

REAL ESTATE FINANCE & ECONOMICS: A GUIDE TO SECURING FINANCE FOR REAL ESTATE PROJECT DEVELOPMENT IN DEVELOPED AND EMERGING ECONOMIES

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**List of abbreviations**

AML Anti-money laundering

BRICS Brazil, Russia, India, China and South Africa

CAPEX Capital expenditure

CEO Chief executive officer

CMBS Commercial mortgage-backed securities

CPDs Continuing professional development

CRE Commercial real estate sector

CSF Critical success factors

ECB European central bank

EU European Union

FDIC Federal deposit insurance company

FRED Federal Reserve System

GDP Gross domestic product

GIS Geographic information system

IPMA International project management association

JV Joint ventures

KYC Know your customer

LBT Land and building tax

LTC Loan to cost

LURs Land use rights

MGR Real estate manager

MINT Mexico, Indonesia, Nigeria and Turkey

MNC Multinational Corporation

NHF National housing fund

NMRC Nigeria Mortgage refinance company

ONS Office of National statistics

PESTLE Political, economic, social, technological, legal and environmental factors

PESTLE Political, economic, social, technological, legal and environmental factors

PPP Public-private partnership

PROP TECH Property technology

REDAN Real estate developer’s Association of Nigeria

REITs Real estate investment trusts

SA South Africa

SA South Africa

SEC Securities and exchange commission

STEEPLE Social technological, economic, environmental, political, legal and ethical factors

SWOT Strength, weaknesses, opportunities, and threats

TIS Tenant improvements

TUHF Trust for urban housing finance

UK United Kingdom

US United States of America

**A list of definitions**

|  |  |
| --- | --- |
| Words | Definition |
| Toolkit | A toolkit for securing finance is a set of reliable and adaptable resources that could act as a guide for the managers involved with securing finance for real estate project development |
| Managers | The managers in this context are strategic, tactical and lower-level managers. A manager is someone who achieves results through others. |
| Skills | Skill is the ability to perform a physical or mental task. It is the application of knowledge. |
| Knowledge | Knowledge is the collection of information and experience that the manager in the real estate development sector possesses. |
| Competences | Competence is the ability of the professional to exercise their skills fairly and ethically. Competence enables skilled personnel to be termed a professional, and it depicts superior work performance. |
| Career path | A career path is an individual’s path from a basic degree through different stages; further education, different jobs, and organisation to the current circumstance. |
| Education | Education is the learning process whereby an individual's skills and knowledge for particular work are acquired and developed to help them execute their jobs. This learning process results in formal qualification and includes professional qualification by examination |
| Training | Training is a process where specific skills/knowledge necessary to carry out a job dimension or set of job dimensions are acquired and developed. The learning process may be formal or informal, may not lead to qualifications and may be obtained during the working career of a manager. |
| Off takers | An off-taker is a person who buys the property / real estate being developed. An off-taker’s rights and obligations are usually contained in an off-take agreement. |

**List of appendices**

Appendix 1 Copy of online questionnaire (main study)

Appendix 2 Semi-structured interview questions (main study)

Appendix 3 Research participant consent form

Appendix 4 The following publications by the researcher:

Ogbenjuwa, L., and Egbu, C. (2017) Creative and Innovative Financing, An approach to financing a sustainable real estate environment. In: P.G Aouad, A., Al-hajj & C. Egbu (Eds). Sustainable futures proceedings of the international conference on sustainable futures- ICSF 2017, The Grove Hotel, Amwaj Island, Kingdom of Bahrain; 26 -27 November 2017, pp. 545 – 555

Ogbenjuwa, L., Egbu, C., & Robinson, H. (2018). A strategic approach to real estate financing: challenges & opportunities in real estate financing in Nigeria. In RICS COBRA 2018. London: RICS. Available at https://www.rics.org/es/news-insight/research/conference-papers/a-strategic-approach-to-real-estate-financing-opportunities-in-nigeria/

Ogbenjuwa, L., Egbu, C., and Robinson, H. (2018). A skilled manager, strategic to real estate financing. International Journal of Real Estate and Land Planning, 1(March), pp.106–115. Available at: http://ejournals.lib.auth.gr/reland/article/view/6463

Ogbenjuwa, L., Egbu, C., and Robinson, H. (2018).Shortages of skills and competences: constraint to private sector real estate funding in the emerging economies. In ARCOM Conference, Belfast UK 3rd – 5th September, (2018, pp. 390 – 399. Available at: http://www.arcom.ac.uk/-docs/archive/2018-Working-Papers.pdf

Ogbenjuwa, L., Egbu, C., and Robinson, H. (2018). The real estate manager: towards a financial knowledge and skills framework for professional development. In proc. of the international conference on professionalism and ethics in construction, London, UK, 21st-22rd November 2018, pp. 363 -372. Available at: http://www.lsbu.ac.uk/\_\_data/assets/pdf\_file/0014/136022/final-international-conference-on-professionalism-and-ethics-in-construc....pdf

**Declaration**

The researcher declares that the work presented in the thesis is original and her work to the best of her knowledge. Neither the thesis, as a whole or any portion of it, was submitted for application for another academic degree or qualification in another university or institution of learning. Other sources of information used in the study have been well acknowledged and referenced.

Parts of this study were previously published as presented below in conferences, seminars, and posters and journal presentations.

Ogbenjuwa, L., and Egbu, C. (2017) Creative and Innovative Financing, An approach to financing a sustainable real estate environment. In: P.G Aouad, A., Al-hajj & C. Egbu (Eds). Sustainable futures proceedings of the international conference on sustainable futures- ICSF 2017, The Grove Hotel, Amwaj Island, Kingdom of Bahrain; 26 -27 November 2017, pp. 545 – 555

Ogbenjuwa, L., Egbu, C., & Robinson, H. (2018). A strategic approach to real estate financing: challenges & opportunities in real estate financing in Nigeria. In RICS COBRA 2018. London: RICS. Available at https://www.rics.org/es/news-insight/research/conference-papers/a-strategic-approach-to-real-estate-financing-opportunities-in-nigeria/

Ogbenjuwa, L., Egbu, C., and Robinson, H. (2018). A skilled manager, strategic to real estate financing. International Journal of Real Estate and Land Planning, 1(March), pp.106–115. Available at: http://ejournals.lib.auth.gr/reland/article/view/6463

Ogbenjuwa, L., Egbu, C., and Robinson, H. (2018).Shortages of skills and competences: constraint to private sector real estate funding in the emerging economies. In ARCOM Conference, Belfast UK 3rd – 5th September, (2018, pp. 390 – 399. Available at: http://www.arcom.ac.uk/-docs/archive/2018-Working-Papers.pdf

Ogbenjuwa, L., Egbu, C., and Robinson, H. (2018). The real estate manager: towards a financial knowledge and skills framework for professional development. In proc. of the international conference on professionalism and ethics in construction, London, UK, 21st-22rd November 2018, pp. 363 -372. Available at: http://www.lsbu.ac.uk/\_\_data/assets/pdf\_file/0014/136022/final-international-conference-on-professionalism-and-ethics-in-construc....pdf

**Abstract**

Finance is essential to the real estate project development sector’s success. However, there is still an enormous gap in the real estate sector. What seems to be required is a model that could guide managers in securing real estate project development finance.

Findings have shown that no comprehensive framework is presently available that guides managers involved with securing finance for real estate project development. This study aims to develop a tool kit to support real estate managers in securing real estate project development finance.

This toolkit would enhance access to finance by ensuring that managers understand the different finance options and criteria required by the different financiers. The toolkit would provide a framework for environmental scan, which would help minimise the challenges associated with securing real estate project development finance. It would also enable managers to take advantage of available opportunities and understand the critical success factors to facilitate access to finance for project development. It would allow an understanding of the vital decisions and processes; the skills, knowledge, competences, career path, education and training to enable access to finance for real estate project development.

This research adopted a pluralistic methodological approach by employing qualitative and quantitative research designs focused on a case study of three developed and emerging economies, respectively. Using random sampling and snowballing, an online questionnaire survey was administered to real estate project development managers in developed and emerging economies, including Germany, the United Kingdom, and the United States of America, China, Nigeria, and South Africa. Thematic analysis was used to analyse the qualitative data, while the online questionnaire survey was analysed using descriptive and inferential statistics.

The research revealed various challenges are associated with securing finance for real estate project development in both developed and emerging economies; however, the dominant challenges common to managers in both economies are access to land, collateral, and rising interest rates.

This study developed a toolkit for securing finance for real estate project development. The toolkit is to support real estate managers in securing finance for real estate project development and serve as a guide in training and education for both academia and the industry.

# Introduction

This chapter provides the study's background, the research aims and objectives, the rationale for the research, the statement of the research problem and the research questions. Furthermore, the chapter also presents the research's scope, an outline of the research methodology, and the thesis structure.

## Background of the study

Finance is identified as very important to the real estate project development sector’s success for three fundamental reasons: working capital requirement, purchase of long-term assets, and reduction of a temporary imbalance between cash receipts and payments. Finance could be accessed from the private or public sectors across the border or locally (Li, J et al., 2018). However, sourcing funding by managers in the real estate development sector has been challenging for many since the financial crisis of 2008 (Mamun, 2017). Notably, real estate project development is capital-intensive, and managers in this sector often face challenges in accessing funding in developed and emerging economies (Zhang, 2017; BBC News, 2018). Consequently, there is still an enormous gap in the real estate sector. What seems to be required is a model that could guide managers in securing real estate project development finance. This is with the view to enhance access to finance for real estate project development.

There is a shortfall in the housing needed for the increasingly growing world population (Manu et al., 2015; Ogbenjuwa et al., 2018). Cities worldwide are becoming increasingly more economically powerful, which has created a tremendous demand for their land, leading to escalating real estate property costs and competition (Florida & Schneider, 2018). Furthermore, countries worldwide are faced with immense pressure in the real estate sector because of the increased demand for housing due to a massive influx of people into the urban regions (Zang et al., 2014; Awofeso, 2010).

The demand for real estate development is higher than the supply (Tilford 2015; Tustin, 2017). The United Nations statistics show that about 1.6 billion people live in substandard housing globally, and 100 million are homeless (Simire, 2017). The housing and real estate crisis affects both developed and emerging economies. The annual demographic international housing affordability survey (2019) conducted by Wendell Cox and Hugh Pavletich demonstrates that most major cities in the world have incredibly high housing prices compared to income, which indicates demand is way above supply. The housing affordability rating shows severely unaffordable housing markets in the world (see table 1.1)

Table 1.1‑1: Housing affordability rating by nations: Major housing markets (1,000,000+ population

|  |  |
| --- | --- |
| Nation | Median Market |
| China: Hong Kong | 20.9 |
| New Zealand | 9 |
| Australia | 6.9 |
| Ireland | 4.8 |
| United Kingdom | 4.8 |
| Singapore | 4.6 |
| Canada | 4.3 |
| United States | 3.9 |

Source: 15th Annual demographic international housing affordability survey (2019)

Table 1.1. gives credence that major developed countries of the world also experience a gap in the supply and demand for real estate. Furthermore, the graph below reflects housing shortages in major cities worldwide, including some of the emerging economies covered by this study.

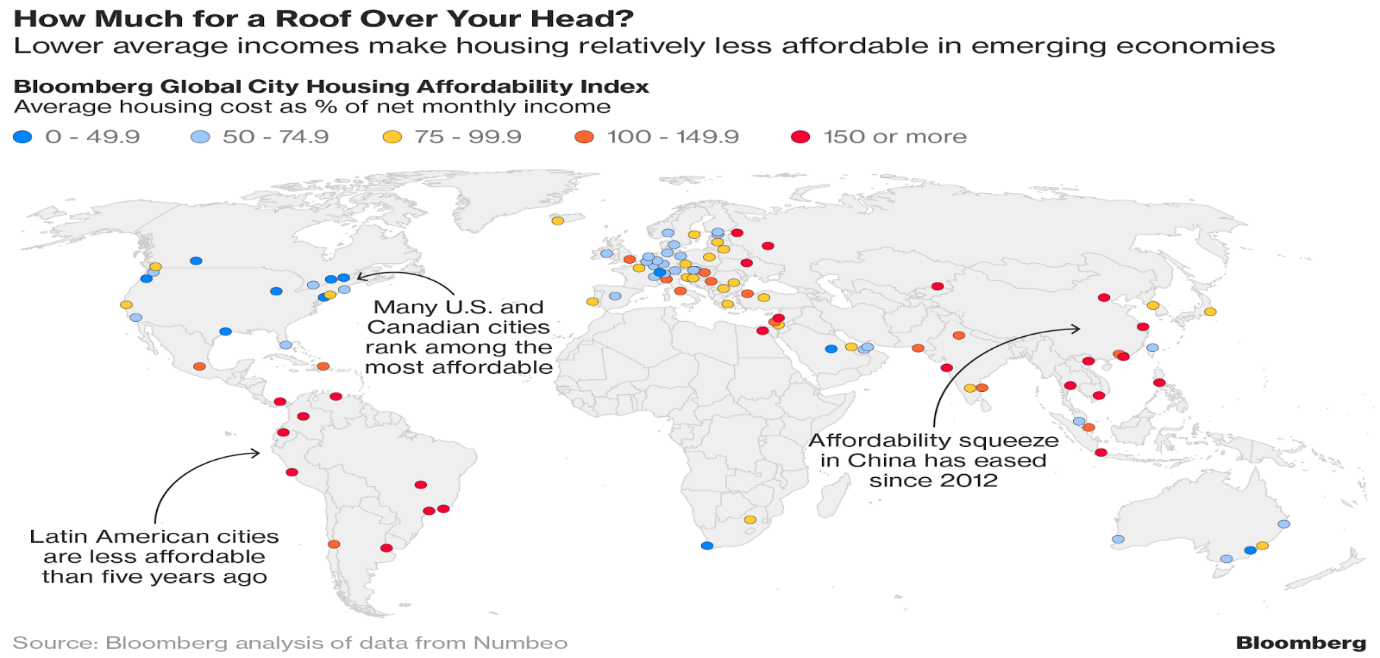


Figure 1.1‑1: Bloomberg housing affordability index

Managers in this sector are not optimally able to access finance, which is a fundamental reason why housing and real estate development challenges are still evident globally. In some cases, the managers can access funding, but they do not source the right kind of funds or effectively use the funds; hence payback to financiers is compromised. There are scenarios where short-term funds are sourced for long term projects, which will inadvertently lead to payment default (Wallace, 2015). Despite governmental support across the globe and the fact that regulatory authorities are heavily involved in the financial markets' activities, managers still face the problem of securing finance for real estate project development in both developed and emerging economies. However, the funding gap is more evident in emerging economies (Ogbenjuwa et al., 2018).

The researcher undertook an extensive literature review and informal discussions with some stakeholders in the built environment to address real estate project development financing problems. This discussion brought to the fore the salient gap in the literature: the skills, knowledge, and competences that the real estate development sector manager needs to facilitate their ability to secure funding for real estate project development. Furthermore, from the literature review, there is no detailed framework available that provides a guide for real estate development managers in obtaining finance for project development. Therefore, there is a need for a guide that will support the manager in securing finance for real estate project development. The need for a guide to support managers in securing finance for real estate project development was conceptualised and evolved in the cause of this research.

The following section highlights the research aims, objectives, and rationale for the research with the background established.

## Research Aim and Objectives

This research aims to develop a toolkit to support real estate managers in securing real estate project development finance.

The following objectives will assist in achieving the research aim:

1. To examine the various real estate finance options/ instruments for real estate project development; & to ascertain and document the criteria funding institutions use in lending for real estate project development.
2. To identify the opportunities, challenges and critical success factors associated with securing finance for real estate project development.
3. To document the processes and key decisions for securing finance for real estate project development.
4. To identify and document the skills, knowledge, and competences and ascertain the career pathway, training background and education the real estate development manager needs to secure finance for real estate project development.
5. To integrate the different components of the tool kit for securing finance for real estate project development.

The components of the toolkit for securing finance for real estate project development is contained in table 1.2.

Table ‑: Components of the toolkit for securing finance for real estate project development.

|  |  |  |  |
| --- | --- | --- | --- |
| **Components of the toolkit for securing finance for real estate project development** | | | |
| **Stages** | **Research objectives** | **Content of toolkit /Tool kit solution/output** | |
| 1 | To examine the various real estate finance options/ instruments for real estate project development and ascertain and document the funding institutions' criteria for lending for real estate project development. | Inventory of finance options and criteria for securing finance for real estate project development. | Chapters 2, 5 |
| 2 | To identify opportunities and challenges affecting managers in securing real estate project development finance and to identify the critical success factor in securing finance for real estate project development. | A Conceptual framework of environmental scan for securing finance for real estate project development. | Chapter 2,6 |
| 3 | To document the processes and key decisions for securing finance for real estate project development. | Process map for securing finance for real estate project finance | Chapter 2,7 |
| 4 | To identify and document the skills, knowledge and competences that the real estate development manager needs to be successful in securing finance for real estate project development. | An inventory of skills, knowledge, and competences for securing finance for real estate project development | Chapter 3. 8 |
| 5 | To identify and document the career pathway that the real estate development manager needs to be successful in securing finance for real estate project development. | A conceptual framework for career path for securing finance for real estate project development | Chapter 3,9 |
| 6 | To identify and document the training background and education, the real estate development manager needs to successfully secure real estate project development finance. | A conceptual framework for training and education for securing finance for real estate project development. | Chapter 3,9 |
| **The integration of the different components of the toolkit for securing finance for real estate project development.** | | | **Chapter 10** |

Compilation by the Author (2021)

## The Research Rationale

This study looks at managers' problems concerning access to finance for real estate development projects by looking at three key drivers that formed the research's fundamental rationale. These three drivers are as follows:

1. The significance of a toolkit for securing finance for real estate project development in both developed and emerging economies.

2. Development funding shortage

3. The existing research gap in the manager’s skills, knowledge, competences, career path, training, and education as a significant platform for securing finance for real estate project development.

### ****The**** significance of a toolkit for securing finance for real estate project development in both developed and emerging economies.

Real estate finance is considered the prime mover of a national housing delivery framework (Bustani et al., 2014). The residential loan to GDP ratio of the USA, the UK, and Norway is 67%, 75%, and 75%, respectively, compared to Nigeria's emerging economy, where it stands at 1% (CESIFO, 2014 & Nubi 2010). Arguably, the real estate sector's performance in housing provision in emerging economies is comparatively poor compared to the developed economies because of a lack of access to adequate finance.

According to the World Bank, this perennial housing problem can only be addressed through large-scale investment in housing production (Simire, 2017). As the world population continues to grow, new home construction becomes more critical to driving economic growth. Finance is needed to purchase raw materials such as steel, iron, glass, concrete and non-current assets such as cranes and concrete mixers used on the construction sites. Similarly, skilled and competent labour is enormously expensive and represents one of the industry's highest costs, and this needs adequate finance to achieve effectiveness. Any large project will require significant quantities of skilled, semi-skilled and unskilled labour that must be paid in good time for the project to be completed on time (Horner, 2017; Dyson, 2010).

Findings have shown that no comprehensive framework is presently available that guides managers involved with securing finance for real estate project development. Specific sources of finance for real estate project development such as commercial banks, institutional investors, private equity, hedge funds and sovereign wealth funds have huge capital pools. Still, they need to be satisfied to part with their finance either locally or across the border. Consequently, the comprehensive toolkit for securing finance is necessary to meet these financiers' strict requirements. The toolkit will help establish a closer link between the available sources of finance for real estate project development and the managers in this sector.

The comprehensive toolkit would support the managers in understanding the different finance options and criteria required by the financiers. It would also provide a framework for environmental scan for securing finance for real estate project development. This would guide the managers in scanning both the internal and external environment to minimise challenges and maximise opportunities associated with securing real estate project development finance. The toolkit will clarify the critical success factors for securing finance and details of the processes a manager needs to undertake to effectively secure finance for real estate project development. It would provide a guide on the skills, knowledge, competences , career path, training and education for securing finance for real estate project development. A comprehensive toolkit will facilitate access to finance for real estate project development and contribute to reducing the gap between supply and demand for real estate development. Please see more detail in chapter 3.9.3 and chapter 10.

### Development funding shortage

Managers in the real estate development sector encounter challenges in accessing funding for project development (Ogbenjuwa et al., 2017; Squires et al., 2015). The challenges could be because of economic factors, social factors, legal frameworks, or policy environments. Governments in most countries of the world put in place instruments that support real estate funding (Nubi, 2010). However, this is not always effective because some countries, especially emerging economies, do not have enough property development companies listed on the stock market to maximise these opportunities. Furthermore, government policies supporting housing finance, such as monetary and fiscal policies, have not been constructive in some quarters (Wallace & Onu, 2015). This lack of constructiveness in government policies is evident as interest rates have remained very high in most parts of the world, apart from developed economies. The low interest rates in the developed economies are because their governments, through economic policy coordination, left the interest rates pegged since the 2008 global financial crisis (the trading economies, 2020).

Hamzah et al. (2009) identified four main factors as construction financial-related delays in the construction project: poor cash flow, management, insufficient resources, and financial market instability. Assaf & Sadiq (2006) supported this position through their survey, which identified seventy-three causes of delay to construction projects. They concluded that construction delays meant higher overhead costs because of the extended work period, higher material costs due to inflation, and increased labour costs. This study also identified difficulties in getting finance for projects as one of the fundamental challenges managers face in real estate interaction. It is expedient to provide a comprehensive model such as the toolkit developed by this study to support managers in effectively securing finance for real estate project development.

### **The existing Research Gap.**

Skills, knowledge, and competences are part of the essential toolkit that every manager should have. It will help them understand their decisions' financial implications and how to use financial information to enhance their decision-making process, improve their company’s performance, and secure funding (Lianabel, 2018). The real estate manager’s financial knowledge, skills, and competences are critical factors in securing financing for projects. The decision to borrow involves series of complex considerations related to currently available resources, expected income, perceived needs, and the cost of borrowing and associated risks. The growth of financing options means that real estate managers must be financially knowledgeable and skilful at making the best decisions (Ogbenjuwa et al., 2018). Much work has been done on the manager’s skills, knowledge, competences, career path, training, and education. However, there is no notable work on skills, knowledge, and competences for securing real estate project development finance. This study will help to bridge that knowledge gap.

## **Statement of the research problem**

There is evident housing and real estate problem in both the developed and emerging economies with insufficient resources to fill these gaps, as depicted by the following quotes. Resources in this context encompass material, financial and human resources.

*“What we see out there is an affordable housing crisis, particularly in the rental market in cities big and small, we don’t have the resources necessary to fill that gap” Julian Castro (American Politician).*

*“We need more housing in San Francisco, plain and simple, and we especially need more affordable housing for our low-income households, seniors, teachers, formerly homeless people, veterans, and middle-income residents”.*

*London Breed (Mayor of San Francisco).*

There is an increasing global shortfall in the supply of real estate projects compared to demand; this is partly because of the inability of managers/decision-makers in this sector to adequately secure finance (Simire, 2017 and BBC News, 2018). Figure 1.1 on the Bloomberg housing affordability index also reveals the housing gaps in developed and emerging economies. This raises questions of what the manager in this sector can do to secure finance for their project development from limited sources.

There is also the existing research gap in the literature on skills, knowledge, competences, career path, education, training and process map for securing finance for real estate project development. This research seeks to provide solutions to the existing research gap (see Chapter 1.3.3). Consequently, there is a need to understand better the support the manager needs to secure finance for real estate project development.

Several kinds of research on the managers in the built environment, their roles, knowledge, and skills have been conducted (Egbu, 1994; Young, 1988; Muthuveloo, 2017). However, the manager's specific skills, knowledge, competences, career path, training, and education to access finance for real estate project development have not been investigated. The increasing changes and complexities in the built environment raise essential questions about the nature and types of skills, knowledge, and competences required by real estate managers to secure finance for real estate project development (Ogbenjuwa et al., 2018; Dale & Iles, 1992). To meet the demands of financiers, the manager needs a robust skill set and continually need the training to align with the changing financial markets, as depicted by the quote below by Warren Bennis, regarded as a pioneer of the contemporary field of leadership.

*“Success in management requires learning as fast as the world is changing.”*

*Warren Bennis*

Much work has been done on financing for real estate project development (Clauretie and Sirmans, 2010; Jones, 2017; Kaplan, 2011). However, no comprehensive framework or toolkit considers the totality of all the factors this research has identified as relevant in guiding the real estate manager in securing finance for real estate project development in both the developed and emerging economies.

This study enhances existing knowledge in real estate financing through its proper articulation of some of the available real estate financing options in both developed and emerging economies. It looks at the critical success factors, challenges & opportunities, criteria, and decision-making processes for securing real estate project development finance. It also looks specifically at the skills, knowledge, competences, career path, training, and education that managers in the real estate and property sector need to secure finance for project development in developed and emerging economies. The study's focus is on the selected countries in both developed and emerging economies, emphasising residential and commercial real estate to provide a comprehensive model that managers in the real estate sector can plug in depending on their needs ( see chapter 10).

## Research Questions

The research questions are as follows:

1. What are the various real estate finance options/ instruments for real estate project development? What are the document and the criteria funding institutions use in lending for real estate project development?
2. What are the opportunities and challenges affecting managers in securing real estate project development finance, and what are the critical success factor in securing finance for real estate project development?
3. What are the processes and key decisions for securing finance for real estate project development?
4. What are the skills, knowledge, competences, training background, education, and career pathway that the real estate development manager needs to secure finance for real estate project development?
5. How can the different components of the toolkit be integrated into a system to enable managers to access finance for real estate project development?

Research questions that are robust qualitative research attributes were used because the knowledge about skills, knowledge, and competences for securing finance for real estate project development is limited. Consequently, a hypothesis was not used in the research (Flick, 2014). Furthermore, a hypothesis may divert attention too far away from other exciting facets of the research that can be amassed through research questions because of the way they are structured (Bryman & Cramer, 2009).

## Scope of the Research

This research's scope is managers in the real estate sector covering residential and commercial real estate project developments. The region of coverage is both developed and emerging economies. The specific countries of coverage are the United States of America, the United Kingdom and Germany for the developed economies and China, South Africa, and Nigeria for the emerging economies. The researcher selected the United States, United Kingdom and Germany as the developed economies for this research because they fall amongst the top ten (10) real estate’s markets globally, according to Bloomberg News (2017). They are among the countries with the highest income return and capital growth in real estate investment. Arguably, they have best practices in real estate financing that can be replicated in other regions that are not doing well.

The choice of China, Nigeria and South Africa as the emerging economies for this study is their high population size. The population of China represents 19.48% of the world. It could be said that 1 in every five people in the world is from China. The people of Nigeria represents 2.35% of the world’s total population. It can be said to be that 1 in every 43 people on the planet. In comparison, the population of South Africa represents 0.73% of the world’s population. This could be said to be at one person in every 138 people in the world who lives in South Africa (the trading economics, 2020). These emerging economies are experiencing increasing urbanisation and the middle class, resulting in increased demand for commercial and residential real estate (Marton and McGee, 2017). This makes them a good choice for real estate research. Furthermore, selecting the developed/ industrialised countries and the emerging economies is to understand their financing styles to be able to foster cross-selling of ideas.

The study unit is strategic, middle-level, or lower-level managers who have worked actively in the real estate and property sectors for less than four years. While, the project types include residential, office, retail, industrial and mixed-use properties. These classes of properties were selected to ensure comprehensive coverage of all the regions. The United States and the United Kingdom have the most significant investment strength in industrial properties, followed by retail, while South Africa’s greatest strength is in the retail industry and then offices (Bloomberg, 2017). Germany has strength in residential housing because of the rise in migrations (Vonovia, 2016). China has great strengths in residential, offices, and retail buildings (Chiang, 2016), while Nigeria’s strength is in residential properties (Nubi, 2010; Onu, 2015). Consequently, it is vital to concentrate on managers involved in all real estate assets classes to gain a holistic view of all the selected countries.

## Outline of the research methodology

This is a case study of six countries, and it adopts a pluralistic methodological approach. It adopts both a qualitative and a quantitative research design; consequently, it is mixed-method research. Qualitative research was used because it attempts to capture people’s perceptions, definitions, and descriptions of events (Flick, 2014), and this was through semi-structured interviews. The quantitative element examines individual responses from real estate development managers in both the developed and developing economies through online questionnaire surveys. The participants are located in dispersed locations in three developed economies and three emerging economies; hence, the usage of qualitative and quantitative research provides a more excellent perceptive of the phenomena being studied (Easterby- Smith et al., 2008).

## The structure of the Thesis

The thesis adopts a traditional approach to research structure and is presented in eleven chapters, as illustrated below.

Chapter 1 introduces the topic and provides the background of the research. It also outlines the research questions, aims, objectives, details on the unit of the study, which is the manager’, an outline on the real estate sector, the contribution of the research and justification for the study, and a brief introduction of the research methodology. Finally, this chapter explains the structure of the thesis.

Chapter 2 explains the concept of real estate in both developed and emerging economies, emphasising the selected six countries.

Chapter 3 reviews literature based on the objectives.

Chapter 4 presents the research methodology and methods employed in the research. The chapter elaborates on the research design, data collection, and analysis of qualitative and quantitative research used in the study. It also explains the difficulties encountered and the various research instruments used in mitigating such difficulties

Chapter 5 presents and discusses finance options and criteria for securing finance for real estate project development in the developed and emerging economies. It also developed the inventory of finance options and criteria for securing real estate project development finance in developed and emerging economies.

Chapter 6 presents and discusses findings on the critical success factors, challenges and opportunities associated with securing finance for real estate project development in the developed and emerging economies. It also presents a conceptual framework for environmental scanning for securing finance for real estate project development.

Chapter 7 presents and discusses the processes and key decisions in securing finance for real estate project development in developed and emerging economies. This chapter also presents the development of the process map for securing finance for real estate project development.

Chapter 8 presents and discusses findings on the real estate manager’s skills, knowledge, and competences for securing finance for real estate project development in the developed and emerging economies. This chapter also presents the inventory of skills, knowledge and competences for securing finance for real estate project development.

Chapter 9 presents and discusses findings on the real estate manager’s career path, training, and education for securing finance for real estate project development in the developed and emerging economies. This chapter presents the development of the conceptual framework for career path, education, and training to secure finance for real estate project development.

Chapter 10 presents the tool kit's development for securing finance for real estate project development, which can be plugged-in in both the developed and emerging economies depending on the level of the manager’s need.

Chapter 11. presents the summary, recommendations, and limitations of the study.

## Summary

This chapter introduced the research presented in this thesis. The chapter provided the background of the study with a particular focus on the real estate gap in demand and supply in both the developed and emerging economies. The chapter outlined the research aims and objectives and the rationale for the research. The research's rationale focused on three fundamental factors: the significance of real estate project development in both the developed and emerging economies: the development funding shortage, and the existing research gap.

This chapter also established the statement of the research problem. The research problem is focused on some areas, which includes the following:

1. the real estate supply and demand gaps in both the developed and the emerging economies
2. the difficulties of managers to secure finance for real estate project development
3. The existing research gap in skills, knowledge, competences, career path, training, and education for securing real estate project development finance.
4. The need for a comprehensive model that would support the manager in securing finance for real estate project development.

Furthermore, the chapter also presents the research's scope and limitations, an outline of the research methodology, and the thesis structure. The next chapter discusses the real estate market in the developed and emerging economies covered in this study based on a review of the literature.

# The Real Estate Market in Developed Economies and Emerging Economies- Literature review 1.

## Introduction / Research context

This chapter provides an overview of the developed economies of Germany, the United Kingdom, the United States, and the emerging economies of China, Nigeria, South Africa, and their real estate sectors. It also discusses some of the factors that affect these markets, respectively, and the sources of finance they use for real estate project development based on the literature review. The research is fundamentally a case study; consequently, the focus would be on the selected economies. Furthermore, the review of literature in chapter 2 and 3 provided a platform to determine the gap in knowledge and the need for a framework to support managers involved in securing finance for real estate project development (see chapter 3.9.3 and 4.3.2).

## The real estate market in developed/ matured economies.

The economic indicators show that the US, UK and Germany have been enjoying buoyant economies since the 2008 global financial crisis and are more conducive to attracting international investors (the trading economics, 2019). According to Parsa et al. (1999), these three countries have a dominant presence of international banks and various finance sources for real estate project development. Notably, London in the United Kingdom is the global capital of the financial markets. The dominance of international players in these countries' real estate sectors has imposed a very high degree of professional service delivery compared to other world regions. Furthermore, their governments can influence the supply conditions of key production factors, demand conditions in the home market and competition between firms (Lynn & Wang, 2010).

The three selected developed economies are members of the G-7 nations.  They are mature and transparent markets; they have high-quality legal systems and are the world's most internationalized real estate markets. They have robust macro-economic environments (Hatemi et al., 2016). All the G - 7 countries apart from Japan have experienced increasing housing prices because of the generally favourable macro-economic conditions.

### A review of literature focused on the German real estate market

Germany is Europe’s largest economy, ranked 4th in the World (Schulte, 2012). Berlin, Hamburg, Munich, Cologne, Frankfurt, Dusseldorf, and Stuttgart are known as the 7- big German cities and the most liquid for real estate project transactions (Barkham, 2012). The German real estate market is very attractive globally, and investors see it as a “safe haven”, and decades-long economic growth has helped enhance good investor perception (Fitch, 2018; Moodys, 2018).

The value of real estate assets in Germany is approximately 12.96 trillion euros, while the gross domestic product is 2.9 trillion euros. The real estate sector represents 83.9% of the gross national investment and 20% of its GDP (Just and Maennig, 2017). According to the Global real estate transparency index (2018), Germany is ranked 8th globally, with the United Kingdom, the United States of America ranked 1st and 3rd, respectively; this is because they are some of the world’s top leading investment destinations. The real estate sector is the second largest industry in Germany, next to the manufacturing industry. This strength is because of strong regulations and good governance (Bloomberg, 2018). The housing price index measures the market pattern, and it can fuel or dampen consumer confidence. Arguably, the German house price index *(figure 2.2.1)* could be said to be fuelling consumer confidence. This is because organizations and individuals use property price indices directly or indirectly to influence practical decision making. Furthermore, the German hedonic price index rose by 9.01% (7.6% inflation-adjusted) in May 2019, and this shows it has the highest growth rate since 2016 (Delmendo, 2019)

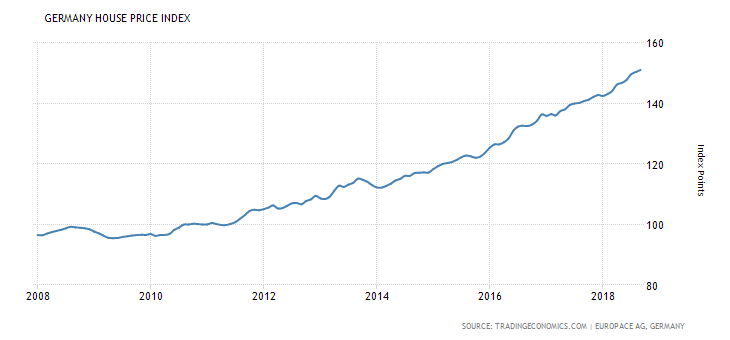


Figure 2.2‑1: Germany house price index

Source: The trading economics

The German commercial real estate market is more boisterous than the residential real estate market. There is a 50% homeownership in Germany, which is considered low. However, the German commercial real estate sector has an ownership rate of 70%, which is comparatively higher than the UK and US (Just and Maennig, 2017).

Distinct demographic features characterize Germany's real estate sector, with a large proportion of the population living in urban centres. The country has a concentration of urban office buildings, high- density commercial and residential developments. While, large German institutions, private investment groups, and major construction contractors often manage real estate developments in partnership with investors.

#### **The factors affecting the German real estate sector.**

**Economic factors**

Several factors have helped the German real estate market experience and sustain its degree of growth. Germany is one of the few countries left relatively unaffected by the 2008/2009 global financial crisis. This has given investors greater confidence in buying properties in major German cities (Collins, 2019). Global property guide suggests that Germany’s reliable results are driven by the following (Collins, 2019):

1. Strong economic growth
2. Refugee intakes
3. High work-related migration
4. Record low unemployment
5. Weak new construction supply
6. Low-interest rate

As shown in figure 2.2.2, the German GDP has grown continually, positively impacting the real estate sector. The growth of the GDP has a positive effect on the housing demand because the demand for housing is dependent upon income. The higher the economic growth and rising incomes, the more people will be able to spend on houses and conversely, increased demand will push up prices.

Figure 2.2‑2: Gross domestic product in Germany

Source: Fred (2019)

Furthermore, Germany also has a relatively stable inflation rate, making it conducive for real estate project investment (see figure 2.2.3). The German tax environment for inbound real estate investment offers considerable international investors opportunities.



Figure 2.2‑3: Historical harmonised inflation Germany (HICP) by year

Source: Inflation .eu worldwide inflation data (2019).

In recent years, the low interest rates and massive net migration have contributed to increased real estate prices in some parts of Germany, mainly in the urban real estate market (Collins, 2019).

**Membership of the European Monetary Union / Germany well-positioned Geo-politically**

Germany is a member of the European monetary union, sharing the same currency and monetary policies that are regulated by the European Central Bank (ECB). Membership of the European Union gives Germany the benefits of free trade, customs, and union with 28 other European countries. However, it shares a monetary union with 19 of these countries, which is beneficial to its real estate sector (Huhne, 1999). The EU membership has stimulated enhanced inward investment, with a significant impact on the economy as a whole and the real estate sector in particular. Furthermore, Germany is central to the European Union and central Europe geographically, making it a hot- spot for real estate project investment (Collins, 2019).

**Real estate shortages in Germany**

According to the global property guide (2019), the supply of housing in Germany remains insufficient (Delmendo, 2019). The influx of over 1million immigrants through asylum between 2015 and 2017 contributed to these gaps in housing needs. According to property guy (2019), available on Bloomberg, “Brexit has vastly outstripped supply”. This shows that Brexit has also increased the influx of people to Germany, contributing to the increased demand for housing.

Finding affordable housing is increasingly difficult for people in Germany. According to the OECD Germany policy brief (2018), Germany's housing prices are on the increase relative to income. Only 32% of the housing units needed in the seven largest German cities were built between 2011 and 2015 (Deschermeier et al., 2017). More recent constructions have been developed since then, but often for the upper end of the market and not in smaller-sized, more affordable apartments.

The OECD Germany brief (2018) made the following recommendations to policymakers to reduce the housing gap in Germany:

“Carry out planned investment in public social housing and increase the rental social housing stock of good quality.

Work together with private investors, property developers, local authorities, and other stakeholders to ensure that the construction of new and upgrading existing affordable housing will provide financial incentives for constructing such affordable housing units.

Promote planning at the metropolitan scale to encourage all municipalities within large urban agglomerations to build new housing to meet demand.

Further, encourage infill development and densification in cities to reduce the existing shortfall in housing supply to prevent market prices and rent from rising significantly higher.”

#### **Sources of Real estate finance in Germany**

Germany's most dominant finance sources for real estate project development are banks and savings banks (Zhou, 2019). In Germany, real estate investment could be an investment in real estate through a share deal or investment through special real estate vehicles (Just & Maenning, 2017). The indirect approach to investing in the German real estate sector is through the German Stock Corporation and German real estate investment trusts (G-REITs). Funds are also raised for real estate development in Germany by using capital market products such as increasing capital or issuing shares and private equity firms (Jill, 2019). The leading equity investors in the German real estate market are quoted property companies, overseas inward investors, public/property funds, pension funds, life assurance, and other insurance companies. Germany's most dominant investment platform is overseas investors and closed-end funds (Maguire and Axcell, 1994; Delmendo, 2019 ).

Investments in the German real estate development sector include finance from other countries through their sovereign wealth funds. This consists of the Chinese sovereign wealth fund, which has great commercial and residential real estate investments in Germany (Jll, 2019). Foreign investors, particularly from Israel, France, and the UK, represent a quarter of direct residential investment in Germany (Delmendo, 2019).

The German property debt comes in two major forms: bank lending and (Pfandbriefe) mortgage-backed bonds (Maguire and Axcell, 1994). The Pfandbriefe represents the largest segment of the German private debt market. In Germany, real estate lending platforms include German banks that currently have a total loan portfolio of about 250billion Euros (Jll, 2019). Lenders have a great interest in the booming German real estate sector despite the fierce competition, high property prices, and tightening regulations (Cunningham, 2018). Some of Germany's top banks involved with real estate project lending are Helaba, Pdd Deutsche, and Pfandbriefbank (Jll, 2019). The German commercial banks dominate the lending market, and they also take up equity stakes in the developments. They may sit on the supervisory boards of the developers to which they are lending. The Pfandbriefe, mortgage-backed bonds, are issued by licensed mortgage banks, usually wholly owned subsidiaries of the major commercial and state banks.

### A review of literature focused on the United Kingdom real estate market.

The United Kingdom is a developed economy with 62.8 million (trading economics, 2019). According to the national statistics (ONS) office, about 60% of the UK’s £6.5trillion wealth is in residential property. Consequently, the UK’s residential market value is around £3.9 trillion, while the commercial sector's size is about £349billion. The British property sector contributes about 6% of the GDP, and the banking sector has a high preference for properties being used as collateral for lending (Barton, 2017).

House prices in the UK are still rising, but the uncertainty over Brexit is clouding the prospect (Delmendo, 2019). According to the Global property guide report for 2019, the UK's average house price rose by 0.3% to £216,805, with London registering the most significant housing decline of 1.7% during the year to Q3 2019. The highest price rise was in Northern Ireland with an increase of 3.4%, followed by Wales (2.9%), North West (2.5%), West Midlands (2.1%), North (2%), and East Anglia (1.7%). The regions with weaker price rises include Scotland (0.8%), South West (0.5%), East Midlands (0.4%), and Yorkshire and Humberside (0.1%) (Delmendo, 2019). See graphical illustration of UK average house prices in Figure 2.2.4.

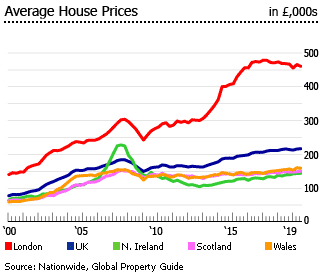


Figure 2.2‑4

The United Kingdom is a very prosperous real estate nation because of many factors, including its economic history. The total size of the residential market in the UK is ten times the commercial property market size, and it represents 65% of the UK’s total wealth (Barkham, 2012). Major drivers in the UK real estate sectors are GDP growth and global economic growth, including the London Stock market's performance. As of 2016, 65% of UK households were owner-occupiers, 17% were rentals from private property owners, and 18% were social property owners (Barton, 2017). The UK's commercial real estate market could be said to be the total of retail, offices, and industrial properties. A significant characteristic of this sector is the division of the market into occupiers and the investment market. The retail industry is spatially located throughout the UK, with high rent and capital value being achieved.

#### **The factors that affect the United Kingdom real estate sector**

**Economic factors:**

The employment rate, interest rate, inflation, and balance of payments are significant British economic indicators that affect the real estate sector (Willam and Wood, 1994). Unhindered capital mobility, put in place to allow the Pound to operate unrestricted globally, is highly advantageous to the UK economy and has made Britain an attractive home for international business, including the real estate business (Collins, 1979; Copley, 2017).

The UK GDP has been steadily increasing since the financial crisis, making the economy very attractive to internal and external investors in the real estate sector (see figure 2.2.5).



Figure 2.2‑5: The UK GDP

Source: The trading economics (2019)

The government’s fiscal and monetary policies on reduced taxes and pegged interest rates have contributed to a boom in the property and real estate sector. Arguably, this has had a positive stabilising effect on the real estate sector in the UK. The Bank of England had to reduce and then peg the interest rates to enable people to access bank loans easily to boost demand and energise the economy after the 2008 global financial crisis. See figure 2.2.6, depicting the reduced and then pegged interest rate.

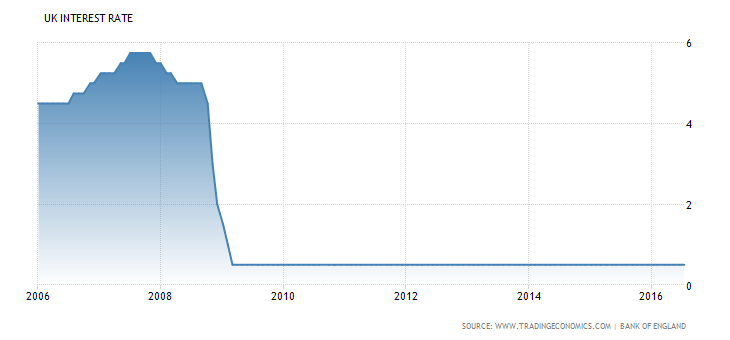
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Figure 2.2‑6: UK interest rate

Additionally, the British banking system is very bullish and greatly supports the real estate sector (Rodnyansky & Darmouni, 2017).

Furthermore, high petrol / crude oil prices led to large external surpluses of oil-exporting countries, and these inflows tend to originate from the Middle East and Nigeria. These excess revenues by oil exporters are often invested in financial assets in the developed countries of the UK and the US (Wiegand & Prepared 2008). Some of these investments go into the real estate sector in the United Kingdom and other developed countries. There is also investment from Asian countries such as China that continually have excess current account balances because of their intensive global trading activities. Some of these funds get invested in the UK real estate market (Yalta & Sivrikaya, 2018).

The UK has high consumer confidence, as depicted in figure 2.2.7. Consumer confidence in the government’s actions and reactions to the real estate trend is an excellent motivator to investors in this sector.

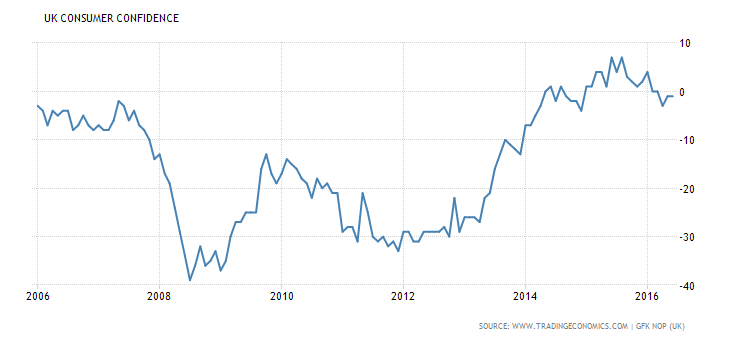


Figure 2.2‑7: UK consumer confidence

**Political factor / the legal framework & Policy Environment:**

The UK has a very stable government structure. The structure makes the government accountable to its people, making it very attractive for external and internal property investors. However, the uncertainties regarding the repercussions of Brexit and its possible impact on the real estate development sector raises some potential challenges. The government has also come up with various policies to drive market-led development. Market-led development is the view that the market knows best what form of construction society requires and is willing to pay. In this regard, the local authority ensures that land to be developed is free from ownership and other constraints. There is also the national policy on taxation, compensation, environment, and encouragement of owner-occupied housing. There have been so many tax policies in the UK that have encouraged real estate investment in contemporary times. Furthermore, there are no restrictions on foreign ownership of properties in the UK (Delmendo, 2019).

**Social framework and Professionalism in the real estate’s sector:**

Figure 2.2.8 shows the growth in the UK population from 1951 to 2017. According to the UK office of national statistics, the UK’s population is estimated to be 66million, and it is expected to reach 73 million by 2041. The primary reasons for the growth in the UK population are increased birth rates and immigration. Furthermore, the UK population is living longer because of increasing life expectancy. These population increases are beneficial to the real estate sector growth as more housing is needed (ONS, 2017).

Figure 2.2‑8: UK Population estimates 1951 to 2017

Source: Office of national statistics

The UK has a workforce that is primarily professionals in the various sectors they operate within, generally requiring different certifications before they can operate. This has contributed to making the industry successful and sustainable (Burrell, 2015).

**Real estate shortages in the UK**

According to a BBC report of 23rd September (2019), an estimated 8.4 million people in England live in unaffordable, insecure or unsuitable homes”. Their report is based on findings from the National Housing Federation. This report suggests that the housing crisis affects people of all ages across every part of the country and covers overcrowded housing and people being unable to afford their rent or mortgage.

The research carried out by Heriot-Watt University on behalf of the Federation also highlights the colossal gap between the supply and demand of housing in the UK (Barker, 2018). The report by Heriot-Watt University, as summarised by the BBC, suggests the following:

1. 3.6 million people are living in overcrowded homes
2. 2.5 million people are unable to afford their rent or mortgage
3. 2.5 million people are in “hidden households”, such as adults living with their parents, or people living with an ex-partner or house share
4. 1.7 million people are in unsuitable housing
5. 400,000 are homeless or at risk of homelessness

Researchers and observers in the housing sector believe that this housing shortfall cannot be met overnight. However, it is suggested that the government put urgent measures in place to tackle this chronic underinvestment in affordable housing (Barker, 2018). Conversely, the toolkit developed by this study in chapter 10 could be beneficial to managers who would want to access finance from the government or other private sources for real estate project development.

#### **Sources of Real estate finance in the UK**

The primary sources of finance for real estate project development in the UK are banks, building societies, and mortgage brokers (Zhou, 2019). Generally, bank loans and insurance companies are a significant source of finance for all types of property investors. The UK has the most diversified real estate project finance sources in Europe (IPF, 2017). Real estate lending comes from both UK banks and international banks (Barton, 2017). There is an excellent usage of both debt and equity finance for real estate project development in the UK. According to the IPF (2017) report, 60% of CRE loans originated from banks with the six largest banks in the UK, holding a 40% share. The report also showed that a combination of insurer and debt fund holds a share of 25%. A lot of financing is through loan syndication in real estate development finance in the UK. The debt finance available in the UK, especially for commercial real estate projects (CRE), includes investment loans, development loans, corporate loans, and bridging finance (Barton, 2017).

Conversely, the platform for equity investment in the United Kingdom is the same as in Germany: quoted property companies, overseas inward investors, public/ other unitised property funds, pension funds, life assurance, and other insurance companies. The UK particularly has strong pension fund investments in the real estate sector, with the UK quoted companies' strength is very evident as a platform for real estate project finance (Maguire and Axcell, 1994).

### A review of literature focused on the United States real estate market.

The United States is a country of 50 states with 325.7 million people (trading economics, 2019). Over the decades, the economic and political stability of the United States has made it a favourable investment destination for real estate. It has a relatively low capital gains tax, and the size of the country’s financial and real estate market has made it one of the World’s most attractive and diverse real estate markets (LaPier, 1995). The real estate market in the US has many big companies competing alongside large multinationals due to an increase in the rental markets, and it has significantly expanded in recent years due to technological advancement and an increasing influx of investment (Weber, 2016).

There is a lot of international investment in the US real estate market, including a significant investment from Asia, which is predominantly targeted at gateway cities such as New York, San Francisco, and Chicago (Zhou, 2015).

Figure 2.2‑9: Total of new privately-owned housing units (UNDCONT) & residential construction (SA).

Source: FRED (2019)

Details from the US Federal Reserve System in figure 2.2.9 show that the housing sector has experienced the continuous construction of new residential developments and an increasing number of new privately-owned housing units since 2009. It indicates how healthy and robust the US real estate sector has continued to be. The US price index rose by 3.13 during the year to Q2 2019, which is the lowest since 2012 (Delmendo, 2019).

Despite the generally slow rise in the house price index, 19 of the 20 major U.S cities continued to experience moderate to minimal house price hikes, with Phoenix posting the highest increases of 5.83%, Las Vagas (5.51%), Tampa (4.71%, Charlotte (4.54% and Atlanta (4.5%). The lowest increases were in Los Angeles, Chicago, San Diego, New York, and San Francisco, while Seattle saw a house price decline of 1.32% (Delmendo, 2019).

#### **The factors affecting the real estate’s sector in the United States of America**

The housing market in the US, like any other country, is elastic; consequently, certain factors enhance the industry or devalue it. These factors include economic factors, such as the government’s monetary and fiscal policies targeted at the property market; macro-economic factors, such as GDP, inflation, credits, economic growth, social factors, and political factors.

