415*** (0.0634)	-0.5680*** (0.0138)		0.5841*** (0.0240)	0.3591 (0.1886)		6.0635*** (0.1370)	5.4219*** (0.1036)	
Remuneration Matter	0.9111*** (0.1172)	-0.6270*** (0.0221)		0.8812*** (0.0455)	0.8583* (0.2834)		8.9957*** (0.2621)	8.4386*** (0.1530)	
REIT Organisation	0.2338*** (0.0586)	-0.2926*** (0.0078)		0.3096*** (0.0202)	0.1003 (0.0972)		3.0257*** (0.1129)	2.6076*** (0.0519)	
Fees	0.3857*** (0.0535)	-0.5806*** (0.0153)		0.5641*** (0.0215)	0.8029* (0.1958)		5.8442*** (0.1284)	5.8603*** (0.1056)	
RPT	0.5354*** (0.0912)	-0.5766*** (0.0148)		0.5539*** (0.0318)	0.1579 (0.1980)		5.9928*** (0.1930)	5.1362*** (0.1082)	
Gearing	0.4677*** (0.1021)	-0.5732*** (0.0153)		0.5711*** (0.0410)	0.2987 (0.1926)		6.0263*** (0.1923)	5.3341*** (0.1034)	
Growth		1.1121*** (0.0202)	-0.7882* (0.2098)		0.1952 (0.2779)	0.8883* (0.2729)		0.4305 (0.1530)	9.4096** (1.2899)
Dividend Payout Free Cashflow		-0.0288** (0.0051)	-0.3133*** (0.0238)		1.6409*** (0.0281)	-0.0339 (0.1161)		1.9098*** (0.0093)	0.5241 (0.5101)
Firm Age(ln)		0.0122* (0.0033)	-0.3855** (0.0625)		0.6220*** (0.0303)	0.2110 (0.2527)		0.9031*** (0.0143)	1.7083 (0.9710)
Firm Size(ln)		-0.0206** (0.0023)	0.1656** (0.0401)		0.5014*** (0.0198)	-0.0592 (0.0735)		0.7681*** (0.0091)	-0.5426 (0.3431)
Leverage (ln)		-0.0055*** (0.0003)	0.0642* (0.0596)		-0.0433*** (0.0014)	0.0241 (0.0854)		-0.0475*** (0.0003)	0.2173 (0.4026)
Constant	-0.6922 (0.4791)	1.4183*** (0.0343)	2.3968** (0.3194)	-1.8432*** (0.1626)	-6.0883*** (0.3328)	-1.0032 (0.8858)	-17.8089*** (0.7785)	-23.0895*** (0.1629)	-10.3598 (3.7771)
Observations	18	18	18	18	18	18	18	18	18
Number of firms	3	3	3	3	3	3	3	3	3
Year Dummies	No	No	Yes	No	No	Yes	No	No	Yes
F-test	F(2, 7) = 9.56353, p- value 0.00995464	F(2, 2) = 4405.85, p-value 0.00022692	F(2, 5) = 0.427856, p- value 0.673714	F(2, 7) = 5.03615, p- value 0.0441388	F(2, 2) = 110.294, p- value 0.0089852	F(2, 5) = 1.2791, p- value 0.355942	F(2, 7) = 378.368, p- value 7.37124e- 008	F(2, 2) = 887.438, p- value 0.00112557	F(2, 5) = 1.3064, p- value = 0.349594
BPLM test	Chi-square(1) = 1.5334, p- value = 0.2156	Chi-square(1) = 1.79781, p-value = 0.1799	Chi-square(1) = 1.60692 p-value = 0.2049	Chi-square(1) = 1.75445, p- value = 0.1853	Chi-square(1) = 1.79695, p- value = 0.1800	Chi-square(1) = 1.39535, p- value = 0.237504	Chi-square(1) = 1.7001, p-value = 0.1922	Chi-square(1) = 1.7985, p- value = 0.179894	Chi-square(1) = 1.28862, p-value = 0.256303
Hausman test	Chi-square(2) = 516.203, p- value = 0.0000	n.a.	Chi-square(2) = 0.991665, p- value = 0.6090	Chi-square(2) = 6211.47, p- value = 0.000	n.a.	Chi-square(2) = 39.647, p- value = 0.0000	Chi-square(2) = 3200.54, p- value = 0.0000	n.a.	Chi-square(2) = 4.23244, p-value = 0.120486
R-squared	0.9237	0.9999	0.7950	0.9553	0.9998	0.7558	0.9991	0.9999	0.9508
Omitted due to exact collinearity	own_sharehol derrights_inde x	own_shareholder rights_index, divid_payout rat	divid_payout rat	own_sharehol derrights_inde x	own_sharehold errights_index, divid_payout rat	divid_payout rat	own_shareholde rrights_index	own_sharehol derrights_inde x, divid_payout rat	divid_payout rat

Notes: Figures in parenthesis represent robust standard errors. R-square adjusted for OLS; overall for RE; within for FE. *, **, and *** respectively indicate significance levels at 10%, 5%, and 1% levels.

7.8 Pooled Country Analysis

In Table 33 below, the regression analysis of all observation results from the three REIT regimes is pooled together. The corporate governance index captured the same variables for all three countries. Black et al. (2014) note that pooling help to make more sense of results in multi-country studies. There are 254 observations with 45 firms used in the analysis with country, year and management dummies. Like Black et al. (2014), the country and management dummies are absorbed by the interaction with year dummies. The regression model incorporates the corporate governance index, sub-index and control variables in all models for the pool country analysis. The reported r-squares values show that for Tobin's q, the model explains 89.25%; for ROA, the model explains 42.16%; for ROE, the model explains 32.60%.

When assessing firm valuation across all three REIT regimes using Tobin's q, the pooled OLS is the most appropriate specification for prediction. The result shows that the corporate governance index and sub-index have no significant effects. The analysis result shows a positive coefficient for the corporate governance index when Tobin's q is used as the dependent variable. The control variable of Growth has a significant and positive effect at a 1% level which is the only control variable with any significant result. This implies that an increase in Growth measures using the market-to-book ratio in all three regimes increases firm valuation. When analysing ROA and ROE, the fixed model is the most appropriate specification for prediction. The result here is similar to Chong, Ting and Cheng (2017b), who also find a positive relationship with Growth predicting Tobin's q.

The analysis of operational performance using ROA and ROE shows that the corporate governance index and sub-indexes provide no significant results. Though not significant, the coefficient of the corporate governance index for both ROA and ROE is negative though this is more pronounced for ROE. Crucially, for the ROA, control variables of Firm Age have a significant positive level of 5%, while Dividend Pay-out related to free cash flow and Firm Size has a significant positive level of 10%. This shows that an increase in how long the REIT has operated is the best prediction of return on asset in all three regimes. Only Firm Size presents a positive and significant relationship for ROE at 10%. This result shows that for all three REIT regimes, an increase in Firm Size measured by the total asset results in increased return on equity. Chong, Ting and Cheng (2017b) also identified that in the Asian REIT regimes, Size helped to enhance performance. Still,

Growth and Dividend Pay Ratio mostly report a significant negative result for both ROE and ROA.

Overall, while there is a benefit to the pooled country analysis, the results show that after accounting for dummies, the most crucial performance prediction is linked to control variables. The significant variables all offer a positive significance to firm valuation and operational performance, indicating that a predominant positive prediction is possible when it matters. However, the corporate governance index and sub-indexes have no significant predictive attribute. Though not significant, for Tobin's q, the coefficient for the sub-index is negative, while for ROA and ROE, the sub-index is positive.

Table 33: Relevant results from Pooled Country REIT Panel Regression Models

	Pooled Country		
	Tobin's q	ROA	ROE
	OLS	Fixed Effect	Fixed Effect
Governance Index	0.0066 (0.0042)	-0.0106 (0.0109)	-0.1241 (0.1021)
Board Matter	-0.0049 (0.0034)	0.0140 (0.0102)	0.1047 (0.0829)
Audit	-0.0127 (0.0111)	0.0203 (0.0148)	0.2388 (0.1746)
Remuneration Matter	-0.0065 (0.0042)	0.0098 (0.0111)	0.1258 (0.1037)
REIT Organisation	-0.0020 (0.0019)	0.0009 (0.0073)	0.0131 (0.0448)
Fees	-0.0078 (0.0051)	0.0141 (0.0156)	0.1776 (0.1630)
RPT	-0.0054 (0.0033)	0.0045 (0.0116)	0.0811 (0.0812)
Gearing	-0.0085 (0.0060)	0.0116 (0.0154)	0.1300 (0.1228)
Growth	0.8839*** (0.0733)	0.0529 (0.0770)	0.7391 (0.7008)
Dividend Payout Free Cashflow	0.0054 (0.0064)	0.0302* (0.0172)	0.0133 (0.0778)
Firm Age(ln)	0.0014 (0.0087)	0.0380** (0.0182)	0.1674 (0.1286)
Firm Size(ln)	-0.0013 (0.0041)	0.0426* (0.0221)	0.2165* (0.1266)
Leverage (ln)	0.0087 (0.0080)	0.0133 (0.0178)	0.0420 (0.0484)
Constant	0.1485 (0.1068)	-0.3354** (0.1417)	-2.3660 (1.4570)
Observations	254	254	254
Number of firms	45	45	45
Year dummies	Yes	Yes	Yes
Management dummies	Yes	Yes	Yes
Country dummies	Yes	Yes	Yes
F-test	F(41, 191) = 1.38092, p-value = 0.0777455	F(41, 191) = 2.56209, p-value = 9.30697e-006	F(41, 191) = 1.82963, p-value = 0.00362125
BPLM test	Chi-square(1) = 1.35725, p-value = 0.244014	Chi-square(1) = 2.92942, p-value = 0.0869785	Chi-square(1) = 0.0168234, p-value = 0.8968
Hausam test	Chi-square(13) = 23.2727, p-value = 0.0385182	Chi-square(13) = 51.9297, p-value = 1.38614e-06	Chi-square(13) = 27.2376, p-value = 0.011541
R-squared	0.8925	0.4216	0.3260
Omitted due to exact collinearity	own_shareholderrights_index divid_payoutrat country_id_3 mgt_struc_id_2	own_shareholderrights_index divid_payoutrat country_id_3 mgt_struc_id_2 country_id_1 country_id_2 mgt_struc_id_1	own_shareholderrights_index divid_payoutrat country_id_3 mgt_struc_id_2

Notes: Figures in parenthesis represent robust standard errors. R-square adjusted for OLS; overall for RE; within for FE. *, **, and *** respectively indicate significance levels at 10%, 5%, and 1% levels.

7.9 Summary of Findings

This Chapter sought to meet Objective 4 of this thesis which is 'to analyse the impact of the quality of corporate governance on real estate investment trusts (REITs) performance' through the application of the quantitative method to the data collected from the United Kingdom, South Africa and Nigerian REIT regimes. The regulatory requirement of REITs in their various regimes of operations means that they have to comply with strict tests which other listed companies may not be required to follow. The most notable of these tests common to all three regimes are the shareholder and listing requirement, asset level and activity test, profit distribution obligations and leverage test requirement. The restrictions brought about by these tests to maintain a REIT status change the potential conflict brought about by the separation of shareholders and managers. Other studies have referred to this as the 'REIT effect', which moderates corporate governance practices by management and board.

Following the work of Aggarwal et al. (2007) and Aguilera and Desender (2012), firm performance may direct the direction of corporate governance adoption. This may be the case during the analysis period from 2014-2019, which saw a more favourable atmosphere for the real estate sector. The set of a principle-based approach to corporate governance in the three REIT regimes implies that the requirement to abide by every corporate governance code is in some sense voluntary, be it 'comply or explain' or 'apply and explain' makes it difficult to carry out comparative research at times as during periods of boom more consistent disclosure is expected to attract potential investors.

This research assesses the quality of corporate governance on the performance of United Kingdom, South Africa and Nigeria REITs by using a corporate governance scoring framework influenced by the ISS, APREA and Black et al. (2017). This research employs the pooled OLS, Fixed Effects and Random Effects methods by using panel data of the 45 REITs in the three regimes.

Table 34: Summary of Findings Chapter Seven

Item no	Summary of Findings
1	The corporate governance index helps improve the ROA and ROE in the UK but not in South Africa and Nigeria. For firm valuation using Tobin's q, the corporate governance index has no effect for the UK and Pooled Country analysis, negatively predicting the firm valuation for Nigeria but positively predicting firm valuation in South Africa. As corporate governance quality improved in South African REITs, their value increased.
2	The finding also shows that only RPT are significantly positive to Tobin's q in the UK. All individual corporate governance variables are significantly negative to South African REIT's performance and inconclusive in the Nigerian REITs when predicting Tobin's q.
3	The findings show that board matter, remuneration matters, REIT organisation, fees, and gearing are significantly negative to UK REITs ROA and ROE. In the South African and Nigerian REIT regimes, board matter, audit, remuneration matter, fees, and RPT significantly positively impact ROA and ROE. The REIT organisation index has a significantly positive impact on ROA and ROE in Nigeria REITs alone.
4	For Pooled Country analysis, there is no effect of the corporate index and individual sub-index impact on Tobin's q, ROA and ROE when controls and dummy variables are included.
5	Significantly, the Ownership sub-index has exact collinearity in the regression analysis as the variable may not contain enough independent information compared to other variables and would not help predict dependent variables. This is observed in the correlation analysis in Table 25 and 26.
6	The Growth is significantly positive to Tobin's q for the UK, South Africa and the Pooled analysis but inconclusive for Nigeria. The result for ROE is

	significantly negative for the UK but significantly positive for ROA and ROE in South Africa and Nigeria. However, the Pooled analysis found no effect on ROA and ROE.
7	The Dividend Pay-out linked to free cash flow is significantly negative to Tobin's q for the United Kingdom and Nigeria but positive for South Africa. ROA and ROE are significantly positive for the United Kingdom and Nigeria but negative for South Africa. The Poole Country analysis shows a significant positive result for ROA but the opposite for ROE.
8	The Firm Age is significantly negative for ROA in the United Kingdom and South Africa. This is also the same for ROE, but no effect is observed in South Africa. The result is significantly positive for ROA in Nigeria and the Pooled country analysis. The positive significance is also observed in ROE for Nigeria but no effect in the Pooled Country. For Tobin's q, there is a positive significance in the United Kingdom.
9	The Firm Size does not affect Tobin's q in the United Kingdom, South Africa and Pooled Country; the result is inconclusive in Nigeria. There is a significant positive result for the United Kingdom, Nigeria and the Pooled Country for ROA and ROE. However, there is no effect on ROA and ROE for South Africa's Firm Size.
10	The Leverage is significantly negative to Tobin's q in the United Kingdom, significantly positive for South Africa and inconclusive in Nigeria. There is a significant positive result for the United Kingdom for ROA and ROE. However, this is significantly negative for both South Africa and Nigeria. For the Pooled Country, there is no effect on Tobin's q, ROA and ROE.
11	Significantly, the Dividend Pay-out Ratio has exact collinearity in the regression analysis as the variable may not contain enough independent information compared to other variables and would not help predict dependent variables. This is observed in the correlation analysis in Table 25 and 26.

The results show that the corporate governance index improves the ROA and ROE in the UK but is negative in South Africa and Nigeria. For valuation performance using Tobin's q , there is no effect in the UK, but it has a significant positive impact in South Africa and a negative in Nigeria. Overall, individual corporate governance variables are crucial to the emerging REITs regime operational performance measured using ROA and ROE, but this is not the case for the United Kingdom. There is a mix of results for control variables, but crucially, size is important but less so in South Africa. Leverage negatively impacts emerging REITs regime but is positive for the developed regime of the UK. In conclusion, the corporate governance index overall is crucial to understanding the performance of both emerging and developed REITs. The ownership structure of most REITs regimes with a huge presence of institutional ownership which hardly change may indicate the need to change how corporate governance is measured.

CHAPTER EIGHT

TO DEVELOP AND VALIDATE THE CORPORATE GOVERNANCE SCORING FRAMEWORK AND SUPPORTING GUIDANCE FOR REITS INVESTMENT DECISION-MAKING PROCESS.

8.1 Introduction

This chapter focuses on developing the corporate governance scoring framework and supporting REIT guidance for investment decision-making. Creating a scoring corporate governance framework to improve performance for the REIT regimes in the United Kingdom, South Africa, and Nigeria has to follow the predominant methodology already in place.

The current corporate governance framework follows a voluntary principle-based approach which is not a set of rules. For the United Kingdom, listing rules require companies to make a statement about how they apply the Principles of the UK Corporate Governance Code 2018 to allow shareholders and the public to evaluate how the Principles are applied. This approach in the UK is a reference to as the ‘comply or explain’ (FRC, 2018b). In South Africa, a similar principle-based approach is adopted, which is expected to be followed proportionally based on organisational size, resources and extent and complexity of activities. The disclosure of the application of practices in the South African regime follows the ‘apply and explain’. Each principle has specific recommendations under the King IV Code that guide and should enable stakeholders to assess organisational governance. More attention is paid to the quality of explanation of disclosure without a need to disclose the outcome (IoDSA, 2016a). A similar observation is made in the Nigerian REIT regime, where the corporate governance code recommends adopting the ‘apply and explain’ approach. The approach of ‘apply and explain’ helps to prevent tick box exercises from meeting a quantitative adoption with limited evaluation of the quality of the outcome. Like in the South African King IV Code, it is assumed that all principles are applied, and companies must explain how they are used. There is also a focus on the growth phase, size and type of company while trying to achieve the outcomes expected by the principles (FRC, 2018a).

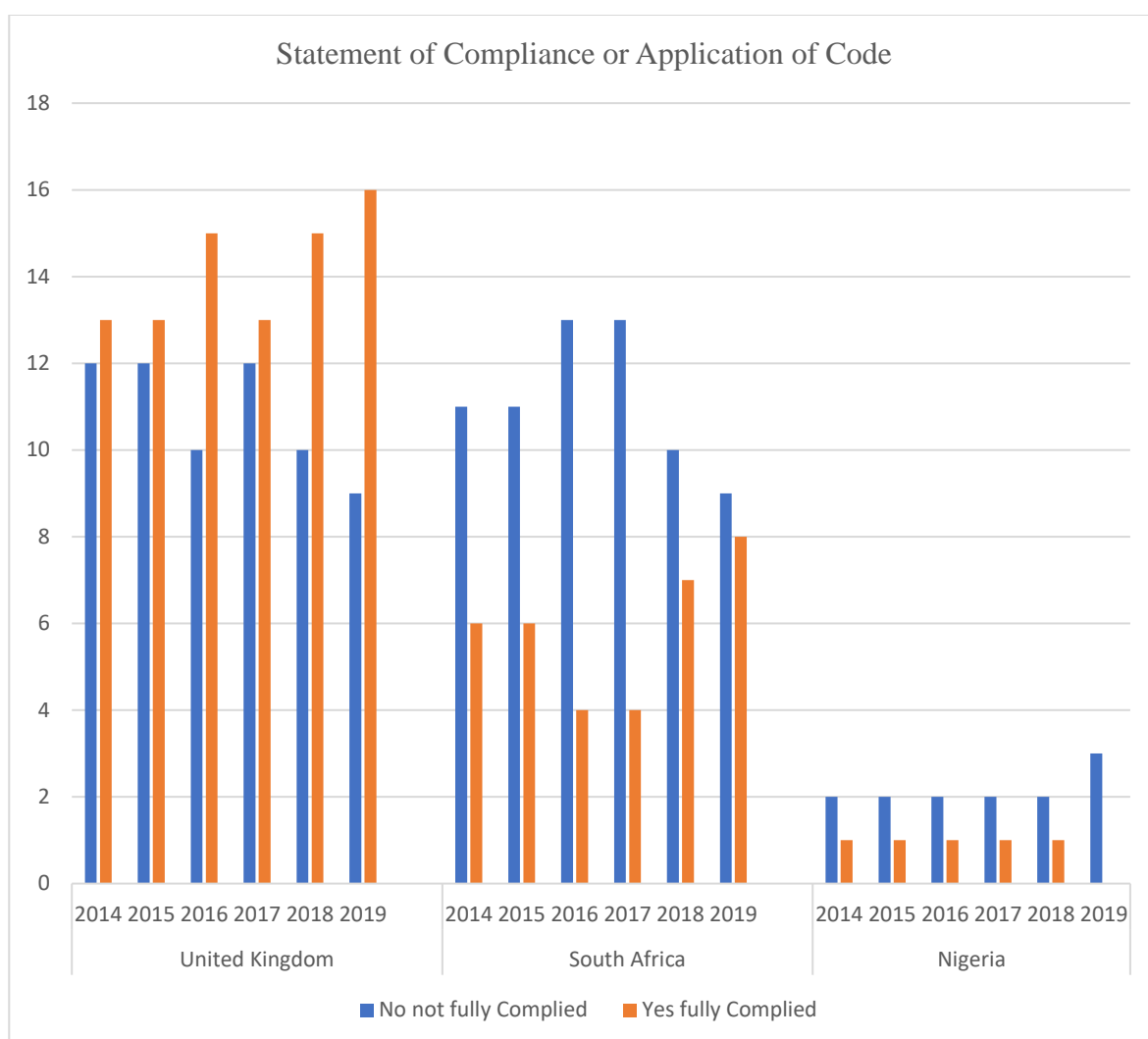
The rest of this chapter is set out first to create an awareness of why the guidance is required by looking at how REITs in this study disclosure compliance in section 8.2, in

section 8.3, how the corporate governance scoring framework is developed and validated is presented, in section 8.4 the complete supporting guidance for applying the scoring framework is presented. Section 8.5 is a summary of the main findings in this chapter.

8.2 Corporate Governance Statement of Compliance or Application as Requirement

In all three REIT regimes, the best practice for the principle-based approach in adopting the corporate governance code is the statement of compliance. The statement of adherence to the corporate governance code establishes how well the REIT believes it has complied with or applied the corporate governance code and, where possible, explains how it is or is not used (Shrives and Brennan, 2017; FRC, 2021). Figure 26 presents a summary report of yearly observations on the disclosure of compliance statements or application to the corporate governance code. The descriptive analysis result during the observation period shows that of the 3 REITs in Nigeria, only one had a statement of the application of the codes from 2014-2018 and dropped to zero in 2019. Out of the 17 REITs in South Africa, the number of disclosures confirming the application of the corporate governance code was at its highest in 2019, at 8, and its lowest in 2016 and 2017, with only 4 REITs compared to previous years in 2014 and 2015 was only 6 REITs. In the United Kingdom, the disclosure to compliance to the Code by the 25 REITs in 2014 and 2015 was 13, moving to 15 but dropped significantly in 2017 to 13 and steadily increased yearly to 16 in 2019. Finally, in the United Kingdom, REITs having the most compliance with the corporate governance code found that 2014 had the highest number of REITs with no explanation. With total non-compliance reducing steadily from 2017 to 2019, only 3 REITs each year do not explain non-compliance.

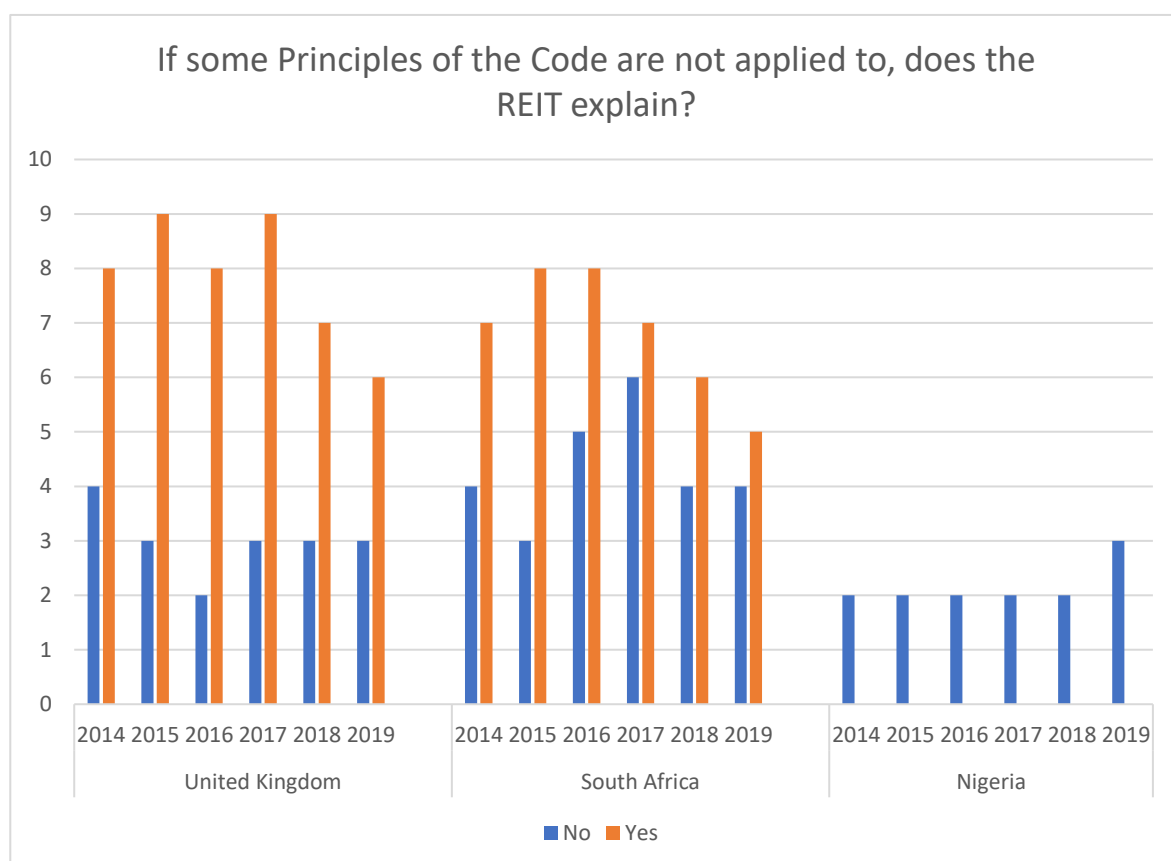
Figure 26: REITs statement of compliance to the Code by Country



As in all three REIT regimes, compliance or application to the corporate governance code is voluntary. When non-compliance occurs, an adequate explanation is essential. The lack of explanation can be seen as a tactic when little oversight exists by regulators Merkl-Davies and Brennan (2017). Scrutiny of explanation of non-compliance of the Code is also required to ensure it holds together as failure to comply or apply the Code is remedied by a highly transparent explanation. However, while this voluntary principle-based corporate governance code is admired, the challenge here remains that it is interpreted and enacted by unpredictable human beings who may sometimes be swayed by the REIT's performance and wider economic situation (Roberts, 2009; Tremblay, 2012). In Figure 27 below, for REITs who do not report a statement confirming compliance with the corporate governance code, the corporate governance framework checks if an adequate explanation is provided. The REITs in Nigeria for 2014-2018 had 2 REITs with no statement of

compliance and did not provide a reason. In 2019, all 3 REITs did not adequately explain the reason for non-compliance to the principles of the Code. More than half of REITs in South Africa did not fully apply the corporate governance code and had an explanation for why. With a reduction in the number of South African REITs not providing a statement of compliance, from 2017-2019, more than 50% explained why they had not fully applied the Code.

Figure 27: If REITs state why and explain non-compliance to Code.



The framework for corporate governance reporting proposes that all REITs should have a statement of compliance. In the recently published document by the Financial Reporting Council on improving the quality of compliance or explaining reporting, all listed companies, including REITs, are now required to include in the annual report; a statement of how the company has applied the Principles of the UK corporate governance code if they have or have not complied throughout the accounting period to the relevant provisions of the Code. They are also required to state what provision is not adhered to if it is continuous, the period it did not comply and most importantly, the reason for not complying (FRC, 2021).

8.3 Corporate Governance Scoring Framework Development and Validation

The Integrated Corporate Governance Index (ICGI) is the framework developed drawing from academic and commercial indices to score how REITs abide by the corporate governance code and regulatory environment in their jurisdiction of operation. In Section 3.6.7, the scoring method used for the framework is discussed. The full ICGI in Appendix 7 comprehensively summarises the eight categories covering internal and external corporate governance proxies. The scoring framework and the financial performance metric have measured the impact of the quality of the strength of corporate governance on the performance of REITs in the various jurisdiction of operation in Chapter Seven.

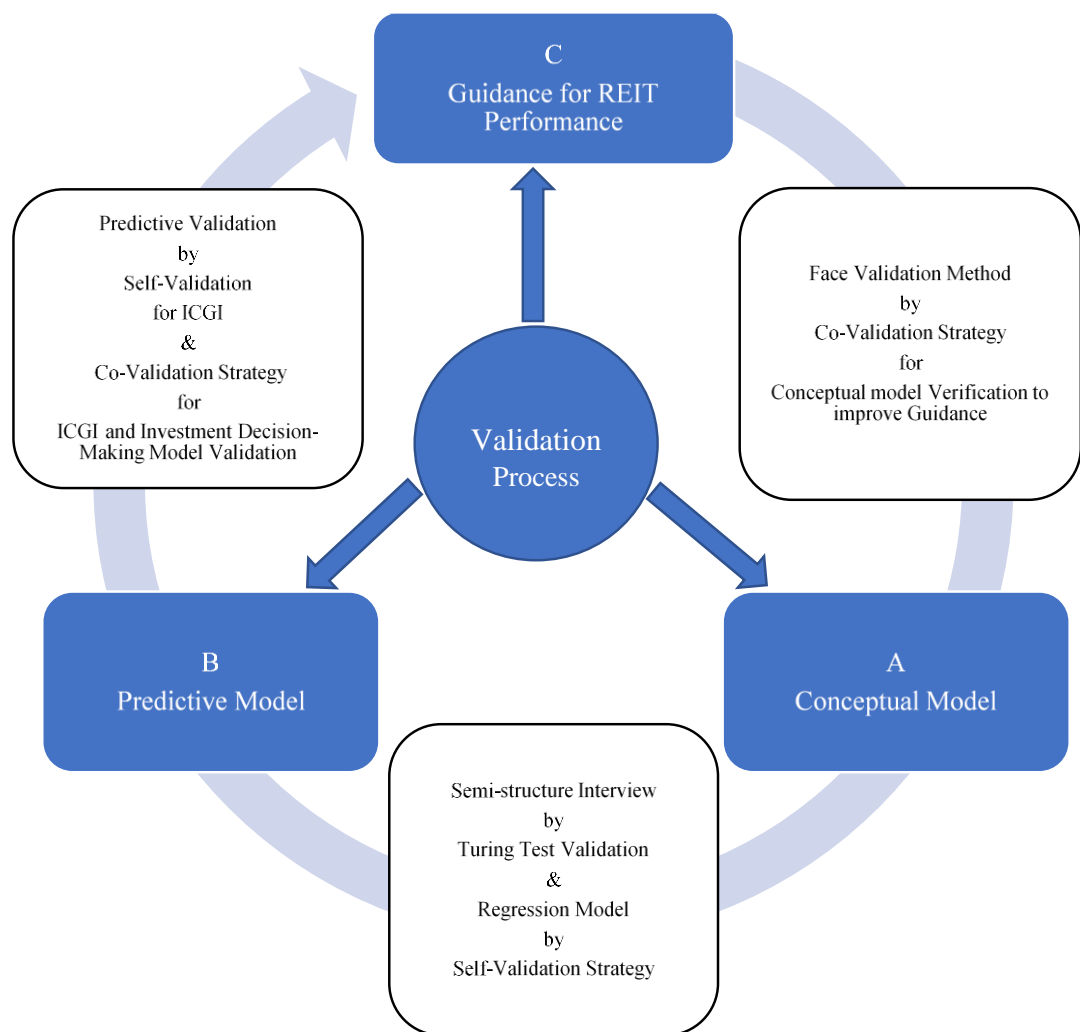
The scoring framework validation was carried out parallel with the conceptual model design process (see Figure 12). However, it is essential to note that a model validation does not establish a model as 100% complete and applicable for all possible circumstances (Yin and McKay, 2018). This statement is valid for the scoring framework applied though earlier studies have identified that academic indices may provide some merits in establishing what good or bad corporate governance mechanisms are for each firm (Daines, Gow and Larcker, 2009). Following the research methodological framework and the conceptual framework, the model validation process can be conducted using four primary validation strategies as suggested by Sargent (2013), which are;

1. Self-validation: here, the researcher decides if the scoring is valid or not;
2. Co-validation: the researcher involves stakeholders within the framework, and the validation is integrated with the model development process;
3. Independent validation: a third party independent of the research decides if the framework is valid or not;
4. Scoring validation: a scoring model used to determine whether or not the framework is valid

Figure 28 below shows the graphical illustration of the validation process. Firstly, the conceptual model draws from the literature on REIT performance using the quality of corporate governance, REIT policy and regulatory environment in their operating regime. The face validation method (whereby the consultation of professionals knowledgeable about the scoring framework is carried out) by co-validation strategy is employed. Black et al. (2015) were contacted on the methodology for measuring corporate governance to

improve the ICGI. As part of the face validation process, the author also carried out an internship at Grant Thornton and helped prepare the Corporate Governance Review 2019, where the ICGI scoring methodology was discussed with practitioners to consider how it can be improved and employed (Thornton LLP, 2019). The ICGI was developed using publicly available information from Quality Score (a commercial index provided by the ISS) and Lecomte and Ooi (2010). They created the R-Index for APREA to measure the quality of Asian REIT corporate governance strength. This approach allows established best practices to be applied to the concept model reducing time and improving reliability.

Figure 28: Application of validation strategies.



Source: (Sargent, 2013; Yin and McKay, 2018; Ramspek *et al.*, 2021)

The conceptual model (ICGI and the normative investment decision-making process) was tested and developed using semi-structured interviews with participants aware of the

corporate governance application and property investment decision-making process (see Section 3.6.3.2). The Turing test validation method is applicable as individuals knowledgeable about real-world systems (corporate governance and investment decision-making process) are contacted. They identified which corporate governance proxies are vital and which investment decision-making steps are essential in improving the performance of the REIT. The regression model was employed using the self-validation strategy to test the concept model. The regression model, by self-validation strategy, allows the researcher to analyse how the independent variables in the ICGI predict the dependent variables (Tobin's q, ROA and ROE) performance of REITs

Finally, using the predictive validation for the ICGI and sub-index, it is possible to establish if the index and sub-index can predict REIT valuation and operational performance. The Co-validation strategy was applied to evidence obtained from semi-structured interviews of key decision-makers in all three REIT regimes who could identify the critical investment decision-making steps, the vital indicators to understand performance and how well the REIT adheres to corporate governance codes. The final stage is the production of guidance on how the quality of corporate governance can be improved to enhance REITs' performance focusing on the vital metrics and factors that affect the performance in each jurisdiction.

The changing nature of corporate governance regulations and their application means that any guidance provided must be viewed in light of the changing REIT regime policy and broader economic circumstances. Hence model updating and modification of the ICGI and investment decision process to refine the prediction will be continuous. However, studies have noted that a slight update to models or scoring frameworks is, in fact, a creation of a new model which requires a repeat of the validation process (Riley *et al.*, 2019; Ramspek *et al.*, 2021). This is expected as corporate governance and policies and regulations guide REIT performance while having some fundamental tenets that are not static but ever-changing to reflect the times.

8.4 Supporting Guidance for the Corporate Governance of REIT Scoring Framework and Investment Decision Making Process.

The first challenge in creating supporting guidance is defining the term ‘guidance’. Most of the definitions stem from career development and labour market research. Bimrose et al. (2004) provide what valuable guidance comprises:

- Provides support for positive outcomes by exploring and challenging perceptions but still providing focus and new awareness
- Providing information and knowledge to enable informed, better progress
- Provides an avenue for constructive change by increasing confidence and skills
- Providing an opportunity for reflection and in-depth discussion can help create reassurance and clarification of plans and/or progress.

The supporting guidance provides direction to decision makers to showcase what options are available to take. Wapwera (2014) notes that guidance needs to be reviewed to ensure that it remains current and relevant to changing ideas, supporting the validation process (Figure 28) to ensure that the corporate governance and investment decision-making guidance remains relevant to decision-makers in the regulatory environment and economic conditions. The guidance provided should be seen as a reduced version of broader regulations which is made up of fewer pages with key sections such as; the title or heading, introduction, the definition of terms and a series of heading that focus on key issues covered in the guidelines (Wapwera, 2014).

Using the guide to the National Quality Framework, 2011, Wapwera (2014) highlights the content of good guidance written in plain language and not ambiguous should look like, which is adapted to fit the context of this research as seen in Table 35.