**Economic Factors**

The real estate sector of the US is broadly patterned after its economic performance. Employment is growing, inflation remains in check, and interest rates are low, positively impacting the real estate sector. Other favourable macro-economic factors which have influenced the real estate sector in the US and enhanced demand include the national economy, bank lending, and mortgage loan rates (Delisle, 2015; FRED, 2019).

Figure 2.2‑10: USA Civilian unemployment rate

Source: FRED (2019)

The graph in figure 2.2.10, based on data from the Federal Reserve System (FRED, 2019), shows that the US has consistently had reduced unemployment from 2000 to 2018, apart from during the 2007/2008 financial crisis (highlighted on the graph). However, there has been a consistent improvement since then. The reduction in unemployment, which conversely is enhanced employment, is a factor that significantly contributes to the growth of the real estate sector.

Furthermore, credits play a very active role in influencing investment in the real estate sector. The US Federal Reserve did an excellent job pumping funds into the economy through quantitative easing and pegging of the interest rate (Louis, 2019 & Ogbenjuwa et al., 2017). These two monetary policy measures have contributed to sustaining the real estate sector of the US. Credits activate both the supply and demand market for real estate, and this is because it provides finance for developers as well as finance for consumers through the mortgage markets. A Federal Reserve survey of senior loan officers in the US showed that banks have continued to relax lending standards across the board. The banks have increased their willingness to make loans to consumers and have reduced their lending standards, positively influencing the US's real estate market (Delisle, 2015).

Global capital flow into the US is of great benefit to the US real estate market. There is an enormous capital inflow from China as a result of their huge current account trade balance. There are also inflows from Middle Eastern oil revenues into the US's real estate sector through financial assets such as stock and derivatives (Mohaddes & Pesaran, 2017).

**Social, Political factors and government’s policies**

The social factors affecting the US real estate market are demographics and consumption patterns (Louise, 2019). The working-class population has a very positive impact on the real estate sector's growth rate, and a rise in population enhances the demand for real estate. The federal reserve system of the US (2018) shows there has been a drastic and continuous increase in the US population (figure 2.11).

Figure 2.2‑11: US Total population. Source: FRED (2019)

Furthermore, the US has a robust and effective political sector, contributing significantly to the US real estate sector's growth. The government has come up with monetary and fiscal policies that have helped attract local and international demand for the US real estate market.

**Real estate shortages in the US**

The US is facing a housing shortage that is expected to persist for many years. This is because housing production falls short of demand, which ultimately puts pressure on house prices and rents, therefore eroding affordability (Donahue, 2019).

The 2019 Harvard University Joint Centre for Housing Studies Report suggests that the housing gap's root cause is labour shortage due to downsizing during the 2008 recession, the preference among younger workers for less physically demanding jobs, and record low unemployment. It suggests that the lack of labour constrains the construction industry’s ability to increase its housing supply to meet current needs.

Research shows that the US's house prices are rising faster than income levels; it also shows that cities with the greatest increases in housing costs have the most significant increases in homelessness. Furthermore, construction costs are escalating due to higher material costs and reduced land available for development in major cities. (Hobbs, 2018).

The US's housing disparities affect minorities the most, becoming more evident as racial disparities worsen. According to the Harvard report (2019), 30 years ago, you could buy a house in 72 of America’s 100 largest cities for less than 18 months of median salaries. Today that is possible only in 25 of these cities, and the numbers are continually shrinking (Hobbs, 2018). The Harvard report also suggests that the government’s recent fiscal policies, such as tariffs on wood, aluminium, and steel, will likely drive construction costs up further, aggravating housing shortages. Furthermore, the cut in the corporate tax rate is seen as a threat to low–income housing tax credits as it could reduce the value, and this could negatively impact the provision of public housing (Harvard report, 2019).

#### **Sources of Real estate finance in the United States**

Banks and mortgage brokers are the primary lenders for real estate project development in the US (Zhou, 2019). Bank lending is the most dominant finance source in the US at approximately 40%, almost evenly split between domestic and foreign banks. It is followed closely by commercial mortgage-backed securities (CMBS), which are public markets security issuance, at 20% and private/ other sources at 18% (Kane, 2018).

Other platforms for financing real estate project development in the US include REITs (real estate investment trusts), hedge funds, pension funds, and sovereign wealth funds (Drucker, 2012). The opportunity funds are a good platform for both equity and debt finance. The REITs operating in the US are mainly mortgage and equity REITs, and they are not subject to federal deposit insurance (FDIC) or the Securities and Exchange Commission (SEC) regulations (Drucker, 2012).

## The real estate market in emerging economies

The emerging economies covered in this research are China, Nigeria, and South Africa. Notably, all the countries selected for the study are members of the G20 apart from Nigeria. They are all part of the BRICS and MINT countries. To a large extent, the underlying economic indices determine and influence the interest of investors in the real estate of any country. They, in turn, facilitate financing decisions for real estate in these countries because they directly influence the demand and supply of properties (Delisle, 2015).

### A review of literature focused on China’s real estate market

China has the largest population globally and consists of 56 languages, none of which is transmutable (Williams, 2008). According to the World Bank review 2018, China has advanced economic development; it remains an emerging economy because its per capita income is still a fraction of that in advanced countries. Its market reforms are incomplete. According to World Bank, China has the fastest sustained growth expansion by a major economy in history despite still being classified as an emerging economy and is a significant contributor to the Millennium development goals (MDGs) globally. China has a population of 1.3billion (the trading economies, 2018). A summary of some salient World economic ranking of China is in table 2.3.1.

Table 2.3‑1: Summary of salient world economic rankings of China

|  |  |
| --- | --- |
| Total area | 3rd |
| Population | 1st |
| GDP ( nominal) | 3rd |
| Exports | 2nd |
| Imports | 3rd |
| Current account balance | 1st |
| Received foreign direct investments ( FDI) | 5th |
| Foreign exchange reserves | 1st |
| Number of mobile phones | 1st |
| Numbers of internet users | 1st |

Source - Lynn, D. J., & Wang, T. (2010). Emerging market real estate investment: Investing in China, India, and Brazil.

Despite the many excellent rankings, China’s rural areas experience the highest poverty in the country. The rural areas are home to 62% of the Chinese population. This region has an increasing income gap, contributing significantly to China’s classification as an emerging economy (Lynn and Wang, 2010).

China has the largest real estate market in the World (Cao, 2015). It has a good position on all significant real estate demand drivers, including economic growth, demographics, urbanisation, rising per capita and household incomes, domestic and foreign direct investments (Lynn & Wang, 2010). The Chinese real estate market acts as a growth engine as it generates funding for the cities to build infrastructures such as road networks, ports, and airports (Cao, 2015). The Chinese housing market is a ‘policy-based market’ because the government is a major participant and the housing market regulator.

China has a tradition of dividing its vast number of cities into four or five tiers. Tier 1 cities are national and international business hubs with well-developed global investment-grade stock and the country's most liquid and transparent commercial real estate markets. They serve as the benchmark for cities in other tiers. Tier 2 cities have maturing markets and robust infrastructures, but they also have minimal international investment grade stock, lower liquidity, and mainly local tenants. Tier 3 cities have expanding markets and rapidly improving infrastructures but little or no international investment grade stock, relatively low liquidity, and local tenants. Tier 4 cities have some market transactions in commercial real estate but need further commercial real estate development and infrastructure improvement (Cao, 2015).

Land ownership in China includes collective ownership of rural land and state ownership of urban land. Real estate development must be on state-owned land with granted land use rights (LURs). China's land supply for construction purposes is increasingly under strict state control to prevent the unplanned loss of arable land due to its conversion to construction land. The proceeds from selling the “land use right” provide a significant source of financing for local governments. The incentive of a higher income prompts the local governments to restrict land supply to push up land prices (Lynn& Wang, 2010).

#### **The factors affecting the Real Estate’s sector in China.**

Factors ranging from sound economic health, government policies, and demographics have helped China's real estate sector.

**Economic factors**

China has an increasing middle-class population, and this suggests a higher demand for real estate. It has an annual GDP growth rate of 9.1% (the trading economics). The Chinese government's monetary policies have also positively contributed to the real estate market's robustness. The Chinese central bank eliminated loan quotas, slashed official interest rates and reduced the bank reserve ratio to stimulate economic growth. Furthermore, Chinese local governments depend on revenue from the real estate sector to finance initiatives and infrastructural projects. Consequently, they use administrative powers to shape the real estate market to maximise fiscal revenue growth (Lynn and Wang, 2010).

China has maintained high, positive credit ratings due to its strong Current account, low domestic and foreign debt levels, and conservative fiscal policies and management. Furthermore, China has been a significant contributor to increased global liquidity over the past two decades, and it has the highest liquidity ratio, according to the Fitch rating (Kang et al., 2016).

Home price rises are slowing in China’s biggest cities, but new home prices went up in 63 out of the total 70 cities in China as of June 2019, and most of the price gains were felt in the second and third-tier cities. The slowing down of price increases is associated with China’s tightening measures. About 251 real estate restriction policies were announced in 2019, and cities that experienced price increases include Beijing, Shanghai, Shenzhen, and Guangzhou. Furthermore, there is no private ownership of land in China, you can only obtain rights to use the land, and the land lease is up to 70years, and it’s usually granted for residential purposes (Delmendo, 2019).

**Social factors**

China has more than 100 cities, each with a population of over one million. There is intense urbanisation, and this is a strong driver for the real estate market. Many of China’s provinces would qualify as countries (Lynn & Wang, 2010).

**Technological factors**

There are significant innovations and constructions of infrastructure in the Chinese economy, including metro construction in its cities, contributing to enhancing the real estate sector. However, China has some dominant factors that affect the real estate development sector negatively. China’s Ministry of Housing and Urban-Rural Development (MOHURD) is the national administrator of the real estate and construction sector, and it is also dependent on this sector for income. This vested interest reduces the potential to regulate the real estate market to maximise long-term economic and social benefits (Cao, 2015).

**Political factors**

The Chinese government's significant dependence on sales from land revenue has generated many problems, including urban sprawl, pollution, and ecological degradation. Furthermore, the drastic ambition for urban expansion has caused an excessive oversupply of housing in some districts of some cities resulting in such large numbers of empty houses that these districts are called “ghost towns”. Offices, shops, factories, and warehouses, which constitute the commercial real estate sector, also suffer from lack of coordination, poor investment decisions, and oversupply in many cities. There are also irregularities in lending as state-owned banks are subjected to tight controls. Lending from non-bank institutions is abnormally large and carries excessive risk leading to a significant cost for the investors (Liu and Xiong, 2018).

**Real estate shortages in China**

Real estate in China is mostly speculation-driven and not necessarily market-driven by consumers. Urban property value increases along with profits for the real estate-owning elite, while accessibility to housing goes down for most populace. Hence owners make their profits, not by renting out their property but by waiting for an increase in market value and then selling. The downside of speculation is that the working class, who make up an overwhelming majority of the population, are left behind. Consequently, as property values rise, rents go up, and the working class's ability to purchase a home decreases (Maupin, 2017).

Housing speculation is the cause of housing shortages in some parts of China. However, major cities such as Beijing suffer from a severely constricted housing supply. The housing shortage in Beijing is a result of rapid economic growth (Martin, 2011).

#### **Sources of Real estate finance in China**

Banks are the major financiers of the real estate sector in China, including mortgage loans and loans to real estate developers (Zhou, 2019). The real estate trust is also an active financier of real estate project development in China (Liu, 2004). China's real estate development sector is heavily dependent on bank loans compared to the developed economies with more varied financial intermediaries (Liu, 2004). The five (5) state-owned commercial banks dominate the mortgage market, and they have a high market share as they are also listed on the stock exchange (Zhou, 2019).

Furthermore, non-banking institutions such as insurance companies’ credit corporations and specialist non-bank institutions such as the Housing credit cooperation and Housing Development Corporation are also involved in financing real estate project developments in China (Zhou, 2019). China makes a lot of sales from the real estate market through the sale of land and housing. Some of the revenue generated is ploughed back into the real estate sector, making it a very viable finance source for the property sector. The housing sales in China totalled 13.37 trillion RMB in 2017, representing 16.4% of China’s GDP (Liu and Xiong, 2018).

### A review of literature focused on the Nigerian real estate market.

Nigeria is a fast-growing emerging economy. It has the highest population growth rate and the largest economy in Africa, and it is the 13th largest oil-producing nation in the world (Ukpevbo, 2016). Nigeria is highly dependent on oil revenue, which makes up to 90% of its total revenue. The real estate sector has a very high potential for profitability, especially in commercial and residential properties in high-demand areas such as Lagos, Abuja, and Port Harcourt (Ubosi, 2017).

The property market in Nigeria is classified into primary and secondary markets. The primary markets have high rental/capital value, and they include the major commercial hubs, which are Abuja, Lagos, and Port Harcourt. The primary market has about 61% of the real estate practitioners and 60% of real estate transactions in Nigeria while, the secondary market includes the low rental and capital value markets of Ibadan, Ondo, Enugu, Kano, and Minna (Olaleye, 2008).

The Real estate sector in Nigeria is the least developed of all the countries featured in this study. The Government contributes through the Federal Housing Authority and the Federal Mortgage Banks but getting loans from these organisations is difficult for an average manager (Ogbenjuwa et al., 2018). There is a significant shortfall in the housing supply for the fast-growing Nigerian population. The demand for housing, especially in urban regions, is continually increasing because of the massive influx of people to urban settlements (Awofeso, 2010). Available statistics from the World Bank and the National Bureau of Statistics indicate an estimated housing deficit of 17 million in Nigeria, with about 100 million Nigerians considered to be living in substandard housing (Simire, 2017). The former Nigerian Minister of Finance, and Managing Director of the World Bank, Ngozi Okonjo-Iweala, at the sixth Global Housing conference in Washington (2014), emphatically stated that several mortgage-financing initiatives by successive governments in the country had failed.

Residential loans, of which mortgage debt forms the bulk, contribute to about 70% of the GDP ratio in the developed economies, only contribute about 1% in Nigeria (Nubi, 2010; CESIFO, 2014). Pour Rahimian, et al. (2017) list the problems of housing delivery in Nigeria as financial issues, construction sector related, poor professional ethics, and government-related. The financial issue encompasses the high cost of construction, high overheads due to poor infrastructure, and the cost of getting the title document. The construction-related cases entail the usage of unqualified professionals, lack of maintenance culture, and low-quality materials. The government-related issues are concerned with the government’s roles in supporting or hindering housing delivery, including poor government policies and lack of control over corrupt practices.

#### **The factors affecting the real estate’s sector in Nigeria.**

This research looks at the factors affecting the Nigerian real estate development sector from various aspects: economic factors, legal framework, policy environment, and private sector developers.

**Economic factors**

Macro-economic stability provides the foundation for developing a national financial system that provides long-term real estate financing (Irving, & Manroth, 2009). Unique economic opportunities for real estate financing in Nigeria are the increasing demand for housing and the rising middle class (Matsiele, 2015). The Nigerian population is about 173 million, with an annual growth rate of 2.8% and an urban population growth of 4.7% (Simire, 2017). The increase in the middle class in Nigeria emerged, and the growth in other sectors such as the banking, telecommunication, and oil and gas servicing sectors. The growth in the middle class could also be attributable to the rise in the countries national income / GDP through crude oil sales. According to the African Development Bank (AFDB), the middle class accounts for 23% of Nigeria's population, with the majority living in urban centers (Onuzo, 2016). The growth in the middle class and population increase have significantly created a viable market and demand for real estate, consequently creating financing opportunities.

The vast bank network and the liberalisation of Nigeria's banking sector are considered economic opportunities for real estate financing (Edo, 2012). Nigerian banks have an excellent expansion in deposit liabilities by selling their shares on the stock market. They used these deposits to expand their profits mainly through oil and gas financing. It is an opportunity for real estate financing that is still not optimally harnessed because of the economy's uncertainties and the bank’s risk assessment criteria (Erebo, 2010).

The GDP of Nigeria could be said to be an opportunity because of its growth in recent years. Nigeria's GDP is driven by crude oil revenue, and it was at its highest in 2014 at 568.50 billion and its lowest at 4.2 billion in 1960. (The trading economics, 2017). The crude oil price plays a significant part in shaping the economy. The price dropped to a record low of $26 per barrel in February 2016 (Ubosi, 2017). There was also a reduction in production as mandated by the Organisation of Petroleum Exporting Countries (OPEC), where it was agreed to cut output by 1.20 million barrels per day. To aggravate this reduction in production, militant activities in the oil-rich Niger Delta further reduced production and revenue from oil (Bloomberg, 2017). The drop in oil revenue led to a shortage in foreign exchange.

Furthermore, the economy went into recession in the first quarter of 2016, which it came out of in the second quarter of 2017 (Olawoyin, 2017). The recession affected every segment of the economy, including the banking sector that reduced lending to the real estate sector and other economies' arms. The fall in oil prices led to a fall in the GDP and strains on companies leading to job losses and outright closures of some companies from 2015 to date. A rise in GDP increases the people's income and purchasing power; as purchasing power increases, demand for housing increases. Therefore, there is an increase in property prices and the motivation to fund projects by internal and external financiers (Singh, 2017). However, the fall in GDP constituted a challenge to real estate financing because it affected consumer confidence both internally and externally, which acted as a deterrent to both internal and external financiers of the real estate sector (Feyen, 2016).

Inflation is also a very evident challenge to real estate financing in Nigeria. Inflation in Nigeria presently stands at 16% (National Bureau of Statistics, 2017). This can be considered too high for any economy and is discomforting for potential investors and buyers. Inflation in Nigeria is double-digit compared to the developed economies with single-digit inflation, which has dramatically increased the cost of goods and services (The Trading Economics, 2017). Furthermore, exchange and interest rate volatility also constitute an economic challenge to real estate financing in Nigeria. It has contributed to making the economy weak and unstable, thereby discouraging investment in the real estate sector (Kelilume, 2016).

**The legal framework**

The legal framework in this context is the structure in the Nigerian constitution that has been put in place to support real estate financing. The elements or various components of the legal framework are meant to create opportunities to enhance real estate financing. The Nigerian government has put in place legal instruments that support real estate through pension funds and the establishment of an Association of Real Estate Developers (Raji, 2017).

Nigeria has a robust pension fund because of the pension reforms, and this fund presently stands at about $80 billion. The legal instrument allows 40% of the fund to be invested in real estate, but this has to be done strictly through real estate investment trusts (REIT) and mortgage-backed securities. It is difficult to harness this opportunity because only 6% of property development companies are listed on the stock exchange, so they cannot float REIT. Consequently, most of the pension funds are invested in government bonds instead of the real estate sector. (Nubi, 2010).

The Real Estate Developers Association (REDAN) establishment in 2002 is an opportunity to enhance real estate financing in Nigeria because it provides a platform to route funding for major real estate projects. However, the challenge here is that most of these companies are small, too fragmented, and often associated with low skills at all levels (Ogbenjuwa et al., 2018). This makes it risky to finance their projects because performance cannot be guaranteed, and about 60% of these firms do not have in-house experts such as architects, civil engineers, builders, and estate surveyors. Most real estate development firms in Nigeria do not have 100 employees and cannot take on large projects requiring significant funding. There is a great influx of foreigners into the Nigerian construction sector, but it has not solved the skills deficiency challenge (Lawal et al., 2016).

**Policy Environment**

The Nigerian government has come up with policies to ensure adequate housing is provided for all, but these policies have not been effective, as the desired results were not achieved. Some of those schemes, which the government introduced, include the Federal Housing Authority Act, 1990, National Housing Funds Act, 1992, Urban and Regional Planning Act 1992, and National Urban Development Policy 1997, the Nigerian Housing Policy 2006 (NMRC), and the Nigerian Mortgage Refinance Company (Bustani, 2014). The National Housing Fund Scheme of 1992, which is still in effect, mobilises funds at a compulsory contribution of 2.5% of workers’ basic earnings, and this could be seen as a financing opportunity; however, it is a difficult task for workers to get finance from these funds for their housing. The national housing funds have underperformed, which can arguably be attributed to the stagnation of the housing finance sector. The federal government was hitherto involved in the direct construction of real estate in Nigeria, but it has now stopped operating in that capacity. They are now enablers and facilitators to the housing industry. This policy has created a significant gap because it still leaves the developers with the responsibilities and challenges of sourcing funding, which is difficult considering the unfavourable environment (Nubi, 2010; Ogbenjuwa et al., 2019|).

The Nigerian government’s monetary and fiscal policies could be seen as opportunities as well as challenges to real estate financing. These policies are meant to be strong stimulants to the aggregate demand and supply of housing. Government monetary policies in recent years such as the stoppage of dollar cash deposits into bank accounts, the pooling of government deposits from commercial banks into the treasury-single account with the central bank and the stoppage of dollar-denominated loans are all policies that negatively affected demand and supply of housing (Wallace & Onu, 2015; Udo, 2016). These monetary policies made some investors divert their funding to other countries (Ubosi, 2017).

**Private sector participation**

The Nigerian government, through its policies, has created an enabling environment for the private sector to flourish in the real estate sector. The private sector controls over 70% of Nigeria's total housing stock (Nubi, 2010). Real estate developers in Nigeria are fundamentally private entrepreneurs who are committed to making available mass housing production. Real Estate Developers’ Association (REDAN) which was incorporated in 2002, provides a comprehensive list of developers in Nigeria. There are about 450 developers on REDAN’s (Establishment of real estate developer’s association) list.

Through the Nigeria Mortgage refinance company (NMRC), the Nigerian government is in partnership with the private sector. The initiative aimed to lower the funding cost of mortgages and provide mortgage-lending banks with increased access to liquidity and longer-term funds in the mortgage market (Rust, 2014). Investment in the Nigerian property market is mostly direct, but it is sometimes conducted through investment in property company shares as there are not many REITs (Olaleye et al., 2008). It is witnessing an upsurge in the involvement of institutional investors in property development and acquisition. However, because of funding constraints, over fragmentation of small developers and shortage of skills, substandard housing is continually being built, causing housing collapse and slums. Notably, the Nigerian property market is yet to be fully integrated into the capital market, and this has reduced its access to enhanced sources of funding (Olaleye et al., 2008).

**Technical and Industrial barriers**

Technical barriers often hinder the construction process and the final product, and they include a lack of the necessary infrastructure, a lack of machinery, logistics, and technical expertise. Nigeria presently lacks good roads, transportation systems, and power, hurting real estate production and financing. Furthermore, industrial barriers include the high cost of establishing factories, the importation of materials, and the need for expatriate workers (Pour Rahimian et al., 2017).

**Governmental Laxities, Terrorism, Militancy and Corruption:**

The Nigerian government has not made enough effort to make the real estate sector maximally beneficial to all the stakeholders. The monetary and fiscal policies are not flexible enough for investors. Inflation is on the increase, and bank interest rates are as high as 25% per annum as against the 0.5% obtainable in the UK. (trading economics, 2019).

Furthermore, there is a lot of unrest in the northeastern and southern parts of Nigeria. Despite not being very prevalent in the major cities, it still acts as a deterrent to foreign direct investment, impacting the real estate sector. As a priority, most investors do a thorough risk assessment before investing (Punch newspaper, 2019).

In addition to the above, the corruption rate is very high in Nigeria, ranging from requests for bribes and other unethical practices, and it makes it difficult for investors and real estate developers to implement projects. Furthermore, very few developers can access bank financing, which leads to many hitches in the real estate process. Individuals who are supposed to patronise these investors also have problems getting mortgages (Ogbenjuwa et al., 2018).

**Real estate shortages in Nigeria**

Nigeria’s housing deficits have worsened over the past decades. It currently has a housing deficit of about a 17million. The World Bank report published in July 2018 shows that the country needs about 700,000 additional units each year for the next 20 years to keep up with the growing population and urban migration. However, housing construction presently is about 100,000 units per year (Simire, 2018).

The Global Property Guide Report (2019) revealed that Lagos, Nigeria’s largest urban area, has about 70% of its total population living in informal housing and slums, based on a report sourced from the Lagos authorities. The housing deficit in Lagos is estimated to be around 2.5 million units. There is an increasing demand in other major cities such as Abuja, Ibadan and Kano. Interest rates have remained unsustainably high in Nigeria. This has dramatically impacted the country's new real estate construction finance, with the prime lending rate at 18.23% as of April 2019 (Delmendo, 2019). Furthermore, the construction cost in Nigeria is very high because of the high cost of building materials, high skilled labour cost and costs associated with poor roads and sewage systems.

#### **Sources of Real estate finance in Nigeria**

One way of providing finance for real estate project development in Nigeria is by ploughing back real estate income obtained through rental income, sinking funds from leasehold interests, and the sale of real estate. However, this has become grossly insufficient in recent years due to increased demands for real estate (Ebi and Kalu, 2016). Mortgage institutions are also a good source of real estate project development finance in Nigeria. The funds channelled through the mortgage institutions are basically from deposit mobilisation and the (NHF) National Housing Fund (Ezimuo et al., 2014). The NHF is meant to be a source of finance for real estate development and housing provision. Institutional borrowers can apply for loans directly from the Federal Mortgage Bank of Nigeria. However, the mortgage finance institutions in Nigeria are plagued with bureaucracy in the granting and disbursement of mortgage loans to borrowers, unavailability of funds, a corrupt workforce and the problem of the repayment of loans by borrowers (Ezimuo et al., 2014).

Crowdfunding is a new platform springing up for securing finance for real estate project development in Nigeria. It is a non-traditional, non-bank financing source that utilises a diverse network of friends, family, associates, and colleagues. It involves a large pool of investors who individually contribute a small amount toward achieving a big project. The scheme guarantees an average of 25 per cent return per annum (Gbonegun, 2019).

Real estate investment trusts (REITs) as a means of real estate investment are not yet a favourite in Nigeria. There are presently only four REITs in Nigeria, Skye Shelter Fund, Union Homes REIT, REIT Company, and UACN REIT. There is also contractor finance in Nigeria which entails a contractor or developer investing their finance on a plot of land and then developing estates. Therefore, the original owner of the land is entitled to a portion of the property and these properties are often located in a choice area of the major cities of Lagos, Abuja and Port Harcourt (Ebi and Kalu, 2016).

The Nigerian real estate sector is not developed; although there are beautiful estates and office complexes in major cities like Abuja and Lagos, most other cities do not have the presence of contemporary real estate structures because of, among other things, financial constraints (Ogbenjuwa et al., 2018).

### A review of literature focused on the South African real estate market.

South Africa is the World’s 25th most populous nation with a population of 57 million people; about 80% of South Africans are sub-Saharan African while the remaining population consists of African’s largest African-European, Asian and multi-racial communities (Brown, 2008). The economy is the second-largest in Africa, and it has the seventh-highest per capita income in Africa, but there are high poverty and inequality, with about a quarter of the population unemployed and living on less than $1.25 per day (Trading economics, 2019; World Bank, 2014).

The South African real estate market's two fundamental drivers are demographics and affluence (Gordon, 2018). Demographics determine the number of buyers, while wealth indicates their ability to purchase the property. South Africa has a young population, with about two-thirds of its citizens under the age of 35 years. In recent years, the real estate sector has shown significant growth because of its re-emergence in the international political and economic sphere in the mid-1990s. The post-isolation years have increased economic activities, culminating in Johannesburg becoming Africa’s commercial hub attracting international firms' demand for offices, shops, warehouses, and residential properties (Zainir, 2012).

There is a significant migration of people from the rural areas in South Africa to the urban regions, which has increased the demand for housing in urban areas. Furthermore, there is an increased demand for office and retail spaces in South Africa because of its central business districts' decentralisation in recent years. There is also an increase in listed companies. The majority ownership of commercial properties in South Africa are REITs and listed property funds (62%), insurance and pension funds (18%), unlisted and private funds ( 13%), and (7%) private investors ( Nurick et al., 2017).

South Africa’s nominal house price rose by 3.96% for Q1 2019, as showed in figure 2.3.1, but when adjusted for inflation, it declined by 0.51%, which indicates a depressed macro-economic environment (Delmendo, 2019).

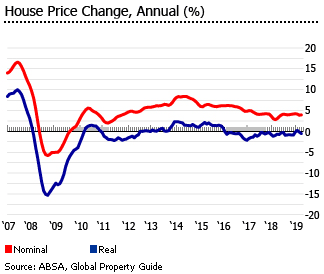


Figure 2.3‑1: SA Annual changes in house price

#### **Factors affecting the real estate sector in South Africa**

Various factors affect the South African real estate sector, and this study summarises them into economic factors, social factors, and policy environment.

**Economic factors**

There are failing macroeconomic factors such as a high unemployment rate, high-interest rates, and inflation (Fox, 2014; Ogbenjuwa et al., 2018). South Africa has a mineral-rich economy with highly skewed wealth distribution. It also has high unemployment levels, which significantly negatively impacts the population's ability to access finance for real estate project development (Nurick, 2017).

Furthermore, South African gross domestic product (GDP) has declined, and the unemployment rate presently stands at almost 28% when combined with a high interest rate. This creates a lot of social imbalances and affects the actualisation of projects as it reduces access to finance by individuals (the trading economics, 2019; Delmendo, 2019).

**Social Factors**

Social factors, such as education, positively affect housing satisfaction and real estate finance as a whole. When education increases, income increases, and housing conditions improve. Furthermore, the higher the education an older person has, the more likely they will own their own houses (Simon, 2014). Housing was one of the ways the apartheid government-controlled or attempted to control the influx of the African population into the cities. They had no right to own their own houses in those areas and were only allowed to rent from the council. Government planning is still trying to reverse the effect of apartheid through subsidised housing, but this problem has not been solved totally ( Simon, 2014).

The imbalances in South African society create a high risk. South Africa has a rapidly growing middle class and increased urbanisation, which has created a strong demand for residential and commercial properties (Nurrick, 2017). There has also been a decline in foreign homebuyers in South Africa in recent years. Delmendo (2019) ascribed the reduction of foreign investors in the South African real estate sector to the following factors:

“weaker investor sentiment towards South Africa due to the country’s multi-year stagnation. Uncertainty about the country’s future economic policy

Negative news, such as credit rating downgrades to junk status “.

South Africa’s hosting of the FIFA world cup in 2010 has further contributed to increased house prices (Delmendo, 2019).

**Policy environment**

The lease structure in South Africa is usually for 3 to 5 years compared to developed economies such as the United Kingdom, where it is between 10 to 25 years. The South African lease is often escalated annually to cover high inflation, potentially harming the real estate sector (Nurrick et al., 2017). However, the South African government has declared housing a ‘right ‘in the state constitution, which has raised the expectations of all stakeholders in the real estate sector, including the financiers (Simon, 2014). Foreigners can own properties in South Africa without restrictions, which is an excellent motivation for foreign inflows of finance into South Africa (Delmendo, 2019).

**Real estate shortages in South Africa**

There is a high degree of a lack of affordable housing in South Africa. The housing backlog reportedly stands at 2.3million houses, with Kwazulu Natal, Eastern Cape, Gauteng and Western Cape provinces having the highest backlogs. Most of these people live in makeshift structures that are not erected according to approved architectural plans; examples of these settlements are shacks and shanties in informal settlements or backyards (Pretorius, 2019).

#### **Sources of Real estate finance in South Africa**

Finance for real estate developments in South Africa includes investors from Europe, other African countries, and China.

There was, however, a decline in investment from these countries in recent years (Delmendo, 2019). The South African real estate development sector also enjoys funding from institutional investors and the capital markets (Irving and Manroth, 2009). The financial institutions in South Africa are a good source of finance for the real estate sector as they are committed to providing finance, especially for real estate project development. However, there has been a fall in the mortgage loans granted by financial institutions by 1.21% (Delmendo, 2019).

## Comparison of the real estate markets in the developed and emerging economies

The literature review findings show that the demand for real estate development in both the developed and emerging economies out-strips supply because of increased populations due to higher birth rates and immigration. The shortages in real estate supply is evident in major cities in both the developed and emerging economies.

The value of real estate assets makes a significant contribution to the GDP of Germany, the UK, the US, and China. The developed economies in this study are ranked 1st to 8th globally with respect to real estate investment.

The literature reveals that several factors affect the real estate sectors in both the developed and emerging economies. These factors can be broadly classified into economic, social, technical, and legal factors. The economic factors affecting the real estate sectors in Germany, the UK, and the US include strong economic growth, record-low unemployment, low-interest rates, low inflation rates, access to credit, and demand for real estate. The real estate markets in Germany, the US, and the UK have similar macro-economic conditions, which to a large extent, have influenced the real estate markets positively. However, the emerging economies in this study do not have macro-economic conditions similar to the developed economies. Like developed economies, the Chinese monetary policies have reduced the interest rate and the bank reserve ratio to stimulate the real estate sector and the economy. However, this is not the case with Nigeria, where the interest rate is very high, and the government’s monetary and fiscal policies have not significantly impacted the real estate sector. China also has a strong current account position, which has made it very easy for them to invest internationally and have a solid support base locally because of the high liquidity. Nigeria is majorly dependent on revenue from crude oil, which has been negatively impacted by militant activities and OPEC’s mandates to reduce production, which has had a negative effect on the real estate sector. In the same light, South Africa has a high unemployment rate, high interest, and high inflation rates, similar to the Nigerian economy. This has a significant negative impact on the real estate sector.

The stable political structure in all the developed economies discussed in this study has helped build consumer confidence and, hence, tremendous investment in the real estate sector by local and international investors. Conversely, China's real estate sector has a very strong government influence, while the government’s positive impact on the Nigerian real estate sector is not significant.

The literature revealed that bank debt is the dominant real estate development finance source for both developed and emerging economies. However, there is a strong involvement of the stock market and REITs in China and the three developed economies. There is also significant REITs investment in the South African real estate sector but no significant REITs involvement in real estate financing in Nigeria as there are presently only four REITs in Nigeria. Germany, the UK, and the US have significant investments in the real estate sector by foreign investors from China and the middle east.

Non-banking institutions such as insurance companies, pension funds, and housing developments are significant sources of real estate finance for managers in Germany, the UK, the US, China, and to some extent South Africa. However, this is not the case with Nigeria, where the source of finance for real estate project development is from ploughing back real estate income from rental income, sinking funds from leasehold interest, and real estate sales. However, this has become grossly insufficient due to an increased demand for real estate in Nigeria.

## Implications of the findings from the review of literature on the selected developed & emerging economies

The literature review findings show that there are significant differences in the real estate sectors of both the developed and the emerging economies. Various factors affect the real estate sectors in both the developed and the emerging economies; they have different challenges, opportunities and sources of finance. The literature review on these six countries reflects the need to make practical inquiries from managers in different countries and draw up a model following these inquiries, which will guide both managers and investors in this sector.

The literature review highlights the different aspects of the real estate sector of the selected countries, including the sources of finance and the peculiarities of the various real estate market. The literature review in chapters 2 and 3 provided a platform for further inquiries from managers of the real estate sectors of the selected developed and emerging economies, as contained in chapters 5 to 9. These inquiries provided a platform for developing the different components of the toolkit for securing finance for real estate project development, which provides a guide for managers in this sector in securing finance for real estate project development.

## Summary

This chapter presents a literature review focused on the six selected countries: Germany, the UK, and the US for the developed economies and China, Nigeria, and South Africa for the emerging economies. Factors affecting the real estate sectors in developed and emerging economies considered in this study include economic, political, and social factors.

Strong economic growth, refugee intakes, high work-related migration, record low unemployment, weak new construction supply, and low interest rates have impacted the real estate sector in the developed economies, particularly Germany. The UK’s real estate sector is affected by the economic history of the country, global economy, the performance of the London stock market and the banking system. The high price of crude oil & the resultant external surpluses from oil-producing nations often invested in the UK, Investment from Asia, the political environment, and the UK consumer confidence index all impact this sector. The factors that have affected the US real estate development sector include economic growth, low-interest rates, stable inflationary rates, government monetary and fiscal policies, an increasing population, and a robust and effective political industry.

Factors affecting the Chinese real estate sector include the increasing middle class, positive credit rating, intense urbanisation and the government's dependence on revenue from the real estate sector. Additionally, the government announced new real estate restriction policies in 2019 and laws regarding no private ownership of land in China also strongly affect the real estate sector. The factors affecting the real estate development sector in Nigeria include high inflation, an increasing population, an increase in the middle class, over-dependence on oil revenue, exchange rate volatility, high-interest rates, small and fragmented real estate companies, and inadequate representation of REITs and real estate companies on the Nigeria stock market. Other factors affecting Nigeria's real estate development sector include low-level skills, the government’s monetary and fiscal policies, technical barriers, terrorism, and corruption. The factors affecting the real estate sector in South Africa include a high unemployment rate, and high-interest rates, and inflation. Other factors affecting the real estate sector in South Africa include highly skewed wealth distribution, declining GDP, increased urbanisation, short lease structure of 3 to 5 years, and foreign ownership of properties without restrictions.

The literature review demonstrates gaps in real estate supply and demand in all the developed and emerging economies reviewed in this study, with demand exceeding supply. The literature indicates that the dominant sources of finance for real estate in Germany are banks and savings banks. The indirect approach is through the German stock corporation, the German real estate investment trust, and private equity. The UK has the most diversified real estate project finance sources in Europe, with the primary sources being banks, building societies, and mortgage brokers. Banks and mortgage brokers are the primary lenders for real estate project development in the US. Other platforms for financing real estate project development in the US include REITs, hedge funds, pension funds, and sovereign wealth funds.

Banks are the major financiers of the real estate sector in China. Non-banking institutions such as insurance companies, credit corporations, and specialist non-bank institutions such as housing credit cooperation and the Housing Development Corporation are also involved in financing real estate project developments in China. One of the ways of providing finance for real estate project development in Nigeria is by ploughing back real estate income gotten through rental income, sinking funds from leasehold interest, and the sale of real estate. Real estate investment trusts (REITs) as a means of real estate investment are not yet favoured in Nigeria, and there are presently very few REITs in Nigeria. Mortgage finance institutions in Nigeria are plagued with bureaucracy in the granting and disbursement of mortgage loans to borrowers, unavailability of funds, a corrupt workforce, and the problem of the repayment of loans by borrowers. The South African real estate development gets funding from institutional investors, the capital markets, and investors from Europe, other African countries, and China. There is, however, a fall in the mortgage loans granted by financial institutions.

The following chapter presents a review and synthesis of the literature relevant to the research topic, and this also provides the theoretical background of this research.

# Literature Review (2)

## Introduction

This chapter aims to review and discuss the relevant theoretical and empirical literature focused on the research objectives. It begins with a review of some theories on the determination of finance for real estate project development and then a review of literature on finance sources, criteria required by financiers, critical success factors, challenges and opportunities for real estate project financing, processes, and key decisions in securing finance for real estate project development. Secondly, it reviewed key theories and practices of skills, knowledge, competences, career path, training, and education for securing finance for real estate project development. This chapter also developed the initial conceptual model that provided a platform for developing the toolkit for securing finance for real estate project development in chapter 10.

## Finance options for real estate project development – a review of theoretical literature

This section provides a review of literature for the first part of this study's first objective, which is “to examine the various real estate finance options/ instruments for real estate project development”. It also attempts to answer the first part of the first research question, “what are the various real estate finance options/ instruments for real estate project development? “. This will contribute to developing the toolkit for securing finance for real estate project development. It provides platforms and variables tested through semi-structured interviews and questionnaires administered on Real estate managers in the developed and emerging economies in chapter 5.

The research considers the following theories vital for discussions on real estate project development finance in the developed and emerging economies. The theories provide a better understanding of real estate project development finance and explain the study's major constructs.

**Key theory 1:** The pecking order theory of capital structure

**Other theories:**

1. The trade-off theory of capital structure
2. The market timing theory

**The pecking order theory (the critical/ key theory).**

The Pecking order theory helps the manager choose their capital structure. Donaldson (1961) suggested the pecking order theory but popularised by Myers and Majluf (1984) where they argued that equity is a less preferred means of raising capital by managers. It states that a company should prefer to first finance itself internally through retained earnings. If this financing source is not available, the company should also finance through debt and, finally, or as a last resort, through issuing new equity (Tarver, 2018). Equity issuance is always the last resort for financing because, at this point, the company believes that it is no longer sensible to acquire more debt as raising more debt becomes risky for the firm. Furthermore, retained earnings will mean less or no transaction cost and issuing cost to the firm than the other two sources of finance. If necessary, issuing debt will be the second option, as it also requires lower information costs than equity (Le and Phan, 2017).

According to Tarver (2018), the pecking order is important because it signals how the company is performing. If a company finances itself internally, that means it is strong. If the company finances itself through debt, it signals that the management is confident that the company can meet the debt obligation. If it finances itself through issuing new stock, it could be a negative signal as the company thinks its stock is overvalued and seeks to make money before the share price falls. This theory is critical to this research because one of the elements of the study is investigating the finance sources used by managers in different countries for real estate project development. The theory helps to understand the reason for various managers' finance source choices in the selected countries' real estate sectors.

Several authors have tested the Perking order theory, and they have found it to be a good approximation of reality. However, it has not been proven to be the first order of importance in determining the firm’s capital structure. Zeidan, Gralil, and Shapir (2018) discovered that owners of private firms in Brazil follow pecking order theory when companies are in the growth phase; they use leverage up to a certain point upon which banks are reluctant to provide further credit. It is then expedient that focus should change to equity capital to strengthen the leveraged balance sheet (Ongera, 2015). Having access to equity finance from the stock market provides long-term capital and facilitates the firm's ability to get further credit due to the additional equity cushion.

The pecking order theory is very relevant to this research and managers involved in securing finance for real estate project development in both the developed and emerging economies because it gives strong recommendations on the levels of finance that the manager can use for project execution. It advocates that the managers generate funds from retained earnings as the first funding source for project execution. This is in line with the interviews done for this research, where some managers categorically stated that they depend primarily on internal financing mechanisms before recourse to external sources (see chapter 5.2). Where internal funding is not sufficient, the manager could source debt as a second option before equity. According to the pecking order theory, equity issuance should always be the last option used when the managers see that raising more debt may become risky (Le and Phan, 2017). Pecking order is also seen as a strong indicator of the company’s strength in all the stakeholders' eyes.

**The Trade-off Theory of capital structure**

The trade-off theory explains that a company chooses how much debt and equity finance to use based on the cost-benefit associated with the debt. It is often set up as a competitor theory to the pecking order theory of capital structure. The theory's importance is to explain that corporations are usually financed partly with debt and partly with equity. It states the tax benefits of debt, the cost of financing with debt, and the cost of financial distress, including bankruptcy cost of debt and non-bankruptcy cost of debt. The marginal benefit of further increases in debt declines as debt increases, while the marginal cost increases so that the firm optimising its overall value will focus on this trade-off when choosing debt or equity to use for financing (Kraus and Litzenberger, 1973; Tarver, 2018).

The trade-off theory is a fundamentally strategic theory that can guide the manager involved in securing finance for real estate project development. It advocates that the managers’ decision to either use debt or equity should consider the costs and benefits of both options. This theory stresses the significance of using debt, which is fundamentally the tax benefit of using debt. It also highlights the dangers of debt usage, which are possible distress and bankruptcy. Notably, the marginal benefit or incremental benefit of debt usage declines as debt increases. In contrast, the marginal cost increases, so the firm focused on optimising its overall value will focus on trade-offs when choosing how much debt and equity to use for financing.

The relevance of the trade-off theory has been questioned by many authors, including Miller (1977) and Myers (1984). Miller believes that if trade-off theory were true, then there should be higher debt levels than there are in reality. Despite the criticisms, the trade-off theory remains a dominant theory of capital structure. This theory could be a platform to ensure managers exercise the necessary skills, knowledge, and competences in their choices of finance option(s) for real estate project development ( see chapter 5.2).

**The Market Timing Theory of capital structure**

The market timing theory is a theory on how firms and corporations decide whether to finance their investment with equity or debt instruments. It states that a firm will decide to issue debt or equity as a finance source based on the history of the firm’s market value (Meyers, 1984). In other words, this theory maintains that capital structure decisions are influenced by the market conditions of share prices (Le and Phan, 2017). Baker and Wurgles (2002) claim that this theory is the first determinant of a corporation’s capital structure use of debt or equity. They are of the view that the firms do not care whether they use debt or equity; they just choose the type of finance which is at that point more valued by the financial markets. The market timing theory, also known as the window of opportunity theory, points out that a firm will prefer external equity to other sources of finance as soon as the market perceives that the cost of equity is low and will issue debt when they perceive that the cost of equity is high (Huange and Ritter, 2004).

However, market timing theory is considered by some authors as an incomplete theory because it does not explain why at the same point in time, some firms issue debt while others issue equity. As yet, there is no comprehensive explanation for this problem within the market timing model. Despite the limitations of the market timing theory, it is still considered for this research because some managers are involved in securing finance through the stock market. The market timing theory advocates that capital structure decisions are influenced by market conditions (Huange and Ritter, 2004). This theory is used in decision-making by a real estate operating company ( REOC) or real estate investment trust, both platforms for accessing equity finance.

## A review of literature on finance options for real estate project development

In this research, finance options refer to the different finance instruments/types available to managers/developers for real estate project development. Finance is an essential part of the development process (Rowley et al., 2014).

According to Midgley and Burns (1977), there are three reasons why businesses raise finance, and they are:

1. the reduction of a temporary imbalance between cash receipts and payments
2. the purchase of long-term assets
3. working capital requirement

There is a range of finance options available for real estate project development, and these could be through equity, debt finance, or creative or innovative finance. Furthermore, developers' finance options are often unique to their operational environment, and thus funds could come through the private or public sector.

### Equity financing

Equity investment in the real estate sector could be in mature, stable assets or land speculation and development projects (Glickman, 2014). Largely the form of the legal entity that holds the property determines the characteristics of the investment/financing. Equity investments can be established as a proprietorship, partnerships, joint venture, limited liability corporations, real estate investment trust (REITs), and real estate operating company REOCs. Both individual and institutional investors use all these platforms to secure finance for real estate project development (Edward et al., 2014).

Equity financing for real estate development can be structured in many ways, and it could be public or private. Special purpose companies could issue stocks to raise finance for real estate project development. The shareholders' financial capacity restricts private equity finance while strict regulations and policies control public equity financing (Ke et al., 2007). REITs' structure is often corporations whose primary business is ownership of debt and equity interest in real properties. They operate within certain parameters in return for a favourable code of their country of origin (Glickman, 2014). REIT originated from the United States of America, and they are also available in the United Kingdom, Germany, and South Africa, but they have a limited presence in Nigeria (Ogbenjuwa et al., 2018). REITs are mostly traded on the public stock exchange and are not subject to corporate-level tax. The REIT market is unique; on the one hand, it shares the characteristics of the broad real estate market, and on the other hand, it possesses qualities of the public stock market. Compared to ordinary common stocks, ‘REITs may possess distinct risk-return characteristics’ and significantly contribute to the fast growth in market capitalisation in recent decades (Graham-Rowe, 2009).

Most private equity companies involved in real estate are large institutional investors, such as pension funds, and large private equity funded by a group of accredited investors (Segal, 2019). There are different types of private equity investment vehicles in the real estate capital market. Investors that invest directly in the property and own an interest in the assets are known as direct investors. Investors that purchase an interest in entities that control assets are indirect investors. Private investment could be through a partnership, pension funds, and insurance companies; private equity is a capital source raised outside the public equity market for investment (Gregory, 2013). Private equity firms make investments in real estate development firms, either directly or through joint ventures, and they raise opportunistic capital from high-net-worth individuals and financial institutions. Private equity firms are interested in taking greater risks to achieve higher returns than insurance companies and pension funds.

### Debt financing

Debt finance is all about risk and returns; it enables developers and managers who do not have the upfront capital to undertake projects. Often most managers borrow funds on a project-specific basis. Debt financing, also known as leverage, can increase the investment returns, but it also increases the risk. Debt finance for real estate project development is mainly through bank lending. However, post-2008 global financial crisis, financiers are focused on minimising risk through strategies such as reducing the debt finance available for projects, lending mostly to developers with an existing relationship with the bank, lending on safe developments with proven sales records, and setting a series of covenants to reduce risk (Rowley et al., 2014). The most common debt used for the housing business is commercial mortgages. The lenders expect that the property will generate cash flow to support the debt repayments (Glickman, 2014). Debt finance is significantly used in both developed and emerging economies to finance real estate project development (Ogbenjuwa and Egbu, 2017).

Though not an integral part of the Eurobond, the real estate sector is beneficial, especially in mature real estate markets like the UK, the U.S, and Germany. The Eurobond is in a currency other than the country's home currency or market in which it is issued. They are grouped by the currency in which they are denominated, such as Eurodollar or Euroyen bonds. Eurobond's issuance is usually by an international syndicate of financial institutions on behalf of the borrower who will underwrite the bonds, thus guaranteeing the purchase of the entire issue (Chen, 2018). The term Euro bond only indicates that the Bonds are issued outside the borders of the currency’s home country and not denominated in Euros.

### Innovative real estate financing options

The terms innovative and creative financing can be said to be synonyms. However, the slight difference relates to creativity, as a sense of creating capacity or ability to conceive something original and uncommon. On the other hand, innovation is the inventiveness akin to the implementation process (Ogbenjuwa and Egbu, 2017). The distinctive names of innovative and creative financing for this research will be termed innovative financing. There are various definitions of innovative financing. The World Bank defines innovative finance for real estate development as involving non-traditional forms of funding through private mechanisms, solidarity mechanisms, public-private partnership (PPP) mechanism and catalyst mechanism (Grishankar, 2009). In real estate financing, innovative encompasses bringing existing options in readiness for a new market or in a market where their maximal effect is yet to be utilised (Ogbenjuwa et al., 2017). Innovative financing is a mechanism to raise funds in addition to conventional methods and a mechanism to improve the use of the funds (Gargasson & Salome (2010, pp 13). Hence, developers can finance from different channels, and this includes financing through landowners. Investing through landowners is prevalent in emerging economies like China, where local authorities and individuals allow the developers to pay for land by instalments, transferring the right to use the land to the developer after payment of the deposit. The developers can also finance the contractors and subcontractors by paying them in arrears and support buyers through pre-sale arrangements (Ke et al., 2007).

Tax-exempt bond financing is an innovative finance option used in the United States and is authorised by Congress. It is a platform where the State and Federal governments issue tax-exempt bonds to finance several developments like real estate (Guggenheim, 1999). The Bond provides loans to developers at lower interest rates from the bonds' proceeds and tax-free interest to investors in the Bond. Large corporations in the real estate sector who might be profit-motivated or non-profit motivated can also use this product to sell tax credits to investors and then use the proceeds to build affordable housing (Mittereder, 2013).

Crowdfunding is a creative and innovative finance option that developers can use at the start of a new project before sourcing other means of funding. It enables the commencement of projects with some degree of independence commonly not considered for bank financing or investment by large financial institutions (Lam & Law, 2016). Crowdfunding is relatively new as compared with most other types of innovative financing. The use of social media and the internet has enhanced its effectiveness and popularity in contemporary times. The risk in crowdfunding is widely spread because it taps relatively small contributions from a large number of individuals without the assistance of financial intermediaries. It is a relationship between entrepreneurs, investors (crowd funders), and intermediaries (crowdfunding platforms). Crowdfunding could provide contemporary developments of cities and communities. This includes the provision of funding for research and development (R & D) and cost-effective and resource-efficient technologies over a wide range that can effectively create cities and communities that are more sustainable.

Syndicated loans are parcelled amongst several banks, ranging from two (2) lenders to more than thirty (30) in some cases (Berlin, 2007). Large real estate development firms involved in building large communities borrow substantial sums at lower rates and longer tenures when no single lender is too heavily exposed. The developers and financiers can then place long-tenured mortgages on the strength of properties developed with the proceeds of the syndicated loans.

Housing microfinance is innovative housing finance used to develop housing projects for low-income communities in India and Latin America (Smets, 2001). There are microfinance banks in Nigeria and most other emerging economies, but their focus is presently on providing short-tenured loans for retail businesses and individuals. Community-based housing finance initiativesare also an excellent example of creative and innovative finance for real estate project development. It is a finance initiative commonly used in places like the Philippines to help those with the lowest income to get land and housing tenure. This finance initiative's assessment shows high-cost effectiveness, beneficiary reach effectiveness, and high loan repayment, and it is a government program for low-income communities. This program enables informal settlers in slums or tenants of blighted areas of over ten years to own the land they live on or the property where they will be relocated through community mortgage (UN Habitat, 2009). This type of financing can be achieved through the federal and state governments' combined efforts to create an enabling environment to attract private institutional funds into long-term housing mortgages.