Table 35: Summary of the components of a good guidance

Title	It contains an explanation of the issue the guidance aims to address. The date and version of the guidance should be included. Following this, the guidance is ‘A Guide for Scoring Corporate Governance Framework and Investment Decision-Making.’
Introduction	It should contain the purpose of the arrangement for guidance. It should introduce any formal regulatory document in the jurisdiction to help familiarise the user with the guidance subject. A disclaimer should be provided to explain that the guidance is not a rule and should be reviewed regularly to keep up to date with the policy environment.
Definition of Terms	For a corporate governance scoring framework, terms such as; corporate governance, Board, audit, remuneration, REIT organisation, fees, ownership, gearing, related party transactions, and investment decision-making process would need to be defined in the context of the scoring framework.
A series of headings	The proceeding section provides a breakdown of what is needed to be understood by whoever needs to apply the scoring framework. Each sub-index is further reduced to individual observations posed as a question to be assessed based on annual reporting. The individual sub-index is linked to policy and regulations.

8.4.1 Question and Answer to Developing the Corporate Governance Scoring Framework and Investment Decision-Making Process

The guidance document is used to score how well corporate governance principles are applied by REITs using observations from the annual report. When corporate governance principles are appropriately adhered to and scored, it is possible to determine how well individual REIT or jurisdiction applies the corporate governance regulation. The quality of corporate governance can then be used to predict how well it improves performance by using the appropriate metric.

The scoring framework allows REITs to know how best to improve disclosure on how they apply and report on corporate governance principles and benchmark against industry peers and the broader market. The data can be captured by asking questions under each corporate governance sub-index or component (See Appendix 9 for complete questions). The academic approach applied here allows for ease of use. In its simplest form, when proper disclosure of a corporate governance proxy is observed in an annual report yes=1 and when it is not disclosed no=0. Following this the guidance is further down as below:

- What is the Corporate Governance Code of the regime?
- What is the application requirement of the Corporate Governance Code of the regime?
- What is the Corporate Governance Structure?
- What is the Integrated Corporate Governance Index Scoring Framework Guidance Document?
- Why use the Integrated Corporate Governance Index Scoring Framework?
- What are the criteria for scoring the Integrated Corporate Governance Index Scoring Guidance?
- Why is the Integrated Corporate Governance Index Scoring Framework needed?
- What are the main features of the Integrated Corporate Governance Index Scoring Framework Guidance Document?
- How are the main features of the Integrated Corporate Governance Index Scoring Framework linked to the corporate governance code?
- How will the guidance impact the quality of corporate governance and investment decision-making?
- What barriers may prevent the implementation of scoring using the Integrated Corporate Governance Index Framework?
- How can the barriers be overcome to implement the Integrated Corporate Governance Scoring Framework?
- What is the Investment Decision-Making Process in the REIT regime?
- What are the ten critical factors to consider when evaluating REITs performances linked to their Corporate Governance and Investment Decision Making process?

- What are the ten critical performance metrics to consider when evaluating REITs' performance linked to their Corporate Governance and Investment Decision-Making process?

The guidance document will be text-based, with straightforward questions linked to the corporate governance codes, accepted industrial practices and policies. The guidance document is not supposed to be specific for each REIT jurisdiction but to be used to understand how the scoring of disclosure of application of corporate governance code is documented in annual reporting. Standard performance measures used in industrial and academic research can be applied for predictive models. The guidance document should be subject to review, assessment and improvement to incorporate new governance policies and practices which align with shareholders and other stakeholders to promote the highest adherence to governance practices that can improve performance.

Table 36: Guidance for Integrated Corporate Governance Index Scoring

INTRODUCTION
<p>This guidance provides a manual to assist in scoring the corporate governance code that is disclosed on the annual report by REITs. The guidance is set up to help improve the quality of corporate governance disclosure and application.</p> <p>To serve the interest of the user, the scoring framework used by the Integrated Corporate Governance Index is subject to ongoing review, assessment and improvement. REITs applying corporate governance codes in their jurisdiction of listing are expected to have proactively adopted governance policies and principles that help to align the Board and Management with those of shareholders and stakeholders to achieve the investment decisions and ethical responsibilities.</p> <p>The guidance here applies to the United Kingdom, South Africa and Nigeria corporate governance codes, which are predominantly principle-based, which implies that REITs may vary depending on how the Code is applied, significantly affecting disclosure in annual reporting.</p> <p>The key corporate governance codes that apply to this scoring framework are:</p>

1. United Kingdom: 2018 UK Corporate Governance Code
2. South Africa: King IV 2016
3. Nigeria: Nigerian Code of Corporate Governance 2018

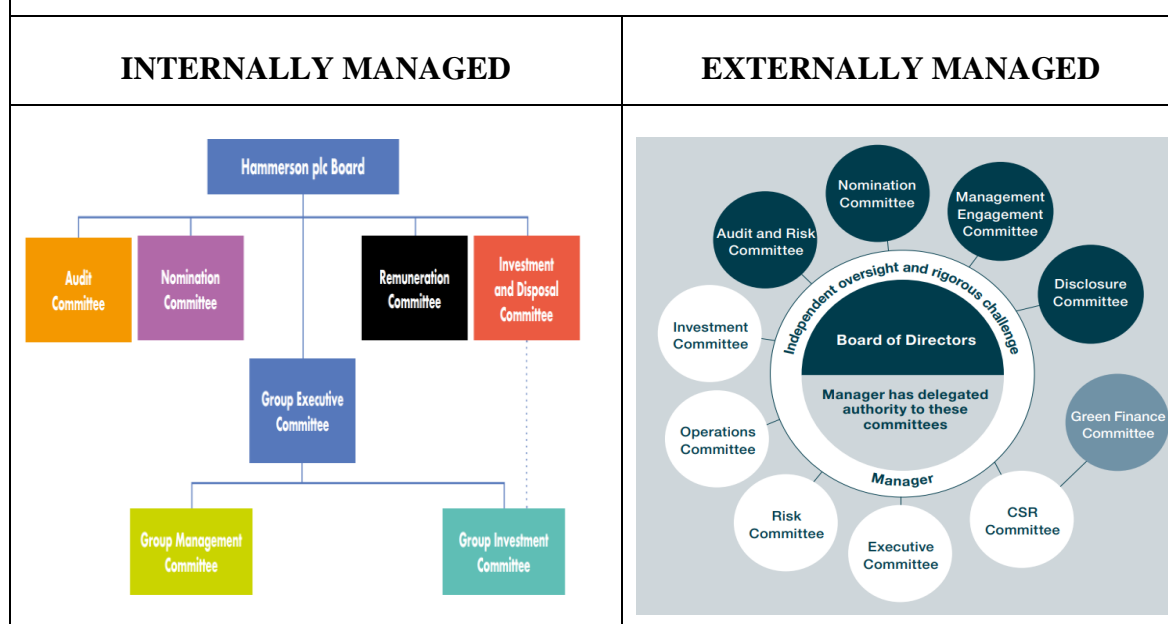
WHAT IS CORPORATE GOVERNANCE?

2018 UK Corporate Governance Code	<p>The first version of the UK Corporate Governance Code (the Code) was published in 1992 by the Cadbury Committee.</p> <p><i>‘the system by which companies are directed and controlled. Boards of directors are responsible for the governance of their companies. The shareholders’ role in governance is to appoint the directors</i></p> <p><i>and the auditors and to satisfy themselves that an appropriate governance structure is in place.’</i></p>
South Africa: King IV 2016	<p><i>Defined as the exercise of ethical and effective leadership by governing body towards the achievement of the following governance outcome:</i></p> <ul style="list-style-type: none"> • <i>Ethical culture</i> • <i>Good performance</i> • <i>Effective control</i> • <i>Legitimacy</i> <p><i>The use of “corporate” in the term “corporate governance” is used to differentiate it from other forms of</i></p>

	<p><i>governance, for example, national or political governance. “Corporate” refers to organisations that are incorporate to form legal entities separate from their founders and therefore applies to all forms of incorporation, whether as company, voluntary association, retirement fund, trust, legislated entity or others.</i></p> <p>Source: (IoDSA, 2016b)</p>
Nigerian Code of Corporate Governance 2018	The Code provides no clear definition.
Operational Definition	<p>Du Plessis et al. (2015), following the developments that have been witnessed in the corporate governance debate, provide the definition as;</p> <p><i>“The system of regulating and overseeing corporate conduct and of balancing the interests of all internal stakeholders and other parties (external stakeholders, governments and local communities) who can be affected by the corporation’s conduct, in order to ensure responsible behaviour by corporations and to achieve the maximum level of efficiency and profitability for a corporation.”</i></p>
WHAT CODE IS APPLIED IN THE REIT REGIME?	
2018 UK Corporate Governance Code	<p>“The Code does not set out a rigid set of rules; instead, it offers flexibility through the application of Principles and through</p>

	‘comply or explain’ Provisions and supporting guidance.”
South Africa: King IV 2016	<p>Apply Principles: All principles are phrased as aspirations and ideals that organisations should strive for in their journey towards good governance and realising the governance outcomes. The principles are fundamental to good governance, and application is therefore assumed.</p> <p>Explain Principles: Explanation should be provided in the form of a narrative account, with reference to practices that demonstrate application of the principle. The explanation should address which recommended or other practices have been implemented, and how these achieve or give effect to the principles.</p>
Nigerian Code of Corporate Governance 2018	<p>Where so required, companies should adopt the “Apply and Explain” approach in reporting on compliance with this Code.</p> <p>The ‘Apply and Explain’ approach assumes the application of all principles and requires entities to explain how the principles are applied.</p>
WHAT IS THE CORPORATE GOVERNANCE STRUCTURE?	
<p>Typically, it is a graphical representation of the relationship between the Board, its committees, management, shareholders and other stakeholders. Each committee is implemented terms of reference, which set out the scope of their roles. The structure is dependent on the style of management of the REIT. Below is an example of a graphical</p>	

representation of the internally managed REITs of Hammerson plc Annual Report 2021 and the externally managed REITs of Tritax Big Box REITs plc Annual Report 2021.



WHAT IS THE INTEGRATED CORPORATE GOVERNANCE INDEX SCORING FRAMEWORK GUIDANCE DOCUMENT?

The new scoring framework is referred to as the Integrated Corporate Governance Index (ICGI), which is drawn from the APREA CGSF, ISS Quality Index and Black et al. (2015). The Integrated Corporate Governance Index is further modified to include different characteristics related to internal and externally managed REITs to ensure that the scoring process remains uniform.

The ICGI is a scoring framework used to monitor and evaluate the quality of corporate governance of REITs. The ICGI scores the essential proxies of corporate governance which are; Board Matter, Audit, Remuneration Matter, REIT Organisation, Fees, Related Party Transaction, Gearing and Ownership and Shareholder Rights which are sub-indexes of the main index. The ICGI guidance document is to be used as a reference providing direction for the procedure for scoring and reviewing the quality of corporate governance disclosure.

WHY USE THE INTEGRATED CORPORATE GOVERNANCE INDEX SCORING FRAMEWORK?

The literature review and empirical findings have shown that during the period of analysis between 2014 and 2019 in the three REIT regimes, the ICGI and its sub-indexes have a predictive ability to the performance metrics. Using the ICGI, REITs can identify any proxies and practices that need to be improved to increase the quality of corporate governance disclosure and reporting and improve investment decision-making.

WHAT ARE THE CRITERIA FOR SCORING USING THE INTEGRATED CORPORATE GOVERNANCE INDEX SCORING GUIDANCE?

The scoring of the individual sub-index is based on two situations (yes = 1 or no = 0 and, in a few instances, 0.5 for partial disclosure) and is applied to my research. This provides a fact-based rigid scoring system that reduces subjective judgement in corporate governance rating. There are 152 elements in the scoring framework, 117 of which are core elements, each worth one point. In addition, a bonus and penalty system are used to account for the voluntary (“comply and explain” and “apply and explain”) features of corporate governance practice in the United Kingdom, South Africa and Nigeria: 17 bonus points and 20 penalty points in total.

WHY IS THE INTEGRATED CORPORATE GOVERNANCE INDEX SCORING FRAMEWORK NEEDED?

It is needed to measure how well REITs consider their corporate governance framework in the context of internal and external stakeholders.

It is needed to measure how well the board and executive management articulate disclosure against corporate governance codes that goes beyond a tick box exercise.

It also measures board and management accountability by evaluating transparency and quality of disclosure in reporting.

It is needed to measure how the quality of corporate governance may contribute to REIT's performance in the listing jurisdiction.

WHAT ARE THE MAIN FEATURES OF THE INTEGRATED CORPORATE GOVERNANCE INDEX SCORING FRAMEWORK GUIDANCE DOCUMENT?

The ICGI scoring framework's main features are linked to the corporate governance code from which the sub-index is developed. The sub-index includes;

- Board Matters
- Audit
- Remuneration
- REIT-Organisation
- Fees
- Related Party Transaction
- Gearing
- Ownership and Shareholder Rights

For example, see the extract for the Audit Index the questions included (see Appendix 5 for the entire scoring framework);

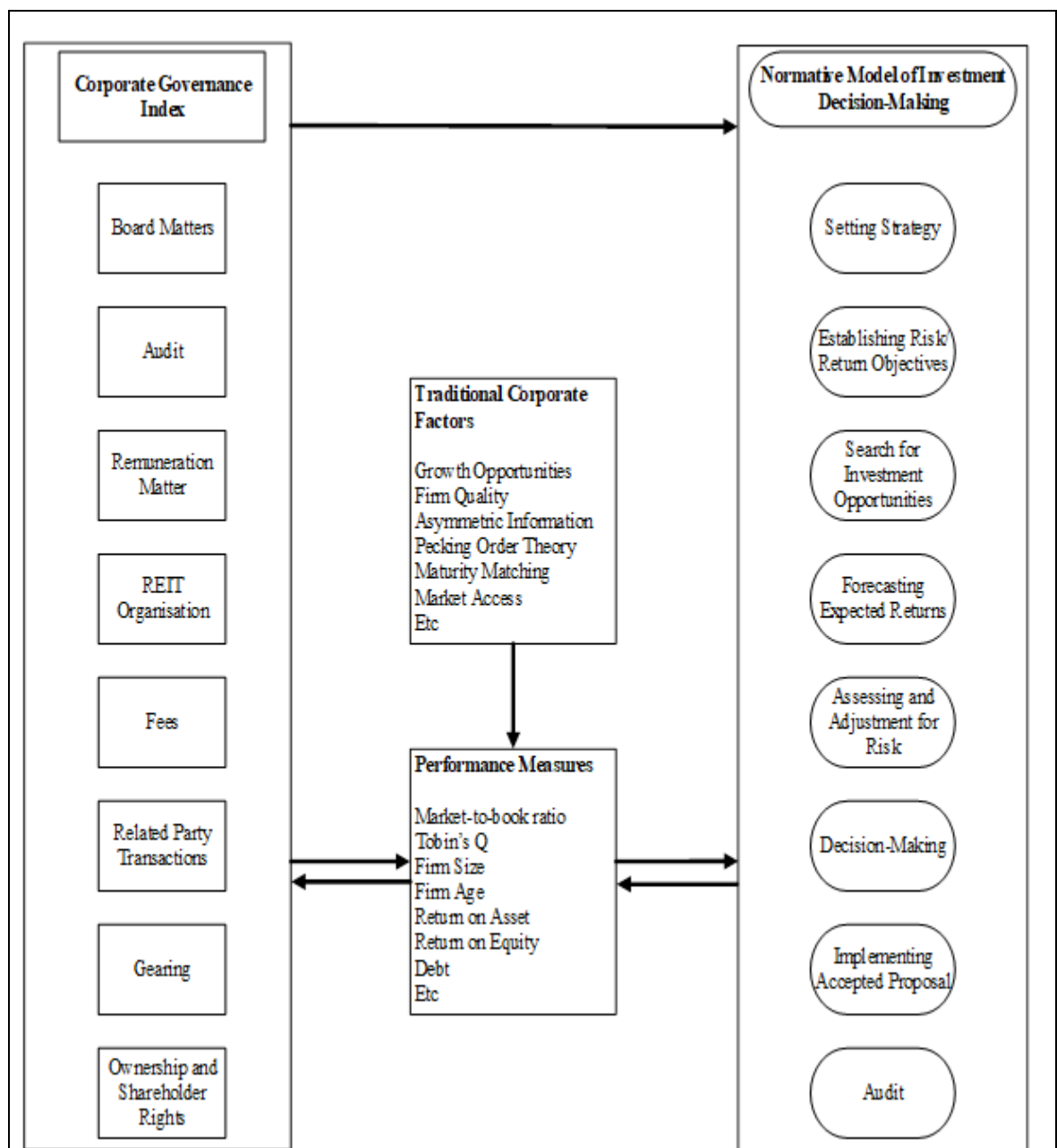
AUDIT INDEX			a	
10	<i>Audit Committee Meetings</i> If the Audit Committee meets at least once every quarter	1	a_cm	
10.1	If attendance at Audit Committee meetings is reported	1	a_cm_1	UK/SA/N
10.2		1	a_cm_2	UK/SA/N
11	<i>Audit Committee Composition</i> What percentage of the audit committee is independent under ISS' standards? (only independent non-exes >50%)		a_cc	
11.1	If all are non-executive directors with an independent chairman	1	a_cc_3	UK/SA/N
	If one or more of the members are executive directors	0.5	a_cc_4	UK/SA/N
	Is the chair of the audit committee independent?	0	a_cc_5	
11.2		1	a_cc_6	UK/SA/N
11.3	If the chairman is a financial expert	1	a_cc_7	UK/SA/N
11.4	How many members serve on the audit committee? (>3)	1	a_cc_8	UK/SA/N
11.5	If the Chairman of the board of directors is not a member of the audit committee? (Yes=1, No=0)	1	a_cc_9	UK/SA/N
12	<i>Audit External Auditor</i> If Non-Audit fees are significantly less than Audit fees?		a_ea	
12.1	If the auditor didn't issue an adverse opinion in the past year?	1	a_ea_10	UK/SA/N
12.2	If the date of appointment or reappointment of the external auditor and information of the length of tenure is disclosed?	1	a_ea_11	UK/SA/N
12.3		1	a_ea_12	UK/SA/N
13	<i>Audit and Accounting Controversies</i> If regulator has not initiated enforcement action against the company in the past two years?		a_aac	
13.1	If the company has not disclosed any material weaknesses in its internal controls in the past two fiscal years?	1	a_aac_13	UK/SA/N
13.2	If there is are financial experts serve on the audit committee, if the chairman isn't an expert?	1	a_aac_14	UK/SA/N
13.3		1	a_aac_15	UK/SA/N
	<i>BONUSES (+)</i> If at least one Committee member is related to Trustee/ trustee related companies	1	a_bn_1	
	<i>PENALTIES (-)</i> If at least one member is related to Sponsor	-1	a_pn_1	
	If at least one member is related to Manager	-1	a_pn_2	
TOTAL SUB SCORE AUDIT INDEX		0		

HOW ARE THE MAIN FEATURES OF THE INTEGRATED CORPORATE GOVERNANCE INDEX SCORING FRAMEWORK LINKED TO THE CORPORATE GOVERNANCE CODE?