A couple of other creative and innovative finance options for real estate project development are mezzanine finance, convertible mortgage, participating mortgage, and joint venture (Kavishe and Chilesche, 2017). A mezzanine is a debt capital that gives the lender the right to convert to an ownership or equity interest in the company if the facility is not paid back on time or fully. It is subordinated to high-level lenders and venture capitalists (Ogbenjuwa & Egbu, 2017).

## A review of literature on the criteria for securing finance for real estate project development

This segment of the study looks at the criteria required and requested by financiers to avail finance for real estate project development. It provides a literature review for the second part of the first objective, “to ascertain and document the criteria funding institutions use in lending for real estate project development”. It also attempts to provide answers based on existing literature to the second part of the first research question: What documents and the criteria funding institutions use in lending for real estate project development? “. The literature review forms a basis for inquiries from the industry towards developing the toolkit for securing finance for real estate project development in chapter 5.

Financiers traditionally look at three primary repayment sources: cash flow, guarantor, and liquidation of collateral (Rector, 2002). The cash flow will let the lender know if the developer can liquidate the proposed loan from his current financial position and the project's increased revenue. Furthermore, a strong guarantor can support debt repayment prospects. The liquidation of collateral is the option least preferred by lenders, and it is often considered as a backup source of repayment. Lenders usually use cover ratios to access the margin of safety in the debt level that can be raised for the project primarily based on the project capacity to service debt (Kalidindi & Boeing Singh, 2009).

To analyse a company’s current situation, lenders need to know how the company has reacted to downturns, review its forecast and understand why the client wants the requested sum (Rector, 2002). Lenders also look at the firm's long-term records of accomplishment to determine if it can repay the loan if availed. Lenders generally do not like re-financing to pay–off accounts that are past due as they are prone to further default (Ogbenjuwa et al., 2019).

Financiers fundamentally look at three risk factors to justify lending: credit risk, collateral risk, and structure risk. The lender looks at three financial statements to mitigate credit risk: the balance sheet, income statement, and cash-flow statement. Various ratio analyses are used to review the books of accounts, and examples of such ratios are turnover ratio, debt-to-equity, and current ratio (Nitz, 1996). These ratios will indicate the financial health of the company at different points in time. While the income statement will help the lender analyse the company's revenue, income, profitability, and margin trend, the cash flow statement helps the lender determine how a company generates cash. It will help the lender ascertain if the company makes sufficient cash flow to meet its obligations (Ogbenjuwa et al., 2018).

Collateral risk encompasses the type, age, and value of the collateral. The lender analyses the potentials of selling the collateral as well as the risk of keeping it. There are various collateral types acceptable to lenders for real estate projects, and they include the real estate to be financed, stocks, equipment, and other investments. The risk can be mitigated by how the loan is structured; allowing too many skips in payments, reduced payments, or over-extending credits may crystallise potential risks (Charles and Mori, 2016).

The lender thoroughly considers the demand risk by accessing the financial viability of the project. The project's financial viability is impacted by the willingness and capacity of the market to pay. This is often a function of wealth and the value attached to the project based on the property's perceived value. It could also depend on the prevailing macro-economic condition (Kalidindi & Boeing Singh, 2009).

The financiers ensure due diligence is done to real estate transactions they are involved in before parting with their funds. Due diligence is a method of reducing the risk associated with property financing. It aims to identify all the potential risks associated with the transaction, including financial due diligence, legal, due diligence, tax due diligence, and technical due diligence. The financial due diligence is essentially about market location analysis and the review of profitability. The legal, due diligence entails clarifications regarding ownership and administrative laws for investment, land registry, and environmental issues, while the tax due diligence ensures and affects real estate transfer tax, VAT, and land tax depending on the nature of the deal (Just, 2012).

The contractor's experience is also an essential consideration to mitigate against the risk of the project failing to be completed on schedule and within budget. The contractor’s experience can be ascertained through their background and record of accomplishment (Kalidindi & Boeing Singh, 2009). Lenders often seek independent engineers and builders as consultants to confirm if the contractor can finish the project within the agreed time and the agreed budget. The lender usually requests that the contractor addresses exceptions raised by the independent contractor and then ensures that various permits and site clearances that are required are secured. Funding for huge real estate projects is often available after the project Sponsor secures contracts for a substantial part of the project. Furthermore, the sponsors may be required to provide full guarantees for the debt or cash flow deficiency guarantees for repayment of the loan (Greewald & Hilen, 2005).

Equity funding, whether private equity, venture capital, angel finance, joint ventures or public equity, has a similar requirement with debt. The financier wants to ensure they get returns on their investments and secure the asset. According to Whileman (2010), a mutually beneficial investment will depend upon the real estate manager ascertaining and agreeing with investor terms, exit time frame, appetite for further funding, and the investor’s representation on the board as well as any minority protections (protections for minority shareholders such as the right not to be diluted without consent).

The international financial reporting standard (IFRS) and the international accounting standard (IAS) 36 Impairment of Asset mandate that firms requiring equity finance disclose good-will related matters. As recognised in a business combination, goodwill is an asset representing future economic benefits arising from expected synergies not individually identified and separately realised. Thus, goodwill conveys current and forward-looking corporate information. Goodwill often represents a significant amount on a company’s balance sheet and has a distinct nature. It represents the excess of the purchase price over the acquirer’s interest in the fair value of identifiable assets and liabilities acquired as of the transaction day. Goodwill is an asset that represents future economic benefits arising from synergies between the identifiable and non-identifiable assets acquired (Francesco et al., 2017).

The managers in the real estate sector, as in other sectors, need to show how the investment will do better in the future based on well-defined action steps. They can do this by trying to get an understanding of how the equity investor thinks. Equity investors want to deal with people and companies they can trust (Selbert, 2018). The managers should focus on marketing their firms to showcase how good they are for investments, and they can do this by reflecting their rate of returns. Affordable equity finance can be secured through proper risk aversion, including contractual mitigation through insurance, performance support guarantee, interest rate swap and inflation hedge (Demirag, 2012). The manager would have to make available concrete information on risks aversion and diffusion modalities to the equity investors, and this can be achieved in conjunction with experts.

Scot Fisher et al. (2005), in their publication on Joint venture (JV) titled, “marrying for money: structuring joint ventures with equity “, itemised the following as preliminary information that should be provided for a JV transaction:

1. purpose
2. principals
3. principal place of business
4. capital
5. management
6. profit and losses/cash flow
7. transfers of interest/admissions of partners
8. liquidation/ dissolution
9. defaults
10. resolution of disputes
11. buy-sell

The publication titled “marrying for money” also revealed that there is and should be an operating agreement for the joint venture with equity. This operating agreement should contain information on the following:

1. purpose
2. percentage interest/ capital contribution
3. allocation of profits and losses for tax and accounting purposes
4. distribution of cash
5. management of the company
6. transfer of partnership interest
7. right of first refusal
8. buy-sell provision
9. indemnification

According to William Donaldson, former chairperson of the US Securities and Exchange Commission, new reforms had to be created in the United States of America to restore confidence in corporate America. Consequently, new standards of integrity were set, which necessitates that investors see the business living up to the spirit underpinning all the securities laws. This includes the requirement by listed companies to credit an independent audit committee and certify their internal controls over financial reporting.

## A review of literature on the critical success factors for securing finance for real estate project development.

This section provides a literature review for part of the second objective of this study, “to identify the critical success factor in securing finance for real estate project development”. It also attempts to provide some answers to a part of the second research question for this study which is, “what are the critical success factor in securing finance for real estate project development?”.

The CSF largely determines the success criteria in securing finance for real estate project development. Critical success factors for this study are the things that must be available for the manager in the real estate sector to be successful in securing finance for real estate project development (Osaily et al., 2018). It helps the manager to determine those factors on which they should focus management attention, and it also helps to ensure that those significant factors will receive careful and continuous management scrutiny.” (Ranong, 2009; Amberg, 2005):

The real estate sector is a focal point for investors’ attention and economic purpose as a whole because of its high-expected returns. However, there are some factors critical to success in securing finance for real estate project development. There is not enough literature on critical success factors for securing finance for real estate project development. Consequently, this study used existing literature on critical success factors in securing finance in general as a platform from which the primary data on critical success factors for securing real estate project finance will be generated.

These critical success factors identified in table 3.5.1 contributed to the development of interview and questionnaire questions, which helped ascertain what managers consider critical success factors for securing real estate project development finance in the developed and emerging economies. It provided a platform for developing an “environmental scan for securing finance for real estate project development”, which is a part of the toolkit for securing finance for real estate project development in chapter 10.

Table 3.5‑1: A list of critical success factors for securing finance

|  |  |  |
| --- | --- | --- |
| Authors / Study | Title of Journal/book/resource / CSF | Summary of Critical success factors ( CSF) |
| Lam et al. (2011) | Critical success factors for bond finance construction in Asia | Credit risks, yield, liquidity, and transparency are priority considerations for retail investors, whereas institutional investors assume additional business considerations, such as matching of assets and liability durations. |
| Zhang & Cheung (2012). | A comparative study of critical success factors for public-private partnerships (PPP) between Mainland China and the Hong Kong Special Administrative Region | Favourable legal framework, appropriate risk allocation, and risk sharing, Commitment and responsibility of public and private sectors, Stable macro‐economic condition, available financial market, strong and the good private consortium |
| Chan et al. (2010) | Critical Success Factors for PPPs in Infrastructure  Developments: Chinese Perspective | Stable macro-economic environment shared responsibility between public and private sectors, transparent and efficient procurement process, stable political and social environment and judicious government control |
| Rohm, M. ( 2017) | Modelling critical success factors of International Joint Ventures in Real Estate Development: Perspective of Capital investor. A thesis submitted to the University of Gloucestershire | Familiarity with local legislation & clear contract term, liquidity management, financial modelling with realistic assumptions, good business plan, partner due diligence, alignment of interest and contract satisfaction; partner’s ability and skills, alignment of interest and objectives, monitoring of JV activities, the meeting of project timeline and control of project performance |
| Timothy and Gaye ( 2006) | Lessons from real estate  partnerships in the UK  Drivers, barriers and critical success factors | Critical success factors strategic: Performance to match objectives of the corporate occupier, prove “ profitability for all parties to the SPV, operate without giving rise to significant disputes or need for parties to invoke the contract to settle any arguments; Critical success factors operational: establishing an appropriate length and form of contract, access to relevant and up to date data, assembling the right team of advisors, aligning the interest of the parties, allocating and sharing risk. |
| Oladokun and Ogunbiyi (2018) | External factors critical to success in the business of estate surveying firms in Lagos State, Nigeria | decision-making effectiveness; project manager’s experience; contractor’s cash flow; contractor experience; a timely decision by the owner/owner’s representative; site management, supervision, planning effort; prior project management experience; and client’s ability to make a decision. |
| Ameyaw, E. E. and Chan, A. P.C. (2016) | Critical success factors for public-private partnership in water supply projects | The commitment of the partners; Strength of the consortium;  asset quality and social support; political environment; and  National PPP unit. |
| Ameyaw et al. (2017) | A survey of critical success factors for attracting private sector participation in water supply projects in developing countries | Political commitment from the elected government toward PPPs for water supply; the existence of dedicated PPP unit; strong and competent public water authority; adequate fiscal capacity of a  national/subnational authority; public acceptance and support of the involvement of the private sector in water services; a well-designed PPP contract; the existence of enabling policy and legal  frameworks to support water PPPs; and profitability of water project(s) to attract investors and lenders |
| Kwofie et al. ( 2016) | A critical success model for PPP public housing delivery in Ghana | government involvement by providing a guarantee, right project identification and project technical feasibility, competitive and transparent procurement process, favourable and efficient legal framework, stable macro-economic condition & sound economic policy |
| Venema, W. H. (2012). | Integration: The Critical M&A Success Factor | Regarding integration planning, consider the organisation and culture of the target and ensure that parties comply with antitrust laws. |
| Zhao et al. (2010) | Critical success factors for BOT electric power projects in China: Thermal power versus wind power | The necessity for the project, the level of project financing management of the project company, the expected debt-paying ability of the project, the financial capacity of the contractor, and the level of business operation and qualification of the contractor |
| Lukkarinen et al. ( 2016) | Success drivers of online equity crowdfunding campaigns | observable features of crowdfunding campaigns, network utilisation, and understandability of the target's products |

Source: Inspired by several journal publication

The above list of critical success factors shows that, if patterned after Oladokun and Ogunbiyi (2008) work on critical success factors can be classified into external and internal factors. The organisation has no control over the external factors, but these factors are critical to their ability to secure finance for project development. They include the economic situation of the firm's immediate locality and the buoyancy of the nation as a whole, which generally affects the success of the real estate sector. The external factors can be grouped into social, technological, economic, environmental, political, legal and ethical (STEEPLE) factors.

Critical success factors could also be internal factors.The internal factors are unique factors that include the firm’s resources and capabilities that can be controlled. These unique factors explain the main reason for a firm’s performance variation despite the same industry background as other firms. Consequently, these internal critical success factors include tangible assets such as financial resources, physical resources (plant, equipment & machine), human resources and technological resources. There are also intangible assets such as knowledge, skills, reputation, and capabilities. Research shows that firms with superior resources and capabilities would witness more growth and success (Khadijah et al., 2017; Crook et al., 2011). Several studies have also shown that marketing capabilities are also critical to the firm's success (Kim et al., 2008).

Khadijah et al. (2017) identified five (5) internal variables as critical to the success of businesses in Malaysia. These variables can also be applied to the real estate development sector to have an understanding of the internal factors that are critical to the manager’s ability to secure finance for project development. According to Khadijah et al. (2017), the five variables are entrepreneurial competency, marketing capability, financial resources, technological usage, and knowledge sharing. Entrepreneurial competency in this context refers to the small business owners’ knowledge, skills, and ability achieved via education, training, and experiences.

The next segment of this study discusses existing literature on the opportunities and challenges associated with securing finance for real estate project development.

## A review of literature on opportunities and challenges associated with securing finance for real estate project development

This segment of the study provides a review of literature on the first part of the second objective, which is, to identify opportunities and challenges affecting managers in securing real estate project development finance”.

It also attempts to answer the first part of the second research question, which is, “ what are the opportunities and challenges affecting managers in securing real estate project development finance ? “. It also contributed to the development of the questionnaire survey and semi-structured interviews tested in chapter 6.

Various factors affect the real estate project environment, translating to factors affecting real estate project development financing. These factors range from economic factors, political factors, social factors and legal framework. Country specific factors, including economic health, the standard of living, levels of human development, political stability, and real estate sector-specific variables, including sizes of institutional real estate market, are significant variables that affect accessing finance.

This study draws on existing frameworks such as PESTLE to discuss factors that constitute opportunities and challenges to managers when securing finance for real estate project transactions to understand opportunities and challenges associated with obtaining finance for real estate project development.

PESTLE analysis is a strategic framework for understanding external influences on a business. In this context, PESTLE is used to understand the factors, which could constitute an opportunity or challenge to the manager's ability in the real estate sector to secure finance for real estate project development. PESTLE stands for “political, economic, social, technological, legal and environmental”, and it is used for business and strategic planning, marketing planning, organisational change, business, and product development and research reports (Mankiw et al., 2016). By understanding these external environments, the real estate sector managers can maximise the opportunities and minimise the challenges that affect their ability to secure finance for real estate project development. PESTLE analysis answers six key questions: political, economic, social, technological, legal, and environmental factors. Therefore, the various components that could constitute a challenge or opportunity to the manager’s ability to secure finance in line with PESTLE are political, economic, social, technological, legal and environmental.

**Political factors / Political stability / Governance / Country risk /** **absence of violence**

Political factors essentially refer to those in power and their decisions and whether they positively or negatively affect real estate project financing. In most developed countries like the US, the UK, and Germany, political decisions are firmly subjected to laws and elections (Mankiw et al., 2016). Changes in laws, directions on employment and business governance have a strong positive and sometimes negative effect on the real estate development sector and its ability to secure finance. Notably is Brexit has both a positive and negative impact on real estate financing in the United Kingdom. Positive because it has to a large extent, calmed the market, which was tending towards a bubble; negative, and as such a challenge, because investors are exercising caution in bringing new funds for real estate development until they are sure of its impact Brexit (BBC, March 2019).

The government's capacity to formulate and implement sound policies and state of institutions that govern economic and social interaction are crucial considerations for financiers of real estate projects. The government’s regulations on nationalisation, currency inconvertibility, terrorism, wars, taxation, and strikes could threaten expected returns on investment. Developed countries are more resilient to changes in political risk (Docherty and Easton, 2016; Bilson et al., 2002).

**Economic factors**

Economic factors impact heavily on real estate markets in both developing and emerging economies. Significant contributions are made by the GDP, inflation rates, interest rates, population growth, money supply, and the unemployment rate change (Nurrick et al., 2017). A positive consequence of macroeconomic events is that it tends to reduce what the premium investors require for holding risky assets such as real estate. Furthermore, on the supply side, a rise in economic confidence tends to increase the supply of finance to the real estate development sector (Barkham, 2012).

Fluctuations significantly impact capital flow because they result in increased uncertainties. The volatility of GDP in emerging economies averages twice that of developed economies, and this results in great volatility on growth rates (Converse, 2013). The rise in uncertainties discourages foreign investors and makes local investors scale down their investments in long-term projects. The main difference in how these indicators impact the property market in the developed and emerging economies is influenced by their political and social stability and the maturity of the various economies (Salem, 2011).

Real estate financing can only be adequate if there is a good understanding of the interested parties' macro-economic environment. Real estate outcomes are often linked to GDP growth via derived demand, and macro-economic conditions affect interest rates, the market discount rate, and the whole economy's state. The GDP is a driver of rental and construction cycles and capital market bubbles, and it contributes to the production of goods and services (Barkham, 2012). The macro-economic condition affects the level of interest rates and discount rates. A rise in economic confidence often increases the supply of finance for the real estate development industry, which generally increases the construction rate. However, when growth is too strong, then inflation sets in. Inflation, however, can be mitigated through hedging and central banks use monetary policies, predominantly through interest regulations, to regulate demand and slow or enhance economic growth.

Job growth is about the single most considerable influence on residential capital values. Even with small economies, housing markets can vary considerably between cities depending on the local economy's ability to create jobs. Consumer confidence is related to unemployment/job growth and asset values. Confidence builds when unemployment falls, and asset values rise commensurate to increased consumer confidence and patronage of the real estate sector hence more demand for finance (Barkham. 2012).

Alongside GDP growth and interest rates, the inflation rate in the economy is the most crucial variable for real estate performance in the short, medium and long term (Barkham, 2012). When inflation rises, interest rates increase, which tends to be bad for real estate because it slows down economic expansion and reduces the need for new real estate space. Deflation is also a macro-economic variable that affects real estate demand and supply as well as financing. Deflation is when the price falls systematically and persistently across the economy. Deflation is not a common phenomenon, but it has been happening in Japan, Hong Kong and the Chinese consumer sector (Barkham, 2012). Deflation creates enormous problems for economic growth and reduces demand in the real estate sector. When prices are falling, consumers and companies often wait before making purchases because of fear of a further drop in prices. This could also make the GDP fall, making it difficult for the government to take any policy steps.

Some notable challenges to real estate project financing include taxation, ownership, and restrictions to capital accounts. However,market attractiveness or market size can be measured by examining the country’s GDP, population, GDP growth, and GDP per capita. Research findings have shown that investors, especially international investors and property funds, target countries where these variables are positive (Salem, 2011).Economic factors such as economic growth, employment level, interest rates, inflation, deflation, and national and regional economic changes contribute significantly to real estate project development financing decisions.

Several cities globally have witnessed fabulous real estate presence and growth because of the economic growth they have experienced (Wofford and Clauretie, 1992). Notably are cities like London, Houston, and Beijing. Houston experienced great growth partly because energy-related companies such as Shell Oil and others located their offices, research centres, and plants in Houston. This also has the ripple effect of creating employment with the positive impact of real estate projects and access to finance. In the same light, the employment status of an environment can largely determine real estate activities. When the income of people in a city increases, spending will also increase.

A particular country or environment's infrastructure is essential in attracting investment in the real estate sector. Anop (2010) found road infrastructure to be a significant determinant of foreign direct investment in European countries. Lieser & Groh's (2010) analysis of a composite index of real estate market attractiveness for 66 countries concluded that infrastructure should become an integral part of attracting international real estate investments (Salem, 2011). Infrastructure in developing economies is one of the determinants for foreign direct investment as they are also a contributory finance strategy for real estate project development.

**Social factors**

Population changes are among the key parameters that shape real estate demand and funding (Just, 2012). Information about expected population changes provides a basis for estimating housing demands. Demographic information on the population can be analysed based on income, age, number of children and marital status. Research-based classification aids lending decisions because it determines possible demand for various real estate classes.

**Ownership restrictions / Capital control**

Restrictions on international transfers are common in emerging economies and sometimes are barriers to financiers and potential financiers of the real estate sector (Salem, 2011). Restrictions on foreign ownership can limit the possibility of acquiring property rights if investors are not citizens of a country. This includes managerial controls that investors can exercise over companies in the host country. This ownership restriction extends to the nationalisation of foreign-owned corporations, in which the government takes control of the capital stock. There is also the problem of excessive tax on foreign investors, capital control, bribes and permits demanded by government officials. There is the challenge of capital control which affects the ability of the investor to repatriate their investment if domestic savings are scarce in the host country, which mitigates against capital account transactions and could be discouraging for investors.

**Technological / ICT usage in developments in the real estate sector**

There is increasing usage of information and communication technologies (ICT), especially in the developed economies, as its adoption appears to accelerate large projects. This could be seen as an incentive to financiers and other stakeholders. Notably, in recognising information and communication technology (ICT), the UK government initiated major programs such as digital built Britain to contribute further to digitalising the industry (Noruwa et al., 2018). Firms involved in turnkey real estate and construction projects are increasingly using ICT as strategic tools to drive business performance and generate a competitive advantage. ICT comprises computer software, hardware and communication devices that allow easy communication. An excellent example of modern ICT tools used in the UK BIM- Building Information Modelling -ISO 19650- 1,2 & 3, which was mandated by the UK government in 2011 to be used on all public-sector projects by 2016 (Noruwa et al., 2018). BIM enhances productivity, which arguably provides a platform for easy access to finance because it produces accurate visual models, and this enables the clients, financiers and all stakeholders to understand the design and the construction process and possible projected cost.

Other ICT platforms used in most developed economies that have arguably enhanced project financing include the internet of things (IoT), big data analytics, which provides data for easy decision making, augmented reality (AR) and virtual reality ( VR). These different platforms enable clients and financiers to interact and understand the unbuilt structure allowing a live direct and indirect view of the real-world physical environment. However, despite how effective these ICT usages have impacted the construction and real estate sector's productivity in developed economies, the story is not the same for emerging economies such as South Africa and Nigeria as their usage is not fully implemented. There is a lack of implementation of Building Information Modelling (BIM) products in Nigeria because of the lack of standards and uniform protocols and government capacity, buy-in, and support (Akintola et al., 2017).

Ongera (2015) looked at the challenges affecting a firm/ manager’s ability to secure finance from the organisational level and external challenges. According to Ongera, the organisational challenges affecting the firm’s ability to get finance include:

1. High risk
2. Information asymmetry
3. The high cost of the transaction
4. Managerial competencies
5. Networking

While the external factors that affect access to capital include the following:

1. Firm’s size
2. Legal framework
3. Stringent conditions

The location**-**specific considerations are fundamental factors that could be opportunities or challenges to real estate project financing. These specific advantages could be sources of demand, geographical location, a large domestic market, high liquidity, purchasing power, tax policies or a lower level of political risk (Salem, 2011).Location is a strategic factor that affects real estate project financing; location influences decisions on convenience, favourable and unfavourable exposure and price. Location factors can be categorised into competition, monopoly, income level, and supply and demand (Windapo, 2017). It also includes geographic location, natural features, and institutional and legal factors. Locations within the urban market confer a particular advantage because the real estate's value is essentially ascribed to locations (Lynn & Wang, 2010). Real estate is very site and market-specific. A notable example is Nigeria, which could be potentially attractive for investors in the real estate sector because of the oil industry's presence and population growth. Still, the considerable challenge is terrorism threats (Ogbenjuwa et al., 2018).

## A review of literature on the key decisions and processes for securing finance for real estate project development

This section provides a review of literature on the third objective, which is “to document the processes and key decisions for securing finance for real estate project development”.

There is no detailed work available that provides a comprehensive overview of decisions and processes associated with securing finance for real estate. However, the fundamental aspect of property development and investment is the initial decision-making, where the developer or investor may have to select the best investment opportunity amongst available alternatives (Olaleye et al., 2014). The second stage is to do a feasibility study where the fundamental question of practicability of the development is asked; this appraisal stage involves the usage of financial models and calculations to analyse the profitability of the development proposal and determine the returns that will accrue. It is essential to derive projections of variables such as rent, sales price, cost, and other relevant variables to assess the proposed development's profitability. A well-prepared viability appraisal will protect the manager from risks and volatility (Rector, 2002). It is, therefore, essential to do thorough feasibility and viability studies before securing finance for real estate project development. Research shows that viability studies are often not done in several emerging economies such as Nigeria because it is not enforced by law; hence, there are many loan defaults and abandoned projects (Olaleye et al., 2014; Adejumo, 2000). This stage also helps estimate the possible levels of risks and uncertainties that may come up and provide a platform for mitigating those risks (Joseph. 2002).

According to Olaleye et al. (2014), some notable decision-making methods such as payback period (PBP), net present value (NPV) and Internal rate of return (IRR) are often used in emerging economies like Nigeria. They all help determine how profitable the project will be before you secure the finance—however, more sophisticated investment decision-making practices and processes are used in the United Kingdom. Marshall and Kennedy (1992) found out that 5 per cent of UK practitioners used Monte Carlo simulation while Louargand (1992) found out that 48 per cent and 7 per cent of the sampled population of real estate plan sponsors and advisers in the US use sensitivity analysis and mean-variance analysis respectively (Olaleye et al., 2014).

All developments in the UK need planning permission. The 1947 TCP Act: section 55(1) of the 1990 Act defines development as carrying out of the building, engineering, mining or other operations over a land (William and Wood, 1994). The law also stipulates that if the developers are not the lessor or the land owners, they must serve a notice on those who hold an interest in the land. These applications are made to the councils where the land is situated. The council then determine the application within eight weeks. An environmental assessment is also required. There is also a statutory requirement to prepare a development plan. The preparation of a development plan may take a couple of years. The first stage entails an extensive survey and consultation with a wide range of interested parties.

There is no detailed work available that provides comprehensive decisions and processes associated with securing finance for real estate project development. The different processes and decisions can be organised through a process map. This is for ease of understanding the various decisions taken in securing finance for real estate project development. The ultimate objective of process mapping is to understand and dissect a given process as it is presently performed to create an improvement. Understanding the process map could reduce financing application and disbursement time. A good process map could increase access to project development finance because it reduces the time required for the process cycle and increases efficiency. The process map includes end to end clarity, transparency, higher productivity, fewer days, greater compliance, risk identification and significant training resource (Achuthan, 2018; Water.org, 2015).

Equity and debt financiers would like to know the project's economic significance and potential risks; they want to monitor their investment performance, pricing, structuring, and evaluation. Equity and debt pre-investment processes often involve activities related to search, the initial screening by potential investors and due diligence. The investment events include contract negotiation and determination of the conditions of the offer. The post-investment period provides future financing rounds and the eventual exit (Amatucci and Sohi, 2004).

There is no significant evidence from the literature on the key processes and decisions managers undertake in securing real estate project development finance. Consequently, the semi-structured interview and questionnaire survey questions would be open-ended questions in chapter 7. This would give some degree of independence to the respondents to articulate the key processes and decisions they undertake in securing finance for real estate project development. The findings would then provide a platform for developing the process map for securing finance for real estate project development in chapter 7, which forms one of the components of the toolkit for securing finance for real estate project development in chapter 10.

## A review of literature on management skills, knowledge, competences, career path, training and education for securing finance for real estate project development

This section provides a review of literature for the fourth objective of this study which is, “to identify and document the skills, knowledge, and competences and ascertain the training background, education, and career pathway, the real estate development manager, needs to secure finance for real estate project development”.

There is no existing literature on management skills, knowledge, competences, career path, or training and education for securing finance for real estate project development. However, reviewing some literature and theories on management skills, knowledge, competences, career path, and training and education will form a platform for some findings of these constructs pertaining to real estate development finance. This would help bridge the gap in knowledge with respect to skills, knowledge, competences, career path, training, and education for securing finance for real estate project development.

### Management skills: Definition and Characteristics

Bayatzis (1982) described skills as the sequence of behaviour that is functionally related to attaining a performance goal and, therefore, associated with performing a task well (Scott & Rochester, 1984). According to Spencer (1993), skill is the ability to perform a physical or mental task, and it can be acquired through training and practice. Boyatzis (1982) sees skills as ‘actions that lead to positive outcomes. This study adopts the definition by the IPMA (2015), where ‘skill’ is defined as the application of knowledge.

#### **Management skill: Theory and practice**

The researcher adopts an interdisciplinary method to provide theoretical foundations that show the relevance of a manager’s skills to effectively execute their job. To understand the research problem, the research analyses and adopts the following theories.

**Key theory: Skills theory of leadership**

Skills theorists sought to discover the skills and abilities that made leaders effective (Burks, 2010). The two primary theories developed from the skills approach are Katz’s three-skill approach and Mumford’s leadership skills model. Most other authors on the management skills approach had these two theories as the foundation of their research. Katz’s three-skill approach argues that effective leadership requires three skills: technical, human and conceptual skills (Katz, 1955; Katz, 1971)

Technical skills mean the ability to use the techniques, procedures, and tools of a specific field. Technical skills entail proficiency in a particular activity or type of work. A manager is required to possess enough skill to perform the mechanics of the specific job that he is responsible for executing. Conceptual skills are the ability to perform the integral and coordinative activities of an organisation. The manager should see the organisation as a whole as well as see how each part relies on the other. While, human skills are the manager’s ability to participate and work with others, personal assessment, motivation, and understanding others' needs and problems.

The three-skill approach asserts that while all skills are essential for leaders, their level of importance varies depending on the organisation and the levels of leadership. Skills importance moves from technical to human and then conceptual with the growth of leadership levels (Burke, 2010). The three-skill approach emphasises that effective managers are not necessarily born; they may be taught and developed (Mustapha, 1990). Measuring the manager’s skills at different levels could be a platform for training managers at all levels. Invariably, the strength of leadership under the skills approach shows that effective leadership performance is a learned (and learnable) skill rather than a trait.

Mumford’s leadership model outlines five components of effective leadership: competencies, individual attributes, leadership outcomes, career experiences, and environmental influences (Burke, 2010). This shows that effective leadership depends on how a leader’s competencies are affected by the leader’s attributes, experiences, and environment.

Egbu (1994) findings on managing refurbishment work showed that the managers rated leadership, communication (oral/ written), motivation, health and safety as the four most essential skills and knowledge on their present job for managing refurbishment work.

Mintzberg (1980), in his study on managers, classified managerial skills into eight headings, which are as follows:

1. Peer skills
2. Leadership skills
3. Conflict resolution
4. Information processing skills
5. Skills in decision making under ambiguity
6. Resource allocation skills
7. Entrepreneurial skills
8. Skills of introspection

Mintzberg’s work shows that managerial skills apply to all managerial jobs; however, these skills' level of importance and application may differ in different professions (Egbu, 1994).

Kotter (1982) studied the behaviour of 15 top managers using interviews, questionnaires, archival data and 500 hours of observation. His findings showed that top managers spend substantial time interacting with outsiders who are often outside their work. These relationships outside their work were often very informal. They were mainly done to build networks that would enable the managers to influence others and implement their plans (Mustapha, 1990).

Mumford et al. (1987) study involving interviews with British directors noted that planning, influencing and maintaining relationships are essential skills (Burke, 2010). Cox and Cooper (1988) interviewed 45 top male managers of British companies with very successful financial records in the same light. The findings showed three managerial skills that directors perceived as important are:

1. Interpersonal skills
2. Analytical skills
3. Long term planning and coping with changes

Through interviews, Whetten and Cameron (1991) studied 402 highly ‘effective’ managers from organisations involved in business, health care, education, and state government in the U.S.A (Egbu, 1994). The interview was to find out what made managers successful. Their interviews produced sixty (60) characteristics of effective managers. They noted that the ten (10) most cited skills for effective managers are behavioural, as shown below:

1. Verbal communication (including listening)
2. Managing time and stress
3. Managing individual decisions
4. Recognising, defining and solving problems
5. Motivating and influencing others
6. Delegating
7. Setting goals and articulating visions
8. Self-awareness
9. Team building
10. Managing conflicts

Studies conducted by the International project management association (IPMA, 2015) on the individual competence baseline mentioned fourteen (14) skills as relevant to secure finance, as shown below:

1. Convincing / negotiating with sponsors
2. Scenario techniques
3. Interpreting and communicating the actual cost situation
4. Developing financial forecasting models
5. Writing skills
6. Presentation skills
7. Reading financial statements
8. Interpreting financial data and identifying trends
9. Financial management approach analysis
10. Developing a project budget
11. Setting a framework for resource project cost estimation
12. Directing and authorising cost strategies and cost management plans
13. Developing and maintaining cost management systems
14. Conducting analysis, evaluating options and implementing responses to project cost variation

Relatively recent research on real estate managerial skills classified the manager’s skills into conceptual, human, political and technical skills (Sunindijo et al., 2017). Emotional intelligence is an essential skill the manager should have. Meyer & Salovey (1990) argued that emotional intelligence is a managerial skill that holds a precise understanding of oneself and others' emotions. It entails the manager understanding the impact of their emotions on their actions and those of others. It involves the ability to perceive, understand and effectively manage emotions to achieve personal, organisational effectiveness. This skill enables the manager to empathise with subordinates, manage interpersonal skills and treat associates as individuals with unique needs and abilities (Muthuveloo et al., 2017).

The global economy in contemporary times requires managers with a more detailed and holistic skill set. Fulmer & Conger (2004) argue that managers need greater technological literacy, a great understanding of the global financial markets, and fluency in multiple cultures, entrepreneurial skills, an extensive network of different relationships, evolving leadership skills and the ability to lead in an increasingly virtual and disaggregated organizations. According to Muthuveloo et al. (2017), the manager must exhibit superior communication and computer skills to be productive and competitive. The contemporary manager should have communication skills that evolve with the trend in society and can lead only through effective communication. The manager needs financial management skills to be able to access funding for their projects in addition to the other skill sets, and some of these skills include critical management skills such as budgeting, analytical, cost-benefit analysis and taxation skills (Grizzle, 1985; Trimble & Trimble, 1993)

In other to understand the management skills needed to secure finance. This study reviewed the literature on different aspects of the manager’s financial management skills as summarised in table 3.8.1. The financial management skills contributed to the development of the questionnaire and semi-structured interview questions on Management skills (see chapter 8). This contributed to the development of an inventory of skills for securing finance for real estate project development in chapter 8 and the toolkit for securing finance for real estate project development in chapter 10.

Table 3.8‑1: Management skills for securing finance

|  |  |  |
| --- | --- | --- |
| **Study** | **Title** | **Summary of skills** |
| Cao et al. (2016) | What Is the Nature of Hedge Fund Manager Skills? Evidence from the Risk-Arbitrage Strategy | Following strategies with a lower risk profile than other risk arbitrageurs, avoid the deals that experience the most negative returns in case of failure and eschew targets with the greatest downside risk in M & A transactions. |
| Alda (2018). | Pension fund manager skills over the economic cycle: the (non-) specialisation cost | Market timing and stock picking skills |
| Brotherton and Watson (2001). | Licensed house manager skills/competences and the management development process in Bass Taverns | People-oriented skills, motivation, leadership, and understanding. |
| Napier et al. (2009) | IT project managers’ construction of successful project management practice: a repertory grid investigation | Communication, personal integrity, general management, leadership, team development, client management, problem-solving, system development, planning, and control skills. |
| Siebert and Zubanov (2010). | Management Economics in a Large Retail Company | Commercial awareness, which encapsulates entrepreneurial skills, such as monitoring local competition and making efficient use of available resources. |
| Jeffrey et al. (2003) | Project Management Characteristics and New Product Survival. | Strong technical, marketing, and management skills |
| Afonso Silva et al. (2018) | Competencies and skills of site managers from human resources professionals and site managers | communication skills, specialised knowledge and experience, planning, troubleshooting, technical competence, team building, leadership, budget, negotiation skills, and management support, |
| Bazgour et al. (2017) | What Style Liquidity Timing Skills Do Mutual Fund Managers Possess? | Market liquidity timing skills |
| Horák & Matošková (2018). | Comparison of training programs and activities for cluster managers in Europe concerning their focus on skills development | Leadership, people management & relationship, strategic planning, decision making, oral communication, collaboration with others/ teamwork, problem-solving, technical knowledge and functional area knowledge. |
| Oliver Bigas and, Lianabel. (2018). | Financial Skills every manager should be able to navigate. | Understanding basic accounting terminology: such as assets, liabilities, revenue, and expenses, and where these items are reported in the financial statements. Understand the concept of accrual accounting and how it affects the preparation and presentation of the financial statements: the strategic planning process and its relationship to the budget. Understanding balance sheet, income statement, and even a cash flow statement; understanding how to interpret ROI measures such as payback, net present value, and internal rate of return, and what these numbers tell them about their project's financial viability. |
| Jalilvand (2015). | The Relationship between Negotiation Skills of Managers and Organizational Health | Negotiation skills |
| Kim et al. (2017) | Key Managerial Accounting Skills for Lodging Industry Managers: The Third Phase of a Repeated Cross-Sectional Study | The top three managerial accounting skills are operating budget, the income statement, and the analysis of variances |
| Kacperczyk et al. ( 2014) | Time-Varying Fund Manager Skill | Cognitive ability to pick stocks or time the market |
| *PM Network* | How can project professionals get ahead in their careers in 2019? | Communication skills, specialised industry skills, emerging technologies such as artificial intelligence or machine learning. |
| Carvalho and Rabechini Junior (2015). | Impact of risk management on project performance: the importance of soft skills | Risks management: a strategic approach to risk & uncertainty, risk communication, and information, risk planning, risk identification, risks analysis ( qualitative and quantitative), risks monitoring & control and risk response. |
| Cicekli (2016) | Graduate skills requirements for effective performance in the banking sector | Communication, interpersonal relationship skills, and teamwork skills, analytical thinking and foreign language skills, computer skills, information technology, Persuasion, creativity, speaking and diction skills, customer-oriented, solution-oriented, result-oriented, numeric thinking skills, decision-making skills, presentation skills, learning skills, stress management skills, research skills, and process management skills |
| Kothari, C. (01). | Human capital, skills, and competencies: Varying effects on inward FDI in the EU context | skills in science, mathematics, and reading |
| IPMA (2015) | Skills and abilities to secure finance for project management | Convincing / negotiating with sponsors; scenario techniques; interpreting and communicating the actual cost situation; developing financial forecast and models; writing skills; presentation skills; reading financial statements; analysing financial data and identifying trends; financial management approach analysis; developing a project budget; setting frameworks for resource project cost estimation; directing and authorising cost strategies and cost management plans; developing and maintaining cost management systems and conducting analysis, evaluating options and implementing responses to project cost variations |

Sources: The Author’s compilation based on a review of the literature

To meet up the demands of financiers, the manager and his team need a robust skillset. Arguably, this is a combination of human skills, technical skills, conceptual skills, political skills, and financial management skills.

The next segment of this study discusses the review of literature on management knowledge.

### Management knowledge: definition and characteristics

Knowledge and skills are often interchangeably used, but there is a slight difference in both terms. According to Spencer (1993), skill is the ability to perform a physical or mental task, and it can be acquired through training and practice. Knowledge is the collection of information and experience that the real estate development sector manager possesses (IPMA, 2015). It means that to skillfully execute a task, having knowledge will be a precondition to effectiveness. Conversely, the managers and personnel's knowledge base in an organisation helps to reduce the skills gap. Knowledge is, therefore is needed to facilitate the acquisition of skills.

Knowledge is generally classified into explicit, implicit and tacit knowledge (Udomdech et al., 2018; Alexander, 2019). Explicit knowledge can be expressed in words, numbers, and symbols, and it can be stored in books, computers and other mediums, and it is easy to articulate, write down and share. While implicit knowledge is knowledge gained through incidental activities or without awareness that learning is occurring. Implicit knowledge is the practical application of explicit knowledge, and it could be obtained on the job. While tacit knowledge is gained through personal experience and it is more difficult to express.

Tacit knowledge is often rooted in action procedures, routines, ideas, values, and emotion, while explicit knowledge can be easily recognised in the form of books, data, manuals and the internet (Clarke, 2010). Tacit knowledge is developed over time by individuals through experience and understanding gained from working in an environment. This knowledge is not written down in an explicit form but is personal to the individual concerned. The organisation can, however, lose this through labour turnover.

#### **Management Knowledge: Theory and practice**

Young et al. (1988) studied personnel managers using in-depth interviews with eleven personnel managers and a postal questionnaire completed by seventy–three senior, middle and junior managers from building and civil engineering firms. The core management skills and knowledge were classified under three main headings (Egbu, 1994). These headings are:

1. Financial business management: These skills/knowledge sets are usually associated with senior construction managers.
2. Operational management: These skills /knowledge sets usually involve middle and junior managers.
3. Interpersonal skills: This entails the management of people and the skills/knowledge of personal contact with people, which include leadership, supervisors, and others.

Different knowledge sets vary during decision-making; the managers bring different skills sets and experiences combined with knowledge. The conceptual knowledge relates to things dependent on the organisation, such as knowledge about how things work, power relations and group dynamics (Hofstede et al., 2010).

Brown (1991) noted that training is instrumental in acquiring practical knowledge, and education is needed to promote intellectual knowledge. Gibbons (1998) identified five (5) attributes of knowledge production (Clarke, 2018). These five attributes are as follows:

1. The knowledge produced in the context of application
2. Transdisciplinary
3. Heterogeneity and organisational diversity
4. Enhanced social accountability
5. More broadly based system of quality control

The knowledge produced in the light of application is when problem-solving is carried out, following the codes of practice relevant to a particular discipline. The second entails assembling a team of specialists to work on a specific problem or application. Heterogeneity and organisational diversity entail knowledge production in the light of the skills and experience people bring on board. According to Clarke (2018), knowledge production can be learning in the workplace and work-based learning. Workplace learning entails using industry and organisation as an extension of the academic process, while work-based learning is the term used to describe a class of university programs that bring together universities and work organisations to create new learning opportunities in the workplace.

IPMA (2015) listed fourteen (14) knowledge areas needed to secure finance, and they are listed below:

1. Financial accounting basics (cash flow, chart of account, cost structure)
2. Cost estimating methods (e.g. single or multi-expert estimation. Historical data analogies, effort modelling, parametric estimations)
3. Cost calculation techniques
4. Design –to-cost / target costing
5. Processes and governance for cost management
6. Methods for monitoring and controlling expenditures
7. Performance indicators (earned value)
8. Reporting standards
9. Forecasting methods (linear, parametric, velocity analysis)
10. Finance options
11. Finance sources
12. Financial management concepts and terms, such as cash flow, debt-asset ratio, return on investment, rates of return
13. Contingency approaches
14. Relevant conventions, agreements, legislation, and regulations include taxation, currency exchange, bilateral or regional trade agreements, international commercial terms, and World trade organisation determination.

Early findings in the course of this research on the knowledge and skills required by a manager to access funding for real estate project development showed that the different types of financial knowledge and skills are critical for the manager to access finance. Having financial knowledge leads to financial capability, which ultimately enhances financial performance and wellbeing. Notably is the fact that education can enhance financial knowledge (Xiao & O’Neill, 2016).

Financial literacy is strongly correlated with behaviour that indicates financial capability. Managers need to be equipped with at least a rudimentary level of financial knowledge to make sound financial decisions and the skills to apply what they know to actual financial decision-making situations. Knowledge is power and helps to reduce uncertainty around financial choices. A lack of or inadequate financial knowledge can lead to the wrong financial decisions, such as poor borrowing habits that could cause financial problems and lead to lower financial wellbeing. Financial literacy is composed of financial attitude, financial knowledge, and financial skills, and it is an essential component of sound financial decision-making. Notably, managers with low financial literacy are more likely to have problems with debt. Financial knowledge is a strong predictor of financial behaviour amongst managers, and it is a preventive factor for financial issues.

Financial knowledge has a significant influence on the manager’s financial behaviour. According to the Financial Services Authority (FSA) of the United Kingdom, the four different aspects of financial management behaviour assessed are the ability to manage money, plan finances, make informed choices and the ability to seek help from the right sources. Similar to the FSA’s model, the Financial Regulator of Ireland’s (2009) four key areas that define acceptable financial management practices are money management, which includes making ends meet and keeping track of money, planning, choosing products and staying informed.

Furthermore, in collaboration with the Russia Trust Fund of Financial Literacy and Education, the World Bank Study identified ten financial behaviour components comparable across countries. The ten behavioural factors are budgeting, living within means, monitoring expenses, using information, not overspending, covering unexpected expenses, saving, attitude toward the future, not being impulsive and achievement orientation. The different sets of financial knowledge obtained from the literature review provided a platform for developing the questionnaire survey to access how these knowledge sets are used by managers in the real estate development sector to access finance for project development. Table 3.8.2 provides a summary of some financial knowledge from a review of the literature.

Table 3.8‑2: Summary of different types of financial knowledge from the review of literature

|  |  |  |
| --- | --- | --- |
| **Study** | **Title** | **Summary of financial knowledge** |
| Xiao & O’ Neill (2016) | Consumer Financial Education and Financial Capability | Objective financial literacy, subjective  financial literacy, desirable financial behaviour and perceived financial capability |
| NFCS (2016) | Financial Capability in the United States 2016 | fundamental concepts of economics and finance, e.g. calculation of interest rate, and inflation, principles relating to risk and diversification, the relationship between bond prices and interest rates, and the impact that a shorter-term can have on total interest payments over the life of a mortgage.1 |
| Atlas et al. ( 2018) | Financial Education and Confidence in Financial Knowledge | Subjective and objective financial knowledge. |
| Stigler (1961) | The economics of information | Identification of sellers & discovery of their prices |
| Nur et al. (2018) | Financial Knowledge, Debt Literacy and Over-Indebtedness | Debt literacy, numeracy and money management skills, |
| Lusardi & Mitchell, 2014 | The Economic Importance of Financial Literacy: Theory and Evidence† | Numeracy and capacity to do calculations related to interest rates, such as compound interest; understanding of inflation; and understanding of risk diversification |
| Yiing-Jia Loke. (2017). | The influence of socio-demographic and financial knowledge factors on financial management practices of Malaysians | Interest on loan, calculation of interest and compound interest, diversification of risk, risk and return and time value for money. |
| Lusardi et al. ( 2017) | Optimal financial knowledge and wealth inequality | Diversification, higher risk-adjusted returns, and resource allocation |
| Kess et al. (2018) | Financial Knowledge for Recent Graduates | Budgeting, financial accounts, debt and credit, savings, taxes and time value for money |
| Porto & Jing (2016). | Financial Literacy Overconfidence and Financial Advice Seeking | Debt and tax planning |
| Alyousif and Kalenkoski (2017) | Who seeks financial advice? | Debt, savings and investment, mortgage/loans, insurance, and tax planning |
| IPMA (2015) | Project management finance knowledge | Financial accounting basics ( cash flow, charts of account, cost structure); cost estimation methods; design-to-cost /target costing; process and governance of cost management; methods for monitoring and controlling expenditures; performance indicators; reporting standards; forecasting methods; finance options; Funding sources; Financial management concepts & terms ( such as cash flow, debt-asset ratio, return on investment, rates of return; contingency approaches); relevant conventions, agreements, legislation and regulations inclusive of taxation, currency exchange, bilateral or regional trade agreements, international commercial terms and World Trade Organisation determinations. |
| Ogbenjuwa et al. (2018) | The real estate manager: towards a financial knowledge and skills framework for professional development | Finance sources & options; risks and returns in real estate subsectors; market intelligence; funding options; acceptable debt-equity ratio; acceptable return on investment and the rate of return; credit enhancement techniques and conditions for loan effectiveness. |

Sources: The Author’s compilation based on a review of the literature

Financial knowledge can enable the real estate manager to better allocate resources over the business's lifetime in a world of uncertainty and imperfect insurance. Financial knowledge could also have an effect on diversification, which may lead to higher risk-adjusted returns. The findings from the literature review provided a platform for inquiries from managers in the industry. This contributed to developing an inventory of knowledge for securing finance for real estate project development in chapter 8. It forms a component of the toolkit for securing finance for real estate project development in chapter 10.

The next segment of the study discusses the review of literature on management competences.

### Management competences: Definition and Characteristics

Competence enables skilled personnel to be termed professional, depicting superior work performance (Lester 2014; Boyatzis, 1982). An individual becomes competent through a combination of education, training and work practice (Cheng et al., 2003). Competence is the ability to do a particular activity to a prescribed standard, and it is dependent on the employee’s skills and knowledge. It is the ability of the professional to exercise their skills fairly and ethically (Meyer et al., 2015). Competence enables skilled personnel to be termed a professional as it depicts superior work performance (Lester 2014; Boyatzis, 1982). It is the ability to perform tasks and roles to the expected standard. This study adopts the definition of IPMA (2015), which sees an individual’s competence as applying knowledge, skills, and abilities to achieve the desired result. IPMA (2015).

#### **Management competence: Theory and practice**

To understand the research problem, the researcher analyses and adopts the motivation theory, and she does this by making references to IPMA (2015) competences framework.

**Motivation theory**

This theory shows that individuals try to develop their competences to perform better in their current position, get more interesting tasks, and enhance their career opportunities (IPMA, 2015). Experience plays a significant role in competences because it helps to demonstrate and improve on competences. IPMA (2015) recognises that the development of competences is a responsibility of the individual, team, and society. IPMA (2015) classifies competences into three significant components, and they are:

* + - 1. Individual competences address knowledge, skills, and abilities through experience.
      2. Team competences address the collective performance of individuals joined towards a purpose.
      3. Organisation competences address the strategic capabilities of a self-sustaining unit of people.

The IPMA (2015) defines the competences required by individuals working in the field of project, program, and portfolio management. It identified twenty-nine (29) competence areas organised under people, practice, and perspective competences . Individual competence defines the personal and interpersonal competences required to succeed in projects, programs, and portfolios. While the practice competences define the technical aspects of managing a project, program, and portfolios. Finally, the perspective competences define the contextual competences that must be navigated within and across the broader environment.

IPMA (2015) perspective competences have competence elements as shown below: These sets of competences deal with the context of a project.

1. Strategy
2. Governance, structure, and process
3. Compliance, standards, and regulations
4. Power and interests
5. Culture and values

IPMA (2015) people competences have ten elements, as shown below. These sets of competences deal with the social and personal competences of the individuals.

1. Self-reflection and self-management
2. Personal integrity and reliability
3. Personal communication
4. Relationships and engagement
5. Leadership
6. Conflict and crisis
7. Resourcefulness
8. Negotiation
9. Result oriented

While IPMA (2015) practice competences, have 14 elements. These sets of competences deal with the core project competences.

1. Project design
2. Requirement and objectives
3. Scope
4. Time
5. Organisation and information
6. Quality
7. Finance
8. Resources
9. Procurement
10. Plan and control
11. Risks and opportunities
12. Stakeholders

IPMA (2015) recommends all the competences mentioned above to be used when securing finance. However, it emphasised the under listed six (6) competences as necessary for securing finance.

1. Governance, structures, and processes
2. Compliance, standards, and regulation
3. Leadership
4. Resourcefulness
5. Negotiation
6. Result orientation

This study used the competences gotten through literature reviews, including those by IPMA (2015) that relate to securing finance , APM (2015) competence framework, and other competences by authors like Boyatzis (1982), to develop a collection of competences. They were tested using questionnaire surveys and semi-structured interview responses to determine the competences needed by the real estate sector manager to secure finance for project development, as contained in chapter 8. The findings on competences in chapter 8 helped develop an inventory of competences for securing finance for real estate project development. This forms one of the components of the toolkit in chapter 10.