The ICGI scoring framework can be linked to fundamental principles and provisions of corporate governance codes of the REIT regimes in question. Below, the link to the corporate governance code for each country is provided to be used in the guidance document to help the user understand the disclosure of the Code.

SUB-INDEX	RELATED PRINCIPLE/PART IN CODE		
	UK	SA	Nigeria
Board Matters	A, B, C, D E, F, G, H, I, J, K, L	1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13	A, B, C, D, F
Audit Matters	K, L, M, N, O	8, 15	B, C, F
Remuneration Matter	K, L, D, P, Q, R	7, 8, 14	A, B, C,
REIT-Organisation	N, O	11, 10, 5	A
Fees	N, O, P	7, 8, 14,	A, D, F
Related Party Transaction	D, E, N, O, P	1, 7, 8, 10, 16	A, B, D

Gearing	N, O	5, 16	A
Ownership and Shareholder Rights	N, O, D	8, 16	C, D, E
HOW WILL THE GUIDANCE IMPACT THE QUALITY OF CORPORATE GOVERNANCE AND INVESTMENT DECISION-MAKING?			
<p>Previous studies in Table 12 show that the quality of corporate governance and the sub-index play a vital role in the performance of REITs. Significantly, the REIT Effect mitigates the excesses of managers (Daines, Gow and Larcker, 2009; Bauer, Eichholtz and Kok, 2010b). The guidance will allow the user to assess the quality of corporate governance disclosure by REITs and, using some of the performance metrics in the conceptual framework, determine if the quality of corporate governance impacts performance using predictive models.</p> <p>Conceptual Framework for ICGI and Investment Decision-Making Process of REITs</p>			



In this study, Section [7.8](#) shows that in 2014-2019 the ICGI scoring framework best predicts operational performance using ROA and ROE of the developed REIT regime in the UK but not firm valuation performance. The ICGI scoring framework for the corporate governance index helps improve the ROA and ROE in the UK but not in South Africa and Nigeria. For firm valuation using Tobin's q, the corporate governance index has no effect for the UK and Pooled Country analysis, negatively predicting the firm valuation for Nigeria but positively predicting firm valuation in South Africa. As corporate governance quality improved in South African REITs, value increased.

Stakeholders and shareholders use the guidance to apply the ICGI scoring framework to assess the quality of corporate governance of REIT, which is essential for making informed decisions. Additionally, a better quality of corporate governance related to higher scores on the index indicates better corporate citizens, more awareness of stakeholders' and shareholders' needs and aiming for better performance.

WHAT BARRIERS MAY PREVENT THE IMPLEMENTATION OF SCORING USING THE INTEGRATED CORPORATE GOVERNANCE INDEX FRAMEWORK?

- Previous studies show that a better corporate governance rating may yield worse results, especially when using commercially available ratings.
- The principle nature of corporate governance disclosure results in an endogenous choice resulting in better disclosure during periods of economic prosperity, primarily when performance measures such as firm value and operational performance are used.
- The scoring framework is significantly affected in counties with a weak legal system which may result in lower corporate governance ranking.
- The presence of measurement error may result produce mixed results.

HOW CAN THE BARRIERS BE OVERCOME TO IMPLEMENT THE INTEGRATED CORPORATE GOVERNANCE SCORING FRAMEWORK?

- To overcome the barriers for implementing the ICGI scoring framework, the research has to ensure enough checks are in place. For example, when reviewing corporate governance disclosure in annual reports, the focus should be placed on what is not what was intended to be disclosed.
- Best practices for each jurisdiction should be used when measuring performance.
- Awareness of the legal system in the REIT regime will determine how well the scoring framework will be applicable.

HOW IS THE INVESTMENT DECISION-MAKING PROCESS DEFINED?

For this study, the investment decision-making process undertaken by REITs is defined as the process by which REITs convert £1 or 1 rand or 1 naira of unitholder capital into £1 or 1 rand or 1 naira of the investment property (Parker, 2016).

HOW DOES CORPORATE GOVERNANCE IMPACT ON THE INVESTMENT DECISION-MAKING PROCESS?

REITs with a higher quality of corporate governance are generally expected to carry out investments that align with the objectives of shareholders (Wei Lan Chong, Ting and Cheng, 2018).

Evidence from the semi-structured interviews of key investment decision makers in all three REIT regimes shows that normative models involving eight to ten stages can be reduced to four main stages, as indicated in the image below.



1. **Strategy:** the strategy is based on the REIT investment policy, which aligns with corporate and business models. The strategy is formed with an understanding of the risk and return objectives of the REIT, which guides the preceding stages.
2. **Search:** identifying potential investments linked to the REITs' strategy, risk and return objectives. A screening of identified investment opportunities that meet the selection criteria is conducted to ensure that it links back to the strategy.
3. **Analysis and Adjustment:** here, potential investments are analysed to appreciate the risk and returns. Where possible, adjustments are made to ensure

the potential investment opportunity is appropriate for the REIT set strategy and fits the existing REIT portfolio. If adjustment is not possible after analysis, the potential investment opportunity can be abandoned.

4. **Consultation:** Investment opportunities presented at the consultation stage of the investment decision-making process are deemed suitable for the set strategy and fit into the risk and required return expectation identified from the analysis and adjustment of the REIT. The investment decision-making process requires checks and balances from the executive management investment committee or the Board, ensuring that the process has a level of control and scrutiny with qualitative and quantitative justification. When a predetermined threshold in terms of the size or value of an investment is exceeded, the investment opportunity must go through a consultation stage before a decision can be made. This process is strongly linked to the corporate governance control mechanism that ensures managers do not engage in activities resulting in empire building.
5. **Decision and Review:** The decision-making is the final stage of the investment decision-making process. The decision stage used in this research comes after the consultation stage. Still, it involves transaction closure/documentation, settlement and a level of post-audit. In most cases, the need for additional due diligence/independent appraisal was not identified as required once consultation with the executive committee or Board had been obtained. The decision stage used in this research is discussed by the interviewees and comes after the consultation stage but has the process of transaction closure/documentation, settlement and a level of post audit. In most cases, the need for additional due diligence/independent appraisal was not identified as required once consultation with the executive committee or Board had been obtained.

WHAT ARE THE TEN CRITICAL FACTORS TO CONSIDER WHEN EVALUATING REITS PERFORMANCES LINKED TO THEIR CORPORATE GOVERNANCE AND INVESTMENT DECISION-MAKING PROCESS?

Factors contributing to the performance of REITs are drawn from a diversity of performance sub-models applied. These observed and documented factors answer a series of conceptual questions that serve a purpose for users and other professionals.

For this guidance, evidence from the qualitative data analysis of semi-structured interviews finds that the top 10 factors which affect the REIT performance in all three regimes include:

1. Management Strategy
2. Property Type or Class
3. Experience
4. Management structure
5. Economy
6. Diversification
7. Location
8. REIT Age
9. REIT Size
10. Asset Quality

WHAT ARE THE TEN CRITICAL PERFORMANCE METRICS TO CONSIDER WHEN EVALUATING REITS PERFORMANCE LINKED TO THEIR CORPORATE GOVERNANCE AND INVESTMENT DECISION-MAKING PROCESS?

The decision on what performance measures are used to assess the REITs performance comes from discussion within the investment and property community. The reporting areas are motivated by various stakeholders; the most relevant of these are investors and analysts of REITs requiring a higher level of transparency.

For this guidance, evidence from the qualitative data analysis of semi-structured interviews finds that the top 10 performance metrics which are used to assess the REIT performance in all three regimes include:

1. Rental Income
2. Total Return
3. Dividend Payment
4. Weight Annual Unexpired Lease
5. Yield
6. Earnings Per Share

- | |
|---|
| <ol style="list-style-type: none">7. Debt Cost8. Loan to Value Ratio9. Leverage10. Share Price |
|---|

8.5 Summary of Findings

The result from the analysis, discussion, literature and validation process and consequently the development of a guidance document for the ICGI scoring framework helps meet Objective 5 of this study which is ‘To develop and validate a guidance for REIT Corporate Governance Scoring Framework and investment decision making’.

The validation processes evaluated the applied strategy used to develop the scoring framework to create the ICGI. The guidance document for using the scoring framework for the ICGI was designed in the form of questions which link the conceptual framework to corporate governance codes. Further analysis was conducted to determine the quality of corporate governance and applied to predictive models to establish how well the quality of corporate governance contributed to the performance of the REITs.

Using the guidance alongside the ICGI allows the user to identify areas of improvement in disclosure and compliance with corporate governance codes. This is essential not only for good corporate citizenship, ethical behaviour and control, but when used with predictive models, it can focus on aspects that provide the most impact on a good performance of the REIT. Users of the guidance document should be aware that as policy and regulations change, the document will need to be updated to keep up with policy. This also goes with the decision on what performance metrics are used and what stakeholders deem significant change with socio and economic tide.

CHAPTER NINE

CONCLUSIONS, RECOMMENDATIONS AND NEED FOR FUTURE RESEARCH

9.1 Background

The REIT industry has experienced significant growth in recent years, offering investors increased transparency, diversification, liquidity, and a focus on secure income through dividends and share price appreciation. The corporate governance codes within the REIT regimes play a crucial role in managing and promoting alignment between stakeholders by facilitating investment decision-making that enhances performance.

Prior to the implementation of REIT legislation in the United Kingdom, South Africa, and Nigeria in 2007, 2013, and 2007 respectively, these jurisdictions had listed real estate companies operating. The United Kingdom boasts the most mature real estate and financial markets, followed by South Africa, and Nigeria lags. All three REIT regimes adopt a voluntary principle-based approach to corporate governance code adherence. Over time, these codes have undergone significant revisions to adapt to evolving socio-economic and financial landscapes. This research underscores the need for an improved scoring framework to assess REITs' adherence to corporate governance codes, investment decision-making practices, and impact on performance.

Existing literature has comparatively examined the regulatory provisions governing corporate governance and REITs in these three regimes, the theoretical perspectives addressing the challenges arising from the separation of ownership and management, scoring methodologies for evaluating corporate governance quality, factors influencing performance, and commonly used performance metrics. The research involves semi-structured interviews with 19 key decision-makers in the REIT regimes of the United Kingdom, South Africa, and Nigeria. These interviews aid in identifying the crucial performance factors and metrics in Chapter Four. Chapter Five explores the interviewees' perspectives on the most critical corporate governance proxies and the overall corporate governance quality of their REITs based on code adherence.

Chapter Six delves into an analysis of REITs' investment decision-making processes, testing the normative model and identifying critical stages. The impact of corporate governance on investment decision-making is also examined in this chapter. Drawing from studies on scoring framework development, the Integrated Corporate Governance Index

(ICGI) is developed to measure corporate governance quality based on observations from annual reports. The empirical impact of corporate governance on REIT performance during the study period is assessed in Chapter Seven. Chapter eight presents a guidance document detailing the application of the ICGI scoring framework to measure REIT performance, highlights the significance of engaging key decision-makers in understanding investment decision-making processes, and emphasizes the importance of regulatory policies in applying the ICGI.

The remaining sections of this chapter are structured as follows: Section 9.2 provides a summary of the research findings; Section 9.3 highlights the contributions to knowledge; Section 9.4 discusses practical implications of the research; Section 9.5 offers recommendations and suggestions for future research; Section 9.6 examines the limitations of the study; and Section 9.7 concludes with reflections by the researcher, providing insights for future researchers.

9.2 Summary of Main Findings

The study in Chapter Four provides empirical evidence to meet Objective 2, which was to identify and document factors contributing to performance of REITs. It contributes to the literature in terms of understanding what factors and performance metrics are deemed as crucial and likely impact the performance of the individual REIT in developed and emerging regimes. These factors and metrics are crucial in understanding REIT's performance scorecard. Long-term strategic objectives are linked to customer and stakeholder, operational excellence, financial, innovation, and learning. When interviewees from all three REIT regimes of the United Kingdom, South Africa and Nigeria were asked what factors contribute to performance, 19 aggregated factors were identified. Also, 18 performance metrics were commonly used to measure performance. When interviewees were asked to confirm the critical factors and metrics, the aggregated common codes showed that interviewees reduced the factors to 9, not limited to, 'Operational Stability', 'Quality of Tenant', 'Experience', 'Strategic Investment'. For performance metrics, 11 are identified as critical not limited to 'Rental Income', 'Total Return', 'Dividend Payment', 'WAUL', and 'Yield'.

The result from this study contributes to the literature by not only providing aggregated factors for all three regimes but also identifying those factors that contribute to performance at a country level. What matters in the developed REIT regime in the United

Kingdom varies considerably from what matters in the emerging regimes of South Africa and Nigeria; this is denoted in Table 23. In the United Kingdom, the critical factors noted by the interviewees are linked to Strategic objectives such as 'Asset Quality' and 'Strategic Investments', while the metrics used are predominantly Financial such as 'Leverage', 'EBITA', and 'LTV'. For South African REITs, all objectives apart from the Customer and Stakeholder objective have a factor, but significantly, the metric focused on are those linked to Operation Excellence and Financial using 'Rental Income'; 'WAUL' and for the latter factor, 'Dividend Per Share' and 'Share Price'. In Nigeria, the Strategic and Innovation and Learning REIT objectives are crucial for the emerging REIT. However, the metric focused on are 'Rental Income' and 'Dividend Payment', which are those of Operational Excellence and Financial objectives.

This shows that for both emerging REITs, the focus may be placed more on Financial and Operational Excellence factors and metrics to the detriment of the strategic approach. Significantly, in all three REIT regimes, 'Experience' is a vital factor, but no clear metric is provided to measure 'Experience'. Additionally, in both emerging REITs, no Customer and Stakeholder factors are seen as critical. Unlike in the United Kingdom, no metric for measuring this factor is provided in all regimes. Customer and Stakeholder and Innovation and Learning objectives and their corresponding metric have increasingly gotten more attention in corporate governance codes and institutions with more focus on ESG reporting.

The study in Chapter Five provides empirical evidence to meet Objective Four, which is 'to analyse the impact of the quality of corporate governance on REITs performance' using a qualitative research approach; semi-structured interviewees were conducted to achieve a convergent parallel mixed method approach which aligns with the quantitative empirical evidence to be conducted for the same objective. From Chapter Five, the perception of interviewees from the REITs in South Africa shows that there is a belief that the adherence to the corporate governance code is 'excellent'; the interviewees from the UK report a modest attitude by mostly scoring adherence to the code as 'very good' stating that there was room for improvement; lastly, in Nigeria, interviewees believe that adherence to the code is only 'fair'. Interviewees from the three REIT regimes noted that the corporate governance sub-indexes of the board, remuneration, related party transaction, and fees significantly impacted the REIT's performance.

The board was broken down at the sub-index level into the board structure, composition, independence and experience, which positively impacted performance in all three REIT regimes. The remuneration sub-index is discussed intensively by interviewees in all three regimes as required for the alignment of interest between the managers and principals. A good mix of remuneration packages containing basic salary and variable remuneration (short and long-term incentives) linked to the performance of the REIT has a positive impact on the performance, especially for the REITs in the United Kingdom and South Africa. As the REIT in Nigeria is predominantly externally managed, the remuneration for the board is seen as having a limited impact on performance. For the gearing sub-index, the overall conclusion is focused on keeping to the restrictions set in the jurisdiction but essential to take advantage of leverage. However, a cautionary tale is to keep it in check, especially when heading to a contracting market with oversupply in some markets. Nevertheless, the gearing sub-index is seen as having a positive impact on performance when applied right.

For the audit sub-index, while all interviewees were aware of the role the audit committee and internal and external auditors played, there was no clear indication that it contributed to performance but mainly was seen as a necessary control mechanism to promote credibility increasingly crucial in emerging REITs. With the fees sub-index, the predominant consensus here is that there is no significant impact on performance. The fee index is also noted as a necessary cost for services rendered or offered by external managers or the property and asset management team. However, where fees are linked to the performance of the REITs, this has the potential to encourage performance in the South African market.

The RPT sub-index has an inconclusive impact on performance. Still, more focus from interviewees in both developed and emerging REITs was on the need for increased disclosure of RPT and potential conflict of interest. REIT organisation was discussed as fundamental to the REIT requirements, such as income distribution and the tax efficiency it provides to investors. There is mixed evidence on the impact as some REIT requirements constrain, such as focusing on generating income from the rental property but still benefiting from the tax efficiency. Specifically, in the Nigerian REIT, the lack of quality income-producing real estate suitable for purchase by the REIT was seen as having a negative impact on performance. The ownership and shareholder sub-index show a mixed

inconclusive result as well. In the emerging market of Nigeria, the highly concentrated ownership structure can significantly negatively impact REIT performance. In South Africa and the United Kingdom, the diverse nature of ownership comes across as having no impact on performance. Still, interviewees from the UK emphasise the need to engage with shareholders to keep them on good terms.

In Chapter Six, this study evaluated the investment decision-making process of REITs. The objective to be attained in this Chapter was 'to investigate how REITs carry out property investment decision making. This was conducted by asking interviewees involved in the investment decision-making process to share their opinion on these steps or stages; describe what occurs within each step; identify the critical aspects, and finally discuss the impact corporate governance has on the investment decision-making process. Evidence from the literature review, a composite normative investment decision-making process is identified, which comprises the eight steps of; setting strategy, establishing risk/return objectives, searching for investment opportunities, forecasting expected returns, assessing and adjusting for risk, decision making, and implementing the accepted proposal and audit.