A summary of various manager’s competences from further review of literature is contained in table 3.8.3.

Table 3.8‑3: Management competences: Summary from the literature review

|  |  |  |
| --- | --- | --- |
| Study | Competences for | Summary of competences |
| Ogbenjuwa et al. (2018) | Shortages of skills & competences, affecting private sector real estate funding in the emerging economies | Human, technical, political, conceptual & cognitive, financial management skills and competences. |
| Oyewunmi, A. E. (2018). | Normalising Difference: Emotional intelligence and diversity management competence in healthcare managers. | Emotional intelligence and diversity management competence |
| Rodríguez-Rivero et al. (2018) | The opportunity to improve the psychological competences of project managers in international businesses | Project manager competences: Leadership, time management, team building, defining, communication, negotiation, and trust building |
| Varajão & Cruz-Cunha (2013). | Using AHP and the IPMA Competence Baseline in the project managers selection process | Technical, behavioural & contextual competences |
| Cvetic et al. (2017). | Competence Requirements for Logistics Managers in the Republic of Serbia | Professional competences of logistics & supply managers: Performance management, demand forecasting & inventory management, supplier relationship management, supplier relationship management, manufacturing management, transportation management, distribution management, IST as a function of logistic support, lean management, international logistics, maintenance management, reverse and green logistics, product introduction into the market and designing supply chain. Fundamental competences of a logistics and supply chain manager: Communication, planning and organising tasks, foreign languages, basics of IST (special focus on spreadsheets and databases), interpersonal skills, teamwork, solving problems, business management, continuous learning, decision making, leadership, integrity, project management, maths, and statistics. |
| Harvey & Novicevic (2002). | The role of political competence in global assignments of expatriate managers | Political competence: self-confidence and social astuteness, plus the ability to adapt to social settings, to gain the confidence of others, to influence others and being viewed as genuine/sincere, are the indicators |
| Ahmed, R. (01). | An empirical study of project managers leadership competence and project performance | Leadership Competences: clarity in communication, define roles & responsibilities, communication expectations, employ consistent processes & establish trust |
| Avkiran (1999). | An improved subordinate appraisal of a bank manager's competence | Managerial competence(entrepreneurial style, interpersonal skills, intellectual capacity, participative management style, and emotional maturity ) |
| Karjalainen & Benhaida (2018). | Cross-cultural competence | Cross-cultural competence |
| Savaneviciene, A., Rutelione, A., & Ciutiene, R. (2014). | Crucial transversal competences in the changing environment: case of the European SME managers. | Competences for process management: Strategic thinking, initiative, planning, innovativeness, decision-making, and openness to change.  Competences needed for partnership and self–managing communication, learning development, teamwork, conflict management, flexibility, and inspiring motivation. |
| Association of project management (APM 2015) Competence framework | APM (2015) Competence framework | Ethics, compliance & professionalism, team management, conflict management, leadership, procurement, contract management, requirement management, solution development, schedule management, resource management, budgeting and cost control, risk and issue management, quality management, consolidated planning transition management, financial management, resource capacity planning, governance arrangements, Stakeholder and communication management, framework and methodologies, reviews, change control, independent assurance, business case, asset allocation, capacity development, and benefit management. |

Sources: The Author’s compilation based on a review of the literature

The next segment discusses the review of literature on the management career path.

### Management Career path: Definition and Characteristics

A great deal of work has been done on the career path in general. However, there is no notable work done on the career path needed by the real estate sector manager for securing finance for project development. The manager's skills, knowledge, competences, and career path are significant to selecting and developing an effective manager.

Barbara Young (1998) defined career path as a patterned sequence of positions, which tend to be work-related, and an ordered movement of individuals amongst these positions, which may or may not reflect an individual's perceived aspirations. A career path could be an individual’s path from a basic degree through different stages; further education, various jobs, and organisations to current circumstances. It is the sequence of a person’s work experience over their working life (Harris et al., 2015; Doyle, 2018). Career paths often imply vertical growth or advancement to higher-level positions. However, it can also involve lateral movement within or across industries. Traditionally career paths can be said to be the sequence of job positions held by employees during their careers. A career path entails an evolving sequence of work activities and positions that an individual experiences over time and the associated attitudes, knowledge, and skills they develop throughout their life (El-Sabaa, 2001).

Career paths are sometimes part of an organisation's employees’ development process. A career path consists of milestones or steps that the manager assumes to develop professional competencies and master greater responsibilities (Harris et al., 2015; Arthur and Rousseau, 1996). Individuals develop their portfolio of human capital that can be used to advance in their careers. Such investments include education and training. Many studies on career paths had previously focused on entering a level position at the time of hire to advance to a top management position as indicative of a successful career. However, this focus has changed because of the advent of the knowledge worker career path.

#### Management Career path: Theory and Practice

To understand the research problem, the researcher used the under listed theories.

1. Human capital theory
2. Theory of traditional career
3. Theory of boundaryless career and development

**Human capital theory**

Each career is unique and places value on human capital that is unique to the specific career. Human capital, in this case, refers to an individual’s knowledge, abilities, skills and other characteristics that enable a person to perform at a high level (Harris et al., 2015). Human capital theory in this context indicates that individuals with the human capital necessary for a specific career should perform at a high standard and garner more value as they advance their careers. In addition to the human capital, the individual’s record of high performance should allow them to gain increased value as they progress in a specific career. Findings have shown that career path is primarily based on proper training programs (Elvitigalage et al., 2006).

This theory's general idea is that individuals should make an early investment in their career to maximise future benefits through better jobs, higher remuneration, and greater opportunities. According to the human capital theory, people have productive skills that can be improved through personal investment, such as undertaking education, caring for themselves, or switching to better jobs (Heijike,1996; Schultz,1961).

The human capital school of thought focuses primarily on investing in human capital through education and training. It is believed that education and training will provide enhanced knowledge and skills to practice the occupation in the future. The theory of human capital is of the view that if an individual has increased his productivity by undertaking enhanced education and then enters employment, he will receive a higher wage than if he had entered the labour market without this education. However, the benefit of increased wages comes with direct expenditure on course fees and study materials. However, “the screening hypothesis” by Stiglitz (1975) criticizes the human capital school of thought. It is of the view that ideas and education do not create new productive skills and are not a measure of intelligence and learning ability and hence do not determine an individual's ability to complete a task. Stiglitz is of the view that the educational qualification provides employers with a good selection criterion (Heijike, 1996). Consequently, the human capital theory is vital to developing a framework for a career path for securing finance for real estate projects because it will guide training and education for those prospecting or enhancing an existing career in this sector.

**Theory of traditional career**

Historically, the traditional career theory focused on a lifetime career and acted as a guiding principle for career development. In the traditional career path, an employee progresses vertically in the organisation from one specific job to another. Many researchers, however, argue that a climb up the corporate ladder is no longer a reality in the contemporary world because so many people have changed jobs severally (Arthur & Rousseau, 1996 & Carden & Martin, 1998).

**Theory of boundaryless career and development**

A boundaryless career is when a career moves across boundaries and is the opposite of a traditional career. Individuals in contemporary times no longer finish a lifetime career in one organisation but pursue careers in more organisations and occupy a variety of posts and occupations. Boundaryless career is a development trend that has to be employed by both academia and the industries, including the built environment. Your employability is what makes transition more effective (Zhiguo et al., 2013). Under the traditional career, individual professional skills and competences are often the critical factors for promotion. However, under the boundaryless career, employability is the deciding factor.

Stewart and Kuenzi (2018) did an analysis, which showed that “linear “, which are those who move up the occupational ladder, usually within the same or similar organisation, had a higher percentage (45%) as compared to other parameters. This was followed by “non-profit lifers” (35%), who work their way to the top over time or create a non-profit before developing management expertise. Varied career paths, which include working in different sectors and organisations, could be advantageous to leaders by creating opportunities for professional growth and job satisfaction; in the same vein, an organisation can benefit from managers with knowledge of different sectors.

Several factors could influence career paths ranging from training to the motivation of the workers or managers. Researches have shown that voluntary development initiatives such as training can enhance career path with the prospect of leadership positions (Stewart, and Kuenzi, 2018; Young, 1988). Findings have also shown that workers'/managers' motivations and human capital are vital factors that influence the career path (Harris et al., 2015). Managers need the human capital to advance and enable them to perform at a higher level at various stages of their career path. Other factors that affect career path and career decisions include finances, family, organisational reforms, age, education and professional concept (Tuononen et al., 2018).

This study sees a boundaryless career to include inter-firm mobility, intra-firm mobility, job mobility, geographical mobility, occupational mobility, and industrial mobility. Factors that promote career mobility of individuals include geographical disparities in mobility opportunities and perception of favourable economic conditions in some areas, career expectation, changing career expectation and marketability in the external labour market. Findings have shown a strong relationship between boundaryless career and career success (Gerli,2015)

### Manager’s training and education

Management is an economic resource, and there is a standing tradition of attributing the economic decline to the decline in education. Egbu (1994) found out that education has a significant positive relationship with the managers’ present jobs. This is in line with several other research carried out in this sector, which shows that a higher qualification is of significant importance for career success. Fundamental factors influencing a manager’s performance are government, education and the industry (Bryan, 2009).

#### **Management education and training: Definition and characteristics**

Education could be the development of a person socially, intellectually and physically (Bass and Vaughan, 1966). Management education has to do with acquiring and developing knowledge and skills, which fits a manager to take on a role in management. Management education aims to develop the knowledge, skills, moral values and understanding required in all aspects of life rather than the knowledge and skills relating to a limited field of activity (Al-fadli, 1990).

However, training is targeted at preparing, qualifying, and developing certain individuals' abilities to perform a specific task within the organisation. Training is a planned process to modify the attitude, knowledge or skill behaviour through the learning experience, to achieve effective performance in an activity or range of activities (Al-fadli, 1990). It is often included in the work package to develop the individuals' abilities and satisfy their current and future workforce needs. The future success of any organisation will depend heavily upon the availability of effective managers.

Management training is often seen as synonymous with management education, but they are supposed to complement each other. In distinguishing training from education, Morris (1971) considers training as the specific use of techniques that can be identified and continually improved. However, he noted training as a broader process of personal change in abilities and attitudes, which may take place independently of its application to work (Egbu, 1994). Education is the presentation of concepts and information to people to impart knowledge, while training is an interactive exercise whose goal is to develop skills and competencies within the workforce. Organisation for Economic Development (OECD) sees training as “all the various processes by which an individual develops the competencies required for employment tasks” (Elvitigalage et al., 2006).

#### **Management Education and training: Theory and practice**

Several theories have been proposed to explain the relationship between the manager’s performance of their job roles to their education and training. This section aims to review individual contributions to the theory and practice of management education. The researcher analyses and adopts the human capital school of thought and the job matching theory. The human capital theory was explained under career path (see chapter 3.8.4).

**Job matching theory.**

The job matching theory stipulates that individuals who have specific characteristics, including educational attainment, have comparative advantages in performing occupations with certain characteristics. The theory also shows that productivity in a given occupation is often a result of interactions between the occupation and the person filing the occupation (Sattinger, 1975). Consequently, this theory highlights the importance of experience on the job. This study accesses the manager’s experiences on the job related to accessing finance for real estate project development through the administration of questionnaires and semi-structured interviews to managers operating in the real estate sector of the selected emerging and developed economies covered in this study. This formed a platform for developing the conceptual framework for career path and the conceptual framework for training and education for securing finance for real estate project development in chapter 9, and it contributed to the toolkit for securing finance for real estate project development in chapter 10.

This study adopted the three major learning theories as guides in developing a conceptual framework for training for securing finance for real estate project development in chapter 9.

***Learning theories***

The selected learning theories are:

1. Behaviourist school of thought
2. Cognitivism theories
3. Constructivism theories
4. **Behaviourist school of thought approach to learning.**

The behaviourist is focused on objectively observable and measurable teacher and student behaviour through a stimuli-response framework. They hold that managers do not behave rationally, and their decisions are subject to a complicated mix of emotions, environment, and bias, which may not be in their best interest ( Chappelow, 2018). The behaviourist believes that emotional, psychological, and environmental influences are as strong or stronger than rational consideration of cost and benefits in decision making. Behaviourism assumes that learners are essentially passive and respond to environmental stimuli. The learner is assumed to start with a clean slate, which is shaped through positive or negative reinforcement. Many early behaviourist work was done with animals and then generalised to humans (Pavlov, 1927).

The behaviourist school of thought is sometimes called the conditional school of thought or contiguity theory ( Egbu, 1994). This is because the theory is associated with operant conditioning; hence the learning process is associated with modification through reinforcement or punishment. This shows that some responses will be rewarded, thus raising the likelihood of such reactions being repeated in the future. This theory could be related to “ carrot and stick” beliefs and policies where responses from the learners are either rewarded or punished.

Burgoyne (1975) argued that this learning process might be relevant for operation training and not management training ( Egbu, 1994). However, this researcher believes that this approach to learning will greatly benefit middle and lower-level managers in acquiring knowledge for securing finance for real estate project development because the managers can be rewarded through remunerations and promotions.

Behaviourism is a teacher-centred instructional framework for a time dominated educational setting, which is very effective but for the time and financial cost often involved ( Yilmaz, 2011).

1. **The cognitive school of thought**

The cognitive school of thought helps to provide answers to questions that the behavioural school of thought fails to answer. The cognitive school of thought helps explain why and how individuals make sense of and process information, which entails their mental process (Yimaz, 2011). The cognitive learning theory helps to provide solutions to the behavioural school of thought, which focuses heavily on observable behaviour.

The cognitive school of thought is based on the concept that an individual develops and evolves in his understanding based on his experiences, often communicated through his personal map ( Egbu, 1994). The cognitive school of thought identifies the learner as an active participant in the process of knowledge acquisition and integration. It describes knowledge acquisition as a mental activity involving internal coding and structuring by the learner. It emphasizes what learners know and how they came to acquire knowledge. Cognitive theories are a collection of theories that include Piaget’s theory of individual cognitive development, Vygotsky’s theory of social cognitive growth, Festinger’s cognitive flexibility theory and Tolman’s theory of sign learning as a bridge between behaviourism and cognitive theory (Yilmaz, 2011)

The cognitive approach to learning involves apprenticeship, reciprocal teaching, anchored instruction, inquiry learning, discovery learning and problem-based learning. The cognitive approach to learning is very valuable to managers because it gives them the freedom to process information in different ways that will enhance understanding and retention, and it necessitates them participating in the learning processes. All theories on which the cognitive school is based emphasise discovery and insight as learning processes. It considers the individual as the scientist of his own experience, developing interpretations of the world in a manner that he understands and can deal with ( Egbu, 1994). The cognitive theory approach assists the manager in improving their skills, knowledge, and competences by reflecting and testing them out. Organisations often use a cognitive approach to learning through management development activities they run for their managers, often using experienced staff in such sectors as facilitators.

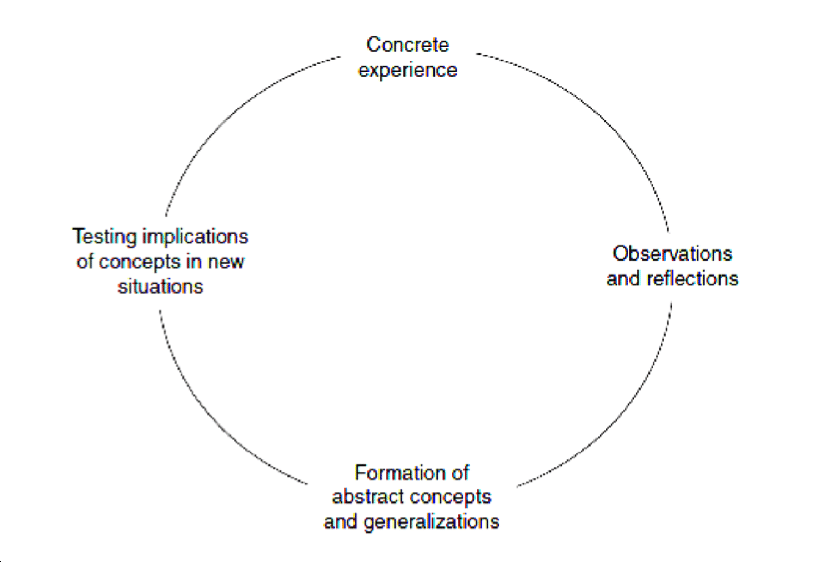
1. **Constructivist school of thought**

The learner is the constructor of knowledge under this learning pattern; the teacher can only facilitate or thwart but would not be involved in inventing the knowledge. The focus tends to shift from the teacher to the student, who, in this case, is the manager. Constructivism is often associated with scientific research. The choice of learning strategies for constructivism relates to the discovery, experiential, collaboration, project-based and task-based (Yadav, 2016). The learner constructs their knowledge based on their experiences. Findings show that scientific knowledge is socially constructed and involves both the individuals and the social processes; learning could occur employing peer interaction/collaboration (Umida et al., 2020).

The behavioural, cognitive and constructivist learning theories explain how different managers acquire, retain and recall knowledge. Understanding several learning styles will also be beneficial to developing the framework for training and education for managers involved in securing finance for real estate project development. These theories will assist in developing the framework for training and education for securing finance for real estate project development in chapter 9.

***Learning styles of managers***

Several studies have been conducted that assist managers learn about their jobs. This study will use an experiential learning cycle (Kolb,1976) and Gibbs reflective cycle (Gibbs, 1998) to discuss how managers learn to do their work. Kolb’s experiential learning cycle argued that information is transformed into knowledge through reflection, done through a reasoned analysis (Cherry and Jacob, 2005). Kolb’s experiential learning cycle is a great tool because it enables managers to view learning as a four-step process that involves experiencing, reflecting, conceptualising and creatively experimenting ( Lu et al., 2007).



*Figure 9.3‑1: Kolb learning cycle ( Kolb 1976)*

Kolb’s experiential learning theory works on two levels: the first level is a four-stage learning cycle, and the second is four separate learning styles. The learning cycle involves four stages which are concrete learning, reflective observation, abstract conceptualization and active experimentation. The learner/ manager can enter the cycle from any stage, and effective learning is seen when the manager progresses through the cycle. These four learning stages on a two-dimensional scale are based on how a person perceives and processes knowledge. How a person perceives information is classified as concrete experience or abstract conceptualisation, and how a person processes information is classified as active experimentation or reflective observation ( Lu et al., 2007).

The first stage of experiential learning, which is concrete learning, indicates the learner encountering a new experience or reinterpreting an existing experience. This is followed by the reflective observation where the learner reflects on the experience on a personal basis. The third stage is abstract conceptualisation. The learner forms new ideas and or modifies existing ones based on the reflection from the second stage, the reflective observation stage. The last stage is the experimentation stage, where the learner applies the new ideas to his work to see if modifications will be needed (Kolb, 1985).

The discussion on learning styles goes to show that individual managers differ in how they learn. Hence managers need to access the learner styles they can best fit in. The Kolb learning style is also divided into four, and it interprets the different ways people learn ( see figure 30). The different styles are diverging, assimilating, converging and accommodating. Diverge applies to individuals who have a broad interest in different cultures and people and a strong imagination capacity; they are emotionally strong and prefer watching to doing. They prefer to work in groups and are open-minded to taking feedback. They learn through creating and generating new ideas and imagining new possibilities. Their learning characteristic is of concrete experience and reflective observation. The Assimilators are people who are very analytical and who prefer clear, logical information. Their characteristics include abstract conceptualization and reflective observation. The Assimilators tend to focus less on people and more on ideas and abstract concepts that are logical and reliable but not necessarily practical. While the Convergers are types of managers that tend to solve problems practically and are decision-makers who appear not to be emotional. They can apply their learning to the practical; thus, they prefer technical tasks and tend to experiment with new ideas. Their learning characteristics are abstract conceptualisation and active experimentation. Finally, the Accommodators show initiative and are willing to take risks. It is a learning style that involves individuals that prefer practicality. They do not avoid challenges and often solve problems intuitively, and their learning characteristics are experience and active experimentation. This shows that the learning styles that managers should use should involve integrated, interactive and active teaching strategies as opposed to traditional methods (Kemp & Kruger, 2019).

The Gibbs reflective cycle (1988) also gives structure to learning from experience. It offers a framework for learning through different stages and making sense of an experience. It covers this in six stages: a description of the experience, feelings and thoughts about the experience, evaluation of the experience, analysing to make sense of the experience, conclusion, and action plans (Potter, 2015).

***Types of education and training required by Managers.***

There is a need for increased and continued management training and education to update managers of changing concepts, skills, knowledge, and competences. According to UNESCO-UNEP, interdisciplinary is an extensive environmental education that brings together teachers and learners in all disciplines (Stephen, 1999). Cultural competence of living abroad cannot be taught, but international exposure could be considered part of the postgraduate and undergraduate curriculum. These skills can be achieved through international job experience (Thorp, 1996). Saari et al. (1988), in their work titled, “ a survey of management training and education practices in U.S companies” where they administered questionnaires to 1000 companies in the US with responses from 611 participants, classified major program approaches of management’s training and education into the following:

1. University residential –the full-time residential program of one to 14 weeks offered by universities.
2. Executive MBA degree granting programs offered by universities for more experienced participants, with classes on the weekend or one day in a week, and usually a week residence at the beginning and end of the program.
3. Short course- open –enrolment programs of one to three days offered by consultants, universities, or industry associations.
4. Company-specific programs designed explicitly for and attended by a company’s participants; this is sometimes in-house; they could also be off-site or developed by external consultants specifically for the company.

R. Kane (1986) introduced five kinds of approaches to training and developing individuals at different levels of organisations need (Al-fadli, 1990). These approaches vary according to the organisation's size and characteristics. These approaches are as follows:

1. Ostrich approach
2. Cafeteria approach
3. The individual-oriented approach
4. The result-oriented approach
5. The human resource planning approach

The Ostrich approach entails the training of new members on their jobs in an organisation. The direct superior could accomplish this process on the job, which is to provide the individuals, methods, tasks, and procedures for the execution of the job. To this extent, the training process is generally the work of a supervisor. Though a good platform for training, this approach does not meet the futuristic needs of the organisation because of the increasingly changing circumstances.

The second approach, the Cafeteria approach, is also the responsibility of the supervisor. However, this approach offers individuals some freedom to select one of the available training courses to join them. Using this approach, training and development programs might influence an individual’s effectiveness and promotion or might not be used at all. However, the salient importance is that it gives individuals the opportunity and freedom to grow and develop their abilities through available training programs.

The third approach, individual development, provide a favourable climate for acquiring specific knowledge and skills and knowledge. This approach fundamentally provides feedback information on the individual's performances, which sets a basis for determining the extent to which training programs are needed for the job's performance. The fourth approach, which is a result-oriented approach, is related to three fundamental aspects determining the needs, costs of training and development application, turnover expected from them and well-determining priorities. This approach essentially deals with diagnosing current problems to provide appropriate solutions to them; it concentrates more on groups than individuals in the organisation, and it deals with the present reality more than the future.

The fifth is the human resources approach, which entails understanding change and the importance of preparing individuals in the organisation to face the challenges ahead. In this approach, the direct supervisor is expected to identify the problems and specify the necessary programs and activities to solve the problems. This approach is strongly connected with promotion systems in training and development programs that will influence future performances without neglecting the present.

The next segment of this study discusses the development of the initial conceptual model for securing finance for real estate project development, also known as the toolkit for securing finance for real estate project development. The main toolkit for securing finance for real estate project development is discussed in Chapter 10, while the individual components of the toolkit are discussed in chapters 5, 6, 7, 8 and 9.

## The conceptual model for securing finance for real estate project development

This section discusses the fifth objective, “to integrate the different components of the tool kit for securing finance for real estate project development.” to provide a guide to support the manager in securing finance for real estate project development. A model enables the researcher to generate a series of questions that could be applied for empirical testing (Javelin and Wilson, 2003; Zin, 2013). The model facilitates the adoption of tools to understand the processes of securing finance for real estate project development and the skills, knowledge, competences, career path, training, and education the manager needs.

The model tries to understand the managers involved with the financial decisions in the real estate sector of the selected developed and emerging economies through the selected factors as shown in the initial conceptual model (figure 3.9.1).

### The development of the conceptual model

The conceptual model guided the toolkit's development for securing finance for real estate project development chapter 10. The initial conceptual model was developed using variables obtained from the initial review of the literature (chapters 2 and 3) and outcomes of prior discussions of those variables with industry practitioners. Initially, the variables the researcher focused on were primarily the gap in the literature, which were the skills, knowledge, competences, career path, education and training the manager needs to secure finance for real estate project development in the developed and emerging economies. This was increased to incorporate other factors impacting the manager’s ability to secure real estate project development finance based on the literature review in chapters 2 and 3. The relevant theories discussed in this study were incorporated in the development of the model.

The initial conceptual model ( figure 3.9.1) was developed based on an attempt to synthesise the findings from different theories and empirical literature on finance for real estate project development. The fundamental theories considered in the model's design include the pecking order theory, skills theory of leadership, motivation theory, human capital theory, the theory of traditional career and the theory of boundaryless career. Specifically, the literature on the finance options, criteria and critical success factors; opportunities and challenges in securing finance for real estate project development; the key decision-making processes, skills, knowledge, competences, career path, training and education helped in the development of the conceptual model.

The initial conceptual model provided a platform for developing the individual compononents of the toolkit in chapters 5,6,7,8, and 9. The capital structures theories and the literature on finance options were capacities that were considered necessary to develop the inventory of finance options and criteria for securing finance for real estate project development in chapter 5. Using SWOT and PESTLE analysis, the challenges, opportunities, and critical success factors were considered in developing the conceptual framework for environmental scanning for securing finance for real estate project development in chapter 6. Skills, knowledge, and competences were taken to be capacities needed to develop an inventory of skills, knowledge, and competences for securing finance for real estate project development in chapter 8. While training and education were capacities considered necessary to develop a conceptual framework for training and education for securing finance for real estate development in chapter 9. Finally, the career pathway and professional mix of different professions were capacities considered as essential to building a conceptual framework for the career path for securing finance for real estate project development in chapter 9.

This study's conceptual model is called **a toolkit for securing finance for real estate project development**. This is seen as a detailed model that would support the managers involved with real estate project development in securing real estate project development finance. It is also seen as a prospective platform for training and education for both academia and the industry. The initial model that supported the creation of different segments of the conceptual model ( the toolkit) in chapter 10 is further pictorially articulated below (see figure 3.9.1). The main toolkit for securing finance for real estate project development is in chapter 10.

|  |  |  |
| --- | --- | --- |
| Steps in the development of the conceptual model | Description of the steps | Content |
| Step 1 | Determination of gap in knowledge & need for the study through review of literature & discussion with industry practitioners (a) | 1. The need for a detailed framework to guide real estate managers in securing finance for real estate project development. 2. The gap in the literature on skills, knowledge, competences, knowledge, career path, education, and training for securing finance for real estate project development. 3. Development funding shortage and the gap between demand and supply in the real estate sector |
|  | | |
| Step 2 | Establishment of research objectives based on reviews of literature. | See Chapter 1:2 |
| Icon  Description automatically generated | |  |
| Step 3 | Identification of relevant theories that provides a foundation for the conceptual framework | A list of relevant theories that supported the development of the six components of the conceptual framework:   1. The pecking order theory of capital structure 2. The trade-off theory of capital structure 3. SWOT analysis 4. PESTLE analysis 5. Mintzberg’s general model of strategic decision process 6. RIBA Plan of work 2020 7. The work break- down structure concept (WBS) 8. Theory and methodology of sociotechnical analysis of process mapping techniques 9. Katz’s three-skill approach 10. Mumford’s leadership skills model. 11. Human capital theory 12. Theory of traditional career 13. Job matching theory. 14. Theory of boundaryless career and development 15. Learning theories |
| Icon  Description automatically generated | |  |
| Step 4 | Inquiries from managers in the real estate sector of the developed & emerging economies of Germany, the UK, US, China, Nigeria, and South Africa | Usage of Questionnaires & Semi-structured interviews |
| Icon  Description automatically generated | |  |
| Step5 | The conceptual framework/ the toolkit for securing finance for real estate project development (the output contained in chapter 10) | The conceptual framework / the six components:   1. Inventory of finance options & criteria for securing finance for real estate project development. 2. Framework for environmental scan for securing finance for real estate project development. 3. Process map for securing finance for real estate project development. 4. Inventory of skills, knowledge & competences for securing finance for real estate project development. 5. A conceptual framework for career path for securing finance for real estate project development. 6. A conceptual framework for training & education for securing finance for real estate project development. |

Figure 3.9‑1: Developed Initial Conceptual Model from Present Study

Source: Author’s formation (2021)

### What is a toolkit?

A toolkit is a collection of firm and adaptable resources for managers or staff that enable them to learn about an issue and identify approaches to address them; it is a composition of materials and experiences used to facilitate an individual’s critical reflection on teaching and learning (Nichols et al., 1997). This study defines a toolkit for securing finance as a set of reliable and adaptable resources that could guide the managers involved in securing finance for real estate project development.

### Why is a toolkit needed?

The previous chapters show that finance is needed to effectively executive real estate project development. Banks and other financers around the world have become wary about lending despite the high global liquidity. This is because regulators have clamped down on risky lending (Barth et al., 2013; Chortareas et al., 2012).

There is currently no platform or comprehensive toolkit that can guide managers in securing finance for real estate project development, taking all they need to know into cognisance. Consequently, the toolkit for securing finance for real estate project development is essential for the following reasons:

1. **Support managers in understanding different finance options and criteria required by financiers to enhance their financing opportunities:**

The tool kit provides an inventory of various debt, equity and innovative finance options that can be used for real estate development in both the developed and emerging economies. It also provides details of some of the criteria required by financiers. This inventory of finance options and criteria for securing finance for real estate project development provides a platform for real estate managers to research further into finance options available to them and those they can work with their financiers to develop. It also provides a guide on the criteria that the manager should make available when in the process of securing finance for real estate project development.

1. **Provide a framework for environmental scan:**

The toolkit will guide the real estate manager on the processes of scanning the external and internal environment to minimise challenges while maximising opportunities in securing finance for real estate project development. This is expected to enhance the chances of getting funding significantly.

1. **Provide a guide on key decision-making processes for securing finance for real estate project development:**

The toolkit will provide a guide on the key decision-making processes in securing finance for real estate project development.

1. **Provide an inventory of skills, knowledge, and competences:**

The tool kit provides an inventory of skills, knowledge, and competences for securing finance for real estate project development. It would also act as a guide for planning, training, and development purposes.

1. **Provides a framework for training, education, and career path:**

The toolkit provides a conceptual framework for a career path, training, and education that could facilitate financing access for real estate project development.

**Objectives of the toolkit:**

The objectives of the toolkit are as follows:

To provide essential, practical guidance in a user-friendly format and

to provide best practices, tools, and templates.

**Examples of a financial toolkit**

Some examples of known toolkits associated with finance are in table 3.9.1.

Table ‑: Examples of toolkit associated with finance

|  |  |  |
| --- | --- | --- |
| **Title (Types of Toolkits)** | **Summary composition of the toolkit** | **Author (s)** |
| Toolkit for interpreting booms & bust cycles | Basic instruments to gauge how financial fragility builds up and comprehend the channel of transmission of the financial crisis. | D’Apice & Ferri (1998) |
| A toolkit for the evaluation of financial capability programs in low and middle-income countries. (World bank document). | A practical guide to various aspects of conducting evaluations that address the specific needs of financial capability programs in the developing world. | Yoong et al. (2013)/  2013 international bank of reconstruction / The World bank |
| Recovery after the disaster; The family financial toolkit. | Strategies and tools to help families get started in the recovery process, determine their financial situation to inform financial decisions and where they live | Onstad et al. (2010) |
| Get financially fit: A financial education toolkit for college campuses | It recommends and explains each of the following steps to plan effective evaluation of college and university financial management education programs: Conduct a need assessment, define program objectives, identify outcomes and indicators, choose the evaluation method & develop a realistic plan of implementation. | Cude et al. (2007) |
| Macroprudential toolkit | It contains instruments to contain excessive credit growth risks, instruments to reduce excessive exposure concentration, instruments addressing liquidity and financing risk & instruments to mitigate against the impact of misaligned incentives that increase systematic risk. | Kashyap et al. (2011) |
| The essential financial toolkit | Returns, mean returns, risk, diversification, and correlation, required returns and the CAPM, downside risk, risk-adjusted returns, NPV and IRR, Multiples and bonds | Estrada (2011). |
| Financial toolkit | A comprehensive learning program that provides basic information and tools to help adults manage their finances and gain the confidence they need to make better financial decisions. | Government of Canada |
| Financial toolkit | Implementation of the algorithm for the development of the reproduction of the material & the technical base of the organisation based on financial leasing. It also contains the technique for calculating leasing payments based on the parametric model. | Nechaev et al, 2018 |
| Broad policy toolkit | Monetary and macroprudential policies and their interactions | World bank study / Canuto & Ghosh, 2013 |
| Recovery after a disaster: The family financial toolkit an evaluation of its efficacy | The toolkit discusses strategies and provides tools, including checklists and worksheets, to help survivors find resources and make difficult financial decisions in the days; and months following a disaster | Scharmer & Croymans, 2013 |
| A toolkit to assess fiscal vulnerabilities and risks in advanced economies | Gross funding needs, market perceptions of default risk and stress dependence among sovereigns; medium and long term budgetary adjustment needs, the susceptibility of debt projections to growth and interest rate shocks and stochastic risks to medium-term debt dynamics. | Schaechter et al, 2013 |
| Local government budgeting toolkit | The toolkit provides practical guidance to municipal finance managers on how to implement prudent service-oriented budgeting practices and it contains sections on accounting & auditing, the municipal revenues; public expenditures; the capital budget and investment planning; and budget performance information and measurement | Schaeffer, M (2003) |

The toolkit for securing finance for real estate project development is presented in a series of short chapters, just like the World Bank’s toolkit for evaluating financial capability programs in low and middle-income countries (Young et al., 2013). The detailed toolkit for securing finance for real estate project development is contained in chapter 10, while the detailed development of the individual components of the toolkit is contained in chapters 5, 6, 7, 8 and 9.

## Implications of the findings from the literature review & the development of the initial conceptual model.

The literature revealed that there are no uninformed decisions and processes for securing finance. It also showed no notable publications on management skills, knowledge, competences, career path, and training and education for securing finance for real estate project development. Hence, a general literature review was conducted on management skills, financial knowledge, competences, career path, and training and education. This then provided a platform for developing the initial conceptual model and the findings from the industry through semi-structured interviews and questionnaire surveys. Further inquiries on the different constructs discussed in literature reviews in chapters 2 and 3 are obtained in chapters 5, 6, 7, 8 and 9. The results contributed to developing the individual components of the toolkit in chapters 5,6,7,8, and 9. The fully compiled toolkit and its recommended usage are presented in chapter 10.

## Summary

This chapter presents the theoretical and empirical review of the literature as well as the initial conceptual model for the study. It discussed the finance options for real estate project development, the criteria, the critical success factors, challenges and opportunities, key decisions and processes, management skills, knowledge, competences, career path, training, and education to secure finance for real estate project development.

In the development of the literature review, theoretical perspectives of some authors were examined including, the trade-off theory, pecking order theory, market timing theory, Katz’s three skills theory, Mumford’s skills model of leadership, motivation theory, human capital theory, traditional career, and boundaryless career development. Work of some notable proponents of these theories such as Tarver(2018), Le and Phan (2017), Katz (1955), Burke (2010), IPMA (2015), Harris et al. (2018), Egbu (1990) and Young(1998) were synthesised to provide a theoretical background to finance for real estate project development.

The literature demonstrates a range of finance options used for real estate project development in both the developed and emerging economies. The available finance options for real estate project development are debt, equity and innovative finance. Debt finance is most used in both the developed and emerging economies. It also points to the fact that the critical success factors could be internal or external. The literature shows that financiers look at three primary repayment sources: cash flow, guarantor, and liquidation of collateral. Managers encounter a range of challenges in accessing finance for real estate project development, and the categorisation of these challenges can be political, economic, social, legal and technological factors. In the same light, the classification of opportunities that can facilitate access to finance can also be classified into political, economic, social, legal and technological factors using PESTLE as a guide. The literature also revealed that there is no uninformed decisions and processes for securing finance.

The literature revealed no notable publications on management skills, knowledge, competences, career path, and training and education for securing finance for real estate project development. Hence, a general literature review was conducted on management skills, financial knowledge, competences, career path, and training and education.

The next chapter presents the research methodology.

# Research Methodology

## Introduction

This chapter presents the research design and reviews a range of research methodologies, including those adopted for this study. The chapter discusses procedures adopted for data collection, data analysis, reporting and discussions of the findings. The chapter is divided into nine main parts. The first discusses the manager, which is the unit of study. The second part presents an overview of the research design. It discusses the process of the literature review, the establishment of the research problem, and the review of the gap in the literature. The fourth part discusses the pilot study. The fifth part elaborates on the research methodological design and identifies the research philosophies, approaches, strategies, choices, research techniques, and procedures. The sixth part explains the data collection techniques and procedures used for the study. While the seventh part discusses the data collection techniques and procedures used for the study. The eight-part discusses the study's validity and reliability, and the final part discusses ethical issues related to the study.

## The Manager (The unit of study)

The unit of study for this research is the manager, i.e., the real estate sector manager involved with financing decisions for real estate project development. To understand real estate financing, it is crucial to understand the human drivers who are the decision-makers, in order words, the managers. The managers in this context are strategic, tactical and lower-level managers. A manager is someone who achieves results through others (Stewart, 1997).

*“The Manager is the dynamic, life-giving element in every business. Without his leadership, ‘the resources of production remain resources and never become production” Peter F. Drucker. “The manager is responsible for the application and performance of knowledge “– Peter Drucker.*

**Levels of Management**

Organisations have various levels of management, which usually form the basis for their operations, activities, and interactions within and outside the organisation. This study adopts the very popular three (3) level classification of managers (Egbu, 1994; Al-fadli, 1990). These three basic levels are:

* Lower-level managers, e.g. real estate managers, portfolio managers & development managers
* Middle-level managers, e.g. Finance director & Accountant
* Top-level/strategic managers’, e.g. Chief executive officers, president and senior vice–president.

The next presents an overview of the research process.

## Overview of the research process

The methodology embodies three fundamental stages showed in table 4.3.1. : the establishment of the research problem, the research methodological design, and the output.

Table 4.3‑1: Overview of the research process

|  |  |  |
| --- | --- | --- |
| Overview of the Research Process | | |
| **Stage 1**  Establishment of the research problem | Literature review | * A critical review of literature on finance options used by developers in both developed and emerging economies. * Review of literature on criteria that funding institutions require in lending for real estate project development. * A review of literature on challenges affecting and opportunities available to developers in securing finance for real estate project development * Review of literature on the Critical success factors that influence access to real estate project finance * Review of literature on processes and key decisions in securing finance for real estate project development. * Review of theories and literature on skills, knowledge, competences, career path, training, and education of the manager. |
|
| Development of the conceptual model | |
| Pilot study | Semi-structured interviews |
| Online questionnaire surveys |
| Findings were initially developed into conference papers |
|  | | |
| **Stage 2 / Main study**  Research methodological design | Different approaches used to establish and achieve the objectives of the study. | 1. Semi-structured interviews: Interview sessions held with interviewees in the six countries studied. 2. Online questionnaire survey: A questionnaire survey administered to respondents in the six countries of the study. |
| Data analysis | Statistical analysis and Thematic analysis using SPSS & Nvivo, respectively |
|  | | |
| **Stage 3** | Development of a tool kit for securing finance for real estate project development | |

Sources: The Author’s compilation

### Establishment of Research Problem

Establishing the research question is fundamental to any research. It brings to the fore those salient questions that need to be answered, and this is the foundation of the research, as investigations are initiated to answer questions. It is, therefore, a highly important part of the research despite the intricacies involved in achieving it (Saunders et al., 2016). The establishment of the research problem was from conclusions reached through a review of the literature and in-depth discussions with the supervisory team.

### Review of literature/ gap in the literature

The study began with a review of the literature on the different options for securing finance for real estate project development; this helped better understand the different markets and investments available for investors and developers in this sector. The literature review was done extensively on the different areas associated with securing real estate project development finance. It brought to the fore the salient gap in the literature: the skills, knowledge, competences, career path, training, and education that the manager in the real estate development sector needs that will facilitate their ability to secure finance for real estate project development.

The researcher used various resources to access literature, including Google scholar, peer-reviewed journals of different platforms such as Science Direct, Business source complete, Emerald, Springer-link, Academic search complete and Scopus. Conference papers were developed from the literature review, which further enhanced understanding of the various themes within the subject area of study. Furthermore, the researcher reviewed conference papers from the Association of Research and Innovation in Building and Construction (ARCOM) and the COBRARIC conference and other conferences. All of these helped to enhance the literature review. Notably, the IPMA (2015) individual competence baseline for project, programme and portfolio management and the APM competence framework was helpful in the collation of skills, knowledge and competences, which were later tested ( see chapter 3.8). The researcher also looked up details of real estate project funding and economic indicators of different countries on financial platforms such as Bloomberg terminal, Trading economics, and yahoo finance. The significant reported factors on the different constructs of real estate development funding and the manager’s skills, knowledge, competences, career path, training and education from the review of the literature were considered in developing a list of items for empirical testing. This list, in conjunction with the research questions, research objectives relevant theories, were used to set questions for the questionnaire and semi-structured interviews.

In conclusion, the literature review provided a platform that revealed the research gap and provided a platform for identifying the issues for investigation in real estate project development financing. This included an inquiry into the different finance options used in the developed and emerging economies, the challenges managers face in accessing funding for real estate project development, the opportunities available to managers that facilitate their access to financing for real estate project development, and the criteria financiers look out for in providing finance for real estate project development. Also taken into consideration are the skills, knowledge, competences, career path, education, and training that the real estate’s development manager needs to facilitate his ability to secure funding for real estate project development. All of these were taken into consideration in the construction of the pilot study. This stage formed the basis for the development of the conceptual framework underpinning this research.

## Pilot Study

The pilot was designed to achieve the following objectives:

1. To permit a preliminary understanding of the various questions and the salient constructs of skills, knowledge, competences, career path, education and training by managers in the real estate development sector and academia.
2. To elicit comments on the relevance of the questions as a possible platform for solving the research problem.
3. To permit preliminary testing and to ascertain the robustness of the research question.
4. To identify appropriate respondents.
5. To identify any other areas that could be investigated within the perimeter of the research.
6. To significantly reduce the number of unanticipated problems and therefore facilitate the re-design of the study to overcome those potential difficulties.

The pilot was conducted between August and October 2018, using a semi-structured instrument and an online questionnaire survey to provide a greater perspective to the various questions derived from the objectives. A total of eight (8) managers made up of four (4) from the UK and Nigeria were interviewed. While the questionnaire survey was administered to thirteen (13) managers from the UK (10 respondents) and South Africa (3 respondents). The semi-structured interviews and administration of the online questionnaire survey were on the basis of convenience, volunteer, and snowballing sampling. The details of the pilot study are contained in table 4.5.2 on the summary of the research methodology.

The countries selected for the research were three with developed economies and three with emerging economies. However, the pilot study only covered two developing economies: South Africa and Nigeria, and one developed economy, the United Kingdom.

### **Findings from the pilot interviews**

The interview questions were developed based on the research questions and objectives to solicit the necessary data to explore the perception of managers in the real estate development sector, and the questions were based on the objectives. These questions included real estate finance options used and the opportunities and challenges encountered in the process of securing funding for real estate project financing. Furthermore, questions asked incorporated the criteria that financiers require, critical success factors, and the skills, knowledge, and competences needed to access funding for real estate project development. Questions were also asked on the education and training needs and the career path of the managers involved with securing real estate project finance.

The findings suggest that managers in Nigeria cannot get development funds from banks. It is also difficult to access loans from the Federal Mortgage bank as your application can stay for as long as six years without a positive response. The pilot interview revealed that managers in Nigeria depend predominantly on off-takers to secure finance for real estate project development. While the criteria these financiers/ off-takers in Nigeria look out for are the developer's track records and the property's location. At the same time, managers consider land and land verifiable documents in Nigeria as critical success factors to securing developmental finance. The interview respondents from Nigeria said their major challenge is the high cost of land acquisition, while they claim there are no opportunities available to them that facilitate access to finance for real estate project development.

Conversely, the pilot interview revealed that managers in the United Kingdom have access to pension funds and bank debts while the fundamental criteria required by financiers is track record. The critical success factors for securing real estate project development finance are the track record and the market. Some of the challenges associated with securing finance by managers in the UK include getting quick signoffs by professionals and actual challenges with access to finance. However, some of the opportunities available to UK managers in securing finance for real estate project development include government support to first-time homeowners and big portfolio investment in the real estate sector in Europe.

The findings for the key decision-making process for both the United Kingdom and Nigeria based on the semi-structured pilot interviews showed no fixed decision-making processes for securing finance for real estate project development. However, there are elements of commercial and technical feasibility in the chain of processes.

The pilot interviews showed that managers in both the UK and Nigeria have varied career paths, training and education associated with securing finance for real estate project development. The findings from the pilot semi-structured interviews showed that there was no need to make any significant changes to the questions as they were deemed robust enough to support answering the research questions.

### **Findings from the pilot online survey questionnaires**

The respondents for the questionnaire and interviews were middle-level managers who possessed higher degrees and above and had worked in the real estate sector for 10years. About 75% of the questionnaire respondents were from the United Kingdom, while twenty-five per cent were from South Africa.

Fifty per cent of the UK respondents are involved in residential real estate development, while 25% are engaged in mixed-use development. About 70% of the respondents are middle-level managers, while 30% are upper-level managers. The pilot questionnaire survey answers show that 67% of the respondents use pension funds greatly. This is closely followed by bank loans and cash flows from operations. Surprisingly, the pilot questionnaire survey response showed that 67% of managers consider difficult lending criteria by financiers and exchange rate volatility as challenges to a great extent. At the same time, the government’s monetary and fiscal policies and housing subsidies and credit interventions were considered opportunities associated with securing finance for real estate project development. While the criteria often requested are collateral, liquidity of the proposed asset, risk and return and loan-to-value.

The pilot questionnaire survey showed that convincing/ negotiating with financiers, analytical skills, writing and presentation skills and developing financial forecasts and models were used to a great extent by managers in the United Kingdom. While some of the knowledge sets used to a great extent in securing finance for real estate project development, include finance options, finance sources, cash flow, debt-asset ratio and return on investment. The findings show that the managers' competences used to a great extent include negotiation, compliance, standards, and regulations. While the platforms used highly for training and education include peer to peer development, self-development, direct observation and in-house training and observation.

The pilot questionnaire survey from South Africa was from the middle-level management. The result shows that bank loans and investors are the sources of finance for real estate project development to a very great extent. While, the major challenge is inflation, difficult lending criteria, political instability and difficult land use and ownership laws. The availability of long-term funds is considered an opportunity to a moderate extent. While the criteria often requested by financiers is the track record, cash flow and liquidity of the proposed asset. Some of the skills required to secure finance for real estate project development include critical thinking, negotiation, analytical skills, and usage of humour as ice breaker. Like the UK, the knowledge used greatly includes financial accounting basics, finance options, finance sources, and cost estimation approach. At the same time, the competences used to a great extent include communication, relationship and engagement and stakeholder management. While, the training used to a great extent include continuing professional development, external training, conferences, and seminars.

The findings from the pilot, semi-structured interviews and questionnaire survey showed both the differences and the commonalities between the developed and emerging economies on the different constructs. However, the questionnaire survey was deemed too long based on feedback from some of the respondents. The complaints about the length of the questionnaire led to some reduction of the questions for the main study.

## Stage 2 – Research Methodological design

The research methodological design undertaken in this research is illustrated by the use of the “research process onion”. The different layers of the research onions talk about the different facets of the methodology (Saunders et al., 2016).

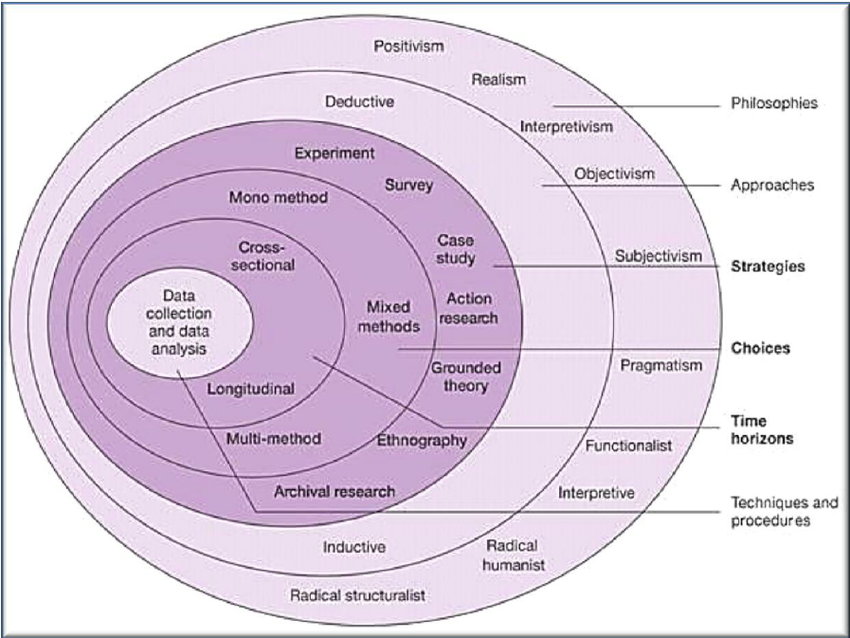


Figure 4.5‑1: The research process onion by Saunders et al. (2016).

### Research Philosophy

Research philosophy contains important assumptions about the way in which we view the world. It refers to a system of beliefs and assumptions on how data about a phenomenon should be gathered, analysed and used (Saunders et al., 2016).

There are three reasons why an understanding of philosophical positioning is beneficial to research (Easterby- Smith et al., 2008; Zin, 2013):

* It helps to clarify the research design and explains the methods by which data is collected and analysed.
* It helps the researcher to identify the design that will possibly work
* It could help the researcher identify and possibly create a design that may be outside their experience.

This section will discuss two main philosophical focuses that are very significant to any research in the social sciences: the paradigm (epistemology ) and ontology.

#### **Research paradigm**

A paradigm is a belief system that guides the way a researcher thinks and acts. A paradigm is a way of looking at the world, and it is composed of certain philosophical assumptions that guide and direct thinking and actions. There are four main research philosophies used in the social sciences. These philosophies are pragmatism, positivism, realism, and interpretivism (Saunders et al., 2016; Bryman & Bell, 2011).

The research paradigm that has guided and informed this study is pragmatism. Pragmatism research recognises that there are different ways of interpreting the world, and undertaking research as a single point of view may not tell the whole story (Saunders et al., 2016). Pragmatism concentrates on making better practices; it also implements a varied assortment of research strategies, the option of which is motivated by the nature of their research problems. Pragmatic philosophy is useful for mixed-method research (Saunders et al. 2016). Furthermore, this research used both quantitative statistical analysis, which is a quality of positivism as well attempting to understand the different phenomena through analysing meanings people assign to these phenomena, which is a characteristic of interpretivism. This incorporation of different strategies makes the philosophical background of this research pragmatic.

#### **Ontological position**

Ontology is concerned with the nature of the phenomenon or nature of the reality that a researcher intends to study (Bryman & Bell, 2011). Ontological assumptions are the realities you encounter in your research and the extent and ways in which your values influence your research process. These assumptions shape how you understand your research questions, the methods you use, and how you interpret your findings (Bryman & Bell, 2011). The question is whether social entities have a reality external to social actors. The ontological position is often referred to as objectivist and constructivist. Objectivist ontology sees social phenomena and their meanings as existing independently of social actions. However, constructivist ontology infers those social phenomena are produced through social interactions and are, therefore, in a consistent state of change (Bryman and Bell, 2007).