Initially, interviewees reduced the normative stages to the five descriptive stages; set strategy with risk and return objectives; searching; analysis and adjustment; consultation (board and committees); and decision-making and review. Also, factors such as location, property type, quality of tenant and metrics such as vacancy rate, rental income, share price, and yield are commonly monitored and used in the decision-making process. Considering this, when asked to highlight which stages further as seen as critical for investment decision-making as a follow-up question, the result from the three REIT regimes shows that it can be reduced to just three stages. Interviewees report the same first two stages for all three REIT regimes: strategy, analysis, and adjustment. However, the final critical stage in the United Kingdom is termed the consultation stage. In South Africa and Nigeria, interviewees predominantly referred to this as a decision and review stage. Evidence from interviewees on the critical stages shows that the search stage, while not clearly articulated, is intrinsic and expected to occur, which links strategy to analysis and adjustment. The post-investment audit process is still yet to receive full attention in all regimes. Still, it is seen mainly as a post-transaction review.

Interviewees also identified the role of corporate governance, especially the board and the various committees, such as the investment committee, in the investment decision-making

process of REITs. Interviewees in the United Kingdom, South Africa and Nigeria noted that the corporate governance process allows for investment opportunities to align with the strategy and criteria of the REIT by providing the necessary scrutiny with the right level of experience and reputation. The internal control mechanisms provided by the investment and executive committees were deemed critical for successful investment, which becomes even more crucial when considering the various investment thresholds that may necessitate consultation with the board.

The study in Chapter Seven empirically examines the quality of corporate governance using the ICGI in the United Kingdom, South Africa and Nigeria's REITs using Tobin's q and operational performance using ROA and ROE. The result from this section quantitatively tests the themes needed to meet objective 4. The study provides empirical evidence of the quality of corporate governance in the UK's developed REIT regime and emerging REIT regimes of South Africa and Nigeria. It also contributes to the existing literature by evaluating the approach to constructing a methodology for scoring firm-level corporate governance for REITs in the jurisdiction considered. For the period sampled, corporate governance proxies in the annual report are scored using the ICGI. It was observed that the highest mean scores on the ICGI are evident in the UK, with a score of 87.75 out of a maximum of 152 points. This is followed by South Africa with 69.02 and lastly Nigeria with 23.33. The high sub-indexes scores are observed in the UK REITs apart from the gearing, and RPT sub-indexes mean scores which are highest in South Africa, followed by the UK and Nigeria. This shows that REITs in the UK have the highest compliance with the corporate governance code overall. The descriptive analysis of firm valuation and operation performance indicates that South Africa has the highest mean scores for all three-performance metrics; the UK and Nigeria follow this.

The result from the regression analysis at a country level shows that for investors in the UK, a higher score on the ICGI improves ROA and ROE, but this is not the case in South Africa and Nigeria. The finding shows that the index does not impact the UK and the Pooled Country analysis firm value. An increase in the index significantly led to better firm valuation in South Africa as the quality of corporate governance disclosure improved. However, in the Nigeria REIT regime, the ICGI sub-indexes are negatively related to the firm valuation; the negative relationship calls for further research to investigate why aspects of the index such as board independence, number of positions held by board

members and remuneration packages paid to executive disclosed may be excessive and hence impeding performance.

At a sub-index level, the individual sub-indexes display better positive predictive significance to operating performance in the emerging REITs but not the case in the UK. For example, when predicting ROA and ROA, the board matter, remuneration matter, REIT organisation, fees and gearing are significantly negative in the UK REIT regime. This indicates the REIT effect, which is further exuberated in the developed REITs where higher compliance to corporate governance codes aligns with the market. Interestingly, the RPT sub-index in the UK positively (though weakly) predicts firm valuation, which goes contrary to the literature but shows it is applied more strategically. The control variables in the developed REIT display evidence that growth and firm age play a crucial role in the amount of time and how much an investor is willing to pay to increase the value of the REIT.

The emerging REITs of South Africa and Nigeria provide empirical evidence that the focus should be on sub-indexes as they significantly positively impact improving operating performance. This collaborates with the finding in Chapters Four and Five, where interviewees focused on operational stability and noted the limited number of quality assets available in the market. However, the control variable of leverage showing an increase in debt results in negative operational performance in South Africa and Nigeria though consistent with the literature, is indicative of over-borrowing in these markets not resulting in the right level of performance. The result from the pooled country analysis explores multi-country evidence but finds no effect in predicting firm valuation and operation performance using the ICGI and sub-index. Though those show that in all three countries, an increase in growth will increase firm value, and for operating performance, an increase in dividend pay-out to free cash flow, firm age and size results in higher ROA and an increase in ROE is predicted by an increase in firm size.

Chapter Eight analyses the statement of compliance to the corporate governance code in each jurisdiction to form the justification and validation process for the ICGI. The guidance document developed follows the conceptual and predictive models, which can be improved by following the validation process. The guidance for applying the scoring framework allows REITs to know how best to improve the disclosure and application of the corporate governance code in their jurisdiction. For the development of the guidance,

crucial findings from the previous Chapters are incorporated but contextualised for the REIT regimes where possible. The guidance document is developed following a series of questions and written in simple language, allowing the user to successfully navigate scoring using the ICGI. It is worth noting that as policy and norms change, the guidance and scoring framework for the ICG needs to be updated to improve the predictive model and develop new conceptual models.

9.3 Contribution to Knowledge

This thesis contributes to the body of knowledge at the theoretical, practical, methodological and empirical levels on how REITs adhere to corporate governance codes and the impact on performance, the scoring of corporate governance reporting and the investment decision-making process in the three regimes.

The contribution extends the theoretical understanding of the agency theory identified in the work by Alchian and Demsetz (1975), Jensen and Meckling (1976) and Eisenhardt, (1989), which is applied to the knowledge of how REIT's performance and investment decision making is impacted by the separation of principals and agents (Ghosh and Sirmans, 2003; Bauer, Eichholtz and Kok, 2010b; Frank and Ghosh, 2012; Chong, Ting and Cheng, 2018). Following the extant literature, this research finds that the separation of management from ownership using the internally or externally managed structure and the mechanisms of corporate governance may not be sufficient enough to improve firm valuation (Bebchuk, Cohen and Ferrell, 2009; Bauer, Eichholtz and Kok, 2010b; Chong, Ting and Cheng, 2016; Wei Lan Chong, Ting and Cheng, 2018). The evidence can be linked to the standing of the corporate governance application in the three regimes, which are representative of the level of disclosure and adherence to the corporate governance code, i.e. highest compliance noticed in the UK, followed by South Africa and lastly, Nigeria. At either end of the spectrum, the UK REIT regime with the largest market size and higher compliance to corporate governance code and the Nigeria REIT with the lowest compliance to corporate governance code and smallest market size report no positive predictive relationship to firm value as measured by Tobin's q. While the South Africa REIT regime seating in the middle and hence a true emerging REIT reporting more improvement in disclosures and compliance to see a positive predictive relationship to firm value. Therefore, the agency theory may be more applicable to the South African REIT regime. Critically contrary to Bauer et al. (2010) and Lecomte and Ooi (2013) but

consistent with the work of Chong et al. (2017), in the advanced UK REIT regime, the internal corporate governance mechanisms are better at improving operational performance as measured using ROA and ROE. While increased corporate governance reporting in the UK REIT regime may be applied to signal best practices to the market and shareholders, the Nigeria REIT and even the South African REIT regime are still affected by complex institutional and market factors (Franklin, 2016; Ramachandran et al., 2018).

At the sub-index level, this study contributes to the knowledge of how corporate governance proxies impact the performance of REITs. Following similar studies of emerging REIT regimes like in Chong et al. (2016), the result from this study shows no significant impact of individual sub-index on Tobin's q. This result is also similar in the UK REITs apart from the RPT sub-index where it positively predicts Tobin's q. This aligns with the work of Downs et al., (2016) where contracting efficiency in advanced REITs in aspects of acquisition, income from related parties, management fee to related parties and recurring transactions create a positive value effect. At an operational performance level, this study contributes to existing knowledge by showing that in emerging REITs of Nigeria and South Africa, the sub-index (Board matter, Audit, Remuneration matter, Fees and RPT) plays a crucial role in predicting positive value effect on both ROA and ROE which ideally should lure investors into the market. Crucially the positive impact shows that emerging REITs are heading in the right direction. On the contrary, the negative relationship in the UK REITs for many of the sub-index is consistent with the 'REIT effect' as a robust institutional governance setting in advanced REITs reduces the impact internal corporate governance mechanism may have on performance due to higher transparency (Bauer, Eichholtz and Kok, 2010b). Evidence from the pooled country analysis contributes to the knowledge provided by Black et al. (2015), where it was documented that while pooled country analysis may be attractive, they produce limited predictive results whereby results from some countries may compensate for the lack of results in others. The study also notes the static nature of observations in the Ownership sub-index during the period.

This research also explored the impact control variables have on the performance of REITs. The contribution here points to the impact Growth has on firm valuation, which has been seen more consistently in the UK and South Africa REIT but not in the Nigerian REIT regime. The Growth variable shows that as emerging REITs improve profitability, it

positively predicts operational performance, which is encouraging for the sector. The impact of Firm Age is predominantly positive for the Nigerian REIT on ROE and ROA, showing that as the sector matures, disclosure and adherence to corporate governance are important to improving performance. The evidence from the research also contributes to knowledge of the role Leverage plays which is deployed more efficiently in the UK REIT regime to positively impact ROA and ROE, contrary to the work of Chong et al. (2017).

Additionally, from the semi-structured interviews, this research contributed to the existing knowledge by identifying the proxies interviewees felt contributed to the quality of corporate governance. From the UK REIT regime, the board, remuneration and fees sub-index show that qualitatively, interviewees are of the perception that it enhances performance. In the emerging REITs of Nigeria and South Africa, the audit and ownership sub-indexes are included highlighting that for emerging REITs, more is required by internal governance mechanisms to enhance performance. It was also evident that interviewees' perception in the UK REIT regime of adherence to corporate governance was seen as '*very good*' and '*excellent*', which is consistent with the quantitative scoring data in Figure 28. The mixed results (*fairly good*) in the South Africa REIT regime are evident in the emerging structure and understanding of the role corporate governance plays. The sentiment observed here provides more knowledge in understanding Figure 28, which shows that while compliance has increased during the observation period, more than half of the REITs in South Africa did not adhere to the code of governance. Similarly, in the Nigeria REIT regime, while the impression is given of a '*good*' quality of corporate governance with plenty of room for improvement, the result on compliance shows a different result with little to no change. In 2019, no REIT in Nigeria fully complied with the governance code.

This study also contributes to existing knowledge on the factors contributing to the REIT performance and the associated metric commonly used to measure performance. While a broad range of factors and metrics are identified initially at a country level by all interviewees, in Section 4.4, interviewees were able to identify the most vital. The result from the aggregated code points to the core of any REIT business, which is to produce adequate 'Rental Income', 'Total Return', 'Dividend Payment', 'WAULT' and 'Yield' forming the top core metrics used to measure performance. The factors contributing to performance align with some of the evidence found in the quantitative data analysis on the

importance of operational performance. At the top of the factors is 'Operational Stability', 'Quality of Tenant', 'Experience' and 'Strategic Investment'. The findings here confirm the work of Marr (2004), where the factors used are consistent with the industry, everyday decision making and strategy validation measured using three or four different metrics, which are predominantly financial as accounting measures are readily available. A significant contribution here is the role of 'Experience', which is noted as being a vital factor. Still, no corresponding metric is provided that measures 'Experience'. The role of 'Experience', especially in emerging REIT regimes, is noted due to the limited managerial talent available to carry out the complexity of running a REIT (Newell and Lee, 2012).

The study on the investment decision-making process of REITs contributes to the knowledge by providing evidence on how key decision makers in developed and emerging REITs carry out property investment decisions. Eight stages are identified by integrating the normative models of Farragher and Kleiman (1996) and Farragher and Savage (2008). Using semi-structured interviews and discourse and content analysis helped show that interviews reduce these stages to four critical stages; 'Strategy', 'Search', 'Analysis and Adjustment', with the last stage having a different taxonomy called 'Consultation' in the UK REIT and 'Decision and Review' in the South Africa and Nigerian REIT regime which are necessary for successful property investment decision making. The result contributes to the knowledge of the behavioural descriptive model of decision-making where the decisions are accepted to be made in an imperfect and chaotic market, but crucially, the decisions made are based on a 'Strategy' as most REITs surveyed tend to be specialised and stick to areas of expertise and market knowledge (Lowies, Hall and Cloete, 2016). Additionally, it displays that based on the market capitalisation, the Nigeria REIT regime may still be carrying out investment decisions like small companies identified in the work of Roberts and Henneberry, (2007). The result also contributes to existing knowledge by showing that internal corporate governance (board and investment committee) plays a crucial role in providing additional scrutiny, ensuring that investment decisions meet the 'Strategy'. But to do this efficiently, the investment committee and board should be made up of people with the right type of skills and experience (aligning with evidence of the critical factor affecting performance) relevant to the sector in which the REIT operates, highlighting the need to measure the type of experience provided by each committee in corporate governance scoring.

This study also contributes to the knowledge by providing guidance on how the corporate governance scoring framework was developed and validated. The applied scoring framework created using existing commercial and academic provides some credence to using an academic methodology to score the quality of corporate governance. However, it also reinforces some challenges of using academic scoring frameworks. Such as the amount of time required to score observations from annual reports, the need to update the scoring framework to keep up with the changing policy and ensure that each question in the scoring framework accurately captures a unique observation to reduce the possibility of collinearity. The supporting guidance document provides adequate information which allows users to apply and adapt the framework while still selecting the dependent variable to be used in assessing the predictive models.

9.4 Practical Implications of the Study

The findings from this research have significant implications for practices in identifying the crucial factor and performance metrics seen as essential for performance. The study has determined that for the factors considered critical for the UK-developed REIT regimes setting up strategic objectives is vital. These objectives and corresponding factors are not articulated fully in the emerging REIT regimes. This is further observed that metrics deemed crucial are ones that can be linked to the strategic objectives of the REIT. For example, when interviews discuss asset quality and the quality of tenants, they also mention the rental income and weighted unexpired lease terms as metrics to be observed. There is an increased need for emerging REITs to focus on clearly linking the objectives to factors for performance and the corresponding performance metric. Additionally, in all REITs, attention should be placed on a proper understanding and appreciation of the other stakeholders and the role learning and innovation places in the success of the REIT.

The study on the investment decision-making process by REITs provides a practical implication to academic and institutional knowledge in understanding how we think investment decision-making is conducted. Strategy and the board play in all markets by providing scrutiny are now fully appreciated. Overall, sectoral specialisation, availability of quality real estate assets, and experience affect how REITs of different sizes view investment decision-making. The implication of this study shows that the investment decision-making process of both developed and emerging REITs is still faced with behavioural and heuristics which allows decision makers to settle when an investment

decision that meets the majority of the REIT objective is identified with little chance of chasing opportunistic investments.

To fully appreciate the impact quality of corporate governance codes has on the performance of the REITs, more key decision makers at the executive and board level should be informed of studies that have scored their adherence to the code and benchmark this against their peers in the industry and broader market using market capitalisation. Therefore, this study has the practical implication of being viewed as part of the crucial studies that can be used in academic and institutional corporate governance benchmarking to encourage voluntary adherence to governance codes and demonstrate its impact on performance.

9.5 Recommendations and Need for Further Study

Several recommendations for future research and practice are proposed, which are drawn from the analysis conducted.

It is recommended that for future research, there is a need to refine the ICGI scoring framework further as currently, it uses common proxies only, which do not take account of specific country-level corporate governance differences, which may be vital for improving the predictive model. As this is an explorative study, it was deemed fit to test common proxies initially. However, future research should expand on the scoring framework to highlight country-specific scores that can help identify application variations and explain performance, especially in voluntary regimes. This recommendation is essential as the scoring framework and guidance are expected to adapt and change to keep up with corporate governance regulations and practices.

In emerging REITs, attention should be paid to linking REIT's objectives. These factors help meet these objectives and identify the required metrics to measure performance. Where this is done, more comprehensive education through strategy sessions with the board, executive management and critical managers may be required to bring everyone in line with the REIT objectives. This would aid in a deeper understanding and linking of the operational excellence and financial objectives to the broader strategic goals of the REIT. It is recommended that for both developed and emerging REITs, the focus should be placed on understanding and appreciating the customer and stakeholders and innovation and learning objectives. In the developed REIT regime, it comes across as a tick-book

exercise in reporting. In contrast, in the emerging REIT regimes, not enough attention is placed on this objective which has become an essential aspect of stakeholder engagement in most corporate governance codes.

It is recommended that for future studies, while this research has focused on the developed and emerging REIT regimes of the United Kingdom, South Africa and Nigeria, respectively, it is vital that future research consider the grouping of developed and emerging markets separately as this allows for better critically comparative analysis and easier benchmarking across peers considering variation that may exist brought about by market size, reach and the breadth of asset types. For further studies, it is recommended that a breadth of financial covariates should be explored. For example, a standard REIT metric is the NAV and Free-Cashflow, which can be used to evaluate performance. It is also recommended that standard metrics understood by industrial practitioners be used more. While metrics such as Tobin's q are academically known, it has limited application in practice. Additionally, a recommendation is made to consider the application of more robust predictive models such as GMM and the 2SLS in future studies. As this study was predominantly an explorative study to evaluate the applicability of the scoring framework to evaluate the impact quality of corporate governance has on performance, it was deemed acceptable by the researcher to initially apply the pooled OLS, fixed effect and random effects models.

Further research is recommended in understanding the specific ownership and shareholder proxy, as there is little to no variation in ownership structure throughout the analysis. This may have contributed to the instances of exact collinearity observed. Hence other suitable proxies for measuring ownership and shareholder right are recommended. For example, scores measure the type of engagement with stakeholders and shareholders, the percentage of proxy voting that occurs and impact on decision-making. Additionally, it is recommended that further research be conducted to evaluate the impact management structure has on the performance of REITs in the United Kingdom and South Africa.

9.6 Limitation

The significant limitation faced in this study was the data collection process, especially considering the availability and accessibility of the required data. This was not a problem in the United Kingdom and South Africa REIT regimes but for the Nigeria REIT regimes.

As it was difficult to collect consistent daily stock price data, standard financial metrics like Jensen Alpha and REIT return applied by other researchers were not included as it rendered a comparative analysis of performance using this metric impossible.

Considering REIT maturity and size, the research here is limited by the maturity level of the Nigeria REIT regime, which can be observed using total market capitalisation. Even though the legislation allowing the formation of REITs in Nigeria was enacted in 2007, only three REITs are currently listed, with only two observed by EPRA. When market capitalisation is used as a measure of maturity, a recent publication by the EPRA Global REIT Survey 2021 shows that the Nigerian REIT is valued at EUR 48 million. South African REIT is valued at EUR 17,643 million, and the United Kingdom REIT is valued at EUR 109,558 million. Nigeria's low REIT maturity and acceptance compared to the two other regimes significantly impacts how it views investment decision-making, how much rental income it can generate and the amount of and types of funding it can rise.

During the study, regulations and policies around corporate governance and REIT regulations changed several times in all three REIT regimes. This creates a significant issue with research knowing where to anchor the ICGI index to measure corporate governance reporting and collect consistent financial data. For example, since this study commenced, the corporate governance code in Nigeria has changed twice. In the United Kingdom, the code has changed twice. REIT regulations in all three regimes have also received amendments to keep up with the times, which implies how some financial metrics are calculated. For example, in 2019, REITs in the UK are exempt from corporation tax on sales of shares in UK property-rich companies meaning less cost incurred by the REIT if shares are sold to a UK company that derives 75% of their value from UK land. In South Africa, there are plans to update the definition of a REIT to be in line with the Income Tax Act. The constant evolution of rules and regulations governing REITs and corporate governance makes creating guidance and scoring frameworks applicable throughout this research period challenging.

A key limitation of this study relates to the research methodology, which applied a mixed method. For the qualitative data collection, a considerable amount of time was taken to identify, contact and schedule meetings with interviewees in the REIT sector of three different countries. There was a substantial challenge in scheduling meetings with interviewees in the Nigeria REIT regime, which accounts for the low number of

investment decision-makers interviewed. Additionally, the creation of a scoring framework for the index though drawing from existing academic and industry methodology still takes a considerable amount of time to observe and score from annual reports of each REIT for the sample duration with little to no way of automating this process, and each proxy has to be manually identified. The variation in how annual reports are prepared also observes corporate governance proxies challenging.

9.7 Reflection on the Study

9.7.1 Reflection on the Methodology

The research design adopted in this study followed a pragmatic philosophy through a semi-structured interview technique for qualitative data collection, which was analysed using qualitative and discursive content analysis to understand how REITs conducted investment decision-making and the role of corporate governance. Data was collected quantitatively to score the quality of corporate governance in the three REIT regimes using scoring methodology drawn from academia and industry. At the same time, REIT performance is measured using Tobin's q , ROA and ROE. The quantitative data analysis software (Gretl) was used to test the fixed effect, random effects and pooled OLS models, while NVivo11 was used to analyse the qualitative data collected.

While the methodological approach is deemed appropriate for the research, many problematic situations could arise following a convergent parallel mixed methods research. Significantly, for the qualitative data collection, using REITs as the sample for this study allowed for ease in identifying participants to include in semi-structured interviews due to the finite number of listed REITs in each jurisdiction. While the ideal interviewee should be at a "C Suite" level, limitations around identifying contact details for these individuals resulted in the widening of the sampling criteria to include people aware of corporate governance and the investment decision-making process undertaken by the REIT. Also, using existing investment decision-making stages and steps identified in the literature, the semi-structured interview process was more focused, allowing for a richer conversation.

The quantitative data collection and analysis adopted for the scoring framework, while drawn from existing academic and institutional sources, had to be adapted to create common corporate governance proxies which align to the corporate governance codes observable in each REIT regime before the scoring from each annual report. Additionally,

secondary data sources such as Fame used to obtain measures of financial performance to be applied to the regression models needed to be recalculated due to differences and changes in financial reporting over the years. This was exceptionally lengthy considering the adoption of EPRA best practice recommendation, which occurred during the research timeline, resulting in changes in how financial information is presented in the UK and SA annual reports. This lengthy and manual process involved in the quantitative data collection and analysis poses a challenge to adopting this methodology.

Given the vast amount of data collected qualitatively and quantitatively over a considerable amount of time in mixed method research, there remains a considerable amount of insight that can still be drawn from the data. However, by focusing on the objectives in the thesis, the results presented are only limited to meeting these objectives but still provide an opportunity for further research.

9.7.2 Reflection on Problems Encountered in Conducting the Research.

Significant challenges were encountered during the PhD journey, but the researcher had to provide solutions. The data collection for this research involved both qualitative and quantitative methods. The first data collection was qualitative data through semi-structured interviews of key decision makers in the three REIT regimes. Interviews were conducted from the 10th of January 2019 to the 3rd of July 2019, predominantly using telephone interviews. The decision to use telephone interviews was deemed fit as it was not feasible to travel to South Africa or Nigeria to conduct face-to-face interviews. In the United Kingdom, the choice of telephone interviews was made due to convenience as it eased planning and scheduling for parties involved.

Another challenge encountered by the researcher was a change in the research strategy for quantitative data collection. The first approach envisaged the distribution of a questionnaire to participants in all three REIT regimes. The first challenge encountered was identifying the contact details of key decision-makers in all three REIT regimes, especially in the Nigeria REIT regime. The final version of the questionnaire was launched on the 5th of April 2019 and closed on the 17th of July 2019 but received a lower response rate. An additional attempt was made to distribute the questionnaire by sending the instruments to the addresses of the REIT (first trial in Nigeria), which also yielded limited results. Hence, the questionnaire approach was abandoned in favour of using secondary data to score corporate governance and measure its impact on performance. Finally, the

effect of Covid-19 slowed the pace of the research as the transition to working from home and relocation to less populated areas meant that access to the learning spaces was changed drastically.

Overall, reflecting on the research methodology applied, it was deemed appropriate for this study as it formed an explorative study which was used to determine how well the scoring framework measured corporate governance to predict performance; identify the perception of corporate governance quality on performance; to identify investment decision-making process undertaken; the factor affecting performance and metrics applied to measure performance and by interviewees. The quantitative data analysis technique (OLS, fixed effect and random effect), while not as robust as the GMM and the 2SLS models, provided an excellent predictive model for an exploratory study. This is essential when considering the limitation presented in using a more robust comparative model for all three REIT regimes, especially considering the limited sample of REITs in Nigeria and the short study period that would like to affect complex models. For future research, it would be possible to extend the sample period and focus on using more complex models alongside an extensive range of covariates to improve the accuracy of the prediction.

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Appendices

Appendix 1: List of UK REITs

	Name of REIT	Market	Ticker	Year of REIT Status	Sector	Management Style	Name of Manager
1	Big Yellow Group	Main	BYG	2007	Self-Storage REITs	Internally	
2	British Land Company	Main	BLND	2007	Diversified REITs (Retail and Office)	Internally	
3	Derwent London Plc	Main	DLN	2007	Office REITs	Internally	
4	Great Portland Estates Plc	Main	GPOR	2007	Diversified REIT (Industrial & Office)	Internally	
5	Hammerson Plc	Main	HMSO	2007	Retail REITs	Internally	
6	Intu Properties (formerly Liberty International)	Main	INTU	2007	Retail REITs	Internally	

7	Land Securities Group Plc	Main	LAND	2007	Diversified REIT (Industrial & Office)	Internally	
8	Primary Health Properties Plc	Main	PHP	2007	Healthcare REITs	Externally	Nexus Investco Ltd
9	Safestore Holdings Plc	Main	SAFE	2007	Self-Storage REITs	Internally	
10	Segro Plc	Main	SGRO	2007	Industrial & Office REITs	Internally	
11	Shaftesbury Plc	Main	SHB	2007	Diversified REIT (Retail REITs)	Internally	
12	Workspace Group	Main	WKP	2007	Industrial & Office REITs	Internally	
13	Hansteen Holdings Plc	Main	HSTN	2009	Industrial & Office REITs	Internally	
14	London Metric Property Plc	Main	LMP	2010	Diversified REITs	Internally	
15	Assura Plc	Main	AGR	2013	Healthcare REITs	Internally	
16	GCP Student Living Plc	Main	DIGS	2013	Student Accommodation REITs	Externally	Gravis Capital Management Ltd

17	Redefine International Plc	Main	RDI	2013	Diversified REITs (Hotel, Commercial, Retail)	Internally	
18	Target Healthcare REIT	Main	THRL	2013	Healthcare REITs	Externally	Target Advisers LLP
19	Capital & Regional Plc	Main	CAL	2014	Retail REITs (Shopping Malls)	Internally	
20	Custodian REIT Plc	Main	CREI	2014	Diversified REITs (Retail Warehouse, Office, Retail, Industrial and Others)	Externally	Custodian Captial Ltd (AIFM)
21	Empiric Student Property Plc	Main	ESP	2014	Student Accommodation REITs	Internally	
22	Tritax Big Box REIT Plc	Main	BBOX	2014	Industrial REITs	Externally	Tritax Management LLP
23	McKay Securities	Main	MCKS	2007	Industrial & Office REIT	Internally	

24	The Local Shopping REIT Plc	Main	LSR	2007	Retail REITs	Internally	
25	Highcroft Investment Plc	Main	HCFT	2012	Diversified REIT	Internally	

Appendix 2: List of South Africa REITs

	Name of REIT	Market	Ticker	Year of REIT Status	Sector	Management Style	Name of Manager
1	Accelerate Property Fund	Main	APF	2013	Diversified REITs (Retail, Commercial, Industrial)	Internally	
2	Arrowhead Properties Ltd	Main	AHAE	2013	Diversified REITs (Retail, Commercial, Industrial, Residential)	Internally	
3	Growthpoint Property Ltd	Main	GRTE	2013	Diversified REITs (Retail, Commercial, Industrial)	Internally	
4	Octodec Investments Ltd	Main	OCT	2013	Diversified REITs (Retail, Commercial, Industrial, Residential)	Externally	City Property Administration Proprietary Ltd
5	Vukile Property Fund	Main	VKE	2013	Retail REIT	Internally	

6	Emira Property Fund	Main	EMIE	2014	Diversified REITs (Retail, Commercial, Industrial)	Internally	
7	Equites Property Fund	Main	EQU	2014	Industrial REIT	Internally	
8	Fairvest Property Holdings	Main	FVT	2014	Diversified REITs (Retail, Commercial, Industrial)	Externally	New Star Asset Management Proprietary Limited ("New Star")
9	Fortress Income Fund Ltd (A)	Main	FFA	2014	Diversified REITs (Retail, Commercial, Industrial, Residential)	Internally	
10	Fortress Income Fund Ltd (B)	Main	FFB	2014	Retail REIT	Internally	
11	Hospitality Property Fund	Main	HPBE	2014	Hospitality REIT	Internally	
12	Hyprop Investments Ltd	Main	HYPE	2014	Diversified REITs (Retail, Commercial)	Internally	

13	Investec Property Fund Ltd	Main	IPF	2014	Diversified REITs (Retail, Commercial, Industrial)	Internally	
14	Oasis Crescent Property Fund	Main	OAS	2014	Diversified REITs (Retail, Commercial, Industrial)	Externally	Oasis Crescent Property Fund Managers
15	Rebosis Property Fund Ltd	Main	REB	2014	Diversified REITs (Retail, Commercial, Industrial)	Externally	Billion Asset Managers
16	Redefine Properties Ltd	Main	RDF	2014	Diversified REITs (Retail, Commercial, Industrial)	Internally	
17	Resilient Property Income Fund	Main	RESE	2014	Retail REIT	Internally	
18	SA Corporate Real Estate	Main	SACE	2014	Diversified REITs (Retail, Commercial, Industrial, Residential)	Internally	
19	Stor-age Property REIT LTD	Main	SSSE	2014	Self Storage REIT	Internally	

20	Safari Investments Ltd	Main	SAR	2014	Retail REIT	Internally	
21	Tower Property Fund	Main	TWR	2014	Diversified REITs (Retail, Commercial, Industrial)	Externally	Tower Asset Managers Proprietary Ltd (TAM)

Appendix 3: List of Nigeria REITs

	Name of REIT	Market	Ticker	Year of REIT Status	Sector	Management Style	Name of Manager
1	Union Homes REIT	Main	UHOMREIT	2008	Commercial, Residential	Externally	SFS Capital Nigeria Ltd
2	Skye Shelter Fund REIT	Main	SKYESHELT	2008	Commercial, Residential	Externally	SFS Capital Nigeria Ltd
3	UPDC REIT	Main	UPDCREIT	2008	Commercial, Residential	Externally	FSDH Asset Management Ltd

Appendix 4: Participant Information Sheet



Real Estate Investment Trusts (REITs) Corporate Governance and Investment Decision-Making in the United Kingdom, South Africa and Nigeria

You are being invited to participate in this doctoral research project. Before you decide to do so, it is important you understand why the research is being done and what it will involve. Please take time to read the following information carefully and discuss it with others if you wish. Feel free to ask us to clarify anything or if you would like more information. Take time to decide whether you wish to take part or not. Thank you for reading this.

This PhD research *aims to develop guidance for REIT Corporate Governance Scoring Framework and the investment decision-making process to improve performance*. This research builds on academic and industrial empirical research previously carried out on corporate governance and investment decision making carried out by REITs and listed real estate to understand the importance of corporate governance and investment decision-making processes to the performance of REITs in developed and emerging regimes. Initial conclusions drawn from previous research show that firms with a good level of corporate governance will generally carry out investment decision making in such a way that will lead to better firm performance with the reverse for a firm with a low level of corporate governance.

This research is designed to determine whether REITs performance is affected by the quality of corporate governance and investment decision-making by REITs managers. To achieve this, a qualitative and quantitative data collection approach is employed. Firstly, to measure the quality of corporate, qualitative data is quantitated by a self-scoring rating framework developed following industrial and academic corporate governance proxies which are integrated into the framework. The choice of a self-scoring framework over commercially available rating arises from the academic critique that commercial ratings sometimes do not accurately predict corporate governance-related performance, especially when considering the unique nature of corporate governance and investment decision

making in emerging REIT regimes. To collaborate and triangulate data collected from the literature, we will like to ask you to please participate in a semi-structured interview and complete a follow-up questionnaire.

You have been selected to participate as your job title shows you hold a crucial position in the investment decision-making process of the REIT in which you are currently employed in. It is envisaged that a person with a similar title such as yours will have knowledge about corporate governance and its application and how your REIT carries out investment decision making. The participants to this study will be drawn from the publicly traded REITS such as yours in the United Kingdom, South Africa and Nigeria.

As earlier mentioned above, it is up to you to decide whether to take part. If you do decide to take part, you will be able to keep a copy of this information sheet, and you should indicate your agreement with the online consent form. You can still withdraw at any time and are not required to provide a reason why. If you wish to withdraw from this research, please contact the research by email on omokhomi@lsbu.ac.uk. Your data will then be redacted from the research, recording deleted and any relevant transcriptions notes deleted or destroyed.

If you do accept to take part in this study, you will be asked to participate in a semi-structured interview to gain your insight into the subject matter. This is expected to take about 30-45 minutes of your time and may be asked to complete a follow-up questionnaire. If you accept to take part, you will be required to please sign a consent form.

Participating in the research is not anticipated to cause you any disadvantages or discomfort. The potential physical and/or psychological harm or distress will be similar to any experience in your everyday work life. It is hoped that the outcome from this research will have a beneficial impact in understanding how Corporate Governance could be structured in emerging and developed REITs to carry out investment decision making in such a way that is unique to each individual REIT regime. It is also beneficial to identify the key REIT structure in the UK, SA and Nigeria which distinguishes it and allows it to operate in their unique environment.

DATA COLLECTION AND CONFIDENTIALITY

'All the information collected about you and other participants will be kept strictly confidential (subject to legal limitations). Data generated by the study must be retained in

accordance with the University's Code of Practice. All data generated during the research will be kept securely in paper or electronic form for a period of 10 years after the completion of a research project.'

To maintain respondent confidentiality, anonymity, and data security, the researchers applied the following techniques and process:

- Details of respondents, a record of their informed consent (or otherwise) and their responses (the primary data) were held securely.
- Within the thesis itself, all data presented was anonymous, no names of individuals or their employing organizations were cited, and reasonable measures are also taken to ensure that it is not possible to use any anonymous data to identify individual respondents.
- The personal details of each respondent and the data collected from everyone were held separately to ensure that security is maintained during the research process and that data within the thesis itself is anonymous.
- Respondents' personal data was held in a secure personal spreadsheet and data collected from each will be stored after codification using anonymous data files.

RESULTS OF THE RESEARCH STUDY ON COMPLETION

Following submission and marking of the research by London South Bank University and notification of its acceptance to the Researcher for the Doctorate, the research will be disseminated in the following order:

1. One copy retained by London South Bank University Library.
2. An electronic copy submitted to the British Library Thesis Repository.
3. A summary of findings will be issued to all respondents who indicated at the recruitment stage that they wished to receive a copy. Any respondent who wishes to receive a full copy of the research will also be issued with an electronic copy.
4. Several journals will be approached for potential publication of the journal articles.

Organization and Sources of Funding for the Research

This research is conducted by a PhD student of the Construction, Property and Surveying Group of the Built Environment and Architecture Department of London South Bank University. The Department of Built Environment and Architecture of London South Bank University London is funding this research.

Monitoring and Review

This research will be monitored and reviewed by two academic supervisors (Prof. Charles Egbu and Prof. Herbert Robinson). It will also be approved by the Department of the Built Environment and Architecture of London South Bank University.

For Further Information

Mr Itua Omokhomion, School of the Built Environment and Architecture, London South Bank University, 103 Borough Road, London, SE1 0AA. t: +44 (0) 02078157150 email: omokhomi@lsbu.ac.uk

Prof. Charles Egbu, Dean, School of The Built Environment and Architecture, London South Bank University, 103 Borough Road, London SE1 0AA. Email: egbuc@lsbu.ac.uk

Prof. Herbert Robinson School of The Built Environment and Architecture London South Bank University. 103 Borough Road London SE1 0AA, email robinsh4@lsbu.ac.uk

Thanks, you for taking part in this research.

Date/Sign

Appendix 5: Invitation to Participate



School of Built Environment and Architecture
London South Bank University
103 Borough Road
London SE1 0AA

Dear xxx,

**Real Estate Investment Trusts (REITs) Corporate Governance and Investment
Decision-Making in the United Kingdom, South Africa and Nigeria**

On behalf of myself, Prof. Charles Egbu, and Prof. Herbert Robinson, I wish to introduce to you – Mr Itua Cyril Omokhomion (BSc, MSc), a PhD student at London South Bank University, London, United Kingdom.