Objectivism incorporates assumptions of the natural sciences that imply that the social reality that we research is external to others and us, i.e. social actors. However, constructionism asserts that social actors accomplish social phenomena and their meanings (Eaterby-Smith et al., 2008). It entails the researcher presenting his account of the social world. It is of the view that ‘reality ’is determined by people rather than by objective or external factors and is therefore in constant revision. Hence, the focus is on fact-gathering and measure through meanings people place on their experiences. This study adopted a combination of objectivism and constructivism to add more breadth and depth to the analysis.

### Research Approach

This study combines both deductive and inductive approaches to theory development, which is often termed an abductive research approach. This is because the research started with some existing theories from reading academic literature, which is a significant component of the inductive approach because the data is used to explore a phenomenon, identify themes and patterns and create a conceptual framework, thus moving from data to the theory. Researchers using the inductive approach are more likely to use qualitative data and a variety of data collection methods to establish different views of a phenomenon (Saunders et al., 2016). The research approach provides a clear direction and course of action for the research activities. It entails generating or building theories.

This research is abductive because it used a combination of deductive and inductive approaches, and this is the approach used by many social sciences researchers. Data collection is used to explore a phenomenon, identify themes and patterns, locate this in a conceptual framework and test through subsequent data collection. This results in theory generation or modification, incorporating existing theory/theories.

### Research Strategy

The research strategy is a plan on how a researcher will address the research problem and answer his/her research questions. It articulates the nature of the research being conducted and the type of data to be collected. It is linked between your philosophy and choice of methods to collect and analyse data. The different strategies are associated with quantitative, qualitative and mixed methods research designs (Saunders et al., 2016).

There are eight (8) common types of research strategies in social sciences, namely: experiment, survey, case study, ground theory, ethnography, action research, cross-sectional and longitudinal studies (Saunders et al., 2016; Yin, 2009). Each research strategy has a specific approach to collecting data and associated advantages and disadvantages (Yin, 2009).

This study could be said to have used a combination of case study and survey research strategies. The case study in this context is that the research is focused on the selected three developed and three emerging economies each. Furthermore, a survey research strategy was also used in this research to collect in-depth data from managers operating in the real estate sectors of the selected countries. The study used questionnaire survey and semi-structured interviews for data collection. Information was collected from a representative population; all respondents are asked the same questions in all surveys and similar circumstances. Using a survey research strategy enabled the effective collection of in-depth data that could be inferred to the population as a whole.

Using the case study of the selected three emerging and three developed economies enabled the study to generate an in-depth, multi-faceted understanding of the practical reality of the real estate sectors in the specified countries.

### Research Choice

This research adopted a mixed methodological choice. The first methodological choice is to decide whether to follow a quantitative, qualitative, or mixed-method research design. The usage of either a quantitative or qualitative method is the mono method, while more than one method is a multi-method. Mixed-method research is an integration of quantitative and qualitative methods (Creswell and Clark, 2011). Quantitative is often associated with data collection techniques such as a questionnaire or data analysis procedures such as graphs or statistics that generate or use numeric data. Qualitative is often associated with data collection techniques such as interviews or data analysis procedures such as categorising data that produces or uses non-numeric data.

Social sciences research design often uses mixed methods, which is a combination of quantitative and qualitative elements adopted by this research. The usage of these two approaches provides a better understanding of the research problem than either method alone.

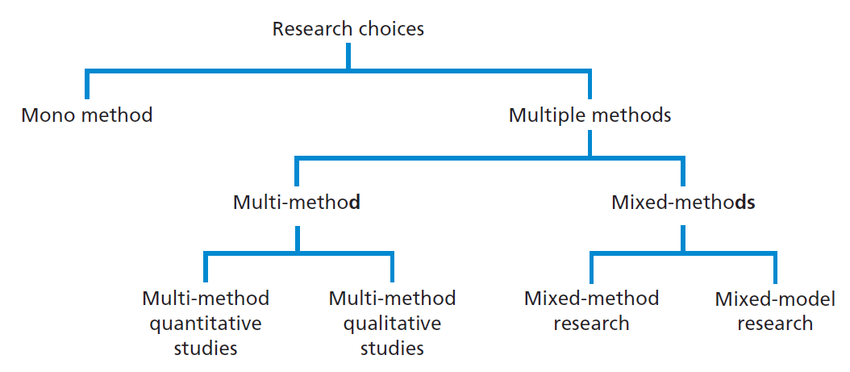


Figure 4.5‑2: Research choices

Source: Saunders (2009)

Writers such as Moser and Kalton (1971), Barbie (1973) and Bouchard (1976), as cited by Egbu (1994), have argued that a combination of research choices is often more useful than a single one since the different methods yield different kinds of data, which ultimately allows a more comprehensive analysis of the subject.

However, some researchers have argued that qualitative research alone is sufficient for the social sciences because it provides actual scientific explanations of facts. Consequently, qualitative is seen as superior to quantitative research both on the level of the research program and the level of appropriateness to the issue of study (Flick, 2014). This study integrated both approaches in parallel.

The usage of mixed methods helps mitigate the weaknesses of using either quantitative or qualitative approaches (Zin, 2013). Consequently, the shortcomings of one design can be compensated for by the strength of the other.

### Time Horizon

There are two types of time horizons when conducting research, cross-sectional studies and longitudinal studies. Cross-sectional studies describe the occurrence of a phenomenon or explain the relationship between factors in different organisations, while longitudinal studies are a study of relationships throughout a wide range of changes. Cross-sectional studies entail the study of a particular subject at a specific time. It can study changes and developments (Saunders et al., 2016). A cross-sectional approach was used for this study as the research focuses on current happenings in real estate project development finance.

### The summary of research design

The research design is the process of organising the research activity, and this includes the collection of data in ways that would achieve the research aim (Easterby – Smith et al., 2008). There are three types of research design commonly used, and they are exploratory, descriptive and diagnostic. The diagnostic design is widely used in undertaking scientific research studies and is often experimental (Easterby-Smith et al., 2008).

A descriptive research design is used to describe the characteristics of the phenomenon being studied, and it does not answer questions relating to how/when/ why of the happenings. It uses statistical calculation, frequencies, and averages. However, the exploratory research design is commonly explored in undertaking both qualitative and quantitative research studies; consequently, this research adopts an exploratory research design. It is to enhance the analysis of the data findings. Exploratory research often relies on techniques such as secondary research through extensive literature, qualitative research through interviews, focus groups, case studies, and pilot studies. A summary of the research methodology is shown in table 4.5.1.

Table 4.5‑1: Summary of research methodology

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Methodology | Contents | | | |
| Research design | | | | |
| Survey type | Mixed methods (qualitative and quantitative methods ) | | | |
| Unit of study | Managers in real estate development companies | | | |
| Respondents | Top, middle and lower-level managers in China, Germany, UK, US, South Africa, and Nigeria | | | |
| **Data collection** | | | | |
| Data collection | Pilot study  Semi-structured interview | Pilot study  Online survey questionnaire | Semi-structured interviews | Online survey questionnaire |
| Interview time | 40 -60 minutes | N/A | 20 -60minute | N/A |
| Recording instrument | Digital Dictaphone, laptop recorder and Samsung phone recorder | N/A | Digital Dictaphone, laptop recorder and Samsung phone recorder | N/A |
| Medium for communication | WhatsApp, WeChat, telephone calls, and face-time calls | N/A | WhatsApp, WeChat, telephone calls, and face-time calls | N/A |
| Sampling type | Non-probability sampling | Non-probability sampling | Probability sampling/Non-probability sampling | Probability sampling/Non-probability sampling |
| Sampling strategy | Purposive, convenient and Volunteer/snowball sampling | Purposive, convenient and Volunteer/snowball sampling | Stratified random & snowball sampling | Stratified random & snowball sampling |
| Sample location | UK and Nigeria | The UK and South Africa | China, Germany, UK, US, Nigeria, and South Africa | China, Germany, UK, US, Nigeria, and South Africa |
| Targeted sample size | 8 | 13 | 30 | 500 |
| Total responses | 8 | 13 | 35 | 81 |
| Response rate | 100% | 100% | 117% | 17.6% |
| **Data analysis** | | | | |
| Analysis | Thematic analysis | Statistical analysis using SPSS  (descriptive & inferential statistics) | Thematic analysis | Statistical analysis using SPSS  (descriptive and inferential statistics) |
| Analysis tool | Nvivo & manual coding | SPSS & BOS online survey platform | Nvivo and manual coding | SPSS & BOS online survey platform |

Source: The Author’s compilation

## Data collection techniques

Two types of data can be collected, and these are primary and secondary data. The present research data was not available from other sources; consequently, primary data was used. However, there are different ways of collecting data depending on the nature of the research, and the techniques are grouped into two categories: qualitative and quantitative (Zin, 2013; Neuman, 2011). Qualitative is often associated with data collection techniques such as interviews, while quantitative is associated with techniques such as questionnaires. This study used a combination of both quantitative and qualitative techniques to achieve the research aim. The combination of a semi-structured interview and questionnaire survey created a better understanding of the different constructs for securing finance for real estate project development in both developed and emerging economies.

### The Unit of analysis

The unit of research for this study are managers who work in real estate development companies. The managers were considered in terms of their levels in management and their number of years as managers in the real estate sector. The consideration was based on the three major management levels, which are upper, middle and lower. Managers considered were those who have worked as managers in the real estate sector for not less than four years.

The selection was not based on the companies' size or turnovers because the research covers six (6) countries, and the classification based on size varies across countries (Zin, 2013). Furthermore, turnover was not used as a platform for classification because most of the managers interviewed work for private limited liability companies and do not have their accounts published on public media. Furthermore, it isn’t easy to get managers to divulge financial information such as account turnover as it is considered confidential and sensitive considering the diverse socio-economic conditions of the six different countries covered in this study.

### Data collection procedures

#### Identification of the population sample and selection of a sample frame

It was important to select a population sample representing the real estate development sector in the six (6) countries reviewed. Purposive, convenient and snowballing sampling techniques were initially used for the pilot study for the interviews and the questionnaire survey. The initial respondents selected were the ones the researcher thought could provide the best information and were willing to be included in the study. Findings show that purposive, convenient and snowballing are acceptable non-probability sampling techniques used in business and social science research. (Zin. 2013). However, for the major research after the pilot, both probabilistic and non-probabilistic sampling was used because of the large sampling size required and the need for homogeneity in the samples. Consequently, stratified random and snowballing sampling techniques were used.

Most of the managers in the United Kingdom were identified through the Royal Institution of Chartered Surveyors (RICS). Members of RICS were contacted via LinkedIn and emails, and some of those who were contacted gave referrals for more contacts for the research. Samples for managers in the Nigerian real estate development sector were primarily identified through snowballing and the Association of Real Estate Developers of Nigeria (REDAN). REDAN has about 450 registered members. Academics in different countries also helped in referring the researcher to industry practitioners in their various countries of domicile.

Contact details of about 3000 companies operating in the real estate development sector covering all the states in the United States were obtained online. Their websites were accessed from the information, and emails were sent to 200 of the key managers in the different countries who did not respond to the emails. Some of them were then sent invites on LinkedIn. LinkedIn and Twitter played a crucial role in accessing some respondents for both interviews and survey questionnaires. Notably, most managers of large real estate development firms are on LinkedIn.

The selection criteria for the semi-structured interviews and questionnaire survey is as follows:

1. The respondents should be managers involved in real estate development either in a full time or part-time capacity.
2. The managers should have worked at the management level for not less than four (4) years in this sector.
3. The managers are still involved in the real estate sector to date.
4. The managers gave their consent to be a part of the interview.

Managers in the context of this study are categorised by their position as listed below:

1. Upper-level managers: These levels of managers include the director, chief executive officer, managing director, chief financial officer, and senior accounting manager. These are managers that make strategic decisions for their organisations (Egbu, 1994).
2. Middle-level managers: Managers on this level for this research include project directors, general managers, account and payroll managers, deputy directors and assistant directors.
3. The lower level managers: This level of managers includes regional managers, administrative managers, sales managers, sales executives, and brokerage managers.

#### **Semi-Structured interviews**

Qualitative research gives room for a more in-depth study of a phenomenon, and it is achievable with relatively small samples. The sampling of respondents was carried out by carefully identifying respondents from the list identified during the general scanning for respondents through personal contacts, online databases of real estate development managers, LinkedIn, referrals from conferences and other industry practitioners.

The key criteria for the selection of the managers for the interviews were:

1. The number of years operating at a managerial level in the real estate sector is not less than four years.
2. Managers being members of recognised bodies such as RICS, real estate association of Nigeria.
3. Managers should be involved in real estate development.

It could be one or all of the criteria, but the first criterion is mandatory. The semi-structured interview was the platform for the development of the questionnaires as it helped to modify some of the themes.

The semi-structured interview was carried out in two phases: the pilot study and the main study. Robson (2006), as cited by Zin (2013), stated that there are three generic forms of interviews: unstructured, semi-structured and fully structured. The semi-structured interview was used because it provides in-depth, reliable and comparable qualitative data. The semi-structured interviews were with the three different levels of management in both the developed and emerging economies (China, Germany, UK, US, Nigeria, and South Africa), and it was designed to achieve the objectives.

Semi-structured interviews enable a comparison of how people view different situations, and they also enhance the development of better lines of inquiry to check out the themes that emerge as the research progresses (Easterby –Smith et al., 2008). The interviews were done through telephone calls mostly via WhatsApp, with a few via WeChat and Facetime. WhatsApp and telephone calls were used to communicate with respondents from Germany, the United Kingdom, the United States, South Africa, and Nigeria. WeChat was used to communicate with respondents in China, and Facetime was used for one of the respondents from the United States.

##### **Challenges encountered in securing interviewee.**

The geographical spread and diversity in the business environment initially made it very challenging to get interviewees. Email messages were sent to over 200 managers involved in the real estate sector from the list of over 6,000 companies the researcher secured through open media access requesting telephone interviews, but none of them responded.

The researcher first gained access to managers in the UK and Nigeria through snowballing. LinkedIn was used to gain access to managers in the German and US markets. However, it was incredibly challenging to gain access to China. The researcher used LinkedIn for most of the initial access to managers despite having a database of real estate companies in these countries because a number of the managers who were initially called were sceptical about talking directly on the phone with people they did not know. LinkedIn was an excellent platform because it enabled potential respondents to look at the researcher's background before accepting the contact request and subsequently engage in interviews. Some of those contacted on LinkedIn were from the list of real estate development companies obtained for the different countries.

##### **Reasons for choosing a telephone interview approach.**

The usage of telephone, WhatsApp, WeChat and face time is essential because of the geographical disparity for the six (6) countries studied. It was also used as a medium to mitigate against the high cost of research as it would have been costly to visit all six (6) countries for face to face interviews. Oppenheim (1996) asserted that face to face interviewers spent only about one-third of their time conducting interviews; the remaining time is almost always spent on travelling and locating respondents. Comparatively, telephone and electronically based interviews are a more cost-effective way of accessing data. The telephone interview provided the researcher with relatively quick and easy access to the respondent in the different emerging and developed economies. It helped to overcome possible hurdles because of the varied geographical location.

##### **The appropriate number for interviews**

There are multiple views on the appropriate numbers for interviews. Some researchers recommend appropriate numbers for interviews, while others say it depends on when you have researched saturation on the inquiry. Glaser and Strauss (1967) recommend the concept of saturation for achieving an appropriate sample size in qualitative studies. Morse (1994) suggested approximately 30 – 50 participants. However, Patton (1990), as cited by Zin (2013), says there are no rules for sample size in qualitative inquiry. He said the sample size depends on “what you want to know, the purpose of the inquiry, what is at stake, what will be useful, what will have credibility, and what can be done with the available time and resources”. He further said that the insight generated and the meaningfulness from the inquiry has to do with the information richness and the observational and analytical capacity of the researcher rather than the sample size. The selection of participants who can provide sufficient information in representing the view of the sector or organisation is considered more important than the number of interviewees (Zin, 2013).

The main interview was in two phases because of the researcher's challenges in gaining access to the Chinese market. The first batch of interviews of 24 managers in the real estate development sector was carried out from December 2018 to January 2019, while the rest was carried out from March to May 2019. The initial plan was to conduct 30 interviews in total, but this number was exceeded as more respondents were secured through snowballing. The researcher’s initial choice of 30 interviews is justified by the position of Morse (1994), which suggests an interview size of 30-50 participants is sufficient. Furthermore, at the point the interviews had reached 30, it was deemed to have reached a point of saturation as the information provided by the different managers were similar with no new information coming in. The summary of managers interviews in the selected countries is contained in table 4.6.1.

Table 4.6‑1: A summary profile of the managers that were involved in the interviews from both developed and emerging economies

|  |  |  |
| --- | --- | --- |
| Country | No of interview | Category |
| China | 7 | Emerging economy |
| Germany | 6 | Developed economy |
| United Kingdom | 7 | Developed economy |
| United States of America | 5 | Developed economy |
| Nigeria | 6 | Emerging economy |
| South Africa | 5 | Emerging econ0my |
| Total | 35 | |

##### **Interview process**

A list of questions was processed before the interviewees were contacted, and the semi-structured interview questions were reviewed and revised by the researcher and the supervisory team a number of times. These questions were shown to other academics within the university and other universities for their views. Two Professors and a Doctor from three different universities reviewed the questions. ARCOM Conference in April 2018 was instrumental in accessing people in the industry and the academia who further studied and contributed to refining the questions. Pilot interviews were conducted before the main interviews as this was also to test the questions and the suitability of the way they were framed. The respondents were then contacted via LinkedIn, telephone and emails to ask for their permission to be interviewed over the phone. Some of the respondents requested to be interviewed on WhatsApp, Facetime or WeChat. The aim and purpose of the research were communicated to the respondents via LinkedIn and emails before the interviews.

The UK has a substantial time difference between it and the countries used for the research, apart from Nigeria and Germany, which have similar time zones to the UK. Consequently, interviews were arranged in advance, taking into consideration the suitability of time. Respondents’ names were kept confidential and were saved with the country name and the number allocated to the interview. The initial interviews lasted between 40 minutes to 1hour, and this was because some of the interviewees had other related thoughts they wanted to share. However, subsequent interviews were, on average, 20 to 30 minutes long, as the researcher had learned to have a firmer control of the interview process.

##### **Recording & Analysis**

The semi-structured interviews were recorded digitally, and the researcher used three recording devices. A laptop recorder and dictaphone were used simultaneously for remote interviews, and a Samsung phone recorder was used for face-to-face interviews with respondents from the UK. It was to ensure back-ups in case any of the devices developed a fault in the course of the interviews as it would be difficult to go back to the respondents to re-do the interviews. Furthermore, the managers interviewed were informed that the conversations were going to be recorded before the commencement of the interview process. Some of the recorded interviews were transcribed manually by the researcher, while a good number of the interviews were transcribed through Nobility transcription services because of the volume, and they were anonymously saved before transcription, so the identities of the interviewees were not compromised.

Analysis of data obtained from the interview was through a thematic analysis using manual analysis through tables and minimal usage of NVIVO. The thematic analysis identifies, analyses, and reports patterns (themes) within data (Smith et al., 2018; Braun and Clarke, 2006). To achieve this, the transcripts of the interview were coded by gathering and collating the different related information across the different sources. The researcher did parts of the analysis using NVIVO software. However, usage of NVIVO was eventually dropped because of the data size and the fact that the questions were already patterned according to different themes. The focus was on thematic analysis and not content analysis, so manual analysis using tables was deemed adequate. However, NVIVO was useful in determining the most cited responses by the different managers for the different constructs. The steps for the NVIVO analysis are as follows:

Step 1: The data is transcribed, and identities are created for each manager, such as Germany Mgr1, UK Mgr1, etc. The interview questions are based on the different themes: finance options, criteria, challenges, and opportunities associated with securing finance for real estate project development.

Step 2: The data is uploaded on NVIVO software. To achieve this, a new project is initiated by clicking “blank project”. The information is then imported from the source on the computer.

Step 3: The data is reorganised by creating case storage, case classification and creation of nodes. The case storage contains the responses of each participant (the individual managers). The case classification includes participants responses to the interview questions such as, “What are the major challenges you encounter in the process of securing funding for your project development? “. At the same time, the nodes have responses to the questions.

Step 4: This step entails conducting data exploration using the ‘query’ command. This helps determine the word frequency, which was the aspect used by this research.

**Questionnaire Survey**

In meeting the objectives of the study, the online survey questionnaire technique for data collection was also used, and it was adopted for the following reasons:

1. It facilitated the coverage of a widespread sample of managers involved with real estate project development and its funding. Therefore, it is of exceptional value for a scattered population such as the population in this study, which is spread across six countries.
2. The online survey questionnaire is very cheap to apply and mitigates budgetary constraints as it is mainly administered via emails and platforms such as WhatsApp and LinkedIn.
3. It provides an opportunity to analyse the data using a variety of statistical techniques.

Despite the benefits of using the questionnaire survey as mentioned above, there are some weaknesses, including non-response or low response rates and the inability of the investigator to verify the information provided. Furthermore, the low response rate reduces the sample size and can introduce bias.

The questionnaire link was distributed to 500 respondents via emails, WhatsApp and LinkedIn. The respondents were randomly selected for the six countries. The selections were from the list of real estate managers on LinkedIn for the six countries, the list of real estate developers of Nigeria ( REDAN), and the list of real estate managers for the US Real estate development companies the researcher had obtained from open media. Selections were also from a list of the Royal Institute of Chartered Surveyors (RICS) members. Furthermore, contact details were obtained via snowballing through academics with industry links in South Africa, Hong Kong and the United Kingdom for the administration of the survey link.

##### **Questionnaire development**

The first step in designing the questionnaire was to base it on existing work on skills, knowledge, competences, training, and development (Mann, 1965; Katzs, 1971; Boyatzis, 1982; Stewart, 1997; Trimble & Trimble, 1993; Grizzle, 1985; Spencer, 1993; Egbu, 1994; Muthuveloo et al., 2017; Sunindijo et al., 2017; IPMA (2015); APM competence framework; Ogbenjuwa, 2018). The questionnaire questions the manager’s knowledge, skills, competences, career path, education, and training. It examined the different types of managers’ skills, which include human, technical, conceptual and financial management skills and competences. The questions also examined the different types of finance options covering both debt and equity used by managers in the real estate sector, the challenges and opportunities available to them that facilitate access to finance, the processes for access to finance and the critical success factors for securing finance for real estate project development.

A five-point Likert scale was used in the questionnaire; it is an acceptable tool for measuring “attitude” in a scientifically accepted and validated manner (Joshi et al., 2015). The study's objectives were the fundamental drivers of the Likert scale questions; consequently, designing the instrument was based on the research objectives and the framework of the study. A scale more extended than a 5-point Likert may be cognitively difficult for respondents (Zin, 2013). Conversely, a shorter scale maybe cognitively be easier but may not provide sufficient respondents, opinions. The scale and interpretation adopted in this research survey are in *table 4.6.2.*

Table 4.6‑2: A rating system for the study

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Question | Scale | | | | |
| 1 | 2 | 3 | 4 | 5 |
| Part 1 | Not influence | Influence to some extent | Influence to a moderate extent | Influence to a great extent | Influence to a very great extent |
| Part 2 | Not used at all | Less used | Fairly used | Used | Highly used |
| Part 3.1 | Not challenging at all | Less challenging | Fairly challenging | Challenging | Very Challenging |
| Part 3.2 | Not an opportunity at all | Rarely an opportunity | Occasionally an opportunity | To a great extent an opportunity | To a very great extent an opportunity |
| Part 4 | Never requested | Rarely requested | Sometimes requested | Often requested | Always requested |
| Part 5.1 | Not important at all | Less important | Fairly important | Important | Very important |
| Part 5.2 | Not needed | Less needed | Needed | Very needed | Highly needed |
| Part 5.3 | Not needed | Less needed | Needed | Very needed | Highly needed |
| Part 6.1 | Not important at all | Less important | Fairly important | Important | Very important |
| Part 6.2 | Not needed | Less needed | Needed | Very needed | Highly needed |
| Part 6.3 | Not needed | Less needed | Needed | Very needed | Highly needed |
| Part 7.1 | Not important at all | Less important | Fairly important | Important | Very important |
| Part 7.2 | Not needed | Less needed | Needed | Very needed | Highly needed |
| Part 7.3 | Not needed | Less needed | Needed | Very needed | Highly needed |
| 8.1 | Not used | Less used | used | Very used | Highly used |
| 8.2 | Not important | Less important | Fairly important | Important | Very important |
| 8.3 | Not important at all | Less important | Fairly important | Important | Very important |
| 9 | Not satisfied | Fairly satisfied | Moderately satisfied | Very satisfied | Extremely satisfied |
| 10 | Not critical | Fairly critical | Critical | Very critical | Extremely critical |

Sources: The Author’s compilation based on a review of the literature

The questionnaire used both open-ended and closed-ended questions. The respondents were asked to indicate their responses by ticking the appropriate option in the closed-ended questions. The respondents were asked to indicate their roles, career path and the process for securing finance for project development for the open-ended questions. The questionnaire (appendix 1) consists of all ten (10) parts.

Part one - contains the general information about the respondent, including countries they operate from and the degree of operation, the type of real estate projects they develop, degree of development, their job titles, current job roles, level of education, number of years spent in the real estate sector, their career path and the factors that influence their ability to secure finance.

Part 2- covered different finance options for real estate project development. The questions have a list of finance options, and the respondents were requested to tick the appropriate box to indicate the extent to which they use the finance options to finance project development.

Part 3- This section has two segments, the first have questions on challenges affecting them and the second has opportunities available to managers in real estate finance. A list of challenges faced and opportunities available respectively in securing funding for project development finance was provided based on secondary data, and the respondents were required to tick the appropriate box.

Part 4 – Questions explored the criteria that financing institutions use in lending for real estate project development. Respondents were requested to tick the degree to which financiers required the different criteria.

Part 5- The respondents were required to express the degree of importance, their need for training and education for the present, and the need for training and development for the future for skills for securing finance for real estate project development. A list of 23 skills was provided based on a literature review, and the respondents were required to tick the appropriate boxes.

Part 6- The respondents were required to express the degree of importance, their need for training and education for the present and the need for training and development for the future for knowledge for securing finance for real estate project development. A list of 17 knowledge sets was provided based on a literature review, and the respondents were required to tick the appropriate boxes.

Part 7 - The respondents were required to express the degree of importance, the need for training and education for the present and the need for training and development for the future for competences for securing finance for real estate project development. A list of 20 competences was provided based on a literature review, and the respondents were required to tick the appropriate boxes.

Part 8 – This segment is about training and education, and it is divided into three sections. The respondents were requested to express, the perceived importance of training and education for now and the future and the degree to which they use it. They were required to tick the appropriate boxes. Secondly, respondents were asked to indicate the time frame in which they attended management courses by ticking the relevant boxes. Thirdly, they were requested to indicate the degree of satisfaction in the amount and quality of education by ticking the appropriate boxes.

Part 9- Provided a list of critical success factors for securing finance for real estate project development, and participants were requested to indicate how critical it was by ticking the relevant boxes.

Part 10 – Investigates the processes and key decisions for securing finance for real estate project development. Respondents were required to chronologically list the key process and decisions in securing finance for real estate project development.

##### **Questionnaire measurement**

Questionnaire measurement is the process in which the researcher assigns numbers or symbols to empirical variables in line with the rules. There are four major measurement levels: nominal, ordinal, interval, and ratio (Saunders et al., 2009). The collected data should fall within one or more of these levels. The level of measurement informs the statistical measures that can be used.

The questionnaire is mostly based on variables based on the Likert scale, which is ordinal. Some variables are independent and others dependent. There are also a few nominal variables. The suggested procedure often used in assessing the relationship between two variables is correlation and regression. Regression analysis requires both dependent and independent variables. However, this research used minimal regression analysis as descriptive statistics were sufficient to answer the research question and respond to the objectives. Consequently, spearman’s rank correlation was used.

##### **Pre-testing questionnaire & semi structured interview questions**

A pre-test of both the questionnaire and interview questions was done in two phases before the pilot testing. While the pilot test was conducted to help refine the data collection plan. The first pre-test was carried out with fellow PhD colleagues and lecturers within the department. According to Robson (2006) and Dilman (1978) as quoted in Yin (2013), a pre-test of the questionnaire should be carried out including a small population sample, mainly to ensure the instructions, questions and scale are clear and devoid of ambiguity. A sample size of 11 was deemed to be sufficient for pre-testing the questionnaire to gain a good and valid critique of the questionnaire and the identified target population.

The results showed that the questionnaire was too long. However, the semi-structured interview questions had positive feedback with a need for slight amendments.

A second pre-test was done with academics and industry practitioners the researcher consulted and the ARCOM 2018 conference at Belfast. The response time and questions were considered okay by the interview respondents. The respondents for the questionnaire, however, complained it was still too long. After deliberations with the supervisory team, it was agreed that both instruments should be left as they were after the second pilot as this would enhance the robustness of the data.

##### **Questionnaire administration**

The questionnaire administration occurred between the 1st of March 2019 and the 30th of August 2019. The researcher contacted respondents in advance to explain the study's aim and seek their support through LinkedIn, emails, telephone calls, WeChat, WhatsApp, and text messages to get their cooperation. The contact information was acquired from an earlier target population repository that the researcher obtained for the different countries. They were assured of the confidentiality and anonymity of the process.

##### **Non-response**

Several strategies were used to enhance the response rate for the online questionnaire survey. Attempts to increase the response rate included the following:

* Pre-contacts: Individuals were pre-contacted during the telephone interviews as well as through platforms such as LinkedIn, email, WhatsApp /WeChat, and text messages.
* Sponsor: The online BOS questionnaire survey that was sent had the London South Bank logo and this inspired reliability and accorded some measure of respect.
* Reminders: Reminder messages were sent along with follow-up telephone messages to enhance the response rate.

Table 4.6‑3: Actions were taken to improve the response rate

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Distribution | Date | Numbers sent | Responses | % |
| Pilot | December 2018 to February 2019 | 13 | 13 |  |
| First stage | March 2019 | 200 | - |  |
| Second Stage | April to July 2019 | 300 | 20 |  |
| Reminder ( 4 times) | Between March and July 2019 | -- | 20 |  |
| Third stage | July to August 2019 |  | 27 |  |
| Finish | 30th August 2019 |  | - |  |
| Total to date |  |  | 81 |  |

Compilation by the Author (2019).

Table 4.6‑4: Response rate

|  |  |
| --- | --- |
| Population | 100,000 |
| Target Sample | 500 |
| Unusable responses | 9 |
| Usable responses | 81 |
| Usable response rate | 16.2% |
| Total responses | 83 |
| Total response rate | 18% |

Compilation by the Author (2019).

Alreck and Settle (2004), as cited by Zin (2013), stated that a mail survey response rate of over 30% is rare. Studies have shown that online survey questionnaires are just as likely to achieve response rates as high as a survey administered on paper despite the various practices to enhance response rates (Nulty, 2008).

It was particularly difficult getting responses to the questionnaire surveys despite all the efforts made by the researcher to enhance the response rate. Arguably this is because of the widespread nature of the countries selected and the nature of the respondents at a managerial level. Most of them responded via emails, LinkedIn and telephone messages to say they were quite busy and could not respond to questionnaires. The semi-structured interviews and review of literature were very robust and made up for any information not obtained as a result of the low response rates of the questionnaires.

## Data analysis techniques

The data gathered was analysed both quantitatively and qualitatively. In the main, descriptive statistics were used to analyse the questionnaire survey using Statistical Packages for Social Sciences (SPSS) software. Some minimal inferential statistics through Spearman rho was used for the questionnaire survey as well. The semi-structured/ structured interview was analysed using thematic analysis with the help of NVIVO software, and manual analysis was used for some of the simplistic elements.

### Qualitative data analysis

There are two major approaches to analysing qualitative data. They are 1) coding and categorising and 2) investigating data in context (Flick, 2014). The first approach entails developing and using categories to analyse data, also known as coding; it is in line with qualitative content analysis—software such as ATLAS. TI, MAXQDA, and NVivo can be used for this approach. The second approach takes the context of the data more into account. The complete information is taken into consideration as a relevant feature of what is to be analysed. This research adopted the latter and hence used thematic analysis.

This research was exploratory, and the collected data was transcribed using a transcription platform known as nobility transcription. Thematic analysis in this context is a method of identifying, analysing and reporting patterns (themes) within data. Flick (2014) recommended the following steps for thematic analysis:

* Familiarise yourself with the data
* Generate initial codes
* Search for themes
* Review themes
* Define and name themes
* Produce report

The first step focused on transcribing and studying the transcript. The second step entailed developing the codes from the data. This involves distinguishing between semantic codes (the meaning expressed verbally) and the latent code (the underlying meaning). The third step entailed sorting codes into various themes and collating the relevant data extracted. The researcher did some of this with the help of NVIVO and some manually as the questions were already patterned in line with themes. The fourth step is a refinement of the developing code system by breaking down themes into sub-themes. It then leads to the thematic map, which was considered optional for this research and hence not mandatory. It entails the visual representation of themes and sub-themes and the reflection of what they represent. The sixth step presents the results and procedures (Flick, 2014).

The thematic coding was done by producing a short description of each case, and extrapolating codes based on the research questions, the interview questions, and semantic and latent meanings deduced from data generated from each interview question (full details in chapters 5, 6 and 7).

### Quantitative data analysis via statistical techniques of analysis

The analyses of the responses for the online questionnaire survey were carried out with the help of IBM SPSS version 21. SPSS was selected because of the ease of using the available support from the university digital skills support team, its suitability and the fact that it can perform most of the general statistical analysis required. The BOS online survey platforms were also used as they have tools that help with some simple descriptive statistics such as percentages.

The data collected from the online questionnaire survey could have been analysed using non-parametric statistical or ranking tests. This is different from the parametric analysis since conclusions were made regardless of the population shape while, the parametric analysis assumes that scores are drawn from a normally distributed population (Zin, 2013). The parametric test makes several assumptions about the population from which the sample is drawn, whether the data is normally distributed, and the nature of the data. Non- parametric data do not have such stringent assumptions and are more suitable for data measured using an ordinal (ranked) level (Pallant, 2013). However, the researcher chose to use descriptive statistics, as that was sufficient to answer the research questions and minimal inferential statistics. The questionnaire survey was analysed using descriptive statistics to get the results on the aggregate and disaggregate levels using the mean score, percentages and frequencies. Descriptive statistics such as percentages, frequency tables, graphs, mean scores and charts were derived (Pallant, 2013).

The Spearman's rank correlation coefficient was also used to determine the relationship between two quantitative variables measured on an ordinal scale. Examples are the relationship between the level of managers and finance options used and the level of managers and challenges and opportunities associated with securing finance for real estate project development. The correlation coefficient measures the strength of the relationship between two variables, and the values range from -1 to +1. A calculation greater than +1 or less than -1 indicates an error in the computation. Conversely, a correlation of -1 shows a perfect negative correlation, while a correlation of +1 shows a perfect positive correlation. While a correlation of 0.0 shows no linear relationship between the two variables (Ganti and Westfall, 2020).

Spearman’s Rho correlation, not Pearson correlation, was used because of the data distribution's non-normal nature and the data's ordinal nature (Salkind, 2004). The interpretation of the value of correlation based on the work of Salkind (2004) is showed in the table.

Table 4.7‑1: Interpreting a correlation coefficient

|  |  |
| --- | --- |
| Size of correlation | Coefficient general interpretation |
| .8 to 1.0 | Very strong relationship |
| .6 to 0.8 | Strong relationship |
| .4 to 0.6 | Moderate relationship |
| .2 to 0.4 | Weak relationship |
| .0 to 0.2 | Weak or no relationship |

Table 4.7‑2: Summary of the data analysis method used

|  |  |  |  |
| --- | --- | --- | --- |
| Data collection technique | Analysis method | Analysis technique | Software |
| Semi-structured interview | Thematic | Thematic analysis | Manually |
| Questionnaire survey | Descriptive statistics | Frequencies, percentages & comparison of mean scores | SPSS 21 |
| Inferential statistics (non-parametric test) | Spearman’s coefficient of correlation | SPSS 21 |

Source: Author’s compilation (2019)

#### **Normality**

This study used the Kolmogorov-Smirnov test and Shapiro-Wilk test to ascertain if the dependent and independent variables are normally distributed or not (Shapiro. & Francia, ,1972). According to Pallant, (2001), as contained in Zin (2013), the test for normality is not always required for analysis (Zin,2013). The results for most of the constructs, especially the dependent variables such as Challenges, opportunities, critical success factors, management skills, management knowledge and management competences show significant p-values which are higher than 0.05; consequently, they are normally distributed. Normally distributed data ordinarily should use the parametric method of analysis. However, Kolmogorov -Smirnov and Shapiro-Wilk test could not be conducted for finance options and some independent variables such as management level because there were not enough valid cases to perform the test.

Consequently, this study adopted a non-parametric test for data analysis. The nonparametric tests, which are also called distribution-free tests, were used because they are based on fewer assumptions. They do not assume that the outcome is approximately normally distributed (Sullivan, 2020). Furthermore, the non-parametric test was used to apply it to data types such as ordinal or nominal data. A non-parametric test was used because some of the variables did not show significant proof of normality. Some of the variables that did not show significant proof of normality are finance options, qualification, degree of development and category of management levels. However, a significant part of the data showed a normal distribution

The specific non-parametric test used in this study is Spearman’s Rho, which measures the strength of association between two variables .

Table 4.7‑3: Tests for normality:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Items | Kolmogorov-Smirnov | | Shapiro-Wilk | |
| Statistics | Sig | Statistics | Sig |
| Challenges | 0.212 | 0.001 | 0.871 | 0.001 |
| Opportunities | 0.229 | 0.000 | 0.878 | 0.001 |
| Criteria | 0.281 | 0.000 | 0.788 | 0.000 |
| Critical success factors | 0.240 | 0.000 | 0.842 | 0.000 |
| Management skills | 0.253 | .004 | 0.820 | 0.003 |
| Management knowledge | 0.245 | 0.006 | 0.823 | 0.002 |
| Management competences | 0.249 | 0.002 | 0.829 | 0.002 |
| Management training & education | 0.213 | 0.006 | 0.862 | 0.002 |

The elaboration and findings of the data collected from the questionnaire will be discussed further in chapters 5 to 9.

## ****Validity and reliability of the study****

### Validity

**This research put in place the following to ensure the validity of the data:**

* **Data were collected both quantitatively and qualitatively through online questionnaire surveys and semi-structured interviews.**
* **Questionnaire and interview questions were pre-checked by both academics and those in the industry before they were launched.**
* **Questionnaire and interview questions were refined through rigorous pre-testing.**
* **Multiple techniques were used for analysis and reported in detail to provide a clear and accurate picture of the findings.**

### Reliability

Reliability is often used in quantitative studies, and it relates to the consistency of a measure. It suggests that the same thing can be repeated or can recur under identical or very similar conditions (Neuman, 2011). A measure is considered reliable if it produces the same results whenever it is repeated (Zin 2013). The attributes of reliability are outlined in the table (4.8.1).

Table 4.8‑1: Attributes of reliability

|  |  |
| --- | --- |
| **Attributes** | **Description** |
| Homogeneity (or internal consistency) | The extent to which all the items on a scale measure one construct |
| Stability | The consistency of results using an instrument with repeated testing |
| Equivalence | Consistency among responses of multiple users of an instrument or among alternate forms of an instrument |

Source: Heale & Twycross (2015)

It is impossible to give an exact reliability calculation, but an estimate can be achieved through a different measure. Homogeneity (internal consistency) can be assessed using Cronbach’s α, item-to-total correlation, split-half reliability and Kuder-Richardson coefficient (Heale & Twycross, 2015). Cronbach’s α, which is the commonly used test to determine the internal consistency of an instrument, was used for this study with the help of SPSS.

Cronbach’s α result is a number between 0 and 1. An acceptable reliability score is 0.7 and higher (Zin, 2013). The closer that Cronbach’s alpha is to 1, the higher the internal consistency reliability (Sekaran, 2003). Table (4.8.2 ) shows the value ranges between 0.907 to 0.985, and this demonstrates that the internal consistency for the entire scale was good and the results are considered reliable and consistent. The results are therefore retained for further analysis.

Table 4‑8.2: Overall reliability statistics

|  |  |  |
| --- | --- | --- |
| Constructs | Reliability statistics | |
| Cronbach's alpha | N of items |
| Challenges | 0.907 | 19 |
| Opportunities associated with securing finance | 0.953 | 20 |
| Criteria | 0.925 | 16 |
| Critical success factors | 0.956 | 20 |
| Management skills | 0.975 | 69 |
| Management knowledge | 0.985 | 51 |
| Management competence | 0.985 | 57 |
| Management training and education | 0.971 | 36 |

## Research ethical consideration

Ethical concerns could occur at the different stages of the research; therefore, a researcher must anticipate them at all times in the course of the study (Creswell, 2009). Research ethics relates to how the researcher formulates and clarifies the research topic, designs and gains access to collect data, processes and stores the data, analyses the data, and writes up the research findings responsibly and morally (Saunders et al., 2009; Zin, 2013). Research ethics are acceptable sets of principles guiding the way any research involving an interaction between the researcher and other humans are designed, managed and conducted.

The five major principles of ethics were adhered to in the course of the research. These five principles are voluntary participation, informed consent, avoidance of harm, confidentiality, and anonymity (Saunders et al., 2009).

**Voluntary participation & informed consent:** The consent of potential respondents to questionnaires and interviews was obtained via email, LinkedIn and a letter of consent from the interviewee (see appendix C). The questionnaire also has an introductory page that included consent. All the participants had the right to withdraw from the study at any point and refrain from questions they didn’t want to answer.

**Avoidance of harm:** The fundamental principle governing data collection is that no harm should come to the respondents as a result of participating in the research. This was adhered to (Oppenheim, 1996). Consequently, personal and sensitive issues were not explored, and the respondents were not exposed to physical, mental or legal harm.

**Confidentiality:** Care and due diligence were exercised throughout personal exchanges; consequently, the privacy and confidentiality of interviewees and respondents to the questionnaire were maintained. Name codes were given for each respondent, and these were used for the report analysis rather than names. The confidential database is accessible only to the researcher. Participants were assured that their information would be kept strictly confidential and used purely for research purposes. The data would not be made available for third-party use in any form.

**Anonymity:** The names of the participants or their organisations did not appear in this thesis. The names of participants were substituted with alphabets representing the countries they operate from along with numbers. Furthermore, an ethical clearance checklist was submitted to the university’s ethical board for approval before data collection began. Ethical clearance was secured before data collection commenced.

## Summary

This chapter presented the outline of the research process, the research methodologies and the justification for the approaches used. The study adopted a survey and case study strategies, and a mixed methodological research method was adopted. The methodological framework of this study is divided into four major stages. It commenced with establishing the research problem, the research methodological design, identification of the sample population, the selection of the target sample, data collection, data analysis, and write up.

A detailed review of the literature and discussions with the supervisory team and practitioners in the sector enabled the development. The pilot study was collected through semi-structured interviews and online survey questionnaires of six and nine managers, respectively, who were involved in securing finance for real estate project development in both developed and emerging economies. The research process onion was used to identify the research philosophy, approach, strategy, choice, and data collection method.

The questionnaire and interview questions were developed with ideas gathered from the review of literature, interactions with industry practitioners and academics and moderations to the pilot study. The data collection for questionnaires and semi-structured interviews was from managers involved in securing real estate project development finance. These managers were from different managerial levels (top, middle, and lower) who have worked in the real estate sector for four years or more. The interview response rate is 167%, while the response rate for questionnaires is 17.6%. There was a higher percentage of people willing to do interviews as compared to questionnaires. The results of the interviews formed structural support for the study and helped to elucidate the questionnaire responses. The different data analysis techniques used were documented, limitations that could affect the research at the various stages were anticipated, and adequate solutions were proffered.

The methodology adopted in this research could be useful for other researchers interested in exploring a comparative study of countries, continents, and regions on different topical matters. The next chapter presents the findings on the finance options and the criteria for securing finance in the developed and emerging economies based on the findings from both the interviews and questionnaire survey.

# **The Finance options & criteria for securing finance for real estate project development in developed and emerging economies.**

## Introduction

This chapter presents and analyses data on the finance options and criteria for securing finance for real estate project development in the developed and emerging economies based on the responses to the semi-structured interviews and online questionnaire surveys. Overall, chapter 5 addresses the study's first objective, which is “to examine the different real estate finance options to ascertain and document criteria that funding institutions use in lending for real estate project development in developed and emerging economies “. The chapter develops the inventory of finance options and criteria for securing finance for real estate project development, forming part of the toolkit for securing finance for real estate project development in chapter 10.

## Finance options for real estate project development

This segment of the study is done to create a platform for managers in the real estate sector to have an understanding of the different finance options used for real estate project development in both the developed and emerging economies. A broad range of finance options for real estate project development is mentioned in the literature (Chapter 2 & 3). However, this chapter provides greater clarity on managers' actual finance options in the developed and emerging economies based on the data collected.

### Questionnaire survey analysis and discussion at the aggregate level.

A list of 18 finance options was provided based on literature reviews, and the managers were asked to indicate their level of use for financing real estate project development (see chapter 3.3 and appendix B). These finance options included equity, debt and innovative and creative finance options. It was discussed in two major parts.

1. The aggregate level discusses the percentage usage of the different finance options, with a focus on the most frequently used options and the options not used at all, through the utilisation of descriptive statistics, precisely percentages.
2. The disaggregate level explores the relationship between the finance options used by managers who operate predominantly in this study's developed and emerging economies.

The first step in the analysis was to collate how respondents had ranked their usage of the different finance options on a five-point scale: Not used at all, less used, fairly used, used and highly used. Percentages were used to compare the usage of finance options because of the fractional responses given. The mean score computations did not produce a comprehensive report compared to the report generated based on percentage usage.

The results relating to the extent to which managers use the selected finance options to finance real estate project development at the aggregate level are contained in table 5.2.1.

Table 5.2‑1: Finance options for real estate project development at the aggregate level

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | Not used at all | Less used | Fairly used | Used | Highly used |
| **Finance option (N= 88)** | **Percentage (%)** | | | | |
| Bank loan | 8.2 | 8.2 | 4.2 | 21.3 | 36.1 |
| Cash flow from business operations/ undistributed profit | 3.3 | 13.1 | 3.3 | 26.2 | 23 |
| High net worth individuals | 14.8 | 9.8 | 13.1 | 14.8 | 14.8 |
| Equity fund | 18 | 11.5 | 16.4 | 16.4 | 9.8 |
| Joint venture | 9.8 | 3.3 | 16.4 | 29.5 | 9.8 |
| Mezzanine capital | 27.9 | 11.5 | 13.1 | 4.9 | 8.2 |
| Private equity (private equity firms, pension funds and insurance companies) | 26.2 | 6.6 | 9.8 | 18 | 8.2 |
| Venture capital | 21.3 | 11.5 | 14.8 | 11.5 | 8.2 |
| Government grants and subsidies | 24.6 | 9.8 | 13.1 | 14.8 | 6.6 |
| Real estate investment trust ( REITS) | 24.6 | 4.9 | 14.8 | 21.3 | 6.6 |
| Bonds | 23 | 11.5 | 19.7 | 13.1 | 4.9 |
| Debt fund | 29.5 | 13.1 | 11.5 | 8.2 | 3.3 |
| Public equity (Public listing & IPO) | 29.5 | 9.8 | 14.8 | 9.8 | 3.3 |
| Sovereign wealth fund | 29.5 | 9.8 | 13.1 | 8.2 | 3.3 |
| Public private partnership (PPP) | 13.1 | 11.5 | 18 | 21.3 | 1.6 |
| Debenture | 29.5 | 18 | 13.1 | 3.3 | 0 |
| Derivative | 29.5 | 14.8 | 11.5 | 6.6 | 0 |
| Equity crowd funding | 27.9 | 18 | 6.6 | 11.5 | 0 |

The findings at the aggregate level show that 36% of the survey respondents “highly use” bank loans for financing real estate project development, followed by cash flow from business operations /undistributed profit (23%), high net worth individuals (14.8%), equity fund & joint venture (9.8%), and Mezzanine capital, private equity & venture capital all at (8.2%). All the other finance options such as REITs, bonds, debt funds, public listing, sovereign wealth funds, and PPP have a low usage rate of 6.6% and below. While debenture, derivatives, equity crowdfunding have 0% usage.

Figure 5.2‑1: Finance options for real estate project development

Figure 5.1. is also used to depict the usage of the different finance options at the aggregate level. The next segment also uses the percentage of finance options managers use in different countries to depict the rankings at the disaggregate level.

### Questionnaire survey analysis and discussion at the disaggregate level.

The questionnaire survey data were analysed to determine finance options managers use in developed and emerging economies based on the individual countries in this study (see table 5.2.2). The percentage frequency distribution is used in analysing the responses to display the data that specify observation for each finance option (Pallant, 2013).

Table ‑: Finance options used at the dis-aggregate level based on findings from the questionnaire survey.

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Finance option | Finance options used & highly used in developed & emerging economies | | | | | |
| D1 = Germany | D2= UK | D3=US | E1= China | E2= Nigeria | E3= South Africa |
| Percentage (%) | | | | |  |
| Bank loan | 75 | 66 | 60 | 80 | 46 | 66 |
| Bonds | 25 | 33 | 67 | 40 | 9 | 33 |
| Cash flow from business operation / Retained earnings | 25 | 33 | 33 | 60 | 36 | 67 |
| Debenture | × | × | × | × | × | × |
| Debt fund | 25 | × | × | × | 8 | 50 |
| Derivative | × | × | 50 | × | 9 | × |
| Equity crowdfunding | × | × |  | × | 40 | × |
| Equity fund | 25 | 50 | 25 | 20 | 40 | 50 |
| Government grants and subsidies | 25 | 67 | 67 | 20 | 18 | 33 |
| High net worth individuals | × | 50 | 25 | 40 | 18 | 33 |
| Joint venture | 25 | 66 | 33 | 40 | 50 | 67 |
| Mezzanine capital | 50 | 50 | 50 | × | × | 33 |
| Private equity (private equity firms, pension funds and insurance companies) | 25 | 67 | 40 | 20 | 18 | × |
| Public equity (Public listing & IPO) | 25 | × | 33 | 20 | 33 | 33 |
| Public private partnership (PPP) | 25 | 100 | 67 | 20 | 33 | × |
| Real estate investment trust (REITS) | 25 | 100 | 33 | 20 | 25 | 33 |
| Sovereign wealth fund | 25 | 100 | × | 40 | × | × |
| Venture capital | 25 | 33 | × | × | 27 | × |

The ranking of the top five finance options “highly used” based on the percentage usage by managers in the individual developed and emerging economies are as follows:

|  |  |  |
| --- | --- | --- |
| Germany:   1. Bank loan 2. Mezzanine capital 3. Bonds 4. Cash flow 5. Equity fund | UK:   1. Private equity 2. REITs 3. Sovereign wealth funds 4. Government grants and subsidies 5. PPP | US   1. Bonds 2. Government subsidies & grants 3. PPP 4. Bank loan 5. Cash flow /retained earnings |
| China:   1. Bank loan 2. Cash flow/ retained earnings 3. Bonds 4. High net worth individuals/private equity 5. Joint ventures | Nigeria:   1. Joint ventures 2. Bank loan 3. Cash flow/retained earnings. 4. Equity crowdfunding 5. Equity fund | South Africa:   1. Joint venture 2. Cash flow/ retained earnings. 3. Bank loan 4. Equity fund 5. Bonds |

The disaggregate level findings demonstrate that bank loans are used by managers in all the developed and emerging economies with the highest percentage usage in China, followed by Germany and the lowest usage in Nigeria. The literature is consistent with this finding (Zhou, 2019; Maguire and Axcell, 1994). An inspection of Table 5.2.2 reveals some finance options have the same percentage usage by managers in different countries. Examples include REITs, bonds, debts funds, government grants and Joint ventures, which all have a response rate of 25% by managers in Germany. This situation also applies to the responses by managers in other countries.

The findings demonstrate that managers in the developed economies and China have access to long-term finance from the capital markets, government grants and subsidies, private equity and some good degree of public equity. There is good access by managers in the developed economies to a wide blend of finance options for real estate project execution. There is also good usage of derivatives and sovereign wealth funds by some managers in the US.

The survey revealed that the only country in the emerging economies where managers attested to using sovereign wealth funds for real estate project development in China. This shows strong government support in China because sovereign wealth funds are state-owned investment funds that invest in real and financial assets such as real estate and stocks (Dunkley, 2014). Managers from China have higher access to the bond market for long-term finance as compared to Nigeria and South Africa, where only 9% and 33% respectively use funding from the issuance of bonds. Long-term investors in bonds and private equity consider developed economies as “safe havens, " contributing to the higher multiplicity of finance options in developed economies (Barkham, 2012). Notably, there is a 9% usage of derivatives in Nigeria, and this, arguably, is in the form of “forward transactions, “ in respect to non-standardised contracts between parties to buy an asset at a specific time at a price agreed in the present” (Hopkin, 2017; Bolu, 2017). The joint venture usage is ranked amongst the top five finance options used by all the emerging economies in this study.

The UK and US have the highest usage of public/private partnerships as a means of finance for real estate project development at a response rate of 67% and 40%, respectively. While there is minimal public/ private partnership usage in China and Nigeria with a response rate of 20% and 18%, respectively, there is no reported response for the same from South Africa and Germany. There is a good usage of Mezzanine finance in the UK, US and South Africa with a response rate of 50%, 50% and 33%, respectively.

None of the managers in either the developed or emerging economies claims to use debenture; however, there is the usage of bonds by managers in all the different countries in varying degrees. Debentures and bonds are very similar, with a few fundamental differences: debentures are not secured by physical assets, and bonds' interest rates are usually lower (Graham-Rowe, 2009). The findings from managers also demonstrate that venture capital, derivatives, debt fund and equity crowdfunding are not preferred options for real estate project development in either the developed or emerging economies.

### The relationship between the managerial levels and finance options used for real estate project development.

Table 5.2‑3: Spearman correlation coefficient test for the relationship between the managerial level and finance option

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | | | | |
|  | | | Management level | Sources of financing |
| Spearman's rho | 3. Management level | Correlation Coefficient | 1.000 | . |
| Sig. (2-tailed) | . | . |
| N | 81 | 81 |
| 5. Some sources of financing for real estate project development are listed below. Please indicate the degree of use. | Correlation Coefficient | . | . |
| Sig. (2-tailed) | . | . |
| N | 0 | 0 |

The findings using the Spearman rank-order correlation coefficient shows that there is no relationship between the finance options used for real estate project development and the level of management (Table 5.2.3). The sign (+ or -) indicates the direction of the relationship (Salkind, 2004). This result shows that the level of the manager does not have a significant impact on the choice of finance options.

### Semi-structured interview analysis and discussion

The findings from the semi-structured interviews on finance options managers use for real estate project development in developed and emerging economies are summarised in table 5.2.4 and 5.2.5, respectively.

*The managers were asked to give some insights into the types/ sources of funding they use for real estate project development.*

Table 5.2‑4: Results relating to the finance options for real estate project development in developed economies.

|  |  |
| --- | --- |
| **Country & Manager** | **Type of funding used for real estate project development** |
| Germany Mgr1 | Personal funds, funds from investors (private equity) and banks |
| Germany Mgr. 2 | Bank loan |
| Germany Mgr3 | Senior debt, equity, private equity partners, mezzanine finance and clients are also institutional investors & hence equity rich. |
| Germany Mgr. 4 | Private debt, bank, mezzanine and publicly listed company (finance from company stock traded on the stock market). |
| Germany Mgr. 5 | Senior lenders, local savings banks ( Sparkkassen), HSB Nordbank |
| Germany Mgr6 | Mezzanine finance |
| UK Mgr. 1 | Private debt |
| UK Mgr. 2 | Pension funds |
| UK Mgr. 3 | Direct capital from International investors |
| UK Mgr. 4 | Self-funding, sale of assets, inward investment to the UK through offices in U.S, Hong Kong, Singapore and Malaysia; specialist loans; development partners and privately traded stock on the stock exchange with 20 wealthy shareholders |
| UK Mgr. 5 | Retained cash, equity, debt and grants |
| UK Mgr. 6 | Senior debt |
| UK Mgr. 7 | Pension funds and bank debt |
| US Mgr1 | A publicly listed company, partnership with big pension funds and big development groups, insurance, balance sheet lenders such as banks; debt fund; debt funds; sovereign debt; wealth funds and high net worth individuals. |
| US Mgr. 2 | Bank debt & Sovereign wealth funds |
| US Mgr3 | Low-income housing tax credits, private sources, mezzanine finance, public and private partnership, community grants, bridge financing, and equity |
| US Mgr. 4 | Bank debt & equity |
| US Mgr. 5 | Equity, loans from banks & occasionally Mezzanine |

Source: Author’s compilation (2020)

Note: ‘Mgr.’ denotes managers involved with financing decisions in the real estate sector

Table 5.2‑5: Results relating to the finance options for real estate project development in emerging economies.

|  |  |
| --- | --- |
| **Country & Manager** | **Type of funding used for real estate project development** |
| China 1 | Central treasury function with the business, direct equity senior & junior debt and the stock market. |
| China 2 | Bank debt, corporate finance (accumulated funds) |
| China 3 | Equity from company funds (raised from company investors); Loan financing from banks (usually senior loans, occasionally mezzanine debt as well) |
| China Mgr4 | Equity, bank and private debt and mezzanine finance |
| China Mgr5 | Equity, bank and private debt and mezzanine finance |
| China Mgr6 | Equity, bank and private debt and mezzanine finance |
| China Mgr7 | Equity investment and pension funds |
| Nigeria 1 | Off takers & bridge finance from banks |
| Nigeria 2 | Private shareholders, informal public placement and company funds |
| Nigeria 3 | Off-takers and joint venture with landowners |
| Nigeria 4 | Private finance, off-takers, minimal bank finance and credit purchase of building materials |
| Nigeria 5 | Off-takers & personal funds |
| Nigeria 6 | Private sector investors and off-takers |
| South African 1 | Pension funds |
| South Africa 2 | Short-note facilities from banks |
| South Africa 3 | Bank funds, shareholder funds (shares are listed on the Johannesburg stock exchange). |
| South Africa 4 | Own funding, debt funding, and equity funding. |

Source: Author’s compilation (2019)

Note: ‘Mgr’ denotes managers involved with financing decisions in the real estate sector

The findings demonstrate that property companies operating in developed markets have greater access to equity and debt from both the capital market and established financial institutions, respectively than those in the emerging economies. These findings from the interviews suggesting greater access to finance by managers in the developed than the emerging economies are consistent with both conclusions of the questionnaire survey and existing literature (Barkham, 2012; Zhou, 2019). The assertion that there is more liquidity for real estate project development in the developed economies as compared to the emerging economies is reflected in the extracts below from some of the managers interviewed in the US, Germany, Nigeria and South Africa:

*“The good developers aren't having a problem getting access to capital”, US Mgr. 2.”*

*“The access to capital is not a big problem now, at least here in Germany, because capital is abundant from both equity and debt. Therefore, the banks are currently finding that there is very fierce competition for clients. The biggest problem for developers now is not so much finance but the acquisition of land. ” Germany Mgr. 4”*

*“The banks do not give estate development loans; it is difficult also to access funding from the federal mortgage bank because the competition is very stiff. You could put in an application and may have to wait up to 6 years to access funding” Nigeria Mgr.1.”*

*“The banks require a large equity input from developers, so you need a lot of capital, which is not easy to put together” South Africa Mgr2.”*

There is a general understanding that property markets operating in countries with well-developed capital markets, such as the developed economies in this study, have greater access to finance for property investments (Nurick et al., 2017). Debt effectively appears to be very significant in the German real estate sector. Banks give money on a classical loan structure. They also use private equity, mezzanine capital, the stock market and funds from traded debt. Managers who do not have much equity often use mezzanine capital. However, a few managers who experienced the impact of the financial crisis on their businesses said they are a little cautious about taking on mezzanine finance unless it is necessary because if there is a downturn, the manager could end up in a challenging situation because the mezzanine lender will effectively take over the equity.

Furthermore, some of the real estate managers interviewed in the UK and Germany have offices in some Asian countries, which they use as a conduit to attract investment into their projects in the UK and Germany because the UK and Germany are considered safe-havens for investors. The advanced economies receive 90% of the real estate investment flow (Burrell, 2015). Some of the managers interviewed in Germany sell properties to international buyers in Asia, the Middle East, and the United States; hence, they are liquid and often rely on company funds for further expansion and sales. Some managers tried to establish that finance for real estate project development is not “the biggest issue” in developed economies.

Typically, many managers are involved with finance for real estate project development in the US partner with big pension funds and development firms and typical traditional approaches such as balance sheet lenders like the banks. Some of the large US firms secure finance through wealth funds, high net-worth individuals, life insurance companies and pension funds because those types of lenders have a very long investment horizon; therefore, they have fixed rates and give long-term loans. There is also usage of sovereign wealth funds, mostly among very large firms involved in large scale projects, especially in places like Chicago and New York.

One of the managers interviewed in Seattle, U.S.A, who has operated extensively in both the UK and the US for about 20years, claims that, in his experience, Europe has more varied options for real estate project development as compared to the US.

*“The US is, in some respects, is at the forefront of change, but in others, it's well behind what you see in Europe. Funding in Seattle is very traditional and sort of bank-based compared to what you get in London, where you obviously get many international buyers. There are very few or far fewer of those kinds of funding opportunities in the US. It's a lot more sort of traditional. The scale of the projects tends to be somewhat smaller, especially here in Seattle. It is a mixture of very traditional bank financing on the debt side. Then, on the equity side, it's mostly individuals. It's high net, worth individuals. You know, you're starting to see some of the players, and I think it's a scale issue, a lot of this is. “*

Managers interviewed in China, just like the developed economies, do not have challenges with accessing finance for real estate project development. Some managers in China are so liquid that they use central treasury within their firms; some use direct equity and a combination of senior/ junior debts and equity from funds. The interviewees also attested to banks being the major financiers of real estate projects in China, with mezzanine debt being used occasionally.

The interviews revealed that managers in Nigeria are predominantly dependent on off-takers for finance for their real estate project development. This is in line with the literature, which shows that managers have great difficulty securing funding for project development in Nigeria (Kelilume, 2016 & Ogbenjuwa et al., 2018). Managers in the real estate sector in Nigeria sometimes get into a joint venture agreement with landowners to gain access to the land. However, the interview revealed that most landowners do not like their land title documents used to secure bank loans. The managers in Nigeria sometimes use bank debt to acquire the property, and then they use about 30% of initial payments from off-takers to liquidate the debt.

Furthermore, managers involved with real estate developments in Nigeria buy building material on credit and then pay for it by instalment using off-takers proceeds. The usage of credit purchases confirmed through the interview collaborates with derivatives indicated in the questionnaire survey by managers operating in Nigeria, which is arguably forward transactions. Some Nigerian managers have also adopted innovative access to private investment, which involves partnering with working-class people who are willing to invest a fraction of their income monthly.

Most South Africa managers use a mix of funding: debt, equity, or owner financing. Debt funding is either from government-owned debt funding institutions or private debt funding institutions. The interviews demonstrate that when a manager is involved with affordable housing for low-income communities, they may be able to access finance from government-owned debt-financing institutions in South Africa.

### Comparison of the finance options for real estate project development in the developed and emerging economies

The aggregate level findings show that all eighteen (18) finance options listed in the questionnaire survey are used, in varying degrees, by managers in both the developed and emerging economies. The findings at the aggregate level show the ranking of the five most highly used finance options for real estate project development to be as follows:

1. Bank loan
2. Cash flow from business operations
3. High net worth individuals
4. Equity funds
5. Joint ventures.

Debentures, derivatives, and equity crowdfunding are the least used. The findings from both the questionnaire survey and interviews show that the most highly used finance option for real estate project development by managers in the developed and emerging economies is bank finance, which is in line with existing literature (Delmendo, 2019; Irving & Manroth, 2009).

The findings demonstrate that the developed economies of Germany, the UK, and the US all have similar finance options for real estate project development, with bank loans being significantly used by all of them ( see table 5.2.4 & 5.2.2). The developed economies in this study all have excellent access to debt finance as compared to the emerging economies, despite debt finance being dominant in both regions. German debt comes in two primary forms: bank debt and (Pfandbrief) mortgage-backed bonds representing the largest segment of the private debt market (Jil, 2019). The UK real estate managers also have great support from banks, building societies and mortgage brokers who collectively are the primary financiers of real estate project development in the UK (Zhou, 2019; IPF, 2017). The commercial real estate sector gets 60% of its loans from UK banks (IPF, 2017). Banks and mortgage brokers are the primary lenders for real estate project development in the US, with approximately 40% of the debt split between domestic and foreign banks (Kane, 2018). Managers in the selected developed economies all have access to long term debts through bonds, with those in the US and Germany attesting to the usage of Sovereign wealth funds. There is good support from the banking sector and debt markets for real estate project development in the developed economies because of governmental influence through monetary policies that have influenced interest rates and enhanced funding availability through quantitative easing (Madura, 2017).

In the same light, the managers in the emerging economies also have access to debt for real estate project development. Managers in China have as much access to debt as those in the developed economies ( see table 5.2.5 & table 5.2.2). Furthermore, managers in China have access to sovereign wealth funds and REITs (Liu, 2004; Zhou, 2019). Managers in China have greater access to debt finance than those in Nigeria and South Africa, while managers in Nigeria have the least access to bank finance, private debt finance and REITs for real estate project development (Ebi and Kalu, 2016). The comparative shortfall in debt finance in Nigeria and South Africa as compared to China and the selected development economies is partly a result of their governments’ unfavourable monetary policies. Mortgage institutions in Nigeria are plagued with bureaucracy, high interest rates, and high collateral requests and problems of historical inequalities in South Africa (Brown, 2008; Nurick et al., 2017 and Ezimuo et al., 2018).

China, in terms of usage of equity and innovative finance, is similar to the developed economies. However, the interviews revealed that China has a strong government presence in the control mechanism, which affects the expatriation of funds from real estate to other countries. Notably, Nigeria appears to be an outlier based on the findings because 90% of real estate project development finance comes from off-takers, with minimal support from the banking sector and the government. On the other hand, South Africa has a good mix of bank, private and public equity finance based on the findings. However, there is still some fundamental imbalance in access to funding because of the effect of historical racial problems in South Africa. The findings show government support and grants as sources of finance for all the developed economies as well as China and South Africa, but government grants and subsidies are not accessible to managers involved in real estate project development in Nigeria.

### The implication of the findings on finance options for real estate project development in developed and emerging economies

Knowledge of the various finance options available is meant to support the manager in the real estate development sector to secure finance for real estate project development. This research establishes that finance options for real estate project development are a composition of equity, debt and innovative real estate finance. Accordingly, the findings show that access to capital is not a problem for most managers involved in real estate project development in developed countries and China. However, access to finance for real estate projects is a problem in Nigeria and South Africa. Furthermore, the study demonstrates that there is no established inventory of finance options for real estate project development, which is composed of debt, equity and innovative and creative options. Hence this research developed an inventory of finance options for real estate project development, and it forms part of the toolkit for securing finance for real estate project development (See chapter 10).

The findings demonstrate a comparative funding gap for real estate project development in Nigeria and South Africa compared to Germany, the US, the UK, and China. Enhanced efforts by different stakeholders can help to bridge this funding gap in the following ways:

* Governments should develop economic stability through fiscal and monetary policies as well as providing robust sovereign wealth funds to enhance the provision of long-term debt for real estate project development.
* Multilateral development banks should create a more engaging platform to influence emerging economies' monetary and fiscal policies to facilitate the provision of finance for real estate project development.
* The Research Community should undertake more research in innovative financing to assess the funding requirements for real estate project development

The major practical contribution of this segment of the study is that it provides details of the different finance options for real estate project development for both the developed and the emerging economies. Furthermore, the details of the different finance options are used to develop an inventory of finance options and criteria for securing real estate development finance in chapter 5.4, which is a component of the toolkit for securing finance for real estate project development (see chapter 10).

## The criteria for securing finance for real estate project development in developed and emerging economies.

This segment of the study is undertaken to create a better understanding of the criteria required for securing finance for real estate project development by financiers in both the developed and emerging economies. The criteria for securing finance for real estate project development is analysed through questionnaire surveys and interviews of managers operating in the real estate development sector of both developed and emerging economies.

This was discussed in two major parts, as shown below:

1. The aggregate level discussed the percentage request for the different criteria; it focused on the criteria often requested to criteria that are never requested. The aggregate level also discussed the criteria based on the ranking of the mean scores.
2. The disaggregate level explores the criteria most requested from the managers in the individual countries based on the mean scores' ranking. The study also used responses to the semi-structured interview to discuss criteria for securing finance for real estate project development at the disaggregate level.

### Questionnaire survey analysis and discussion at the aggregate level.

A list of 16 criteria for securing finance were derived through a general literature review on criteria for securing finance (see chapter 3.3). Respondents were then asked to indicate the level at which they were requested to obtain real estate project development funding.

The first approach was to collate how respondents ranked the criteria that were requested on a five-point scale: never requested, rarely requested, sometimes requested, often requested and always requested. The results relating to the extent to which the different criteria are requested in securing finance for real estate project development are shown in table 5.3.1. The findings revealed that the proposed project's details are the most requested criteria for securing real estate project development finance, with a response rate of 63.8%. This is closely followed by contractual documentation on land acquisition at 61.7%, loan agreement, feasibility report and collateral at 59.6%, 56.5%, and 55.1%, respectively. The rest of the criteria have percentage response rates of 47.8% and below. The lowest-ranked criteria are hedging instruments, performance support guarantees, and indemnification, which is consistent with existing literature (see chapter 3.3).

Table 5.3‑1: Criteria that financing institutions use in lending for real estate project development.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | *Never requested* | *Rarely requested* | *Sometimes requested* | *Often requested* | *Always requested* |
| *Criteria* | *Percentage (%)* | | | | |
| *Details of the proposed project* | *Nil* | *6.4* | *10.6* | *19.1* | *63.8* |
| *Contractual documentation on land acquisition / land title* | *Nil* | *6.4* | *10.6* | *21.3* | *61.7* |
| *Loan agreement* | *2.1* | *2.1* | *8.5* | *27.7* | *59.6* |
| *Feasibility report( economic & technical feasibility)* | *2.2* | *2.2* | *13* | *26.1* | *56.5* |
| *Collateral to mitigate default risk* | *2* | *8.2* | *16.3* | *18.4* | *55.1* |
| *Capital base* | *2.2* | *6.5* | *17.4* | *26.1* | *47.8* |
| *Due diligence* | *2.2* | *8.7* | *8.7* | *32.6* | *47.8* |
| *Cash flow* | *Nil* | *6.4* | *14.9* | *31.9* | *46.8* |
| *Management capabilities/management profile* | *Nil* | *6.4* | *19.1* | *27.7* | *46.8* |
| *Track records( records of accomplishment* | *2.2* | *4.3* | *13* | *34.8* | *45.7* |
| *Audited financial reports/ independent audit committee* | *2* | *10.2* | *26.5* | *16.3* | *44.9* |
| *Necessary permits & site clearance* | *Nil* | *4.3* | *21.3* | *29.8* | *44.7* |
| *Risk and returns* | *6.5* | *2.2* | *17.4* | *37* | *37* |
| *Indemnification* | *4.3* | *12.8* | *19.1* | *38.3* | *25.5* |
| *Performance support guarantees* | *2.2* | *8.9* | *33.3* | *40* | *15.6* |
| *Usage of hedging instruments* | *8.9* | *11.1* | *37.8* | *26.7* | *15.6* |

Figure 5.3.1. is also used to depict the percentage response by managers at the aggregate level, indicating the degree to which the different factors are “always requested” by financiers for providing funds for real estate project development.

Figure ‑: Criteria always requested (%)

The mean score and its ranking are also adopted to analyse the criteria requested to secure real estate project development finance at the aggregate level (see table 5.3.2). As the mean score increases, the extent to which the criteria is requested increases. The data shows that the overall mean score ranges from 3.32 to 4.43. This means that all 16 criteria for securing finance for real estate project development are significant and fall in the category of “often requested” or “sometimes requested “ for securing finance for real estate project development.

Table 5.3‑2: Mean score for criteria for securing real estate project development finance at the aggregate level.

|  |  |  |
| --- | --- | --- |
| Criteria for securing finance for real estate project development | Mean score (N= 81) | Rank |
|
| Details of the proposed project | 4.43 | 1 |
| Loan agreement | 4.43 | 2 |
| Contractual documentation on land acquisition/land title | 4.39 | 3 |
| Feasibility report (economic & technical feasibility) | 4.33 | 4 |
| Due diligence | 4.19 | 5 |
| Track records (records of accomplishment | 4.19 | 6 |
| Necessary permits & site clearance | 4.18 | 7 |
| Cash flow | 4.16 | 8 |
| Collateral to mitigate default risk | 4.16 | 9 |
| Management capabilities / management profile | 4.16 | 10 |
| Capital base | 4.08 | 11 |
| Risk and returns | 3.96 | 12 |
| Indemnification | 3.67 | 13 |
| Performance support guarantees | 3.62 | 14 |
| Audited financial reports / independent audit committee | 3.35 | 15 |
| Usage of hedging instruments | 3.32 | 16 |

1 (Never requested), 2 (Rarely requested), 3(Sometimes requested), 4 (Often requested), 5 (Always requested).

The next segments adopt the mean score to analyse the ranking of the different criteria for securing finance for real estate project development at the disaggregate level.

### Questionnaire survey analysis and discussion at the disaggregate level.

The approach adopted to analyse the criteria requested at the aggregate level using the mean value is also employed to analyse the results at the dis-aggregate level. As the mean value increases, the extent to which the various selected criteria are required for securing finance for real estate project development also increases. Table 5.3.3 presents a mean value comparison for the six countries concerning criteria for securing finance for real estate project development.

Table 5.3‑3: Criteria requested for securing finance for real estate project development at the disaggregate level

|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Criteria | Criteria always requested by financiers (mean values & ranking) | | | | | | | | | | | |
| D1= Germany  N=5 | | D2=UK  N=20 | | D3=US  N=8 | | E1=China  N=11 | | E2= Nigeria  N=26 | | E2=South Africa  N=11 | |
|  | Mean | Rank | Mean | Rank | Mean | Rank | Mean | Rank | Mean | Rank | Mean | Rank |
| Audited financial reports/ independent audit committee | 2.67 | 13 | 3.36 | 12 | 3.57 | 14 | 3.82 | 12 | 3.71 | 13 | 4.11 | 12 |
| Capital base | 3.0 | 11 | 3.45 | 10 | 3.20 | 15 | 4.00 | 9 | 3.91 | 8 | 4.44 | 7 |
| Cash flow | 4.00 | 2 | 3.82 | 7 | 4.33 | 5 | 4.27 | 5 | 3.96 | 7 | 4.67 | 2 |
| Collateral to mitigate default risk | 3.00 | 12 | 3.27 | 14 | 4.00 | 10 | 3.73 | 13 | 4.26 | 3 | 4.10 | 13 |
| Contractual documentation on land acquisition / land title | 3.67 | 6 | 4.09 | 3 | 4.17 | 6 | 4.36 | 4 | 4.30 | 1 | 4.33 | 9 |
| Details of the proposed project | 4.00 | 3 | 4.18 | 2 | 4.17 | 7 | 4.45 | 1 | 4.13 | 4 | 4.67 | 3 |
| Due diligence | 4.00 | 4 | 3.91 | 5 | 4.17 | 8 | 4.45 | 2 | 3.86 | 11 | 4.33 | 8 |
| Feasibility report( economic & technical feasibility) | 4.00 | 5 | 4.27 | 1 | 4.60 | 2 | 4.27 | 6 | 4.09 | 5 | 4.78 | 1 |
| Indemnification | 2.67 | 14 | 3.09 | 15 | 4.00 | 12 | 3.55 | 15 | 3.52 | 14 | 3.89 | 14 |
| Loan agreement | 3.67 | 7 | 4.08 | 4 | 4.17 | 9 | 4.27 | 7 | 4.27 | 2 | 4.22 | 10 |
| Management capabilities / management profile | 3.67 | 8 | 3.73 | 9 | 4.50 | 3 | 4.09 | 8 | 3.91 | 9 | 4.56 | 5 |
| Necessary permits & site clearance | 4.33 | 1 | 3.91 | 6 | 4.67 | 1 | 4.00 | 10 | 4.00 | 6 | 4.67 | 4 |
| Performance support guarantees | 3.33 | 10 | 3.36 | 13 | 4.00 | 11 | 3.64 | 14 | 3.32 | 15 | 3.89 | 15 |
| Risk and returns | 2.67 | 15 | 3.40 | 11 | 3.67 | 13 | 3.91 | 11 | 3.83 | 12 | 4.11 | 11 |
| Track records( records of accomplishment | 3.67 | 9 | 3.82 | 8 | 4.40 | 4 | 4.36 | 3 | 3.91 | 10 | 4.56 | 6 |
| Usage of hedging instruments | 2.67 | 16 | 3.09 | 16 | 3.00 | 16 | 2.91 | 16 | 3.35 | 16 | 3.11 | 16 |

1 (Never requested), 2 (Rarely requested), 3(Sometimes requested), 4 (Often requested), 5 (Always requested).

An inspection of Table 5.3.3 reveals that the top five criteria requested for real estate project development finance in the three developed and emerging economies, respectively, are as follows:

|  |  |  |  |
| --- | --- | --- | --- |
| **Germany:**   1. Necessary permits & site clearance 2. Cash flow 3. Details of the proposed project 4. Due diligence 5. Feasibility report( | **UK:**   1. Feasibility report 2. Details of the proposed project 3. Contractual documentation on land acquisition/land title 4. Loan agreement 5. Due diligence |  | **US:**   1. Necessary permits & site clearance 2. Feasibility report 3. Management capabilities/management profile 4. Track records 5. Cash flow |
| **China :**   1. Details of the proposed project 2. Due diligence 3. Track records 4. Contractual documentation on land acquisition/land title 5. Cash flow | **Nigeria:**   1. Contractual documentation on land acquisition/land title 2. Loan agreement 3. Collateral to mitigate default risk 4. Details of the proposed project 5. Feasibility report |  | **South Africa:**   1. Feasibility report 2. Cash flow 3. Details of the proposed project 4. Necessary permits & site clearance 5. Management capabilities/management profile |

Table 5.3.3 shows that all the criteria for securing finance for real estate project development are within the range of 2.6 to 4.78 for both the developed and emerging economies. This demonstrates that financiers request the criteria in all the countries but with differences in ranking, which arguably is as a result of the different social and macro-economic conditions in the various countries.

German managers ranked necessary permits and site clearance as the most often requested criteria for securing real estate project development finance. This is closely followed by cash flow, details of the proposed project, due diligence and feasibility results. While usage of hedging instruments, indemnification and risk and returns are the least ranked and rarely requested by financiers. Market transparency in the developed economies like Germany enables easy access to information about companies to determine their risk profile and track records. Due diligence aims to reduce the risk associated with property financing by identifying potential risks associated with the transaction, and this could be technical, legal, tax and other areas of due diligence ( Just and Maennig, 2012). Due diligence also incorporates financial due diligence, which analyses market and location information vis-a-vis profitability hence a very important criterion.

Managers in the UK ranked feasibility reports as the top criteria often requested for securing finance for real estate project development. This is followed closely by details of the proposed project, contractual documentation on land acquisition, loan agreement and due diligence. While the least ranked criteria in the UK are the usage of hedging instruments, collateral and indemnification. Managers in the US, just like the German managers, ranked necessary permits and site clearance as the top criteria requested by financiers for real estate project development; this is followed by feasibility report, management capability, track record and cash flow. The least ranked criteria in the US for securing real estate project development finance is Audited financial report, capital base and usage of hedging instruments. One possible explanation for this is that the projects are usually so large that the real estate development firm involved may not have an adequate capital base, and hence financiers provide project financing without recourse to the capital base of the contractor. This finding supports the study by Manu et al. (2015), which revealed that turnkey projects could be financed without recourse to the contractor's capital base.

Managers in China ranked details of the proposed project as the top criteria often requested by financiers. This is followed by due diligence, track record, contractual documentation and cash flow. The least ranked criteria by Chinese managers is performance support guarantees, indemnification and usage of hedging instruments, while Nigerian managers ranked contractual documentation on land acquisition as the criteria most often requested by financiers. The loan agreement follows this, collateral to mitigate default risk, details of the proposed project and feasibility report. However, managers’ ranked indemnification, performance support guarantees and usage of hedging instruments the least ranked criteria requested by financiers. Collateral is featured amongst the top five criteria by managers in Nigeria, but this is not so for the other five countries in this study.

Finally, South African managers ranked feasibility report as the highest-ranked criteria for securing real estate project development finance. This is followed by cash flow, details of the proposed project, necessary permits, and site clearance and management capabilities. While South African managers' least ranked, criteria are indemnification, performance support guarantee and usage of hedging instruments.

### Relationship between the managerial level and the criteria requested by financiers.

Table 5.3‑4: Spearman’s rank correlation on the relationship between management level & the criteria requested by financiers

|  |  |
| --- | --- |
| Spearman rho | Correlation Coefficient Sig. (2-tailed) |
| Level of management | 1 |
| Usage of hedging instruments | 0.97 |
| Performance support guarantees | 0.826 |
| Collateral to mitigate default risk | 0.656 |
| Indemnification | 0.609 |
| Risk and returns | 0.587 |
| Track record | 0.501 |
| Audited financial reports / Independent audit committee | 0.291 |
| Necessary permits & site clearance | 0.222 |
| Capital base | 0.185 |
| Cash flow | 0.142 |
| Feasibility report | 0.08 |
| Management profile | 0.06 |
| Land title | 0.003 |
| Loan agreement | 0.001 |
| Details of the proposed project | 0 |
| Due diligence | 0 |

The Spearman correlation coefficient in Table 5.3.4 shows a strong to a very strong correlation between levels of management and certain criteria required by financiers, which include the usage of hedging instruments, performance support guarantees, collateral to mitigate default and indemnification. The arrangement of the management level on the questionnaire survey is inverse; hence financiers request more for the above-mentioned criteria with a positive correlation coefficient as managers tend towards lower-level management. Audited financial reports, capital base, feasibility report, loan agreements, management’s profile and necessary permits all have weak relationships with the levels of management while, land title, details of the proposed project and due diligence do not correlate with the levels of management.

The strong correlation between lower managerial levels and certain criteria been more demanded by financiers goes to show the relations between market perception and managerial hierarchies (Alexander,1979 & McGuinness,1991). Arguably, the risks in dealing with managers are higher at the lower levels, hence the need for financiers to demand more risks to mitigate and reduce tools such as hedging instruments, guarantees, collateral, and indemnification.

### Semi-structured interview analysis and discussion

The summary of the major criteria for securing finance for real estate project development in the developed and emerging economies based on the semi-structured interview is contained in Tables 5.3.5 and 5.3.6, respectively.

*The managers interviewed were asked to discuss the main criteria required of them by funding institutions to avail them funds for real estate project development.*

Table 5.3‑5: Criteria financing institutions require for lending for real estate project development in developed economies.

|  |  |
| --- | --- |
| **Country & Manager** | **Major criteria required by financing institutions for real estate project financing in developed economies** |
| Germany Mgr1 | Tax returns |
| Germany Mgr 2 | Equity contribution, details of potential rent, details of the property to be developed, information on the location of the property, information on the prime mover / Know your customer (KYC) information. |
| Germany Mgr3 | Understanding the risk, ensure the developer/ real estate manager has plans to mitigate potential risk, which include letting, construction and contractual risk, availability of pre-letting arrangement of up to 30% of the price of building and establishment of KYC (Know your customer) procedures. |
| Germany Mgr 4 | Availability of prospective tenants, formal due diligence process, access to expected rents based on contracted tenants’ agreement, legal, due diligence, technical due diligence, and track records |
| Germany Mgr 5 | Information on the asset from the land register, ground plans, rental details, information on the real estate company, information on the directors of the real estate company, financial statement and Company’s ownership structure |
| Germany Mgr6 | Track record, collateral, and a guarantee that they can be taken- over if the developers are not performing well |
| UK Mgr1 | Track record and experience in the industry and properties |
| UK Mgr 2 | Track record, a good relationship with the developers and cost of the project |
| UK Mgr3 | Business plan, cash flow, and due diligence |
| UK Mgr 4 | Collateral |
| UK Mgr5 | Track record, balance sheet, and project viability |
| UK Mgr6 | Loan document, first charge, land document, due diligence process and guarantees |
| UK Mgr7 | Quality of income and value of an asset |
| US Mgr1 | Business plan, financing memorandum, and detailed underwriting, |
| US Mgr2 | Return on investment |
| US Mgr3 | Track record |
| Us Mgr 4 | Financial models, supporting documents that describe the site, geotechnical study, topographical survey, recent sales, market sales, rent, budget, schedule of the project for soft cost, hard cost and construction timing. |
| US Mgr 5 | Cash flow and track records |

Table 5.3‑6: Criteria financing institutions require for lending for real estate project development in emerging economies.

|  |  |
| --- | --- |
| **Country & Manager** | **Major criteria required by financing institutions for real estate project financing in emerging economies** |
| China Mgr 1 | Detail of pre-sale |
| China Mgr 2 | Projected returns and adherence to government regulations |
| China Mgr 3 | Detailed track record of previous funds/investments request for personal meetings with senior management; Some investors will also request for asset tours to visit the actual projects |
| China Mgr4 | Track record, adherence to government policies and projected return on investment |
| China Mgr5 | Cash flow and track record |
| China Mgr6 | Cash flow and track record |
| China Mgr7 | Return profile, asset quality, partner/development manager quality, governance arrangements, market positioning, and viability. |
| Nigeria Mgr1 | Develop a sales product and land acquisition |
| Nigeria Mgr2 | Company profile, director’s profile, certificate of incorporation and due diligence report, upfront cheque payment to building material sellers, business plan and loan proposal, |
| Nigeria Mgr3 | Land legal search report and physical inspection of the land by the investors |
| Nigeria Mgr4 | Legal documentation for land, evidence of prospective return on investment, business plan, financial background and availability of off-takers |
| Nigeria Mgr5 | Cash flow |
| Nigeria Mgr6 | Track record, location of the property, existing relationship with financier and title document of the property |
| South African Mgr1 | Links to potential tenants and lease profile |
| South Africa Mgr2 | Historical track record, collateral, equity contribution, company balance sheet, and existing banking relationship |
| South Africa Mgr3 | Information on return on equity, evidence of good profit margin, full feasibility with income projections and cost predictions |
| South Africa 4 | Collateral, projected income and revenue, required skill and viable proposal, |

The criteria for securing real estate project development finance for both developed and emerging economies are very similar. This is arguably because the world has become a global village for information on how financial risk can be avoided and mitigated. The various governments have set guidelines for the financial sectors through their central banks, which have also greatly influenced real estate project development finance. Furthermore, there is lots of global economic coordination amongst governments of different countries, bringing about the replication of financial rules and regulations amongst nations (Madura, 2017). The findings from both the semi-structured interviews and questionnaire surveys collaborate findings from the literature review (see chapter 3.4).

### Comparison of the criteria for securing finance for real estate project development in the developed and emerging economies.

The findings show that all sixteen (16) criteria for securing finance for real estate project development based on the questionnaire survey are requested by financiers in both the developed and emerging economies. However, the degree to which they are requested varies in different countries. The top five criteria always requested by financiers in both the developed and emerging economies on an aggregate level are ranked as follows:

1. Details of the proposed project
2. Contractual document on land acquisition/ land title
3. Loan agreement
4. Feasibility report (economic & technical feasibility)
5. Collateral

While the criteria requested least by financiers for real estate project finance on an aggregate level is the hedging instrument's usage. The semi-structured interview also highlights additional criteria for securing finance for real estate project development common to both the developed and the emerging economies, with the most cited criteria been:

1. Track record
2. Cash flow
3. Business plan
4. Collateral
5. Projected returns

However, the ranking of the most cited criteria requested by financiers in developed economies using NVIVO is:

1. Track record
2. Due diligence
3. Details of projected rent
4. Business plan
5. Cash flow
6. Collateral

While the ranking of the most cited criteria requested by financiers in the emerging economies is:

1. Track record
2. Projected returns
3. Cash flow
4. Existing relationships with financiers
5. Adherence to government policies
6. Business plan
7. Collateral

The findings from both the survey questionnaires and interviews with managers demonstrate that financers in both the developed and emerging economies require similar criteria. This position is also consistent with existing literature (see chapter 3.4)

### The implication of the findings on criteria for securing finance for real estate project development in developed and emerging economies.

The criteria for securing real estate project development finance for both developed and emerging economies are very similar. This similarity could be attributable to global economic policy coordination and governmental decisions, which are offshoots of the post-2007/2008 financial crisis (Madura, 2017). The policy coordination by different countries is aimed at making the financial sector safer and more sustainable. Some of these policies cover capital ratio, leverage ratio, liquidity ratio of financing institutions and proper oversights of financing institutions by regional and global regulatory authorities (Krugman et al., 2010; Madura, 2017).

The findings show a strong correlation between lower managerial levels and certain criteria been more demanded by financiers. This goes to show the relations between market perception and managerial hierarchies (Alexander,1979 & McGuinness,1991). Arguably the risks in dealing with managers are perceived to be higher at the lower levels hence the need for financiers to demand more risk mitigating and reduction tools such as hedging instruments, guarantees, collateral and indemnification. The implication of this by managers and educators is to be aware and create awareness, respectively. This brings to fore the need for a comprehensive checklist of criteria required by financiers.

The findings show that there is no established checklist for securing finance for real estate project development. This study developed this checklist by providing an inventory of finance options and criteria for securing finance for real estate project development in chapter 5.4, which is a component of the toolkit for securing finance for real estate project development in chapter 10.

## Development of an inventory of options and criteria for securing finance for real estate project development

The data from the questionnaire survey and the semi-structured interviews with the support of some relevant theories were used in the development of the inventory of finance options and criteria for securing finance for real estate project development. The inventory of finance options development is divided into four major segments: finance types, finance options, the decision on capital structure, and criteria ( see table 5.4.1). The finance type is divided into equity, debt and innovative and creative finance in line with the findings based on the primary data collection. The classification into debt, equity and innovative and creative finance are in line with existing literature which created a platform for the data collection (Ogbenjuwa & Egbu, 2017; Kavishe and Chilesche, 2017 & Ke et al., 2007).

The pecking order and trade-off theories support the development of the inventory of options and criteria for securing finance for real estate project development:

Pecking order theory

Pecking’s order theory is a widely known model which assists the manager in making capital structure choices. It advocates that businesses adhere strictly to the hierarchy, which is that internal finance is used first; if depleted, the debt is issued, and when debt is no longer ideal, equity is used (Myers & Maliuf, 1984). The findings from this study, just as it is with the Pecking order theory, shows that managers involved in real estate project development use debt, equity and internally generated funds for project development. However, this study suggests some slight modifications in that the finance options most used by managers for real estate project development are debt, followed by cash flow from business operations/ undistributed profit and some degree of equity finance. These findings reflect the Pecking order theory to a great extent, as the theory states that equity is usually the last resort, which is in line with this research's findings. However, the order is sometimes debt first, internally generated finance and then equity issuance.

Conversely, finance for real estate project development does not have to strictly follow the pecking order theory as debt could be the initial source of finance contrary to the Pecking order, which advocates internally generated funds first. Arguably, this is because some real estate project developments are too large to commence with internally generated funds. The industry managers' results show minimal usage of creative and innovative finance options for real estate project development.

The trade-off theory

The trade-off theory emphasises that the manager’s debt or equity choice should be based on the cost-benefit analysis. This theory stresses the significance of using debt, which is fundamentally the tax benefit of debt. It also highlights the associated danger of debt which is bankruptcy and distress (Tarver, 2018). In line with existing findings, the inventory of options and criteria for securing finance for real estate project development also has a list of possible decisions associated with securing funds (see table 5:4.1). Hence target debt-equity ratios should vary across firms. Real estate firms with lots of taxable income to shield could have high debt-equity ratios, while unprofitable firms could rely more on equity financing (Gu & Ku, 1997). This may sometimes not be the real-life situation as some socio-economic conditions may directly influence real estate project development funding and managers' choices.

Table ‑: Inventory of options and criteria for securing finance for real estate project development.

|  |  |  |  |
| --- | --- | --- | --- |
| **Finance types** | **Finance options** | **The decision on capital structure** | **Criteria** |
| Equity Finance (See chapter 2 & 5) | 1. Cash flow from business/ undistributed profit 2. Equity crowdfunding 3. Equity fund 4. Equity REITs 5. High net worth individuals 6. Private equity (pension funds & insurance companies 7. **Public equity (public listing & IPO)** 8. Sale of common stock 9. Sale of preferred stock | 1. A cost-benefit analysis should be   a primary decision   1. A blend of debt and equity 2. Increased debt-equity ratio if the company has plenty of taxable income to shield. 3. Unprofitable firms may rely more on equity in the short term to reduce the impact of debt burden | 1. Details of the proposed project 2. Contractual documentation on land acquisition/land title 3. Loan agreement 4. Feasibility report (economic & technical feasibility) 5. Collateral to mitigate default risk 6. Capital base. 7. Due diligence 8. Cash flow 9. Management capabilities/management profile 10. Track records(records of accomplishment 11. Audited financial reports/ independent audit committee. 12. Necessary permits & site clearance 13. Risk and returns. 14. Indemnification 15. Performance support guarantees 16. Usage of hedging instruments 17. Tax returns 18. Equity contribution 19. Potential rent 20. Availability of prospective tenants 21. Due diligence 22. Track records 23. Cost relationship with developers 24. Business plan 25. Financial models 26. Supporting documents that describe the site 27. Geotechnical study 28. Topographical survey 29. Pre-sale details 30. Projected returns 31. Proof of adherence to government regulations 32. Company profile 33. Collateral 34. Projected revenue and income |
| Debt Finance ( See chapter 2 & 6) | 1. Bank loans 2. Bonds 3. Debenture 4. Debt fund 5. Hybrid REITs 6. Limited Partnership. 7. Mortgage Bonds. 8. Mortgage Loans. 9. Mortgage REITs. 10. Participating mortgages 11. Sale and Leaseback arrangement. 12. Sale of collateralised mortgage-backed obligation 13. Sale of Commercial mortgage-backed securities 14. Sale of commercial paper 15. Sale of unsecured bonds |
| Innovative & creative finance (See chapter 2 & 6) | 1. Community-based housing finance initiatives 2. Convertible Mortgages 3. Crowdfunding 4. Derivatives 5. Government grants and subsidies 6. Housing microfinance 7. Joint Ventures 8. Long tenured Mortgage bond 9. Mezzanine Capital Financing 10. Participating Mortgages 11. Pension Backed Housing Finance 12. Project Financing 13. Public-Private Partnership (PPP)/ Private Finance Initiates (PFI) 14. Real estate investment trust ( REITs) 15. Residential mortgage-backed securitisation (RMBS) 16. Sovereign wealth fund 17. Tax-exempt bond financing 18. Venture capital |

Compilation by the author (2020)

## Summary

The aggregate level findings show that all eighteen (18) finance options listed in the questionnaire are used at the aggregate level with varying degrees of usage by managers in different countries. However, the five most highly used finance options for real estate project development at the aggregate level are ranked below:

1. Bank loan
2. Cash flow from business operation
3. High net worth individuals
4. Equity funds
5. Joint ventures.

While debentures, derivatives, and equity crowdfunding are the least used, the findings from both the questionnaire survey and interviews show that bank debt is used highly in both the developed and emerging economies for real estate project development.

Managers in the selected developed economies all have access to long term debts through bonds, while managers in the U.S use sovereign wealth funds in addition to bonds. There is a good support of the banking sector and debt markets for real estate project development in the developed economies because of governmental influence through monetary policies that have influenced interest rates and enhanced funding availability through quantitative easing.

Managers in emerging economies also have access to debt for real estate project development. Managers in China have as much access to debt as those in the developed economies, and they also have access to sovereign wealth funds and REITs. Managers in China have greater access to debt finance than those in Nigeria and South Africa. In contrast, managers in Nigeria have the least access to bank, private debt finance and REITs for real estate project development. Compared to China and the selected developed economies, the comparative shortfall in debt finance in Nigeria and South Africa is partly a result of the Nigerian government’s unfavourable monetary policies, mortgage institutions plagued with bureaucracy, high-interest rates, and high collateral requests and problems of historical inequalities in South Africa.

China, in terms of usage of equity and innovative finance, is similar to the developed economies. However, China has a strong government presence involved in the control mechanism, which affects the expatriation of funds to other countries. Notably, Nigeria appears to be an outlier based on the findings because 90% of the finance for real estate project development comes from off-takers, with minimal support from the banking sector and government being present. South Africa, on the other hand, has a good mix of bank, private and public equity finance based on the findings but there is still has some fundamental imbalance in access to funding because of the effect of historical racial problems in South Africa.

The findings show government support and grants as sources of finance for all the developed economies as well as China and South Africa, but government grants and subsidies, based on the findings, are not available in Nigeria. The findings reveal that there is no correlation between the level of managers and the finance options for real estate project development. Furthermore, it demonstrates a comparative funding gap for real estate project development in Nigeria and South Africa compared to Germany, the US, the UK, and China.

The criteria for real estate project development finance for both developed and emerging economies are very similar, and this is because the world has become a global village with respect to the information and how financial risk can be avoided and mitigated. The survey response at the aggregate level shows that all the sixteen criteria for securing finance for real estate project development as listed in the questionnaire are requested by financiers in all the six countries; however, the rankings vary with respect to the degree to which financiers request them in different countries. The five top criteria always requested by financiers in both the developed and emerging economies on an aggregate level is ranked as follows:

1. Details of the proposed project
2. Contractual document on land acquisition/ land title
3. Loan agreement
4. Feasibility report (economic & technical feasibility)
5. Collateral

While the criteria least requested by financiers for real estate project finance on an aggregate level is the hedging instrument's usage. Track record is a criterion required by financiers in both the developed and emerging economies, and it is the most cited criteria by the managers who were interviewed. It is followed closely by cash flow, business plan and then collateral. However, the ranking of the most mentioned criteria for both developed and emerging economies, respectively are as follows:

The ranking of the most cited criteria requested by financiers in developed economies interviewed are:

1. Track record
2. Due diligence
3. Details of projected rent
4. Business plan
5. Cash flow
6. Collateral

While the ranking of the most mentioned criteria requested by financiers in the emerging economies based on the interview are:

1. Track record
2. Projected returns
3. Cash flow
4. Existing relationships with financiers
5. Adherence to government policies
6. Business plan
7. Collateral

The findings also show a significant positive correlation between the level of the managers and some of the criteria for securing finance for real estate project development. The criteria with a positive relationship include the collateral request to mitigate default, indemnification, performance support guarantee, risk and returns, track records and usage of hedging instruments. Audited financial reports, capital base, feasibility report, loan agreements, management’s profile and necessary permits all have weak relationships with the levels of management while land title, details of the proposed project and due diligence have no correlation with the levels of management.

This study developed an inventory of finance options and criteria for securing finance for real estate project development. This is to act as a guide for managers, and it also forms part of the toolkit for securing finance for real estate project development. It is also important for the managers responsible for securing finance for real estate project development in both the developed and emerging economies to have a good understanding of the critical success factors, the opportunities and challenges associated with securing finance for real estate project development as this would enhance their chances of securing finance for their project development. This is discussed in detail in the next chapter.

# Critical Success factors, challenges & opportunities for securing finance for real estate project development in the developed and emerging economies

## Introduction

This chapter presents findings on the critical success factors (CSF), challenges, and opportunities associated with securing real estate project development finance in developed and emerging economies. It aims at fulfilling the second objective for this research which is, “to ascertain and document the critical success factors, explore and document the challenges affecting and opportunities available to managers in securing finance for real estate project development.

## Critical success factors for securing finance for real estate project development

This study investigates and documents the critical success factors for obtaining finance for real estate project development to enable the real estate manager to have an understanding of conditions associated with the likelihood of them securing funding for real estate project development (Ranong, 2009, Osaily et al., 2018).

A list of 20 critical success factors associated with securing finance, taken from existing literature, was presented for the managers to indicate the degree of their criticality in securing finance for real estate project development ( see chapter 3.5). This was discussed in two major parts.

1. The aggregate level discussed the percentage criticality of the different factors, focusing on the not critical to extremely critical factor for securing real estate project development finance. The aggregate level also discussed the ranking of the extremely critical factors using the mean values and ranking.
2. The disaggregate level further discusses the ranking of the extremely critical factor using the mean values and ranking for managers in the three developed and emerging economies respectively.

The semi-structured interview was used to explore the factors the different managers considered critical to securing real estate project development finance in the selected developed and emerging economies.

### Questionnaire survey analysis and discussion at the aggregate level.

The results relating to the critical success factors for securing finance for real estate project development at the aggregate level is contained in table 6.2.1. The findings show that 53% of the managers who responded to the questionnaire survey are of the view that access to land is the most extremely critical factor for securing finance for real estate project development at the aggregate level. This is followed by the profitability of the project (46.8%); financial modelling with realistic assumptions (38.3%); business plan (37.5%), meeting project timeline and control of project performance, expected debt payment ability, and the financial capacity of the organisation all had responses from 37% of the managers who considered them as extremely critical for securing finance for real estate project development. The other factors considered as extremely critical for securing finance for real estate project development were ranked below 37%. The least extremely critical factors are shared responsibility between the public and private sector (15.2%), stable political and social environment (17.4%), establishing an appropriate length and form of contract (19.1%).

Table 6.2‑1: Critical success factors for securing finance for real estate project development at the aggregate level

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Critical success factors | Not critical | Fairly critical | Critical | Very critical | Extremely critical |
| Percentage (%) |  |  |  |  |
| Access to land | Nil | 4.1 | 22.4 | 20.4 | 53.1 |
| Profitability of the project | 2.1 | 2.1 | 25.5 | 23.4 | 46.8 |
| Financial modelling with realistic assumptions | Nil | 4.3 | 31.9 | 25.5 | 38.3 |
| Business plan | Nil | 2.1 | 22.9 | 37.5 | 37.5 |
| Meeting of project timeline & control of project performance | 2.2 | 2.2 | 28.3 | 30.4 | 37 |
| The expected debt-paying ability of the project | 2.2 | 4.3 | 28.3 | 28.3 | 37 |
| The financial capacity of the organisation | 2.2 | 6.5 | 17.4 | 37 | 37 |
| Liquidity management | 2.3 | 2.3 | 39.5 | 23.3 | 32.6 |
| Manager’s ability and skills | 2.2 | 6.5 | 17.4 | 41.3 | 32.6 |
| Project technical feasibility | Nil | 2.2 | 26.1 | 39.1 | 32.6 |
| Risks allocation and risk-sharing | Nil | 8.7 | 32.6 | 26.1 | 32.6 |
| Existence of enabling policy and legal framework | Nil | 4.2 | 31.3 | 33.3 | 31.3 |
| Project manager’s experience | 2.2 | 2.2 | 26.7 | 40 | 28.9 |
| Access to relevant update data | 2.2 | 8.7 | 34.8 | 26.1 | 28.3 |
| Familiarity with local legislation & clear contract terms | Nil | 8.5 | 19.1 | 44.7 | 27.7 |
| Stable macro-economic environment | Nil | 8.7 | 37 | 30.4 | 23.9 |
| Assembling the right team of advisors | Nil | 2.1 | 31.9 | 44.7 | 21.3 |
| Establishing an appropriate length and form of contract | 2.1 | 4.3 | 44.7 | 29.8 | 19.1 |
| Stable political and social environment | Nil | 8.7 | 34.8 | 39.1 | 17.4 |
| Shared responsibility between the public and private sector | 4.3 | 15.2 | 23.9 | 41.3 | 15.2 |

Author’s compilation from SPSS analysis (2020)

Table 6.2.2 represents the overall mean scores and the ranking of the critical success factors for securing finance for real estate project development. The level of criticality increases as the mean score increases. However, where two or more factors have the same mean, the highest standard deviation (SD) is given priority. Notably, the mean score ranges between 3.44 to 4.24, indicating that all twenty factors are significant as they are either critical or very critical to securing finance for real estate project development.