Itua Cyril Omokhomion's PhD is supervised by myself (Prof. Charles Egbu) <http://www.lsbu.ac.uk/about-us/people-finder/prof-charles-egbu> and Prof. Herbert Robinson, both of the School of the Built Environment and Architecture of London South Bank University.

Itua is working on interesting research on Corporate Governance, Investment Decision-making and Real Estate Investment Trusts (REITs) Performance in the United Kingdom, South Africa and Nigeria. The research aims to contribute not only to the gap in academic knowledge but also to a wider stakeholder audience (investors, fund managers, board members, policymakers.) in developing and making better investment decisions through observation of corporate governance practices and key investment decisions. The research evaluates the quality of corporate governance to develop a Corporate Governance Framework and supporting guidance to improve Real Estate Investment Trusts (REITs) performance and Investment decision-making of Real Estate Investment Trusts (REITs). A synopsis of the research agenda is attached for your information.

To achieve an important part of his PhD, Itua will need to collect his data. Data will be collected through semi-structured interviews and extracted from the end-of-year financial

reports. Consequently, we hope to secure an opportunity for a semi-structured interview and follow up a questionnaire with yourself 'xxx' a xxxx at Landsec United Kingdom. This will enable us to benefit from your wealth of experience in corporate governance and investment decision-making undertaken by your firm. Mr Itua would appreciate if you could indicate your availability (at his email address: omokhomi@lsbu.ac.uk) for an interview during this period, upon which he would be happy to provide further information, such as an interview guide.

As we count on your assistance and co-operation in making this important project a success, we would be enormously grateful for your participation.

Thank you again.

Kind Regards,

Mr Itua Omokhomion (for Prof. Charles Egbu)

School of the Built Environment and Architecture | London South Bank University |103

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Twitter: @ituaomo LinkedIn: Itua Omokhomion

Appendix 6: Research Consent Form



**London
South Bank
University**

Research Project Consent Form

Full title of Project: Corporate Governance, Investment Decision-Making and Real Estate Investment Trust (REIT) Performance

Ethics approval registration Number: RME1

Name: Mr. Itua Omokhomion

Researcher Position: PhD Student

Contact details of Researcher: omokhomi@lsbu.ac.uk

Taking part (please tick the box that applies)	Yes	No
I confirm that I have read and understood the information sheet/project brief and/or the student has explained the above study. I have had the opportunity to ask questions.	<input type="checkbox"/>	<input type="checkbox"/>
I understand that my participation is voluntary and that I am free to withdraw at any time, without providing a reason.	<input type="checkbox"/>	<input type="checkbox"/>
I agree to take part in the above study.	<input type="checkbox"/>	<input type="checkbox"/>

Use of my information (please tick the box that applies)	Yes	No
I understand my personal details such as phone number and address will not be revealed to people outside the project.	<input type="checkbox"/>	<input type="checkbox"/>
I understand that my data/words may be quoted in publications, reports, posters, web pages, and other research outputs.	<input type="checkbox"/>	<input type="checkbox"/>
I would like my real name to be used in the above.	<input type="checkbox"/>	<input type="checkbox"/>
I agree for the data I provide to be stored (after it has been anonymised) in a specialist data centre and I understand it may be used for future research.	<input type="checkbox"/>	<input type="checkbox"/>
Note for Principal Investigator/Supervisory team: Include statements below if appropriate, or delete from the consent form:		

I agree to the interview/.... being audio recorded.	<input type="checkbox"/>	<input type="checkbox"/>
I agree to the use of anonymised quotes in publications.	<input type="checkbox"/>	<input type="checkbox"/>
I agree to assign the copyright I hold in any materials related to this project to Mr. Itua Omokhomion	<input type="checkbox"/>	<input type="checkbox"/>

_____ Name of Participant	_____ Date	_____ Signature
Itua Omokhomion _____ Name of Researcher	_____ Date	_____ Signature

Project contact details for further information:

Project Supervisor/ Head of Division name: Prof. Charles Egbu

Phone: 020 7815 8302

Email address: egbu@lsbu.ac.uk

Appendix 7: Semi-Structured Interview Questions Aide Memoire

Title: Corporate Governance, Investment Decision-Making, and Real Estate Investment Trust (REIT) Performance

Introduction: Thank you for accepting to participate in this interview. As mentioned earlier in the Participant Information Sheet, this study aims to develop a Corporate Governance Framework and Supporting Guidance that improves REITs performance and the investment decision making process. Based on your wealth of experience working for your REIT firm and in the REIT industry, I shall be asking questions to explore your take on the concepts of corporate governance and investment decision making.

Would it be okay with you if I record this interview? I assure you that the content of the interview shall be strictly confidential and your anonymity and that of your organisation will be kept.

From a review of the existing literature, we find that REITs performance is affected by the quality of corporate governance at a firm-level and the property investment decision-making process.

To understand the key themes used in this study, I operationalise the definition of corporate governance and property investment decision making as follows;

Du Plessis et al. (2015), defines corporate governance as the system that regulates and oversees corporate conduct, of balancing the interests of all stakeholders who may be affected by the corporation's conduct to ensure responsible behaviour by corporations and to achieve the maximum level of efficiency and profitability for a corporation.

Property Investment decision making is the process by which REITs converts £1 of unitholder capital into £1 of the investment property (Parker, 2016).

INTERVIEW QUESTIONS

Section A: Background/General Information

1. Please, can you briefly share with me the following details;
 - a. Tell me the total number of years you have worked in the REIT sector?
 - b. How long have you worked for your current REIT firm?
 - c. What is your current job title?
 - d. What are your typical responsibilities/functions?

Section B: Measuring REITs Performance

It is observed that REITs performance can be affected by different firm-specific factors. These factors contribute to REITs performance which is measured using different performance metrics.

2. Can you please share with me your thoughts on what some of these firm-specific factors that may affect your REITs performance in the jurisdiction you operate?
3. Using performance metrics commonly applied by your REIT firm to measure performance, can you please share with me how some of these firm-specific factors may contribute to how your REIT performances?
4. Which of these firm-specific factors and performance metrics do you think are the most vital in the operations of your REIT?

Section C: Corporate Governance and REITs

To be listed on the stock exchange, REITs are required to follow the corporate governance codes of the jurisdiction in which they operate. How a REIT follows corporate governance codes can be used to determine the overall quality/strength of its corporate governance and in most cases, its overall performance.

5. Can you please tell me the extent to which established corporate governance proxies such as the ones below may impact your REIT performance (positively or negatively);
 - a. Board
 - b. Audit
 - c. Compensation and Remuneration
 - d. Fees

- e. Related Party Transactions
 - f. Ownership
 - g. REIT specific Matter
 - h. Gearing
6. Using a scale of 1 to 5 (1-poor, 2- fair, 3-good, 4-very good and 5-excellent), how would you judge the overall quality/strength of your REITs' corporate governance based on how it follows the corporate codes in the jurisdiction you operate?

Section D: Investment Decision Making in REITs

Please feel free to use examples here that may best answer the questions below.

- 7. Can you please tell me the ideal steps or stages which you would follow when making decisions regarding property investment within your REITs?
- 8. Please, can you describe what in your opinion may occur within each of the steps or stages you outlined in the previous question?
 - a. Of these steps or stages, which of these are critical for the property investment decision making and why?
- 9. In your opinion, how would your REITs corporate governance affect the property investment decision making steps/stages?
- 10. I plan to develop a Corporate Governance Framework and supporting Guidance to improve REITs corporate governance and investment decision making. What would you like to see in the Framework and Guidance that is reflective of the jurisdiction in which your REIT operates? If you use this in what way will you likely do so?

Appendix 8: REIT Factors and Metrics Affecting Performance

Objective 2							
REIT Regime	Q2		Q3		Q4		
					Vital Q2	Vital Q3	
UK REIT	Property Type or Class		Net Asset Value		Operational Stability	Total Return	
	Management Strategy		Rental Income		Quality of Tenant	Rental Income	
	Management Structure		Total Return		Asset Quality	Yield	
	Quality of Tenant		Dividend Payments		Experience	EPS	
	Supply and Demand Factors		Share Price		Strategic Investment	Interest and or Debt Cover	
	Diversification		Yield		Management Structure	Loan to Value	
	Economy		Operational Cost		Supply and Demand Factors	WAUL	
	Asset Quality		EBITA		Capital Optimisation and Cost	EBITA	
	Knock-on Effect of External Factor		Debt Cost			Leverage	
	Level of Rent		Gearing				
	Location		EPS				
	REIT Size		Leverage				
	Reputation		Loan to Value Ratio				
	Experience		IRR				
	REIT Age		ROA				
	General Investment Criteria		Vacancy Rate				
	Capital Optimization and Cost		WAUL				
	Operating Stability						
	Liquidity						
	Tenant Not Paying						
	Volatility						
SA REIT	Operating Stability		Income Distribution		Operational Stability	Dividend Per Share	
	Experience		Operational Cost		Capital Optimisation & Cost	Rentals Income	
	Location		Rental Income		Experience	Share Price	
	Management Strategy		Vacancy Rate		Strategic Investment	WAUL	
	Management Structure		WAUL				
	REIT Age		Debt Cost				
	Property Type or Class		Loan to Value Ratio				
	Asset Quality		Net Asset Value				
	Capital Optimization and Cost		Share Price				
	Knock-on Effect of External Factor						
	Location						
	Reputation						
	Diversification						
	REIT Size						
NG REIT	Economy		Operational Cost		Economy	Rental Income	
	Experience		Rental Income		Experience	Dividend Payments	
	Location		Dividend Payments				
	Diversification		ROA				
	REIT Size		Vacancy Rate				
	Asset Quality		Yield				
	REIT Age		Inventory				
	Level of Rent		IRR				
	Operating Stability						
	Supply and Demand Factors						
	Tenant Not Paying						

Appendix 9: Integrated Corporate Governance Index Scoring Framework

Integrated Corporate Governance Index					
	<p><i>This index is relevant for Externally and Internally managed REITs.</i></p> <p><i>Data collection is based on Annual Reports, announcements to stock exchange, company websites, prospectus and any other public sources.</i></p> <p><i>This index integrates the APREA Corporate Governance Scoring and Black et. al (2015)</i></p>				
Number	Description	Score Scale		State Variable	NOTE
	Statement of Compliance and/or Application				
	Does the REIT provide a clear statement of compliance or application of the corporate governance code of the regime during the year under observation	1			UK/SA/N
	If some principles of the code are not complied to or applied, is there adequate explanation appropriate to size, location and sector.	1			UK/SA/N
BOARD MATTERS INDEX				bm	

1	<i>Board Composition</i>			bm_bcm	
1.1	How many directors serve on the board? (5 to 10)	1		bm_bcm_1	UK/SA/N
2	<i>Board Independence</i>			bm_bi	
2.1	If the proportion of independent directors on board is			bm_bi_2	UK/SA/N
	more than 50%	1		bm_bi_3	UK/SA/N
	between 1/3 and 50%	0.5		bm_bi_4	UK/SA/N
	less than 1/3	0		bm_bi_5	UK/SA/N
					UK/SA/N
3	<i>Board Nomination Committee</i>			bm_ncm	
3.1	If all members are independent (Nominating committee)	1		bm_ncm_6	UK/SA/N
	If the majority is independent (including Chairman)	0.5		bm_ncm_7	UK/SA/N
3.2	Are there executives on the nominating committee?	1		bm_ncm_8	SA/N
3.3	What is the number of nominating committee members?	1		bm_ncm_9	UK/SA
4	<i>Board Diversity</i>			bm_bd	
4.1	If the Board comprises of individuals with diverse qualifications and backgrounds	1		bm_bd_10	UK/SA/N

4.2	If the Board comprises of at least one individual with no real estate background	1		bm_bd_11	UK/SA/N
4.3	If the Board comprises of at least one individual with foreign qualification and background	1		bm_bd_12	UK/SA/N
4.4	If the Board comprises of at least one independent director with experience in the listed real estate industry	1		bm_bd_13	UK/SA/N
4.5	What is the number of women on the board?	1		bm_bd_14	UK/SA/N
4.6	What is the proportion of women on the board?	1		bm_bd_15	UK/SA/N
5	<i>Board CEO/ Chairman Separation</i>			bm_ceosp	
5.1	What is the classification of the Chairman of the Board? (an Independent non-executive)	1		bm_ceosp_16	UK/SA/N
	If the Chairman is a non-executive director	0.5		bm_ceosp_17	UK/SA/N
	If the Chairman is the CEO, is related to the CEO, is a controlling shareholder or is an executive director (insider director)	0		bm_ceosp_18	UK/SA/N
5.2	Has the company identified a Senior Independent Director or an independent Lead Director?	1		bm_ceosp_19	UK
6	<i>Board Meetings and Practice</i>			bm_bmp	

6.1	If the Board meets at least 6 times during the year	1		bm_bmp_20	UK/SA/N
	If the Board meets at least once every quarter	0.5		bm_bmp_21	UK/SA/N
	If the Board meets less than once every quarter	0		bm_bmp_22	UK/SA/N
6.2	If attendance at Board meetings is reported	1		bm_bmp_23	UK/SA/N
6.3	If the executives don't serve on a significant number of outside boards (>3=0.5, <3=1)	1		bm_bmp_24	UK/SA/N
6.4	If the CEO doesn't serve on a significant number of outside boards (>3=0, <3=1)	1		bm_bmp_25	UK/SA/N
6.5	If non-executive directors do not serve on a significant number of outside boards (>5=0, <5=1)	1		bm_bmp_26	UK/SA/N
6.6	If the chair does not serve on a significant number of outside boards (>5=0, <5=1)	1		bm_bmp_27	UK/SA/N
7	<i>Board Policies</i>			bm_bp	
7.1	If the company disclose a policy requiring an annual performance evaluation of the board	1		bm_bp_28	UK/SA/N
8	<i>Board Disclosure of past and present directorships</i>			bm_dis	

8.1	If all present and past directorships of directors and senior management are disclosed	1		bm_dis_29	UK/SA/N
	If only present directorships are disclosed	0		bm_dis_30	UK/SA/N
8.2	If the nature of the directors' relationships with the company is fully disclosed (including affirmative disclosure of relationship or of absence of relationship)	1		bm_dis_31	UK/SA/N
9	<i>Board Nominating Committee and Board Performance</i>			bm_ncbp	
9.1	If the Board is assisted by a Nominating and Remuneration Committee (NRC)	1		bm_ncbp_32	UK/SA/N
9.2	If the Board Performance is formally assessed/evaluated	1		bm_ncbp_33	UK/SA/N
9.3	If individual director appraisal is formally carried out	1		bm_ncbp_34	UK/SA/N
9.4	If the process of Board/ individual director performance appraisal is disclosed in detail	1		bm_ncbp_35	UK/SA/N
	<i>BONUSES (+)</i>			bm_bn	
	If at least one Board member is related to the Trustee**	1		bm_bn_1	UK/SA/N
	If the concept of independent director is properly defined in Annual Report	1		bm_bn_2	UK/SA/N

	If is the aggregate level of stock ownership of the officers and directors, as a percentage of shares outstanding is disclosed	1		bm_bn_3	UK/SA/N
	<i>PENALTIES (-)</i>			bm_pn	
	If the proportion of Board members linked to Sponsor/ Manager is			bm_pn_1	
	more than 50%	-1		bm_pn_2	UK/SA/N
	between 1/3 and 50%	-0.5		bm_pn_3	UK/SA/N
	less than 1/3	0		bm_pn_4	UK/SA/N
	If any director attends less than 75 percent of the aggregate board and applicable key committee meetings without a valid excuse.	-1		bm_pn_5	UK/SA/N
TOTAL SUB SCORE BOARD MATTERS INDEX			0		
AUDIT INDEX				a	
10	<i>Audit Committee Meetings</i>			a_cm	
10.1	If the Audit Committee meets at least once every quarter	1		a_cm_1	UK/SA/N
10.2	If attendance at Audit Committee meetings is reported	1		a_cm_2	UK/SA/N
11	<i>Audit Committee Composition</i>			a_cc	

11.1	What percentage of the audit committee is independent under ISS' standards? (only independent non-exes >50%)	1		a_cc_3	UK/SA/N
	If all are non-executive directors with an independent chairman	0.5		a_cc_4	UK/SA/N
	If one or more of the members are executive directors	0		a_cc_5	
11.2	Is the chair of the audit committee independent?	1		a_cc_6	UK/SA/N
11.3	If the chairman is a financial expert	1		a_cc_7	UK/SA/N
11.4	How many members serve on the audit committee? (>3)	1		a_cc_8	UK/SA/N
11.5	If the Chairman of the board of directors is not a member of the audit committee? (Yes=1, No=0)	1		a_cc_9	UK/SA/N
12	<i>Audit External Auditor</i>			a_ea	
12.1	If Non-Audit fees are significantly less than Audit fees?	1		a_ea_10	UK/SA/N
12.2	If the auditor didn't issue an adverse opinion in the past year?	1		a_ea_11	UK/SA/N
12.3	If the date of appointment or reappointment of the external auditor and information of the length of tenure is disclosed?	1		a_ea_12	UK/SA/N
13	<i>Audit and Accounting Controversies</i>			a_aac	
13.1	If regulator has not initiated enforcement action against the company in the past two years?	1		a_aac_13	UK/SA/N

13.2	If the company has not disclosed any material weaknesses in its internal controls in the past two fiscal years?	1		a_aac_14	UK/SA/N
13.3	If there is are financial experts serve on the audit committee, if the chairman isn't an expert?	1		a_aac_15	UK/SA/N
	<i>BONUSES (+)</i>				
	If at least one Committee member is related to Trustee/ trustee related companies	1		a_bn_1	
	<i>PENALTIES (-)</i>				
	If at least one member is related to Sponsor	-1		a_pn_1	
	If at least one member is related to Manager	-1		a_pn_2	
TOTAL SUB SCORE AUDIT INDEX			0		
REMUNERATION MATTERS INDEX				rm	
14	<i>Remuneration Committee</i>			rm_rc	
14.1	If all members are independent (Remuneration committee)	1		rm_rc_1	UK/SA/N
14.2	If the chairman of the compensation committee is independent?	1		rm_rc_2	UK/SA/N