Table 6.2‑2: mean score of critical success factors for securing real estate project development finance at the aggregate level.

|  |  |  |
| --- | --- | --- |
| **Critical success factors** | **Mean values ( N= 81)** | **Rank** |
| Access to land | 4.24 | 1 |
| The profitability of the project | 4.08 | 2 |
| Business plan | 4.08 | 3 |
| Project technical feasibility | 3.98 | 4 |
| Project manager’s experience | 3.98 | 5 |
| Meeting of project timeline & control of project performance | 3.98 | 6 |
| The financial capacity of the organisation | 3.96 | 7 |
| Manager’s ability and skills | 3.96 | 8 |
| Financial modelling with realistic assumptions | 3.96 | 9 |
| Familiarity with local legislation & clear contract terms | 3.92 | 10 |
| The expected debt-paying ability of the project | 3.9 | 11 |
| Existence of enabling policy and legal framework | 3.9 | 12 |
| Assembling the right team of advisors | 3.84 | 13 |
| Risks allocation and risk-sharing | 3.81 | 14 |
| Liquidity management | 3.78 | 15 |
| Stable macro-economic environment | 3.69 | 16 |
| Access to relevant update data | 3.67 | 17 |
| Stable political and social environment | 3.65 | 18 |
| Establishing an appropriate length and form of contract | 3.59 | 19 |
| Shared responsibility between the public and private sector | 3.44 | 20 |

1 (Not critical), 2 (fairly critical), 3 (critical), 4(very critical) & 5 (extremely critical)

### Questionnaire survey analysis and discussion at the disaggregate level.

The mean score rankings of the twenty factors at the disaggregate level in table 6.2.3 show that they are all considered critical for securing real estate project development in both developed and emerging economies.

Table 6.2‑3: Critical success factors for securing finance for real estate project development at the dis-aggregate level

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Critical success factors | D1= Germany  N= 5 | | | D2= UK  N=20 | | | D3=US  N= 8 | | | E1=China  N= 11 | | E2= Nigeria  N= 26 | | | E3= South Africa N= 11 | | |
| Mean score | Rank | Mean score | | Rank | Mean score | | Rank | Mean score | | Rank | Mean score | Rank | Mean score | | Rank |
| Access to land | 4.67 | 2 | 4.00 | | 1 | 4.00 | | 5 | 4.64 | | 1 | 4.13 | 2 | 4.67 | | 2 |
| Access to relevant update data | 3.33 | 19 | 3.10 | | 20 | 3.33 | | 19 | 4.00 | | 12 | 3.70 | 16 | 3.89 | | 17 |
| Assembling the right team of advisors | 3.67 | 13 | 3.30 | | 17 | 3.57 | | 18 | 4.09 | | 6 | 3.91 | 4 | 4.22 | | 12 |
| Business plan | 4.0 | 9 | 4.00 | | 2 | 3.83 | | 8 | 4.27 | | 3 | 4.22 | 1 | 4.10 | | 14 |
| Establishing an appropriate length and form of contract | 3.67 | 14 | 3.40 | | 16 | 3.71 | | 14 | 3.82 | | 17 | 3.57 | 19 | 3.78 | | 18 |
| Existence of enabling policy and legal framework | 4.33 | 5 | 3.80 | | 6 | 3.43 | | 2 | 4.09 | | 7 | 3.88 | 6 | 4.44 | | 6 |
| Familiarity with local legislation & clear contract terms | 5.00 | 1 | 3.70 | | 7 | 4.33 | | 3 | 4.36 | | 2 | 3.67 | 17 | 4.56 | | 3 |
| Financial modelling with realistic assumptions | 4.67 | 3 | 3.70 | | 8 | 4.50 | | 1 | 4.18 | | 5 | 3.75 | 12 | 4.78 | | 1 |
| Liquidity management | 4.00 | 10 | 3.50 | | 14 | 3.67 | | 15 | 4.00 | | 13 | 3.71 | 15 | 4.50 | | 5 |
| Manager’s ability and skills | 4.00 | 11 | 4.00 | | 3 | 3.67 | | 16 | 4.09 | | 8 | 3.74 | 13 | 4.33 | | 7 |
| Meeting of project timeline & control of project performance | 4.33 | 6 | 3.70 | | 9 | 3.83 | | 12 | 3.91 | | 15 | 3.87 | 7 | 4.33 | | 8 |
| Profitability of the project | 3.67 | 15 | 3.50 | | 15 | 4.00 | | 6 | 4.27 | | 4 | 3.91 | 5 | 4.33 | | 9 |
| Project manager’s experience | 3.67 | 16 | 3.82 | | 5 | 3.67 | | 17 | 4.09 | | 9 | 3.64 | 18 | 4.00 | | 15 |
| Project technical feasibility | 4.00 | 12 | 3.70 | | 10 | 4.00 | | 7 | 4.09 | | 10 | 3.87 | 8 | 4.33 | | 10 |
| Risks allocation and risk-sharing | 3.67 | 17 | 3.30 | | 18 | 3.33 | | 20 | 3.64 | | 19 | 3.83 | 9 | 4.22 | | 13 |
| Shared responsibility between the public and private sector | 3.00 | 20 | 3.20 | | 19 | 2.83 | | 9 | 3.27 | | 20 | 3.48 | 20 | 3.44 | | 20 |
| Stable macro-economic environment | 4.67 | 4 | 3.70 | | 11 | 3.83 | | 10 | 3.82 | | 18 | 3.78 | 10 | 4.00 | | 16 |
| Stable political and social environment | 4.33 | 7 | 3.60 | | 12 | 3.83 | | 11 | 3.91 | | 16 | 3.74 | 14 | 3.78 | | 19 |
| The expected debt-paying ability of the project | 3.67 | 18 | 3.60 | | 13 | 3.83 | | 13 | 4.00 | | 14 | 3.78 | 11 | 4.56 | | 4 |
| The financial capacity of the organisation | 4.33 | 8 | 4.00 | | 4 | 4.20 | | 4 | 4.09 | | 11 | 4.00 | 3 | 4.33 | | 11 |

1 (Not critical), 2 (fairly critical), 3 (critical), 4(very critical) & 5 (extremely critical)

The ranking of the top five critical success factors for securing finance for real estate project development in the individual developed and emerging economies in this study is as follows:

|  |  |  |
| --- | --- | --- |
| Germany:   1. Familiarity with local legislation & clear contract terms 2. Access to land 3. Financial modelling with realistic assumptions 4. Stable macro-economic environment 5. Existence of enabling policy and legal framework | United Kingdom:   1. Access to land 2. Business plan 3. Manager’s ability and skills 4. Financial capacity of the company 5. Project manager’s experience | United Kingdom   1. Financial models with realistic assumptions 2. Existence of enabling policy and legal framework 3. Familiarity with local legislation & clear contract terms 4. Financial capacity of the organisation 5. Access to land |
| China:   1. Access to land 2. Familiarity with local legislation & clear contract terms 3. Business plan 4. The profitability of the project 5. Financial modelling with realistic assumptions | Nigeria:   1. Business plan 2. Access to land 3. Financial capacity of the organisation 4. Assembling of the right team 5. The profitability of the project | South Africa:   1. Financial modelling with realistic assumptions 2. Access to land 3. Familiarity with local legislation & clear contract term 4. The expected debt-paying ability of the project 5. Liquidity management |

At the disaggregate level, the managers in both developed and emerging economies ranked land among the top five critical success factors for securing real estate project development finance. This finding is in line with existing literature that demonstrates that physical resources such as land are considered internal critical success factors, and firms with superior resources and capabilities would witness more growth (Kim et al., 2018; Khadijah et al, 2017).

The developed economies generally have favourable macro-economic conditions, matured economies, transparent markets and high-quality legal systems. Hence the external critical success factors for securing finance in the developed economies have been mostly fulfilled. The external critical success factors for securing finance for real estate project development are factors external to the firm but critical to their ability to secure finance. They include social, technological, economic, political, and legal factors (Oladokun and Ogunbiyi, 2018)

In addition to land, managers in Germany also consider familiarity with local legislations and clear contract terms, financial modelling with realistic assumptions, stable macro-economic environment, the existence of enabling policy and legal framework amongst the top five factors critical to their ability to secure finance for real estate project development. Managers in the UK consider the business plan, the company's financial capacity, and the project manager’s experience as top critical factors for securing real estate project development finance. The top critical success factors in the US also include familiarity with local legislation & clear contract terms, financial modelling with realistic assumptions, profitability of the project, project technical feasibility, stable macro-economic environment, stable political and social environment, the financial capacity of the organisation. All these responses highlight the importance of the internal critical success factors to managers in the developed economies and these factors are mostly within the control of the managers (Khadijah et al., 2017).

The emerging economies' managers also consider a blend of both internal and external factors extremely critical for securing real estate project development finance. Managers in China consider the profitability of a project as extremely critical as access to land. The next set of factors considered extremely critical for managers in China is liquidity management, the manager’s ability and skills, the project manager’s experience, and the project's expected debt-paying ability. However, managers in Nigeria consider the organisation's financial capacity and meeting of project timeline and control of project performance extremely critical to access to land (see table 6.2.3). This arguably is because of the various public/ private partnership initiatives in Nigeria, which enables the real estate manager and his team to bring onboard their skills while the government provides the land and an enabling environment (Ameyaw E.E and Chan. A. P.C, 2016). Conversely, South African managers consider the project's profitability as extremely critical as access to land; this is followed by project technical feasibility, risks allocation and risk sharing, the expected debt-paying ability of the project, and the project manager’s experience (see table 6.2.3).

### The relationship between the management level and the critical success factors

Table ‑: Spearman correlation test for the relationship between the critical success factors for securing finance for real estate project development and the level of management

|  |  |
| --- | --- |
| Spearman rho | Correlation Coefficient Sig. (2-tailed) |
| Mgt level/Job title | 1 |
| Stable macro-economic environment | 0.979 |
| Establishing an appropriate length and form of contract | 0.968 |
| Project technical feasibility | 0.955 |
| Business plan | 0.636 |
| Project manager’s experience | 0.632 |
| Risks allocation and risk-sharing | 0.582 |
| Stable political and social environment | 0.556 |
| Access to relevant update data | 0.483 |
| Shared responsibility between the public and private sector | 0.434 |
| The financial capacity of the organisation | 0.411 |
| Existence of enabling policy and legal framework | 0.392 |
| The expected debt-paying ability of the project | 0.289 |
| Assembling the right team of advisors | 0.273 |
| Mgr.’s ability and skills | 0.212 |
| Liquidity mgt | 0.171 |
| Meeting of project timeline & control of project performance | 0.093 |
| Financial modelling with realistic assumptions | 0.069 |
| The profitability of the project | 0.035 |
| Familiarity with local legislation & clear contract terms | 0.02 |
| Access to land | 0.005 |

Table 6.2.4 shows that some critical success factors have strong positive correlations with the management level, while others have moderate, weak or no correlation with critical success factors. The factors with strong correlations show that as managers tend towards lower management levels, factors such as project manager’s experience, business plan, establishing an appropriate length & form of contract, and stable macro-economic environment become more critical to their accessing finance real estate project development. However, factors such as access to land, familiarity with local legislation & clear contract terms, the project's profitability, financial modelling with realistic assumptions, the meeting of project timeline and control project performance and liquidity management do not correlate with the management level. Amongst other factors, the positive correlation of some critical success factors as managers at the lower levels highlights the significance of the manager’s technical skills. Managers skills are covered more broadly in chapter chapters 3.8 and 8.2.

### Semi-structured interview analysis and discussion

The disaggregate levels also explore the critical success factors for securing finance for real estate project development by managers operating in the different countries based on the qualitative data. The findings for the developed and emerging economies based on the semi-structured interviews are summarised in tables 6.2.5 & 6.2.6, respectively.

*The managers interviewed were asked to give some insights into the critical success factors for effectively securing finance for real estate project development.*

Table 6.2‑5: Critical success factors for securing finance for project development in the developed economies.

|  |  |
| --- | --- |
| **Critical success factors for developed economies** | |
| Countries | Critical success factors |
| Germany Mgr1 | Market |
| Germany Mgr2 | An understanding of the financer and how they operate, understanding the terms and conditions of the bank |
| Germany Mgr3 | A successful track record in having delivered developments, having a good network with banks and having borrowed money and repaid successfully and never defaulted on any bank |
| Germany Mgr4 | Being both optimistic and open; demonstration of credibility; competence on your work; track record and access to land |
| Germany Mgr5 | good relationships with lenders; effective communication; looking at alternative types of lenders; ensuring the performance of the asset and not running into covenant breaches as it will ensure repayments |
| Germany Mgr6 | Having all the relevant documents for the development available, |
| UK Mgr1 | Experience |
| UK Mgr2 | Track record |
| UK Mgr3 | Occupiers /market |
| UK Mgr4 | Value of the property |
| UK Mgr5 | Track record; balance sheet and strong project fundamentals |
| UK Mgr6 | Planning permission; access to land and demonstration of skills to execute the job |
| UK Mgr7 | Pre-let space; the development risk and having a good professional team involved in the development and track records |
| US Mgr1 | Cash flow |
| US Mgr2 | A proper and convincing presentation of the request |
| US Mgr3 | Track record and viability of the project |
| US Mgr4 | Project in a high revenue area, a market that supports an investor’s interest in the project. Having a market that supports investor’s interests in the project; being able to run a good financial model; being able to explain in pictures and graphics in simple ways that investors can get interested; marketing and sales ability to sell your project to investors |
| US Mgr 5 | Relationship with financiers, strong track records and cash flow |

Table 6.2‑6: Critical success factors for securing finance for project development in emerging economies.

|  |  |
| --- | --- |
| **Critical success factors for emerging economies** | |
| Countries | Critical success factors |
| China Mgr1 | Owning or having access to land, an understanding of the processes to secure consent to build and having an understanding of the sales process |
| China Mgr2 | Financial capacity |
| China Mgr3 | Relationship with financiers |
| China Mgr4 | Strong track record |
| China Mgr5 | Strong cash flow that is sufficient to cover interest and enough equity allocated as a buffer if cash flow is not strong enough |
| China Mgr6 | Developing a strong relationship with concerned financiers and the capability of delivering returns and repaying loans |
|
| China Mgr7 | Discipline focused approach to underwriting and transaction execution |
| Nigeria Mgr1 | Land and verifiable land document |
| Nigeria Mgr2 | Network, site for development |
| Nigeria Mgr3 | Favourable legal search report on land |
| Nigeria Mgr4 | Off-takers commitment |
| Nigeria Mgr5 | Cash flow & projected cash flow |
| Nigeria Mgr6 | Profitability |
| South Africa Mgr 1 | Land ownership |
| South Africa Mgr2 | Equity, track record, and practical experience, |
| South Africa Mgr3 | Location, visibility of the project and guarantee that financiers will get their funds back |
| South Africa Mgr4 | Essential skills and capacity, ability to demonstrate an understanding of the product, i.e. retail or commercial real estate, demonstrating an ability to deliver the product, ability to put together a business proposal that is acceptable to financiers according to the finance type sought and pre-sale of a certain percentage as it shows the viability |

Developed and emerging economies have similar critical success factors based on semi-structured interviews. However, the semi-structured interviews shed light on a lot of critical success factors that were not covered by the questionnaire survey, thereby providing more depth and robustness to the study (see table 6.2.5 & 6.2.6). The most dominant critical success factors mentioned by managers in the interview include track records, land, and relationship with financiers, experience, and understanding of how financiers operate and profitability of the project. The factors mentioned as critical in the semi-structured interview are consistent with both the survey questionnaire and existing literature (see chapter 3.5).

The managers interviewed in both the developed and emerging economies cited the following critical success criteria in common:

1. Track records
2. Access to land
3. Cash flow
4. Relationship with financiers
5. Access to market

However, the ranking of the top five critical success factors most cited by managers interviewed in the developed economies are:

1. Track records
2. Cash flow
3. Access to land
4. Access to market
5. Experience

While the ranking of the top five critical success factors for securing finance for real estate project development most cited by managers in the emerging economies are as follows:

1. Access to land
2. Track records
3. Cash flow/ Off takers
4. Equity
5. Relationship with financiers

### Comparison of the critical success factors for securing finance for real estate project development in the developed and emerging economies

All twenty factors are considered critical at the disaggregate level by managers in the six countries. The five top-ranked critical success factors for securing finance for real estate project development at the aggregate level based on the findings from the questionnaire survey are:

1. Access to land
2. The profitability of the project
3. Business plan
4. Project technical feasibility
5. Project manager’s experience

Managers in Germany consider familiarity with local legislation and clear contract terms extremely critical for securing real estate project development finance. Familiarity with local legislation & clear contract terms is considered very critical by managers in South Africa, China and the United States of America. It is, however, considered critical by managers in the United Kingdom and Nigeria. No doubt, understanding the legal framework of any contract and familiarity with local legislation will enhance the success rate of any venture (Zhang & Cheung, 2012 & Rohm, 2017). The other critical factors considered by managers in Germany to be top-ranked are access to land, financial modelling with realistic assumptions, a stable macro-economic environment and the existence of enabling policy and legal framework. The UK ranked “business plan as the 2nd most critical factor for securing finance for real estate project development. The “business plan” is ranked 1st in Nigeria and 3rd for China but not among the 1st five critical success factors for the other three countries. The business plan is very important in both the developed and emerging economies because it helps to provide relevant information to financiers. The information in a business plan includes the level of project finance needed, the expected debt-repayment ability and associated risk (Lukkarinen et al, 2016). The United States has financial modelling with realistic assumptions ranked 1st and this is also ranked 1st by managers in South Africa. While the existence of enabling policy and legal framework is ranked 2nd by the US and this is followed by familiarity with local legislation & clear contract terms; the organisation's financial capacity and then access to land.

The rankings of the critical success factors for securing real estate project development finance based on quantitative data show a strong link between developed and emerging economies. Furthermore, the managers interviewed in both the developed and emerging economies cited the following critical success criteria in common:

* 1. Track records
  2. Access to land
  3. Cash flow
  4. Relationship with financiers
  5. Access to market

The ranking of the critical success factors most cited by managers interviewed in the developed economies are:

* 1. Track records
  2. Cash flow
  3. Access to land
  4. Access to market
  5. Experience

While the ranking of critical success factors for securing finance for real estate project development most cited by managers in the emerging economies are:

* 1. Access to land
  2. Track records
  3. Cash flow
  4. Equity
  5. Relationship with financiers
  6. Off takers

### The implication of the findings on critical success factors for securing finance for real estate project development in the developed and emerging economies.

The critical success factors are very similar and often the same for both the developed and emerging economies. Arguably, this is a result of the integration and the global nature of the financial markets, which, to a great extent, dictate the critical success factors (Pilbeam, 2006; Zhang & Cheung, 2012). This study discovered there is no existing inventory of critical factors for securing finance for real estate project development. Consequently, the critical success factors form parts of the conceptual framework for environmental scan developed by this study and this framework also forms part of the toolkit for securing finance for real estate project development. (See chapter 10).

Furthermore, the findings show that some critical success factors have strong positive correlations with the management level, while others have moderate, weak or no correlation at all with the critical success factors. The factors with strong correlations show that as managers tend towards lower levels of management, factors such as project manager’s experience, business plan, establishing an appropriate length & form of contract and stable macro-economic environment become more critical to their accessing finance for real estate project development. The implication of the aspect of the findings shows a great need for managers and the academia to incorporate the need for training and education of critical success factors for securing finance for real estate project development as part of CPD and school curriculum, respectively.

## Challenges associated with securing finance for real estate project development

Understanding the challenges associated with securing finance for real estate project development is essential because it provides a platform for management to develop strategies that will mitigate, eradicate or reduce the impact of such challenges (Nurrick et al., 2017). Elimination, reduction or mitigation of identified challenges could lead to the following:

1. Cheaper access to finance for real estate project development
2. Reduction in the prospects of the debt becoming bad or doubtful
3. Enhanced chances of project completion and less abandoned projects
4. Increased opportunities for cross-border financing

A list of nineteen (19) challenges faced by managers in securing finance was derived through a literature review (see chapter 3.6). The managers were asked to indicate the extent to which they perceived the factors to be challenging to their ability to secure finance for real estate project development. The ranking of the results showing the degree to which they are a challenge was determined using a 5-point Likert scale: not challenging, less challenging, fairly challenging, challenging and very challenging. The quantitative analysis of the data was mainly through the ranking of the challenges affecting the manager’s ability to secure finance for real estate project development, and it was in two parts:

1. The first stages present the aggregate and then the disaggregate results of the extent of the challenges associated with securing finance for real estate project development by managers involved with securing finance in real estate project development.
2. The second analysis presents the disaggregate results of the relationship between the extent of the challenges and the different countries of operation using the qualitative data.

### Questionnaire survey analysis and discussion at the aggregate level

An observation of table 6.3.1 reveals that all the 19 factors are considered as being very challenging by the survey respondents. About 34.7% of the survey respondents believed that they consider high-interest rates a very challenging factor in securing finance for real estate project development. This is followed by corruption(34%), currency risk (32.6%), government’s ineffective policies (31.9%), difficult lending criteria by financiers(30.6%) and excessive collateral requirements (30.4%). The lowest-ranked very challenging factors in securing finance for real estate project development is terrorism(15.2%), regulatory quality(12.8%), lack of skills and professionalism in project development (8.5%), low demand for real estate(6.5%), properties, real estate market transparency(6.5%) and population shrinking and ageing (4.3%).

Table 6.3‑1: Challenges in securing finance for real estate project development.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Challenges in securing finance for real estate project development | Not challenging at all | Less challenging | Fairly challenging | Challenging | Very challenging |
| Percentage (%) | | | | |
| High interest rate | 6.1 | 10.2 | 16.3 | 32.7 | 34.7 |
| Corruption | 12 | 10 | 22 | 22 | 34 |
| Currency risk/ exchange rate volatility | 13 | 6.5 | 21.7 | 26.1 | 32.6 |
| Government’s ineffective policies | 2.1 | 8.5 | 19.1 | 38.3 | 31.9 |
| Difficult lending criteria by financiers | 2 | 6.1 | 26.5 | 34.7 | 30.6 |
| Excessive collateral requirement | 2.2 | 8.7 | 19.6 | 39.1 | 30.4 |
| Inflation | 6.4 | 12.8 | 23.4 | 27.7 | 29.8 |
| Lack of long term financing | 8.5 | 2.1 | 14.9 | 46.8 | 27.7 |
| High cost of inputs and labour | 4.2 | 8.3 | 31.3 | 29.2 | 27.1 |
| Unemployment | 31.9 | 10.6 | 14.9 | 17 | 25.5 |
| Difficult land use and ownership laws | 2.1 | 10.6 | 29.8 | 34 | 23.4 |
| Internal political issues | 4.3 | 19.6 | 26.1 | 28.3 | 21.7 |
| Lack of fiscal and regulatory incentives | 6.5 | 13 | 34.8 | 30.4 | 15.2 |
| Terrorism | 32.6 | 15.2 | 23.9 | 13 | 15.2 |
| Regulatory quality | 8.5 | 34 | 14.9 | 29.8 | 12.8 |
| Lack of skills and professionalism in project development | 12.8 | 23.4 | 31.9 | 23.4 | 8.5 |
| Low demand for real estates and properties | 21.7 | 21.7 | 30.4 | 19.6 | 6.5 |
| Real estate market transparency | 13 | 28.3 | 34.8 | 17.4 | 6.5 |
| Population shrinking and aging | 41.3 | 23.9 | 15.2 | 15.2 | 4.3 |

Author’s compilation from SPSS analysis (2019)

The overall mean score is also used to determine the extent of challenges associated with securing real estate project development finance at the aggregate level. An inspection of table 6.3.2. shows that the overall mean score ranges from 2.13 to 3.83, and this means that all the nineteen factors are significant and fall into the category of “challenging” with the government’s ineffective policies ranking first, followed by excessive collateral requirement, difficult lending criteria by financiers and lack of long term financing as depicted in table 6.3.2.

Table 6.3‑2: mean score of challenges associated with securing finance for real estate project development at the aggregate level

|  |  |  |
| --- | --- | --- |
| **Challenges in securing finance for real estate project development** | **Mean values N =81** | **Rank** |
| Government’s ineffective policies | 3.83 | 1 |
| Excessive collateral requirement | 3.83 | 2 |
| Difficult lending criteria by financiers | 3.8 | 3 |
| Lack of long term financing | 3.76 | 4 |
| High-interest rate | 3.73 | 5 |
| The high cost of inputs and labour | 3.66 | 6 |
| Difficult land use and ownership laws | 3.59 | 7 |
| Corruption | 3.54 | 8 |
| Inflation | 3.53 | 9 |
| Currency risk/ exchange rate volatility | 3.52 | 10 |
| Internal political issues | 3.33 | 11 |
| Lack of fiscal and regulatory incentives | 3.27 | 12 |
| Regulatory quality | 3 | 13 |
| Unemployment | 2.86 | 14 |
| Lack of skills and professionalism in project development | 2.86 | 15 |
| Real estate market transparency | 2.71 | 16 |
| Low demand for real estates and properties | 2.6 | 17 |
| Terrorism | 2.56 | 18 |
| Population shrinking and ageing | 2.13 | 19 |

1(Not challenging at all), 2(Less challenging), 3(Fairly challenging), 4 (Challenging) 5 (very challenging)

The challenges were further analysed at the disaggregate level to show the degree of challenges associated with securing finance for real estate project development managers in the individual developed and emerging economies (see table 6.3.3).

### Questionnaire survey analysis and discussion at the disaggregate level.

Table 6.3‑3: The mean score of challenges associated with securing finance for real estate project development at the dis-aggregate level.

|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Challenges in securing finance for real estate project development** | **D1=Germany**  **N= 5** | | **D2= UK**  **N= 20** | | **D3=US**  **N= 8** | | **E1=China**  **N=11** | | **E2=Nigeria**  **N=26** | | **E3= South Africa**  **N=11** | |
|  | **Mean score** | **Rank** | **Mean score** | **Rank** | **Mean score** | **Rank** | **Mean score** | **Rank** | **Mean score** | **Rank** | **Mean score** | **Rank** |
| Corruption | 2.50 | 13 | 3.00 | 7 | 2.00 | 16 | 3.40 | 6 | 4.38 | 4 | 3.00 | 11 |
| Currency risk/ exchange rate volatility | 2.25 | 17 | 2.67 | 12 | 2.00 | 17 | 3.20 | 9 | 4.25 | 5 | 3.75 | 3 |
| Difficult land use and ownership laws | 3.00 | 7 | 4.25 | 1 | 2.75 | 7 | 3.75 | 2 | 3.64 | 12 | 3.00 | 12 |
| Difficult lending criteria by financiers | 3.00 | 8 | 3.00 | 8 | 3.00 | 3 | 3.80 | 1 | 4.00 | 8 | 4.00 | 2 |
| Excessive collateral requirement | 3.25 | 4 | 3.00 | 9 | 3.00 | 4 | 3.40 | 7 | 4.08 | 7 | 4.25 | 1 |
| Government’s ineffective policies | 3.00 | 9 | 3.50 | 4 | 3.00 | 5 | 3.60 | 3 | 4.00 | 9 | 3.25 | 6 |
| High cost of inputs and labour | 4.50 | 1 | 3.75 | 2 | 3.33 | 1 | 3.20 | 10 | 3.83 | 10 | 3.25 | 7 |
| High interest rate | 3.50 | 2 | 3.25 | 6 | 3.25 | 2 | 3.00 | 11 | 4.42 | 1 | 3.50 | 4 |
| Inflation | 3.25 | 5 | 2.75 | 10 | 2.50 | 9 | 3.00 | 14 | 4.42 | 2 | 3.25 | 8 |
| Internal political issues | 2.75 | 10 | 2.67 | 13 | 2.50 | 10 | 2.80 | 13 | 3.42 | 3 | 3.25 | 9 |
| Lack of fiscal and regulatory incentives | 2.75 | 11 | 3.33 | 5 | 3.00 | 6 | 3.60 | 4 | 3.25 | 14 | 3.25 | 10 |
| Lack of long term financing | 3.50 | 3 | 3.67 | 3 | 2.67 | 8 | 3.60 | 5 | 4.17 | 6 | 3.50 | 5 |
| Lack of skills and professionalism in project development | 3.25 | 6 | 2.25 | 16 | 2.50 | 11 | 3.40 | 8 | 2.75 | 17 | 2.50 | 14 |
| Low demand for real estates and properties | 2.50 | 14 | 2.25 | 17 | 2.50 | 12 | 1.80 | 17 | 2.75 | 18 | 2.33 | 15 |
| Population shrinking and aging | 1.75 | 18 | 2.50 | 14 | 2.50 | 13 | 1.60 | 19 | 1.91 | 19 | 2.25 | 17 |
| Real estate market transparency | 2.50 | 15 | 2.50 | 15 | 2.50 | 14 | 2.00 | 16 | 3.00 | 15 | 2.33 | 16 |
| Regulatory quality | 2.50 | 16 | 2.75 | 11 | 2.50 | 15 | 3.00 | 13 | 3.33 | 13 | 1.67 | 18 |
| Terrorism | 1.75 | 19 | 1.25 | 19 | 2.00 | 18 | 2.40 | 15 | 3.00 | 16 | 1.67 | 19 |
| Unemployment | 2.75 | 12 | 1.75 | 18 | 2.00 | 19 | 1.80 | 18 | 3.83 | 11 | 3.00 | 13 |

1 (Not challenging), 2 (Less challenging), 3 (Fairly challenging), 4(Challenging), 5(Very challenging)

The top five challenges associated with securing finance for real estate project development in the individual developed and emerging economies at the disaggregate level based on the questionnaire survey are as follows:

|  |  |  |
| --- | --- | --- |
| **Germany:**   1. The high cost of inputs & labour 2. High-interest rate 3. Lack of long-term financing 4. Excessive collateral requirement 5. Inflation | **United Kingdom:**   1. Difficult land use & ownership laws 2. The high cost of inputs and labour 3. Lack of long-term financing 4. Government ineffective policies 5. Lack of fiscal & regulatory incentives | **United States of America**   1. The high cost of inputs and labour 2. High-interest rates 3. Difficult lending criteria by financiers 4. Excessive collateral requirement 5. Government’s ineffective policies |
| **China:**   1. Difficult lending criteria by financiers 2. Difficult land use and ownership laws 3. Government ineffective policies 4. Lack of fiscal and regulatory incentives 5. Government’s ineffective policies | **Nigeria:**   1. High-interest rate 2. Inflation 3. Internal political issues 4. Corruption 5. Currency risk/ exchange rate volatility | **South Africa:**   1. Excessive collateral requirement 2. Difficult lending criteria 3. Currency risk and exchange rate volatility 4. High-interest rates 5. Lack of long-term financing |

The high cost of inputs which is ranked the most challenging factor associated with securing finance by managers in Germany is also ranked 1st by respondents from the US and 2nd by the UK respondents. However, the “high cost of input and labour” for emerging economies ranks between 7th and 10th positions. Labour costs are generally lower in emerging economies than in the developed economies because of the large populations, which create cheap labour.

Surprisingly, the high interest rate is ranked 2nd by managers in Germany and lack of long term finance 3rd; incidentally, the high-interest rate is ranked at 2nd position by managers in the US and ranked 1st by managers in Nigeria. Arguably, interest rates are higher in emerging economies than in China and the developed economies because interest rates in most emerging economies are in double digits, which is detrimental to securing finance (Asu, 2017; Kelilume, 2016). However, the interest rate is well-controlled and reduced in the developed economies because of economic coordination amongst these countries and their monetary policies that have pegged interest rates (Lok, 2006; Goodhart et al., 2011).

Population shrinking and ageing is more evident in the developed economies, but it is significantly reduced through immigration in some developed countries like Germany (United Nations, 2015). Germany does not consider terrorism and population shrinking as challenges. Population shrinking is also not considered a challenge by Nigeria and China.

Managers in the UK consider “difficult land use and ownership laws” as the most challenging factors associated with securing finance for real estate project development. Difficult land use and ownership laws are also considered as greatly challenging by managers in China as they rank it 2nd. The supply of land for construction purposes in China is increasingly under strict state control, and this poses a strong challenge for managers in the real estate sector (Lynn& Wang, 2010). However, unemployment and terrorism are ranked very low in the UK, which is in line with existing literature (Fred, 2020; Trading economics, 2020). Managers in China also do not consider unemployment as a challenge based on the ranking. However, unemployment is considered a challenge by managers in both Nigeria and South Africa. This is due to the prevailing unfavourable macro-economic environment in both countries and the historical racial imbalance in South Africa (trading economics, 2020).

Real estate managers in South Africa involved with securing finance for real estate project development do not consider terrorism and regulatory quality as challenges to their ability to secure finance for real estate project development. However, South African managers rank “excessive collateral requirement” as the most challenging factor associated with securing real estate project development finance. This is followed closely by difficult lending criteria by financiers and currency risk/ exchange rate volatility. The volatility of GDP in emerging economies averages twice that of developed economies, which also results in great volatility on growth rates and exchange rates (Converse, 2013).

It is important to ascertain if the level of management has any impact on the challenges associated with securing finance for real estate project development. This was investigated using the Spearman Rho.

### The relationship between the managerial level and the challenges associated with securing finance for real estate project development.

Table 6.3‑4: Spearman correlation coefficient test for the relationship between the management level and the different challenges associated with securing finance for real estate project development

|  |  |
| --- | --- |
| Spearman rho | Sig. (2-tailed) |
| Level of mgt/job title | 1 |
| Difficult land use and ownership laws | 0.985 |
| Lack of fiscal and regulatory incentives | 0.811 |
| Lack of long-term financing | 0.609 |
| Govt’s ineffective policies | 0.59 |
| Inflation | 0.577 |
| Difficult lending criteria by financiers | 0.565 |
| Internal political issues | 0.52 |
| Unemployment | 0.427 |
| High interest rate | 0.405 |
| Lack of skills & professionalism in project mgt & development | 0.381 |
| Excessive collateral requirement | 0.346 |
| Regulatory quality | 0.3 |
| Currency risk / exchange rate volatility | 0.261 |
| High cost of inputs and labour | 0.241 |
| Terrorism | 0.204 |
| Population shrinking & ageing | 0.024 |
| Low demand for real estates and properties | 0.02 |
| Corruption | 0.018 |
| Real estate market transparency | 0.016 |

The significant positive correlation in Table 6.3.4 shows that as managers tend towards lower management, they will have significantly more challenges in a number of areas, such as difficult land use and ownership laws, fiscal and regulatory incentives and lack of long-term financing. However, the table shows that the level of management has a weak or no relationship with factors such as currency risk, high cost of inputs, terrorism, population shrinking, low demands for real estate, corruption and real estate management transparency. This is arguably because these latter factors are largely determined by government regulation and countries' macro-economic conditions (Nurrick et al, 2011; Converse, 2013).

The next segment looks at the challenges associated with securing finance for real estate project development based on the semi-structured interviews.

### Semi-structured interview analysis and discussion

The summary of some of the findings on challenges associated with securing finance for real estate project development based on the semi-structured interviews is contained in tables 6.3.5 and 6.3.6 for the developed and emerging economies, respectively. They reflect a great extent, the findings from the review of the literature and the questionnaire survey. It also gives greater depth to the results as some of these findings did not reflect in the survey questionnaire.

*The managers interviewed were asked to discuss the major challenges they encounter in the process of securing funding for real estate project development.*

Table ‑: Challenges associated with securing finance for real estate project development in developed economies

|  |  |
| --- | --- |
| **Country & Manager** | **Challenges associated with securing finance for real estate project** |
| Germany Mgr1 | Most foreign buyers do not have accounts with European banks; the need for regular confirmation of inflows from abroad by banks and banks being too suspicious of foreign inflows for real estate project finance |
| Germany Mgr 2 | Difficulties experienced by foreign investors in getting loans from German banks. |
| Germany Mgr3 | Not challenging at all |
| Germany Mgr 4 | Land |
| Germany Mgr 5 | Contamination at industrial sites makes senior lending shy away from financing |
| Germany Mgr6 | Small developers have challenges in accessing finance because they don’t want partners that could take over their businesses; collateral, and it takes a long time to get permits (between 4 to 6weeks) |
| UK Mgr1 | Access to finance and delays in sign-off from professionals |
| UK Mgr 2 | The need for the pension fund to pay out benefits earlier than anticipated |
| UK Mgr3 | Physical retail space |
| UK Mgr 4 | Non |
| UK Mgr5 | Fit with project cash flow, funding for pre-planning phases and cost of debt (fees) |
| UK Mgr6 | The process of securing senior debt |
| UK Mgr7 | The degree of risks lenders is ready to cope with. |
| US Mgr1 | A lot of lenders are not equipped to review construction costs and plans, and as a result, they’re scared of providing the construction loan. They also don’t have the staff and the expertise in-house to be able to monitor construction and make sure that the money draw-down is used appropriately |
| US Mgr2 | Size of deal |
| US Mgr3 | Gradual rising of interest rate, increasing cost of constriction & shortages of labour |
| US Mgr 4 | Inconsistent investment committee criteria of big institutional investors and pre-loan approval appraisals by bank staff who are not knowledgeable about projects |

Author’s compilation (2019)

Table ‑: Challenges associated with securing finance for real estate project development in emerging economies

|  |  |
| --- | --- |
| **Country & Manager** | **Challenges associated with securing finance for real estate project** |
| China Mgr1 | Access to the land, complicated process of getting land lease, laws change regularly, so many rules and regulations concerning expatriation of equity, finance and income inequity between the east and the west making it challenging to operate, lots of government interventions & significant taxes on second homes in China, |
| China Mgr2 | Real estate in China is highly regulated. |
| China Mgr 3 | One major challenge is negotiating and finalising a term sheet with a lender in time to meet acquisition deadlines. Sometimes negotiations can take longer than expected; challenge in setting up the required bank accounts on time. In current times, banks require many stages of KYC/AML before confirming the opening of a bank account, which may hinder the closing timelines of a deal |
| China Mgr4 | Sometimes-long negotiation period with financiers. |
| China Mgr5 | Lengthy and challenging banking criteria |
| China Mgr6 | Lengthy and challenging banking criteria |
| China Mgr7 | Rigorous funding process |
| Nigeria Mgr1 | Difficulty in accessing loans from a federal mortgage bank, banks do not give real estate development loans, difficulty in accessing land, land speculation, unfriendly & unstable government policies |
| Nigeria Mgr2 | Corrupt government officials |
| Nigeria Mgr3 | High interest rates and corrupt government officials |
| Nigeria Mgr4 | Commercial banks do not give loans without confirming that the off-takers are financially committed, low-income workers, high cost of land acquisition and Boko Haram(terrorism ) |
| Nigeria Mgr 5 | High-interest rate |
| Nigeria Mgr6 | Collateral |
| South Africa Mgr 1 | Finding viable investment which meets the client’s mandate and aligns with various government initiatives, land appropriation issues and multiple ownership of land |
| South Africa Mgr2 | Banks require large equity inputs from developers and well as track records |
| South Africa Mgr3 | Along a period of 5 years to break even because of the gearing ratio versus return on equity |
| South Africa Mgr4 | Poor skills in structuring transactions & proposal for funding, racial discrimination in South Africa & funding structure |

Author’s compilation (2019)

The interview demonstrates that managers in Germany, the US, and the UK do not have significant challenges accessing real estate project development finance. These countries enjoy buoyant economies and are therefore conducive for attracting international investors (Parsa et al., 1999). Excerpts from statements made by the managers from Germany and China are a reflection of the access to finance for real estate project development in these countries.

*“In countries like Germany, it has not been very challenging at all because there is a very deep funding market for senior loans, and there it is quite easy to get debt; you also get better margins from German debts” Germany Mgr 3.*

*“China is a vast country; the finance and the income inequity is pronounced across the country. There is a huge diversity between east and west China in terms of income, and this makes it very difficult to operate there. There are lots of regulations and rules concerning the expatriation of equity”. China Mgr1*

The matured economy's political and social stability builds investors’ confidence and reduces market risk, which largely constitutes an opportunity (Nurick et al., 2017). Conversely, the instability experienced politically and socially in some emerging economies makes them not as opened as the developed economies for investment purposes, and this largely affects finance for real estate project development.

However, despite the liquidity in the developed economies and China, managers in Germany and China emphatically mentioned “access to land “as a fundamental challenge they encounter in securing finance for real estate project development. In the same light, “difficult land use and ownership laws” were also ranked as the most challenging factors associated with securing finance for real estate project development in the survey questionnaire response.

“*Access to capital is not a challenge in Germany. Capital, both equity and debt, is abundant in Germany. Well, the main challenge at the moment is to find a piece of land. Access to capital is not a big problem now, at least here in Germany, because capital is abundant, both equity and debt. So, the banks are currently experiencing very fierce competition for clients. So, I guess the biggest problem for developers at the moment is not so much on finance but the piece of land*” (Germany Mgr4).

Furthermore, the interview revealed that smaller developers have challenges accessing finance in Germany, and they are also not willing to partner with bigger firms for fear of take-overs. The demand for collateral by financiers in Germany and the delays in getting permits are also fundamental challenges associated with securing finance for real estate project development in Germany. These findings substantiate the survey questions' findings with respect to the top-ranked five challenges associated with securing finance for real estate project development in Germany (see table 6.8). Furthermore, some of the German managers interviewed consider the regular confirmation of inflows from foreigners by banks and the suspicious ways they are treated as impediments to the inflow of finance.

Based on the interviews, the challenges experienced by managers in the UK include delays in getting sign-offs from the different professionals as payments are made in stages in the course of development. In this regard, the fundamental challenge for managers in the UK is getting the right people to do the work and do it correctly within the required time frame. Skills and competences in the real estate sector are in shortfall compared to the sector's needs. This is in line with existing literature, which shows a shortage of skills and the type of experiences required (Blanksby and Iles, 1992; Ogbenjuwa et al, 2018).

The managers interviewed in the US also claim they do not have challenges getting access to finance for real estate project development. However, there are a number of challenges which some of them said constitutes a significant challenge to their access to finance for real estate project development. These challenges affecting managers in the US include the gradual rise of interest rates, an increasing cost of construction, and inconsistent criteria requested by financiers such as institutional investors and banks. To a great extent, the challenges associated with securing finance for real estate project development in the US are consistent with the challenges affecting US managers based on the questionnaire survey.

The local Chinese managers claim they do not have challenges accessing funding for real estate project development. However, some foreign nationals who are managers in the real estate development sector in China claim they have challenges with the expatriation of capital because of the strict rules in China, and this is consistent with the responses from the survey questionnaire, which demonstrates there are difficult land use and ownership laws. The managers in China also claim they have difficulties in getting funding that matches development at a particular point in time.

All the managers interviewed in Nigeria claim they face enormous challenges in accessing finance for real estate project development. They claim they have never had access to government support concerning real estate finance and have great difficulties getting bank funding

“*The Estate development loan is meant to come from the federal mortgage bank, but this is difficult to access. We, however, get small amounts of bridging loans from commercial banks after projects must have commenced. These types of loans are usually not more than 30days tenure. The property is expected to be sold within the 30days and payments made back to the banks. Default in paying back as and when due will militate against getting such loans in the future.*

*The banks do not give real estate development loans. It is difficult also to access funding from the federal mortgage bank because the competition is very stiff. You could put in an application and may have to wait up to 6 years to access funding. We have repeatedly attempted to get loans from the government but have never secured any loan in our 15 years of operations “. Nigeria mgr 1*

Most of the interviewees claim there are no opportunities that facilitate their access to finance for real estate project development in Nigeria. Managers in Nigeria also complained of high interest rates, a high collateral requirement by financiers, corrupt government officials, high equity contributions required by banks, terrorism, high cost of land acquisition, and commercial banks' refusal to give loans for construction projects. The challenges enumerated by managers in Nigeria via the interviews collaborate findings from the survey questionnaire and the literature review.

According to the interviews, challenges in real estate financing in South Africa are racially based, which is also in line with existing literature (Powell et al., 2016). Housing ownership was one of the ways the apartheid government-controlled ownership of properties by Black Africans with its influence on their ability to provide collateral (Simon, 2014). The impact of the historical imbalance is still evident despite interventions by governments. Other factors that managers interviewed in South Africa consider as challenges associated with securing finance for real estate project development include equity requirements by banks, the collateral requirement by financiers, track records, and poor skills in structuring transactions and proposals.

### A comparison of the challenges associated with securing finance for real estate project development in the developed and emerging economies

The following is ranking the top five challenges associated with securing finance for real estate project development in both the developed and emerging economies at the aggregate level based on the survey questionnaire responses.

1. Government’s ineffective policies
2. Excessive collateral requirement
3. Difficult lending criteria by financiers
4. Lack of long term financing
5. High-interest rate

The dominant challenges for securing finance for real estate project development common to both the developed and emerging economies from the interview are:

1. Access to land
2. Collateral
3. Rising interest rates

However, the five most cited challenges associated with securing finance for both the developed and emerging economies from the interviews respectively are as follows-

**Developed economies:**

1. Access to land
2. Lenders do not have staff and the expertise in-house to be able to monitor construction.
3. Banks too suspicious of foreign inflows for real estate project finance
4. Criteria of big institutional investors
5. Collateral

**Emerging economies:**

1. Access to land & multiple ownership of land
2. Corrupt government officials
3. Difficult lending criteria & high-interest rate
4. Government interventions
5. Long negotiation period

### The implication of the findings on the challenges associated with securing finance for real estate project development in the developed and emerging economies

The results show various challenges associated with securing real estate project development finance in both developed and emerging economies. The managers involved in securing finance for real estate development need to have an understanding of possible challenges they may encounter in securing finance for project development. This study developed a conceptual framework for environmental scan for securing finance for real estate project development. The framework contains a guide on possible challenges the real estate manager could encounter in securing real estate project development finance. This framework forms part of the toolkit for securing finance for real estate project development in chapter 10.

Furthermore, the findings show that as managers tend towards lower management, they will have significantly more challenges in a number of areas, such as difficult land use and ownership laws, fiscal and regulatory incentives and lack of long-term financing (see table 6:10). The implication of this aspect of the findings to both managers and educators is to provide different platforms for training and education in the Built Environment. These platforms would guide managers and prospective managers in reducing the impact or avoiding these challenges when securing finance for real estate project development. Some guidelines on education and training for securing finance for real estate project development is provided in this study (see chapter 9.2 and 10.2).

## Opportunities associated with securing finance for real estate project development

A thorough review of the literature on opportunities associated with securing finance for real estate project development does not provide much information. Published material tends not to focus on real estate finance with respect to opportunities that facilitate access to finance for project development. Limited publications make inferences to opportunities associated with securing finance for real estate project development (see chapter 3.6), hence the need for an empirical study.

The findings of opportunities for securing finance for real estate project development will guide managers in the real estate sector on securing real estate project development finance. It will also be of great benefit for training and development both for academia and the industry. This segment of the study presents findings on opportunities for securing finance for real estate project development based on responses from the survey questionnaire and semi-structured interviews.

### Questionnaire survey analysis and discussion at the aggregate level

A list of opportunities available to managers in securing finance for real estate project development was derived through a review of the literature (Chapter 3.6). Overall, nineteen (19) opportunities available in securing finance were identified (see questionnaire in appendix). The managers indicated the extent to which they perceived them to be opportunities in securing finance for real estate project development. The ranking of the results showing the degree to which they are opportunities is contained in table 6.4.1, and it used a 5-point Likert scale: not an opportunity, rarely an opportunity, occasionally an opportunity, to a great extent an opportunity and a very great extent an opportunity.

At the aggregate level, about 37% of the survey respondents consider growing demand in the property market, to a very great extent an opportunity for securing finance for real estate project development (see table 6:4.1). This is followed by political stability (31.8%), low-interest rates (30.4%), availability of long-term funds (28.9%) and positive and sustained economic growth (23.9%). Conversely, the least ranked factors which are considered “opportunities to a very great extent” are foreign exchange stability(10.9%), institutional real estate market size (11.4%), the high skilled labour force (13%), government monetary and fiscal policies (13%) and market maturity( 13.3%).

Table 6.4‑1: Opportunities associated with securing finance for real estate project development.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Opportunities | Not an opportunity at all | Rarely an opportunity | Occasionally an opportunity | To a great extent, an opportunity | To a very great extent, an opportunity |
| Percentage (%) | | | | |
| Growing demand in the property market | Nil | 5.9 | 13.7 | 43.1 | 37.3 |
| Political stability | 11.4 | 11.4 | 11.4 | 34.1 | 31.8 |
| Low interest rates | 15.2 | 15.2 | 15.2 | 23.9 | 30.4 |
| Availability of long-term funds | 2.2 | 13.3 | 26.7 | 28.9 | 28.9 |
| Positive and sustained economic growth | 4.3 | 8.7 | 19.6 | 43.5 | 23.9 |
| Government housing subsidies and credit inventions | 11.1 | 15.6 | 17.8 | 33.3 | 22.2 |
| Multiple finance sources | 11.1 | 11.1 | 15.6 | 40 | 22.2 |
| Government housing regulations and policies | 10.9 | 8.7 | 23.9 | 37 | 19.6 |
| Emerging technologies | 4.3 | 10.9 | 39.1 | 28.3 | 17.4 |
| Favourable land use and ownership laws | 4.4 | 13.3 | 35.6 | 31.1 | 15.6 |
| Favourable tax platforms | 15.6 | 17.8 | 22.2 | 28.9 | 15.6 |
| Strong judiciary system | 8.7 | 13 | 30.4 | 32.6 | 15.2 |
| Infrastructure quality | 11.1 | 8.9 | 26.7 | 40 | 13.3 |
| Market liquidity | 8.9 | 15.6 | 22.2 | 40 | 13.3 |
| Market maturity and transparency | 8.9 | 15.6 | 22.2 | 40 | 13.3 |
| Government monetary and fiscal policies | 10.9 | 13 | 23.9 | 39.1 | 13 |
| Highly skilled labour force | 10.9 | 13 | 37 | 26.1 | 13 |
| Institutional real estate market size | 9.1 | 9.1 | 22.7 | 47.7 | 11.4 |
| Foreign exchange stability | 15.2 | 15.2 | 30.4 | 28.3 | 10.9 |

Author’s compilation from SPSS analysis (2019)

An inspection of Table 6.4.2 shows that the overall mean score ranges from 3.06 to 4.09 at the aggregate level. This means that all 19 factors are considered as opportunities associated with securing finance for real estate project development. The mean scores are also used to analyse the questionnaire survey data at the disaggregate level to understand what managers in the different countries consider as opportunities associated with securing finance for real estate project development.

Table 6.4‑2: The mean score of opportunities associated with securing finance for real estate project development at the dis-aggregate level.

|  |  |  |
| --- | --- | --- |
| Opportunities for securing finance for real estate project development | Mean values N= 81 | Rank |
| Growing demand in the property market | 4.09 | 1 |
| Positive and sustained economic growth | 3.73 | 2 |
| Availability of long-term funds | 3.68 | 3 |
| Political stability | 3.65 | 4 |
| Multiple finance sources | 3.53 | 5 |
| Institutional real estate market size | 3.43 | 6 |
| Emerging technologies | 3.42 | 7 |
| Low-interest rates | 3.4 | 8 |
| Government housing subsidies and credit inventions | 3.36 | 9 |
| Government housing regulations and policies | 3.36 | 10 |
| Favourable tax platforms | 3.34 | 11 |
| Strong judiciary system | 3.34 | 12 |
| Infrastructure quality | 3.32 | 13 |
| Market liquidity | 3.3 | 14 |
| Market maturity and transparency | 3.3 | 15 |
| Government monetary and fiscal policies | 3.27 | 16 |
| Highly skilled labour force | 3.15 | 17 |
| Favourable land use and ownership laws | 3.06 | 18 |
| Foreign exchange stability | 3.06 | 19 |

1 (Not an opportunity at all) 2(Rarely an opportunity) 3(Occasionally an opportunity) 4 (To a great extent an opportunity) 5(To a very great extent an opportunity)

The next segment shows the questionnaire survey findings detailing the mean scores of the factors considered as opportunities associated with securing finance for real estate project development by managers in both the developed and emerging economies.