14.3	If there are no executives on the compensation committee?	1		rm_rc_3	UK/SA/N
14.4	If the number of remuneration committee members is a minimum of 3 independent non-executive director?	1		rm_rc_4	UK/SA/N
14.5	If the Chairman of the board of directors is a member of the compensation committee, is the Chairman Independent?	1		rm_rc_5	UK/SA/N
14.6	If the Remuneration Committee meets at least once every quarter	1		rm_rc_6	
14.7	If attendance at Remuneration Committee meetings is reported	1		rm_rc_7	
15	<i>Remuneration of Director and Executive remuneration (Pay for Performance)</i>			rm_der	
15.1	If a cap on CEO's annual bonus is disclosed?	1		rm_der_8	UK/SA/N
15.2	If there is a portion as a percentage of the annual bonus for CEO that can be deferred? (Long term Term Incentive Plan)	1		rm_der_9	UK/SA/N
15.3	If there is a cap on executives' (excluding the CEO) annual bonus? (annual bonus for executives)	1		rm_der_10	UK/SA/N
15.4	If a percentage of the annual bonus for executives (excluding the CEO) is or can be deferred?	1		rm_der_11	UK/SA/N

15.5	If there is a performance period for the latest active long-term incentive plan (or the proposed plan) for executives? (LTIP)	1		rm_der_12	UK/SA/N
15.6	If the size of the CEO's 1-year pays, as a multiple of the median pay for company peers is disclosed.	1		rm_der_13	UK/SA
15.7	If the vesting period of stock options is over a period of 3 years	1		rm_der_14	UK/SA/N
16	<i>Remuneration of Non-Performance Based Pay</i>			rm_npp	
16.1	If the company provided and/or disclosed loans made to executives during the course of normal business to purchase shares of the company	1		rm_npp_15	UK/SA/N
16.2	If the company grants a one-off reward to any of its executives and if adequate disclosure on conditions are given	1		rm_npp_16	SA/N
17	<i>Remuneration Use of Equity</i>			rm_ue	
17.1	If the total proportion of all outstanding equity-based plans (stock options performance shares granted executives and employees) towards the share capital is disclosed	1		rm_ue_17	UK/SA/N
17.2	If discount pricing conditions for stock options are granted to executives, is this disclosed and at what level	1		rm_ue_18	UK/SA/N

17.3	If there a maximum level of dilution per year for long-term incentives is disclosed	1		rm_ue_19	UK
18	<i>Remuneration Equity Risk Mitigation</i>			rm_erm	
18.1	If the company disclose a claw back or malus provision?	1		rm_erm_20	UK/SA
18.2	If the minimum vesting periods (3 years) mandated in the equity plan documents for stock options or SARs are disclosed	1		rm_erm_21	UK/SA/N
18.3	If company grants restricted stocks, is the minimum vesting periods (past 3 years) mandated in the equity plan documents for restricted stock disclosed	1		rm_erm_22	UK/SA/N
18.4	If the vesting periods mandated in the plan documents, adopted/amended in the last three years, for executives' other long-term plan is disclosed	1		rm_erm_23	UK/SA/N
18.5	If there is a holding/retention period for stock options (for executives) is disclosed and number of years	1		rm_erm_24	UK/SA
18.6	If there is a holding/retention period for restricted shares / stock awards (for executives) is disclosed and number of years	1		rm_erm_25	UK/SA
18.7	If proportion of the salary is subject to stock ownership requirements/guidelines for the CEO within a stipulated period of time	1		rm_erm_26	UK/SA

18.8	If proportion of the salary is subject to stock ownership requirements/guidelines for the other executives within a stipulated period of time	1		rm_erm_27	UK/SA
19	<i>Remuneration of Non-Executive Pay</i>			rm_nep	
19.1	If non-executive directors do not participate to performance related remuneration and fees paid disclosed	1		rm_nep_28	UK/SA/N
20	<i>Remuneration Communications and Disclosure</i>			rm_cd	
20.1	If the company disclose a performance measure for the short-term incentive plan (for executives)?	1		rm_cd_29	UK/SA/N
20.2	If the company discloses a performance measure for matching	1		rm_cd_30	UK/SA/N
20.3	If the company discloses a performance measure for stock options plans (for executives)	1		rm_cd_31	UK/SA/N
20.4	If the company discloses a performance measure for restricted share / stock award plans (for executives)	1		rm_cd_32	UK/SA/N
20.5	If the company discloses a performance measure for other long-term plans (for executives)	1		rm_cd_33	UK/SA/N

20.6	If the company voluntarily adopted a management 'say on pay' advisory vote resolution for the most recent annual meeting?	1		rm_cd_34	UK/SA/N
20.7	If remuneration bands and names of top five key executives are disclosed	1		rm_cd_35	UK/SA/N
21	<i>Remuneration after Termination</i>			rm_t	
21.1	If the multiple of pay in the severance agreements for the CEO (upon a change-in-control) is disclosed	1		rm_t_36	UK/SA/N
21.2	If the basis for the change-in-control or severance payment for the CEO is disclosed (a combination of; salary, bonus, and benefit)	1		rm_t_37	UK/SA/N
21.3	If the multiple of the change in control/severance payment for executives excluding the CEO (upon a change-in-control) is equal to or below mentioned base and bonus are considered acceptable and disclosed	1		rm_t_38	UK/SA/N
21.4	If the basis for the change-in-control or severance payment for executives excluding the CEO (a combination of; salary, bonus, and benefit) is disclosed	1		rm_t_39	UK/SA/N
	<i>BONUSES (+)</i>				

	If exact remuneration of executive directors is disclosed (in currency units)	1		rm_bn_1	UK/SA/N
	If all board members linked to sponsor (except Chairman) do not receive directors' fees	1		rm_bn_2	UK/SA/N
	If there is disclosure on the degree of alignment between the company's TSR and change in CEO pay over the past five years?	1		rm_bn_3	UK
	If there is a disclosure on degree of alignment between the company's annualized three-year pay percentile rank, relative to peers, and its three-year annualized TSR rank, relative to peers?	1		rm_bn_4	UK
	<i>PENALTIES (-)</i>				
	If a majority of members of the Nominating and Remuneration Committee are linked to sponsor/ manager	-1		rm_pn_1	
	If part of the bonus granted or to be granted guaranteed	-1		rm_pn_2	UK/SA/N
	If a problematic pay practice or policy that raises concern is identified (non-performance-based compensation such as perquisites; risk taking, option backdating or no shareholder approval)	-1		rm_pn_3	UK/SA/N
TOTAL SUB SCORE REMUNERATION MATTERS INDEX			0		

REIT ORGANIZATION INDEX				ro	
	NOTE				
	Is the REIT Internally Managed?				
	Is the REIT Externally Managed? *				
	Is the role of Trustee mentioned or identified? **				
	Is the role of the Property Manager mentioned or identified? ***				
22	<i>AGM</i>			ro_a	
22.1	If the REIT has held 1 AGM or meeting of unitholder/shareholders over FY	1		ro_a_1	UK/SA/N
23	<i>Manager*</i>			ro_m	
23.1	If the manager is fully independent and not related to the sponsor	1		ro_m_2	UK/SA/N
23.2	If rules pertaining to choose of manager are fully disclosed	1		ro_m_3	UK/SA/N
23.3	If provisions for removal of manager are fully disclosed	1		ro_m_4	UK/SA/N
23.4	If consequences of termination of management agreements (e.g. "poison pills") are fully disclosed	1		ro_m_5	UK/SA/N

24	<i>Trustee**</i>			ro_t	
24.1	If Trust Deed is readily available to unitholder/shareholders**	1		ro_t_6	UK/SA/N
24.2	If main provisions of Trust Deed are described in annual reports, prospectus or company website**	1		ro_t_7	UK/SA/N
24.3	If all transactions/links with trustee and trustee related companies are fully disclosed**	1		ro_t_8	UK/SA/N
24.4	If the Trustee made direct proposals to the Board over FY**	1		ro_t_9	UK/SA/N
25	<i>Governance guidelines</i>			ro_gg	
25.1	If corporate governance guidelines are fully disclosed	1		ro_gg_10	UK/SA/N
25.2	If corporate governance practices are properly referenced to the country's Corporate Governance Code	1		ro_gg_11	UK/SA/N
25.3	If a statement of compliance to Corporate Governance Code is given	1		ro_gg_12	
25.4	If details of how Provisions of Corporate Governance are applied is provided	1		ro_gg_13	
	<i>BONUSES (+)</i>				
	If the REIT has a whistleblowing policy in place	1		ro_bn_1	UK/SA/N

	If key risks and mythology to cover them are disclosed in the annual report	1		ro_bn_2	UK/SA/N
	If there are rules limiting manager's ability to vote on management changes	1		ro_bn_3	UK/SA/N
	If explanation for noncompliance to any aspect of Corporate Governance Code is Provided	1		ro_bn_4	
	<i>PENALTIES (-)</i>				
	If Manager is related to Sponsor*	-1		ro_pn_1	UK/SA/N
	If REIT has been sanctioned for not meeting country REIT requirement	-1		ro_pn_2	
TOTAL SUB SCORE REIT ORGANIZATION INDEX			0		
FEES INDEX				f	
	NOTE				
	Is the REIT Internally Managed?				
	Is the REIT Externally Managed? *				
	Is the role of Trustee mentioned or identified? **				
	Is the role of the Property Manager mentioned or identified? ***				

26	<i>Structure of Manager's Management Fees*</i>			f_smf	
26.1	If the basis for manager's performance fees is determined net of borrowing costs*	1		f_smf_1	UK/SA/N
27	<i>Acquisition / Divestment Fees*</i>			f_adf	
27.1	If acquisitions do not trigger fees paid to the Manager of the REIT*	1		f_adf_2	UK/SA/N
27.2	If divestments do not trigger fees paid to the Manager of the REIT*	1		f_adf_3	UK/SA/N
27.3	If in case of acquisition/disposals of properties, disclosure of fees is made in actual money quantum*	1		f_adf_4	UK/SA/N
27.4	If in case of acquisition, a profit forecast is made including expected incremental income to the REIT*	1		f_adf_5	UK/SA/N
27.5	If in case of disposal fees, value creation for unit holders is fully disclosed*	1		f_adf_6	UK/SA/N
28	<i>Disclosure of Fees* ** ***</i>			f_dsf	
28.1	If fees paid to the Manager*, the Property Manager*** and the Trustee** are fully disclosed (including detailed amounts and underlying related party transactions)	1		f_dsf_7	UK/SA/N

29	<i>Property Manager's Fees</i> ***			f_pmf	
29.1	If property manager's fees are based on Net Property Income (and not gross revenue) ***	1		f_pmf_8	UK/SA/N
29.2	If property manager's fees include a performance related component (such as anchors, tenant mix, occupancy rates) ***	1		f_pmf_9	UK/SA/N
29.3	If property manager's fees are conditional on a benchmark***	1		f_pmf_10	UK/SA/N
29.4	If property manager's fees are based on an incremental scale***	1		f_pmf_11	UK/SA/N
30	<i>Payment of Fees in Units</i> * ***			f_pfu	
30.1	If conditions for payment of manager's management fees in units are fully disclosed***	1		f_pfu_12	UK/SA/N
30.2	If in case of acquisition fees, transaction date used for issuance and relevant unit price are reported for each acquisition*	1		f_pfu_13	UK/SA/N
30.3	If dilution impact of payment of fees in units is fully disclosed* ***	1		f_pfu_14	UK/SA/N
31	<i>Manager's Management Fees- Level</i> *			f_mfl	
31.1	<i>Manager's management fees as a % of Deposited Property</i> *			f_mfl_15	

	If Manager's management fees are less than 0.6% of Assets under Management (Deposited Property) *	1		f_mfl_16	UK/SA/N
	If Manager's management fees are equal to 0.6% of Assets under Management (Deposited Property) *	0.5		f_mfl_17	UK/SA/N
	If Manager's management fees are greater than 0.6% of Assets under Management (Deposited Property) *	0		f_mfl_18	UK/SA/N
32	<i>Total Manager's fees (including acquisition/ divestment fees) as a % of Net Property Income) *</i>			f_tmf	
	If Total Manager's fees are less than 10% of Net Property Income*	1		f_tmf_19	UK/SA/N
	If Total Manager's fees are equal to 10% of Net Property Income*	0.5		f_tmf_20	UK/SA/N
	If Total Manager's fees are greater than 10% of Net Property Income*	0		f_tmf_21	UK/SA/N
	<i>BONUSES (+)</i>				
	If fees paid to the Manager*, Property Manager*** and Trustee** are fully disclosed in a Tabular form	1		f_bn_1	UK/SA/N
	If in case of acquisition fees, holding period for units received in payment is greater than 1 year* ** ***	1		f_bn_2	UK/SA/N

	If payment of management fees in form of units is submitted to the Board or discussed in EGM*	1		f_bn_3	UK/SA/N
	<i>PENALTIES (-)</i>				
	If the Manager has applied for a waiver from local stock exchange's rules with respect to disclosure of fees (related party transactions) *	-1		f_pn_1	UK/SA/N
	If total fees paid to Manager* and Property Manager*** increased on a year/year basis, while Earnings per Unit decreased or remained equal * ***	-1		f_pn_2	UK/SA/N
	If fees paid to property manager include leasing commissions***	-1		f_pn_3	UK/SA/N
TOTAL SUB SCORE FEES INDEX			0		
RELATED PARTY TRANSACTIONS INDEX				rpt	
33	<i>Related Party Disclosure</i>			rpt_d	
33.1	If rules pertaining to related party transactions are fully disclosed	1		rpt_d_1	UK/SA/N
33.2	If all related party transactions are fully disclosed, including the provision of financial services (e.g. loans)	1		rpt_d_2	UK/SA/N
33.3	If adequate disclosures in AR include:				

	i) identity of interested parties and their relationships with the REIT	1		rpt_d_3	UK/SA/N
	ii) details of the assets to be acquired or sold, including a description of these assets and their location	1		rpt_d_4	UK/SA/N
	iii) the prices at which these assets are to be acquired or sold	1		rpt_d_5	UK/SA/N
	iv) the details of the valuations performed (including names of the valuers, methods used to value these assets and the dates of the valuations) and their assessed values	1		rpt_d_6	UK/SA/N
	v) current/ expected rental yield	1		rpt_d_7	UK/SA/N
33.4	If transactions greater than 5% of the NAV are immediately announced and subject to unitholder/shareholders' votes	1		rpt_d_8	UK/SA/N
33.5	If transactions greater than 5% of the NAV are reviewed by an independent expert whose opinion was made public to unitholder/shareholders	1		rpt_d_9	UK/SA/N
34	<i>Role of Trustee**</i>			rpt_rt	
34.1	If one of the two valuers are commissioned independently by the Trustee**	1		rpt_rt_10	UK/SA/N
34.2	If the Trustee provides written confirmation for each related party transaction**	1		rpt_rt_11	UK/SA/N

	If the Trustee only reviews the transaction but provides no written confirmation available to unitholder/shareholders**	0.5		rpt_rt_11	UK/SA/N
35	<i>Independent Experts</i>			rpt_ie	
35.1	If relationships of Independent Expert with the Manager or related parties are fully disclosed	1		rpt_ie_12	UK/SA/N
35.2	If Independent Experts are explicitly selected according to legal standards	1		rpt_ie_13	UK/SA/N
	<i>BONUSES (+)</i>				
	If the Trustee or Trustee related companies are defined as related parties**	1		rpt_bn_1	UK/SA/N
	If transactions with parties related to Independent Non-Executive Directors are submitted to rules on related party transactions	1		rpt_bn_2	UK/SA/N
	<i>PENALTIES (-)</i>				
	If the Audit Committee replaces unitholder/shareholders in assessing related party transactions	-1		rpt_pn_1	UK/SA/N

TOTAL SUB SCORE RELATED PARTY TRANSACTIONS INDEX			0		
GEARING INDEX				g	
36	<i>Gearing Disclosure</i>			g_d	
36.1	If gearing related information is fully disclosed (e.g. debt maturity profile, hedging interest rate risk, loan covenants, LTV)	1		g_d_1	UK/SA/N
36.2	If the REIT has voluntarily applied for a rating	1		g_d_2	UK/SA/N
36.3	If adequate information is provided about the optimal sources/ uses of funds	1		g_d_3	UK/SA/N
36.4	If unit holders are consulted about gearing decisions (e.g. EGM)	1		g_d_4	UK/SA/N
36.5	If "look through" gearing is reported (refers to the undisclosed gearing that might be linked to off balance sheet arrangements & partnerships).	1		g_d_5	
	<i>PENALTIES (-)</i>				
	If Borrowing Costs are greater than 50% of Net Property Income	-1		g_pn_1	UK/SA/N
TOTAL SUB SCORE GEARING INDEX			0		
OWNERSHIP AND SHAREHOLDER RIGHTS INDEX				os	

37	<i>Ownership Disclosure</i>			os_d	
37.1	If the top unitholder/shareholders are disclosed in the annual report	1		os_d_1	UK/SA/N
38	<i>Ownership Concentration</i>			os_c	
38.1	If total concentration of share-ownership in the top unitholder/shareholders/shareholders is less than 50%	1		os_c_2	UK/SA/N
38.2	if total concentration of share-ownership in the top 5 unitholder/shareholders/shareholders is less than 40%	1		os_c_3	UK/SA/N
39	<i>One-share, One-vote</i>			os_sv	
39.1	If the proportion of multiple voting rights (or voting certificates) relative to the total number of voting rights (Class A and B shares) is less than 50 percent	1		os_sv_4	UK/SA/N
39.2	If the level of free float of the multiple voting rights or voting certificates is greater than 50 percent	1		os_sv_5	UK/SA/N
39.3	If the company has non-voting shares, is the percentage of the company's share capital made up of non-voting shares is disclosed	1		os_sv_6	UK/SA/N

39.4	If is the level of free float of voting shares is greater than non-voting shares	1		os_sv_7	UK/SA/N
	<i>PENALTIES (-)</i>				
	If the manager has a strategic shareholding in the REIT (entrenchment)	-1		os_pn_1	UK/SA/N
	If shareholders related to the Sponsor/ Manager/State have a blocking stake in the event of takeover or there are other factors such priority rights/ownership/controlling shareholder factors	-1		os_pn_2	UK/SA/N
	If the company have classes of stock with different voting rights?	-1		os_pn_3	UK/SA/N
	If the company has an ownership ceiling	-1		os_pn_4	UK/SA/N
	If the company has ownership ceilings for specific parties (institutional or foreign investors)	-1		os_pn_5	UK/SA/N
	If shareholders or the State have the priority, right	-1		os_pn_6	UK/SA/N
TOTAL SUB SCORE OWNERSHIP INDEX			0		
TOTAL SCORE			0		