### Questionnaire survey analysis and discussion at the disaggregate level.

Table 6.4‑3: *The mean score of* opportunities *associated with securing real estate project development finance at the dis-aggregate level.*

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Opportunities for securing finance for real estate project development** | **D1= Germany**  **N=5** | | **D2= UK**  **N=20** | | | **D3=US**  **N=8** | | | **E1= China**  **N=11** | | | **E2= Nigeria**  **N=26** | | | **E3= South Africa**  **N=11** | |
| **Mean value** | **Rank** | | **Mean value** | **Rank** | | **Mean score** | **Rank** | | **Mean score** | **Rank** | | **Mean score** | **Rank** | **Mean score** | **Rank** | |
| Growing demand in the property market | 4.00 | 5 | | 4.00 | 1 | | 4.17 | 2 | | 4.30 | 1 | | 3.96 | 1 | 4.67 | 1 | |
| Availability of long-term funds | 4.33 | 3 | | 3.80 | 5 | | 3.67 | 8 | | 3.90 | 4 | | 3.64 | 2 | 4.13 | 2 | |
| Emerging technologies | 2.67 | 14 | | 3.64 | 7 | | 3.33 | 12 | | 3.10 | 16 | | 3.45 | 9 | 3.50 | 12 | |
| Favourable land use and ownership laws | 2.47 | 19 | | 3.50 | 11 | | 3.33 | 13 | | 3.70 | 5 | | 3.05 | 18 | 3.38 | 14 | |
| Favourable tax platforms | 2.67 | 15 | | 3.30 | 16 | | 3.67 | 9 | | 3.30 | 12 | | 3.05 | 19 | 3.25 | 16 | |
| Foreign exchange stability | 3.33 | 12 | | 3.27 | 19 | | 3.33 | 14 | | 3.00 | 18 | | 3.36 | 11 | 2.75 | 19 | |
| Government housing regulations and policies | 3.00 | 13 | | 3.50 | 12 | | 3.50 | 10 | | 3.60 | 7 | | 3.64 | 3 | 3.86 | 5 | |
| Government housing subsidies and credit inventions | 2.67 | 16 | | 3.30 | 17 | | 3.80 | 6 | | 3.30 | 13 | | 3.17 | 15 | 3.13 | 17 | |
| Government monetary and fiscal policies | 4.00 | 6 | | 3.30 | 18 | | 3.75 | 7 | | 3.70 | 6 | | 3.41 | 10 | 3.00 | 18 | |
| Highly skilled labour force | 2.67 | 17 | | 3.45 | 14 | | 3.00 | 18 | | 3.00 | 19 | | 3.14 | 16 | 3.00 |  | |
| Infrastructure quality | 2.67 | 18 | | 3.70 | 6 | | 3.33 | 15 | | 3.40 | 11 | | 3.36 | 12 | 3.38 | 15 | |
| Institutional real estate market size | 4.50 | 2 | | 3.60 | 8 | | 3.33 | 16 | | 3.60 | 8 | | 3.50 | 7 | 3.75 | 6 | |
| Low interest rates | 4.00 | 7 | | 3.55 | 10 | | 3.50 | 11 | | 3.30 | 14 | | 3.57 | 5 | 3.75 | 7 | |
| Market liquidity | 3.67 | 9 | | 3.40 |  | | 4.00 | 3 | | 3.50 | 10 | | 3.23 | 13 | 3.75 | 8 | |
| Market maturity and transparency | 3.67 | 10 | | 3.50 | 13 | | 3.00 | 19 | | 3.10 | 17 | | 3.23 | 14 | 3.43 | 13 | |
| Multiple finance sources | 3.67 | 11 | | 3.90 | 3 | | 4.00 | 4 | | 3.30 | 15 | | 3.57 | 4 | 4.13 | 3 | |
| Political stability | 4.00 | 8 | | 3.82 | 4 | | 4.33 | 1 | | 4.30 | 2 | | 3.50 | 8 | 3.75 | 9 | |
| Positive and sustained economic growth | 4.67 | 1 | | 4.00 | 2 | | 4.00 | 5 | | 4.00 | 3 | | 3.55 | 6 | 3.88 | 4 | |
| Strong judiciary system | 4.33 | 4 | | 3.36 | 15 | | 3.33 | 17 | | 3.60 | 9 | | 3.14 | 17 | 3.75 | 10 | |

1 (Not an opportunity at all) 2(Rarely an opportunity) 3(Occasionally an opportunity) 4 (To a great extent an opportunity) 5(To a very great extent an opportunity)

The ranking of the top five factors considered as opportunities associated with securing finance for real estate project development at the disaggregate level based on the questionnaire survey is as follows :

|  |  |  |
| --- | --- | --- |
| **Germany**   1. Positive and sustained economic growth 2. Institutional real estate market 3. Availability of long-term funds 4. Strong judiciary system 5. Growing demand in the property market | **United Kingdom**   * 1. Growing demand in the property market   2. Positive and sustained economic growth   3. Multiple finance sources   4. Political stability   5. Availability of long-term finance | **United States of America**   * + 1. Political stability     2. Growing demand in the property market     3. Market liquidity     4. Multiple finance sources     5. Availability of long-term funds |
| **China**   * + - 1. Growing demand in the property market       2. Political stability       3. Positive and sustained economic growth       4. Availability of long term funds       5. Favourable land use and ownership laws | **Nigeria**  1. Growing demand in the property market  2. Availability of long term funds  3. Government housing regulations and policies  4. Multiple finance options  5. Positive and sustained economic growth | **South Africa**   * + - 1. Growing demand in the property market       2. Availability of long term funds       3. Multiple finance sources       4. Positive and sustained economic growth       5. Government housing regulations and policies |

All the nineteen factors are considered as opportunities in both the developed and emerging economies but with different rankings. Managers at the disaggregate level in both the developed and emerging economies unanimously agreed that “a growing demand in the property market” is an opportunity that facilitates access to finance for real estate project development. This is not a surprise because of the increasingly growing world population as a result of immigration in the developed economies and increased birth rates in the emerging economies (Zang et al., 2014; Awofeso, 2010). Notably, managers in Germany ranked “institutional real estate market as an opportunity” 2nd. Surprisingly, this was ranked 8th in the UK and 16th in the US and 8th, 7th and 6th for China, Nigeria, and South Africa. To a large extent, the institutional environment, economic and social conditions, government policies and the legal framework are fundamental drivers of opportunities in securing finance for real estate project development (D’Archy and Keogh, 2002; Salem, 2011).

Conversely, the least ranked factors that are considered as opportunities associated with securing finance for real estate project development in Germany are “favourable land use and ownership laws” and, surprisingly, “infrastructure quality”. Nigeria also has a low ranking for “favourable land use and ownership laws”. The least ranked factor in the UK and South Africa is foreign exchange stability and government monetary and fiscal policies. Arguably, it can be said that the developed economies have a reasonably stable exchange rate because of political and economic stability, but Brexit and its possible impact on international trade could negatively affect the UK exchange rate. (Akinbogun et al., 2017; BBC, 2019).

The least ranked factors considered as opportunities in the US are Market maturity and transparency and a highly skilled labour force. Enhanced managerial skills and competences are important in meeting the demand of financiers ( Nitz, 1996; Ogbenjuwa, 2017). Technical skills and professional competences are mandatory for successful project execution and these constitute part of the traits financiers historically look for as conditions precedent to funding (Rector, 2002). Managers in China also consider the “highly skilled labour force” the least ranked opportunity for securing real estate project development finance. This is followed by “foreign exchange stability”. While managers in Nigeria consider “favourable tax platforms” as the least ranked criteria followed by “favourable land use and ownership laws”.

The next segment discusses the relationship between the management level and the opportunity for securing finance for real estate project development using the Spearman rho.

### Relationship between the management level and the opportunities for securing finance for real estate project development.

Table ‑: Spearman correlation on the relationship between the management level and the opportunities associated with securing finance for real estate project development

|  |  |  |
| --- | --- | --- |
| Spearman rho | Sig. (2-tailed) | N |
| Management level/ job title | 1 | 81 |
| Institutional real estate market size | 0.98 | 81 |
| Infrastructure quality | 0.976 | 81 |
| Government monetary and fiscal policies | 0.894 | 81 |
| Availability of long-term funds | 0.837 | 81 |
| Foreign exchange stability | 0.821 | 81 |
| Government housing regulations and policies | 0.511 | 81 |
| Market liquidity | 0.504 | 81 |
| Political stability | 0.457 | 81 |
| Favourable land use and ownership laws | 0.425 | 81 |
| Government housing regulations and policies | 0.424 | 81 |
| Favourable tax platforms | 0.354 | 81 |
| Positive and sustained economic growth | 0.28 | 81 |
| Government housing subsidies and credit inventions | 0.236 | 81 |
| Emerging technologies | 0.193 | 81 |
| Market maturity and transparency | 0.097 | 81 |
| Strong judiciary system | 0.077 | 81 |
| Growing demand in the property market | 0.067 | 81 |
| Multiple finance sources | 0.044 | 81 |
| Highly skilled labour force | 0.012 | 81 |
| Low-interest rates | 0.009 | 81 |

Table 6.4.4 shows a significant positive correlation between the level of management and institutional real estate market, infrastructure quality, government monetary and fiscal policies, availability of long-term funds and foreign exchange stability. This could be argued to mean that the lower the management level, the more significant these opportunities become. However, table 6.4.4 shows weak or no relationships between management level and low-interest rates, highly skilled labour force, multiple finance sources, growing demand for the real estate sector, strong judiciary and market maturity and transparency. It could be argued that the level of management is insignificant to the latter factors as they are mainly determined by government policy and affects all irrespective of their roles (Barcham, 2013)

The next segment discusses the opportunities for securing finance for real estate project development based on semi-structured interviews.

### Semi-structured interview analysis and discussion

The summary of the findings on the opportunities associated with securing finance for real estate project development in the developed and emerging economies based on semi-structured interviews is contained in tables 6.4.5 and 6.4.6. It reflects some of the information obtained from the questionnaire survey. However, it also brought to light some information not contained in the survey questionnaire, making the study more robust.

*The managers interviewed were asked to give examples of specific opportunities available to them that facilitates their ability to secure funding for real estate project development.*

Table 6.4‑5: Opportunities for securing finance for real estate project development in developed economies.

|  |  |
| --- | --- |
| **Countries & Manager** | **Opportunities** |
| Germany Mgr1 | International market’s interest in Germany |
| Germany Mgr 2 | Ability to get a loan from German banks and the low-interest rate |
| Germany Mgr3 | German banks are matured and familiar with the sector; deep funding markets for senior loans; local savings banks; German bankers have the expertise and understand the risk. |
| Germany Mgr 4 | The abundance of both equity and debt, low cost of finance, low vacancy rates and as such a need for more developments, |
| Germany Mgr 5 | Experience working with lenders |
| Germany Mgr6 | Good track records and personal guarantees |
| UK Mgr1 | Government support to first-time homeowners; |
| UK Mgr 2 | Big portfolio investment in real estates in Europe |
| UK Mgr3 | An understanding of the investor’s profile and what they want to invest in |
| UK Mgr 4 | Companies large asset base |
| UK Mgr5 | Land secured at nil upfront cost and grants for infrastructure |
| UK Mgr6 | Demographic change in the UK which is a growing population, and an ageing population seeking pretentious housing |
| UK Mgr7 | Involvement in large real estate deals |
| US Mgr1 | Availability of finance for existing properties with a steady cash flow and properties in gateway cities where the market metrics are strong. |
| US Mgr2 | Access to capital and low-interest rate |
| US Mgr3 | An increasing trend in the development of senior housing, an increase in demand for multi-family apartments, increasing demand for rental properties, an increase in modular housing, an increase in demand for workforce housing |
| US Mgr 4 | Excellent track record with both equity & debt investors and established relationship with different partners and a new opportunity with crowdfunding |

Table 6.4‑6: Opportunities challenges for securing finance for real estate project development in emerging economies.

|  |  |
| --- | --- |
| **Countries & Manager** | **Opportunities** |
| China Mgr1 | The central government funds Chinese developers, and so they have access to a direct pool of equity |
| China Mgr2 | Developers combine the construction of industrial, commercial, residential and health care centres |
| China Mgr. 3 | A long-standing relationship with existing bankers and senior lenders and quick access to finance in countries where these banks have coverage at reasonable interest rates. |
| China Mgr4 | Favourable interest rates and long-standing relationship with financiers |
| China Mgr5 | Favourable interest rates and long-standing relationship with financiers |
| China Mgr6 | Favourable interest rates and long-standing relationship with financiers |
| China Mgr7 | Existing markets for office retail and logistics sectors and key 2nd tier cities across China |
| Nigeria Mgr1 | No opportunities |
| Nigeria Mgr2 | No opportunities |
| Nigeria Mgr3 | The government provides mortgage financing, but it is difficult to access because of corruption of the officials, the potentials of cheaper imports from China and the existence of off-takers |
| Nigeria Mgr4 | None |
| Nigeria Mgr 5 | High demand for housing |
| Nigeria Mgr6 | Track records |
| South Africa Mgr 1 | No opportunities |
| South Africa Mgr2 | Commercial property development finance/ funding in South Africa(TUHF) |
| South Africa Mgr3 | Many opportunities for project development |
| South Africa Mgr4 | Access to private equity funding and development funding institutions (DFI) |

Author’s compilation (2019)

The interviews demonstrate that managers in both the developed and emerging economies agree that there is a high demand for housing, and this is an opportunity associated with securing finance for real estate project development. The interviews revealed that the developed economies of Germany, the UK and the US are international markets for real estate investments with large portfolios in real estate investments and hence very attractive to international investors. The interview also shows that there are central government funds and direct access to a pool of equity in China which are all opportunities for managers with respect to accessing finance for real estate project development. Managers in the developed economies and China also consider low-interest rates as opportunities available to them for securing finance for project development.

However, despite attesting to the fact that there is a large market for real estate, managers in Nigeria do not consider that there are notable opportunities for accessing finance. The matured economy's political and social stability builds investors’ confidence and reduces market risk, which largely constitutes an opportunity (Nurick et al., 2017). Conversely, the instability experienced politically and socially in some emerging economies makes them not as opened as the developed economies for investment purposes, and this largely affects access and the cost of finance for real estate project development. The quotes below from some of the managers interviewed reflect this position.

*“In countries like Germany, it has not been very challenging at all because there is a very deep funding market for senior loans and there it is quite easy to get debt; you also get better margins from German debts” Germany Mgr 3.*

The interview shows that Germany has a very robust market for funding from senior loans, and they have matured banking sectors that are familiar with real estate. Some of the managers interviewed who operate both in the UK and Germany claim they have better access to finance in Germany than in the United Kingdom.

“*Germany has local savings banks that finance projects in their areas. These local banks know the local market and provide good margins because they understand the risk. The banking sector in the UK is very centralised, and you do not have local savings banks. The UK does not have local banks, the banks in the UK are highly risk-averse, and the skills sets of the lending officer are comparatively very poor when it comes to real estate”* (Germany Mgr3).

“*Access to capital is not a challenge in Germany. Capital is abundant, both equity and debt in Germany* ” (Germany Mgr4)

Based on the interview, a notable opportunity in the UK is government support for first-time homeowners, which positively impacts the developers' income. Once a first-time buyer has some percentage of the cost of the house, the government could add 20% to aid the individual in buying the house. Furthermore, the interview shows that the UK and Germany have very robust pension funds that invest in the real estate sector, which is an opportunity. However, these pension funds may need to liquidate an investment earlier than anticipated, and this may pose an obstacle to them wanting to invest in real estate project development because of its long-term nature.

The managers interviewed in the US also claim they do not have challenges accessing finance for real estate project development. US Mgr2 plays actively in both the UK and US markets. He is of the opinion that the BREXIT vote is an opportunity for the property market in some sense because it has helped to calm the market down as the price was increasing similarly to the rise in property prices, which preceded the 2007/2008 global financial crisis.

According to US Mgr. 3, more people in the US spend 45% to 65% of their income on housing, which is termed “housing- caused burden”. Consequently, this provides a strong opportunity for managers in the real estate sector to secure finance for project development, considering that the demand for housing in the US outweighs supply. This finding is in line with existing literature, which shows a global increase in population with a commensurate need for housing (Simire, 2017).

Other opportunities associated with securing finance for real estate development mentioned by managers in China include a long-standing relationship with financiers, existing markets for office retail and logistics sectors, and key 2nd tier cities across China, which is consistent with existing literature (Liu, 2004 & Zhou, 2019).

Managers in Nigeria said they do not have significant opportunities associated with securing finance for real estate project development. They claim the federal mortgage bank would have been considered as an opportunity associated with securing finance for real estate project development, but they complained that it is difficult getting funds from the bank.

“*The Estate development loan is meant to come from the federal mortgage bank, but this is difficult to access. It is difficult also to access funding from the federal mortgage bank because the competition is very stiff. You could put in an application and may have to wait up to 6 years to access funding. We have frequently attempted to get loans from the government but have never secured any loan in our 15 years of operations “.*

Most of the interviewees claim there are no opportunities that facilitate their access to finance for real estate project development in Nigeria.

Like some of Nigeria's managers, some managers in South Africa said they do not have significant opportunities associated with securing finance for real estate project development. However, some of the South African managers see commercial property development finance in South Africa (TUHF), the Johannesburg stock exchange and the Development funding institutions as significant opportunities for real estate property finance in South Africa because they encourage both new developments and the regeneration of older buildings in inner cities. They also see the opportunities of several available projects for development as facilitators to securing finance.

### A comparison of the opportunities associated with securing finance for real estate project development in the developed and emerging economies

The opportunities for securing finance for real estate project development at the aggregate level for both the developed and emerging economies based on the questionnaire includes all the nineteen (19) factors listed in the questionnaire, however, there are differing rankings for the individual developed and emerging economies based on the mean values (see table 6.14). Notably, all the managers who responded to the survey questionnaire ranked amongst their five top factors, which they considered an opportunity to secure finance for real estate project development, “growing demand in the property market”. The list below shows the ranking of the top five factors at the aggregate level.

1. Growing demand in the property market
2. Positive and sustained economic growth
3. Availability of long-term funds
4. Political stability
5. Multiple finance sources

The factors which are considered as opportunities in common by managers in both the developed and emerging economies based on the semi-structured interviews are high demand for housing and long-standing relationships with financiers.

However, the five most cited opportunities associated with securing finance for real estate project development for the developed and emerging economies, respectively are –

**Developed economies:**

1. An abundance of both equity and debt
2. Government support to first-time homeowners
3. Increase in demand for housing
4. International market
5. Low-interest rate

**Emerging economies:**

1. High demand for housing
2. A long-standing relationship with financiers
3. Existing markets for office retail and logistics sectors and key 2nd tier cities across China
4. Private equity/offtakes
5. Developers combining the construction of industrial, commercial, residential, health care centre, especially in China

### The implication of the findings associated with opportunities for securing finance for real estate project development in the developed and emerging economies

The findings show that the managers consider a number of factors as opportunities associated with securing finance for real estate project development. Managers must be able to identify these opportunities so they can maximise their chances of securing finance for real estate project developments. This research includes the opportunities for securing finance for real estate project development as a part of the conceptual framework for environmental scan and it also forms part of the toolkit for securing finance for real estate project development (see chapter 10).

Furthermore, table 6:.4.4 shows a significant positive correlation between the level of management and institutional real estate market, infrastructure quality, government monetary and fiscal policies, availability of long-term funds and foreign exchange stability. The results show that these factors become more significant as opportunities for securing finance at the lower levels of management. The implication of this for both managers and educators is to provide enhanced training and education platforms that would educate students and managers on how to maximise the benefits of these opportunities when seeking finance.

## Development of a conceptual framework for environmental scan for securing finance for real estate project development.

This section aims to develop a framework for environmental scan for securing finance for real estate project development. Environmental scanning enhances an organisation’s ability to monitor the internal and external environments and incorporate anticipated changes into its strategic plans that will foster its adaptability and survival ( Frolick et al, 2007). This knowledge will enable the management to better plan the organisation's activities and thus enhance their chances of securing finance. The environmental scan enables the management of the organisations to develop effective responses to secure the operations of the organisation and facilitates an effective SWOT (strength, weaknesses, opportunities, and threats) analysis. The external environmental scanning helps to focus on the organisation’s strategic and tactical plans on those factors that may threaten its stability and turn potential problems into advantages (Choo, 2001; Albright, 2004).

Certain environmental factors are vital for success in securing finance for real estate project development. These factors could be in the form of challenges or opportunities. The real estate managers involved with obtaining finance for real estate project development must understand how to mitigate against and reduce potential challenges and harness potential opportunities (Nurrick et al., 2017 & Barkham, 2012). The real estate manager should scan the environment to identify these potential challenges and opportunities when preparing to secure finance for real estate project development.

Some techniques/ theories used for environmental scan include the SWOT analysis and PESTLE analysis.

The conceptual framework for environment scanning for securing finance for real estate project development is divided into three major segments. They are the external environmental scan, the internal environmental scan, and the feedback mechanism, as in table 6.5.1.

The PESTLE and SWOT analysis techniques for environmental scanning provided a guide for the framework. PESTLE analysis helps analyse factors influencing an organisation that is external to the firm (Hassan et al., 2019). This study used the Pestle analytical tool in classifying the challenges and opportunities associated with securing finance for real estate project development into political, economic, social, technological, legal and environmental factors. The challenges and opportunities were information secured from managers involved in securing finance for real estate project development through the semi-structured interviews and the administered questionnaire surveys. Pestle theory helped elaborate the external environmental factors that the managers will need to monitor to secure real estate project development finance. The manager is to mitigate and/or reduce the challenges while maximising the opportunities (Tan et al, 2012).

The SWOT analysis theory also helps to provide an understanding of the framework for the environmental scan for securing finance for real estate project development. SWOT (an acronym for strength, weaknesses, opportunities and threats) supports the analysis of the internal (strengths, weaknesses) and external (opportunities, threats) factors for adopting a strategy which in this case is securing finance for real estate project development. SWOT clarifies the internal environmental scan for this study, which is the critical success factor provided through information from the managers via the semi-structured interviews and questionnaires. Understanding the SWOT analysis will enable the manager to formulate strategies that will enhance strengths and opportunities and reduce threats and weaknesses. The SWOT analysis is an effective tool for analysing the strengths, weaknesses, opportunities and threats of an organisation or a project and facilitates effective planning (Sabbagbi and Vaidyanathan, 2004).

According to Dergisi (2017), the SWOT analysis brings out four elements in a 2\*2 matrix and the matrix is composed of the following elements:

1. Organisational strengths – Characteristics that give it an advantage over others in the industry
2. Organisational weaknesses – Characteristics that place it at a disadvantage relative to others
3. Environmental opportunities – External elements in the environment that gives benefits to the organisation
4. Environmental threats – External elements in the environment that could cause trouble for the organisation.

The manager is expected to check the critical success factors to identify the strengths, weaknesses, opportunities, and threats in his firm that could affect the process of securing finance to facilitate adequate planning, policy and strategy formulation.

The variables used in the development of the conceptual framework of environmental scan for securing finance for real estate project development are from the interviews and questionnaire responses. The framework is made up of two phases which is phases 1 and 2. Phase 1 is the external environmental scan which is made up of potential opportunities and challenges while phase 2 is the internal environmental scan.

The external environment used specific variables on challenges and opportunities associated with securing finance for real estate project developments obtained from both the interviews and the questionnaire survey in chapters 6.3 & 6.4. It is divided into two sub-phases (see table 6.5.1). Conversely, the internal environmental scan variables were gotten from both the outcome of the questionnaire and interviews. While the variables used for the feedback mechanism is from the review of the literature in chapter 3..

This study does not recommend a strict approach to using the conceptual framework for environmental scan for securing finance for real estate project development. The manager could simultaneously appraise all the factors when deciding on securing finance for real estate project development.

Table 6.5‑1: Conceptual framework of environmental scan for securing finance for real estate project development.

|  |  |  |
| --- | --- | --- |
| **Environmental scan for securing finance for real estate project development** | | |
| **Phase 1** | **External environmental scan** | **Feedback mechanism** |
| **Phase 1 a** | **Potential challenges** | * Access to finance * Sustained relationship with Financiers * Reduced default in payback |
| |  |  |  |  | | --- | --- | --- | --- | | Economic factors | * Access to land * Currency risk * Lengthy and challenging banking criteria * Difficult experiences for foreign investors in getting loans * Economic trends * Collateral requirement * Exchange rate volatility * High-interest rates * Import/export ratios * The increasing cost of construction * Industry growth * Inflation * International exchange rates * International trade * Lack of long term financing * Large equity input requests by banks * Local economy * Low demand for real estate and properties * Seasonality issues * Size of transaction * Taxation | Political factors | * Bureaucracy * Corruption * Difficulties in accessing loan from the government * Elections and political trends * Funding, grants, and initiatives * Government policies * Government terms and changes in policies * Inter-country relationships * Internal political issues * Internal political issues * Lobbying and pressure groups * Local commissioning processes * Terrorism * Trading policies * Wars, terrorism, and conflicts | | Social factors | * Work ethic * Advertising and publicity * Buying access and trends * Consumer buying patterns * Cultural Taboos * Demographics * Ethical issues * Lack of skilled professionalism in project development * Lifestyle trends * Major events and influences * Population shrinking and ageing * Real estate market transparency * Unemployment | Technological factors | * Emerging technologies * Technology legislation * Research and Innovation * Information and communications * Competitor technology development * Intellectual property issues | | Legal Factors | * Complicated processes of getting the land lease * Current legislation * Difficult land-use laws * Future legislation * Industry-specific regulations * International legislation * Money laundering regulations * Regulatory bodies and processes * Tax regulations | Environmental Factors | * Ecological regulations * Environmental regulations * Impact of adverse weather * Lenders not equipped to review construction cost and projects * Reduction of carbon footprint * Sustainability | |
|  | |
| **Phase 1 b** | **Potential opportunities** |
| |  |  |  |  | | --- | --- | --- | --- | | Economic factors | * Local economy * Growing demand in the property market * Favourable tax platform * Foreign exchange stability * Low Inflation * Low-interest rates * Economy trends * Seasonality issues * Industry growth * Import/export ratios * International trade * International exchange rates * Availability of long term funds * Market liquidity * Market maturity & transparency * Multiple finance sources * Positive and sustained economic growth * Foreign exchange stability * Presence of international market interest * Access to bank loan * Access to equity & debt * Involvements in large real estate deals * Availability of finance from existing properties * A long-standing relationship with existing bankers | Political factors | * Funding, grants, and initiatives * Government housing regulations and policies * Government housing subsidies & credit interventions * Government monetary and fiscal policies * Government policies * Government support to first-time homeowners * Government term and change * Local commissioning processes * Political stability * Trading policies | | Social factors | * Work ethic * Advertising and publicity * Buying access and trends * Consumer buying patterns * Cultural Taboos * Demographics: Growing population * Developer’s rights to combining the construction of industrial, commercial, residential, health care centres. * Ethical issues * Experience working with the lender * Highly skilled labour * Increase in demand for modular housing and workforce housing * An increasing trend in the development of senior housing * Infrastructure quality * Lifestyle trends * Major events and influences | Technological factors | * Competitor technology development * Emerging technologies * Information and communications * Intellectual property issues * Maturity of technology * Research and Innovation * Technology legislation | | Legal factors | * Current legislation * Future legislation * International legislation * Regulatory bodies and processes * Money laundering regulations * Tax regulations Competitive regulations * Industry-specific regulations * Strong judiciary system * Track records | Environmental Factors | * Ecological regulations * Environmental regulations * Impact of adverse weather * Reduction of carbon footprint * Sustainability | |
|  | |
| **Phase 2** | **Internal environmental scan** |
| **Critical success factors** |
| * Access to land * Access to relevant update data * An understanding of the financiers and how they operate; understanding of the terms and conditions of banks * Assembling the right team of advisors * Audited financial reports/ independent audit committee * Availability of prospective tenants * Business plan * Capital base * Cash flow * Collateral to mitigate default risk * Company profile * Contractual documentation on land acquisition/land title * A close relationship with developers * Demonstration of skills to execute the job * Details of the proposed project * Due diligence * Equity contribution * Establishing an appropriate length and form of contract * Existence of enabling policy and legal framework * Familiarity with local legislation & clear contract terms * Feasibility report( economic & technical feasibility) * Financial modelling with realistic assumptions * Financial models * Geotechnical study * Good relationships with lenders & effective communication * Indemnification * Liquidity management * Loan agreement * Location and visibility of the project * Management capabilities/management profile * Manager’s knowledge and skills * Meeting of project timeline & control of project performance * Necessary permits & site clearance * Performance support guarantees * Planning permission * Potential rent * Pre-sale details * Project manager’s experience * Project technical feasibility * Projected returns * Projected revenue and income * Proof of adherence to government regulations * Risk and returns * Risks allocation and risk-sharing * Shared responsibility between the public and private sector * Stable macro-economic environment * Stable political and social environment * Supporting documents that describe the site * Tax returns * The expected debt-paying ability of the project * The financial capacity of the organisation * The profitability of the project * Topographical survey * Track records(records of accomplishment) * Usage of hedging instruments |

## Summary

This segment contains a summary of critical success factors, challenges, and opportunities for securing finance for real estate project development.

The aggregate level findings based on the questionnaire survey demonstrate that all the twenty factors listed in the questionnaire survey are critical for securing finance for real estate project development in both the developed and emerging economies based on their mean values. The top five ranked critical success factors are access to land, the profitability of the project, business plan, project technical feasibility and project manager’s experiences.

The rankings of the critical success factors for securing real estate project development finance based on quantitative data show a strong link between developed and emerging economies. Furthermore, the managers interviewed in both the developed and emerging economies cited the following critical success criteria in common:

* 1. Track records
  2. Access to land
  3. Cash flow
  4. Relationship with financiers
  5. Access to market

The ranking of the critical success factors most cited by managers interviewed in the developed economies are:

* 1. Track records
  2. Cash flow
  3. Access to land
  4. Access to market
  5. Experience

While the ranking of critical success factors for securing finance for real estate project development most cited by managers in the emerging economies are as follows:

* 1. Access to land
  2. Track records
  3. Cash flow
  4. Equity
  5. Relationship with financiers
  6. Off takers

The findings from the survey questionnaire also show that some critical success factors such as establishing appropriate length and form of contract, project technical feasibility, business plan and project manager’s experience have a positive correlation with the level of management.

Furthermore, the ranking of the top five challenges associated with securing finance for real estate project development in both the developed and emerging economies at the aggregate level based on the survey questionnaire responses are:

1. Government’s ineffective policies
2. Excessive collateral requirement
3. Difficult lending criteria by financiers
4. Lack of long term financing
5. High-interest rate

Some of the dominant challenges for securing finance for real estate project development common to both the developed and emerging economies are access to land, collateral and rising interest rates.

However, the five most cited challenges associated with securing finance for both the developed and emerging economies from the interviews respectively are as follows-

**Developed economies:**

1. Access to land
2. Lenders do not have staff and the expertise in-house to be able to monitor construction
3. Banks being too suspicious of foreign inflows for real estate project finance
4. Criteria of big institutional investors
5. Collateral

**Emerging economies:**

1. Access to land & multiple ownership of land
2. Corrupt government officials
3. Difficult lending criteria & high interest rate
4. Government interventions
5. Long negotiation period

Spearman rho’s correlation was used to test the relationship between management levels and the different factors considered as challenges in the questionnaire. The findings show a positive correlation between management levels and difficult land use & ownership laws, lack of fiscal and regulatory incentives, and long-term financing.

Finally, the findings on the opportunities associated with securing finance for real estate project development at the aggregate level for the developed and emerging economies based on the questionnaire include all the nineteen (19) factors listed in the questionnaire survey. However, with differing rankings for the individual developed and emerging economies based on the mean values. Notably, all the managers who responded to the survey questionnaire ranked amongst their five top factors considered an opportunity to secure finance for real estate project development, “growing demand in the property market”. The list below shows the ranking of the top five factors at the aggregate level.

1. Growing demand in the property market
2. Positive and sustained economic growth
3. Availability of long-term funds
4. Political stability
5. Multiple finance sources

The factors that are considered opportunities in common by managers in both the developed and emerging economies based on the semi-structured interviews are high demand for housing and long-standing relationship with financiers.

However, the five most cited opportunities associated with securing finance for real estate project development for the developed and emerging economies, respectively are –

**Developed economies:**

1. An abundance of both equity and debt
2. Government support to first-time homeowners
3. Increase in demand for housing
4. International market
5. Low-interest rate

**Emerging economies:**

1. High demand for housing
2. A long-standing relationship with financiers
3. Existing markets for office retail and logistics sectors and key 2nd tier cities across China
4. Private equity/offtakes
5. Developers combining the construction of industrial, commercial, residential, health care centre, especially in China

Spearman rho’s correlation coefficient was used to determine the relationship between the management level and the opportunities associated with securing real estate project development finance. The findings showed a positive correlation between management level and opportunities for securing real estate project development finance such as institutional real estate market size, Infrastructure quality, government monetary and fiscal policies, availability of long-term funds, and foreign exchange stability.

The study developed a conceptual framework for environmental scan for securing finance for real estate project development based on the findings from critical success factors, challenges, and opportunities for securing finance for real estate project development. This framework forms part of the toolkit for securing finance for real estate project development in chapter 10. The next chapter discusses the key decisions and processes for securing finance for real estate project development. It also discusses the development of a process map for securing finance for real estate project development.

# The key decisions and processes for securing finance for real estate project development in developed and emerging economies.

## Introduction

This chapter presents and discusses the findings on the key decisions and processes for securing finance for real estate project development in the developed and emerging economies. It analyses and presents data from both the questionnaire and the semi-structured interviews. This is to fulfil the third objective, “to document the processes and key decisions for securing finance for real estate project development in developed and emerging economies”. The chapter also presents the development of the process map for securing finance for real estate project development based on variables from interviews and questionnaires responses.

## Key decisions and processes for securing finance for real estate project development.

This segment of the study was embarked on with a view to the following:

1. Create a better understanding of the key decisions and processes involved in securing real estate project development finance in developed and emerging economies.
2. Create a platform for developing a process map for securing finance for real estate project development which also forms part of the toolkit for securing finance for real estate project development. (See chapter 10).

The respondents were asked to indicate the key decisions and processes they undertake in securing finance for real estate project development in chronological order for the questionnaire survey. Consequently, this gave them the freedom to express themselves based on the peculiarity of their transaction models. SPSS 21 simplified this analysis by presenting the summary in a tabular format based on the instruction inputted by the researcher. The key decisions and processes for securing real estate project development finance are discussed in two major parts.

1. The aggregate level is based on the output from the questionnaire survey.
2. The dis-aggregate level is based on the key decisions and processes obtained from semi-structured interviews.

### Questionnaire survey analysis and discussion at the aggregate level

The results relating to the key decisions and processes for securing finance for real estate project development is summarised into five major steps based on the information provided by the respondents in the online questionnaire survey. (See table 7.1). The questionnaire survey response was not analysed on a country-by-country basis because of the fragmented nature of the responses.

The findings from the questionnaire show that there are no strictly uniform key decisions and processes adopted by the managers. The decisions and processes described by the respondents are similar and often contain the same elements but, in varying order. The key decision-making processes are in five stages based on the researcher’s summary of the questionnaire responses in the chronological order provided by the respondents. However, these different stages as observed from the data collected, sometimes overlap.

Consequently, the summary of the above five steps identified from the responses to the online questionnaire survey will act as a guide and contribute to the development of the process map for securing finance for real estate project development.

*The managers were asked to indicate the processes they undertake in securing finance for real estate project development in a chronological manner.*

Table 7‑1: Key decisions and processes for securing finance for real estate project development in chronological order based on the questionnaire survey responses.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | **Key decision-making processes for securing finance** | | | | |
| **S/n** | **Stage 1** | **Stage 2** | **Stage 3** | **Stage 4** | **Stage 5** |
| 1 | Identify opportunities for real estate project | Form joint ventures | Undertake feasibility studies | Secure approval for funds | Execute construction |
| 2 | Apply for bank loans | Do a land registry search | Undertake project planning | Secure permission from local authorities | Contact financial companies |
| 3 | Budgeting and planning | Funding source assessment | Financial modelling | Meeting and negotiating with financiers | Selecting financing arrangements |
| 4 | Concept | Submitting plan for finance | Pre-approval | approval | Nil |
| 5 | Exploration & scanning for opportunities | Idea generation, budgeting and assessing risks | Pre-approval and contacting financiers | Secure approval and secure funding | Meet conditions for loan effectiveness & financial management |
| 6 | Exploration & scanning for opportunities in the market | Idea generation | Profit & loss analysis | Budgeting | Identify finance options; prepare the proposal, and get investor approvals |
| 7 | Exploration & scanning for opportunities in the market. Identify finance options and sources | Idea generation, budgeting, accessing risks profile | Pre-approval: contacting financiers & preparing a proposal | Approval: secure funding; conditions for loan effectiveness & financial management | Nil |
| 8 | Exploration of opportunities in the market | Research (market study & project feasibility analysis | Planning (Master planning + financial model) | Pre-approval (contacting financiers + preparing the final proposal | Management final approval |
| 9 | Feasibility and appraisal stage | Brainstorming stage | Budgeting stage | Planning and strategy stage | Financial option and application for finance |
| 10 | Feasibility studies | Land inspection | Source for fund | Acquiring of land and authentication of land papers & proposals | Approval, strategizing and planning |
| 11 | Identifying markets | Identify sites | Underwrite site | Get site under control | Conduct due diligence and approach lender/ equity |
| 12 | Land sourcing | Design of project | Off taker sourcing | Financing | - |
| 13 | Look for property | Proposal for loan | Feasibility study | Inspection of the land or property | Processing of loan |
| 14 | Identify opportunities | Conduct feasibility studies | Determine market capability | Secure design/ approval | Risks assessment, presale assessment, contact financiers, assessment of project plan and profitability, meet conditions for loan & loan approval |
| 15 | Preliminary concept & scheme | Secure site and rights | Secure off -takers agreements (pre-sale/ pre-let agreement) | Finalise concept | Secure debt/ equity |
| 16 | Secure the property | Surveying of land | Feasibility study | Apply for loan | NIL |
| 17 | Acquire property, | Commence construction | Develop a proposal with detailed budgets & schedule with updated market data | Contact banks and private equity investors through the finance team and commence negotiations | Sign agreements & get financed |
| 18 | Idea generation | Feasibility of the project | Identify the finance options | Market analysis & contacting capital investors | Secure funding |
| 19 | Feasibility study | Identifying the finance option | Preparation of budget and engagement of skilful aids | Secure approval | Execution of the project |
| 20 | Exploration and searching for opportunities in the market | Idea generation, planning and identifying risk profile | Lobbying for the approval of facility stage | Approval | Securing facility |
| 21 | Identify viable property development opportunities, i.e. vacant land with all town planning and municipal approval in place for outright purchase or joint ventures | Conducting a preliminary desktop study to test the financial viability using the approved township layouts | Meeting with originating project Professionals to establish the development | Commissioning any outstanding external inputs from project professionals to complete the feasibility studies | Identify sources of finance & negotiate for joint ventures/land availability with property owners to reduce the initial capital outlay and contact financiers |
| 22 | Scan appropriate financiers in the market | Assemble a list of requirements and necessary conditions | Feasibility, budgeting, meet required return expectations & investment decisions | Funding application l | Conclusion of the funding deal |
| 23 | Sourcing & identification of opportunities | Appraisal and analysis | Securing opportunity | Building design and approval initiation | Marketing/ sourcing funds |

The five stages summarised from the questionnaire survey responses, which were given by the respondents, align to a great extent with the RIBA plan of work 2020. The key variables in stage 1 include identifying opportunities, land sourcing, feasibility studies, preliminary concepts and schemes, and identifying markets. The contents of stages 1 and 2 reflect the RIBA 2020 plan of work stages 0 and 1, which is the strategic definition and preparation and briefing (RIBA,2020). The variables in stage 3 of the questionnaire responses have an overlap of the RIBA 2020 plan of work stages 1, 2 and 3. This is because it contains details on the project budget, financial modelling, planning of advice and lobbying for approval of the facility. The variables contained in stages 4 and 5 of Table 7.1 reflects an overlap of the RIBA 2020 plan of work stages 4,5, 6 and 7.

The next segment of this study contains a summary of the findings from the semi-structured interviews.

### Semi-structured interview analysis and discussion at the disaggregate level.

The summary of the key decisions and processes for securing finance for real estate project development based on the semi-structured interviews with managers in the developed and emerging economies is contained in Tables 7.2 and 7.3, respectively. Notably, most of the interviewees understand key decisions and processes to mean the same, and as such, this study will consider it to be so.

*The managers were specifically asked to give some insights into the processes and key decisions they undertake when sourcing finance for real estate project development*.

Table 7‑2: Key findings on the key decision and processes for securing finance for real estate project development in the developed economies based on the semi-structured interviews

|  |  |
| --- | --- |
| Country | **Key decisions and processes** |
| Germany Mgr1 | Specialised traders are used in securing finance for project development and they also do the documentation |
| Germany Mgr2 | * Determine the location of the prospective buyer, whether international or local. * Determine the bank that can best finance the project * Prepare loan request documentation |
| Germany Mgr 3 | * The returns without debt funding are accessed to determine if it will be profitable. There should be an initial development profit of 15% on the cost * Work out the possible risk around the leasing profile * Ensure that the margin does not erode the returns on equity * Analyse the debt and the level of risk to mitigate against any risk in the development phase and avoid getting cash trapped * Assemble the right skill that can execute the project as the financiers will request for this * Delegate preparation of the financials such as cash flows to someone who has the financial skills and who understands how debt can be structured. |
| Germany Mgr 4 | * Gain access to land, and the most significant decision is the decision to either buy a piece of land or not. * Determine if the needed land is for building commercial or residential real estates |
| Germany Mgr5 | * Different lenders are approached for the offer when there is a new project to execute * External advisors and consultants for sourcing debt or existing senior lenders are approached * Different lenders are contacted to choose what they might offer and then decide on the offer based on the LTB or LTC |
| Germany Mgr 6 | * Develop a personal relationship with the lenders. * Enhance hard factors like the track record, having a good reputation and the product pipeline. |
| UK Mgr1 | * Determine the potential cost of the project * Determine the possible profit and decide if the margin is good * If convinced that the project is good, then put in a planning application with the council * The council will take about eight (8) weeks to respond. * The approval from the council authorises you to commence construction * You are also to get in touch with auditors and surveyors who come to sign at the different points in the development as this will mitigate against any structural problem which will invalidate the property and compromise the funds * You make decisions on the location * You make decisions about the amount that will work * Work with the Architects to come up with the design that will sell in the location * You manage the building cost to ensure the cost is as reasonable as possible |
| UKMgr2 | * Appraise available plots * Ascertain the macro-economic condition of the location and determine the demand for the property * Determine the cost of the development * Ascertain the risk and the predictable returns * Identify the land, negotiate a reasonable price, possibly hold the land till a good time if need be and then develop. |
| UK Mgr3 | * A property is identified * The various analysis is undertaken to determine if it is viable * A business plan is put together * Cash flow is provided to support the purchase |
| UK Mgr4 | * Keep sales office in Asia for direct inward investment into the UK * List on the stock market to access finance * Sale of assets to raise additional cash * Usage of the asset as collateral to raise extra cash |
| UK Mgr5 | * Equity returns in line with risk from the start, although these can evolve as the project progresses. Projects follow a four-stage process with the final stage being signing a construction contract. |
| UK Mgr6 | * Buy the land * Obtain planning permission * Go through the process of dealing with local communities and authorities * Bring in the Architects and the contractors to effect the design * Hire people and ensure you have the relevant skills, knowledge, and competences * Sell office space and residential units as the case may be |
| UK Mgr7 | * The internal committee meets to discuss the authorisation of levels of debt and equity. * The internal committee will decide on if it is better to take on more equity of debt * Due diligence procedure is undertaken, and the committee signs off |
| US Mgr1 | * Determine the amount of equity you want to invest in the project * Determine if you will achieve the highest amount of return on the equity or debt * Determine the associated risk * Determine if you need an equity partnership, or you can fund the project on your own. * Determine the type and percentage of partnership or joint ventures * Determine returns threshold * If you decide it is 100% debt, then prepare to meet up with the terms of the debt, i.e. financial covenants and interest rates * Put together documents/memorandums to make the equity partner or debt issuers comfortable with the project. * You will need to answer due diligence questions and get lenders excited about the opportunity. * Negotiate terms and sign a term sheet * Seek legal counsel, and this will entail the legal documentation process. * You work together with third party consultants |
| USMgr2 | * The same processes for accessing traditional bank finance * Understand that banks usually want quick returns |
| USMgr3 | * Decide on the entrance, operations, and exits. * Decide on the goals and objectives of the project, which will help to decide if you are going to develop to sell or you are going to hold on to the property for more years. * Determine the market for the project, whether its small, medium or large market * Decide on a specific prototype * Determine the source of funds * Understand the lender’s criteria |
| USMgr4 | * The processes commence several months before the land is purchased * Different contacts at different banks and equity investors are called and intimated of the proposed project, and funding needs months before construction commences after the purchase of land. The project is described to them in broad general terms to see if they are interested. * Make a presentation describing the project details to the interested debt and equity investors. * The presentation will include the basic outline of the deal and the terms the company is willing to offer. * The interested investors and banks will be narrowed down to three or four whose terms you will put through the company’s financial models. * The negotiation process commences, and then it is eventually narrowed down to one bank and one equity partner. * You get into negotiations with the banks and understand their terms such as tenor and fees * You decide to buy land with either equity or debt or a combination of both * The decision made to use own capital or is it equity partner and the type of ownership whether Joint ventures or others |
| US Mgr 5 | * Balancing of equity: loan ratio for each investment in countries with cheaper interest rates * Need to have sufficient equity. * Need to use leverage in countries where leverage is cheaper |

Table 7‑3: Key findings on the key decision and processes for securing finance for real estate project development in the emerging economies based on the semi-structured interviews.

|  |  |
| --- | --- |
| **Country** | **Key decision-making processes** |
| China Mgr1 | * Put together an investment plan/ an investment case and go to the provider of the funds, whether equity or debt or the combination of both. * The group will then undertake some due diligence, which will entail stress testing on the scenarios set * Determine your capacity to deliver and the capacity of the market to purchase the properties * Determine how quickly the products are sold |
| China Mgr2 | * The manager prepares all the required analyses and documents and then goes through the regulatory authorities to facilitate the bank approval process. * Provide information on the repayment, projected revenue, and why the project is bankable. |
| China Mgr3 | * Balancing of equity loan ratio for each investment |
| China Mgr4 | * In countries in which interest rates are cheaper, more leverage is used |
| China Mgr5 | * If we do not have sufficient equity in our latest fund (for example, if the fund is almost exhausted, then obtain more loans) |
| China Mgr6 | * Balancing equity and loan for each project |
| China Mgr7 | * initial screening with a preliminary view of the project returns and analysis of the market the project is located in is undertaken * prepare an update that outlines the critical governance terms with the partner as negotiated to date and the essential due diligence areas to be undertaken |
| Nigeria Mgr1 | * Inspect the property and do a topography survey. You then negotiate and acquire the property * Do a draft, i.e. comprehensive drawing by the Architect, as it will show the layout of the property and the house type. * You take the draft to the district officer, who looks at the detailed land use and gives you feedback on what to build. * You then come up with a detailed work plan and bill of quantities to assist you in developing your price and market. * The drawing you submitted to the district Officer will be stamped and given to you with a cover letter as approval * Develop an OPM (other people’s money) after acquiring the site for mass housing. * Get approval for development plan * Put the project in the market for buyers * Commence project with funds from those interested in the off-plan sales * Buyers can finish off the project for themselves or mandate you to finish it. * Determine the type of property you want and the class of location. |
| Nigeria Mgr2 | * Do some due diligence. * Take prospective investors to the site. * Determine the source of funding * Negotiate and see the impact on your bottom line * Consummate the transaction * Understand the payback rates and determine the profitability of the project. |
| Nigeria Mgr3 | * The Architect does a feasibility study * The Architect draws the number of houses for the project and makes submissions to the local authority * The business manager does the financials * A proposal is drafted and presented to the financier * Government officials visit the plot and investigate to ensure things work out with the master plan. * Government approval is secured |
| Nigeria Mgr4 | * Write a business plan * Convince private individuals and people with ideal funds * Off takers are secured for the project, and this will ensure there are people to take up the project after building. * The banks are contacted to fund about 20% of the project * The off-takers make a down payment of 50%. * The bank loans are paid off after the off-takers make about 30% down payment. * 100% per cent of building materials are collected based on an initial payment of 40% from the vendors with a post-dated cheque for the balance and a written agreement. * The building materials vendors get the balance of their payment after full payment from the off-takers |
| Nigeria Mgr5 | * Determine the prospective buyers of the project to be developed * Determine the payback period |
| Nigeria Mgr 6 | * Find a project site or location * Determine the feasibility and viability of the project * Do an appraisal to determine the units of housing to be developed * Determine the income through sales or letting of the project * Determine the skills set that will be needed |
| South Africa Mgr 1 | * Determine the market and prospective tenants through market studies * Your market studies will show the viability of the project * Determine the lease profile * Determine the credit risks of the prospective tenant to be sure they will not go bust before full repayment * Determine what it will cost to develop the project |
| South Africa Mgr2 | * Conduct a feasibility study * Provide equity contribution * Request funding from the commercial bank |
| South Africa Mgr3 | * The manager makes decisions about the prospective project location * When the land is identified, the Architects and other professionals will determine the viability by doing a risk analysis. * Once the viability is determined, and the cost is established; the details will be made available to management for approval and the right funds are gotten for the acquisition. |
| South Africa Mgr4 | * Determine the type of development that you want to construct * Conduct a feasibility study or market study which deals with both locational, geographical, type and size of the project * Understanding of the market, the product and the location where the product is to be delivered * Determine if there is a market for a particular product * Test the viability of the market by doing some advertisement and talking with prospective tenants * Ensure that the funders are available in the market * Secure the funds and undertake the construction * Develop the ability to understand the location because financiers are very particular about the location * Understand the different financiers for different types of real estate projects * Look for the pre-sale tenant and pre-sale owners |

The finding from the interviews creates an enhanced understanding of the findings from the survey questionnaire, and it provides greater depth. However, the interviews also show that there are no formal or uniform decisions and processes used by managers in securing finance for real estate project development. The individual decision-making processes are similar but not necessarily in the same order. The responses for both the interviews and questionnaire survey reflects the composition of the RIBA 2020 Plan of work. However, it does not follow the stages of RIBA 2020 in strict order as many of the functions overlap.

Both the interviews and the questionnaire surveys bring out elements on a strategic definition, commercial and technical feasibility, relationship with financiers and all the basic elements necessary for securing finance for real estate project development. However, It does not provide a clear structure of the processes and decisions. Consequently, this study provides a framework (process map) that would give a practical guide for both managers and educators on securing finance for real estate project development ( see chapter 7.5).

## Comparison of processes and key decisions in securing finance for real estate project development in the developed and emerging economies

The decisions and processes for securing finance for managers in both the developed and emerging economies are fundamentally the same. The questionnaire and interview responses show that the key processes and decisions taken by managers in the developed and emerging economies have the same composition with slight variations depending on the size of the company, the exposure of the manager, the contacts of the managers and the country’s specific dynamics. This remarkable similarity arguably is because of global and regional coordination in the financial sector, aiming to make it more secure. These best practices are often communicated through the central banks of each country (Krugman et al., 2010).

## The implication of the findings on the key processes and decisions for securing finance for real estate project development.

The findings from the data collected from both the questionnaire & interviews show that there are no uniform key decisions and processes for securing finance for real estate project development in both the developed and the emerging economies. However, the trends and key decisions and processes appear to be similar. The results indicate that most of the processes overlap for both the developed and emerging economies depending on the individual manager’s mode of operation and the country’s specific dynamics.

When there is an available process to guide the key decisions and processes for securing finance for real estate project development, it creates a uniform guide that will enhance communication, accountability, effectiveness and establish a powerful learning and knowledge management tool. Consequently, this study used information from both the questionnaire surveys and semi-structured interviews of managers in both the developed and emerging economies to develop a process map for securing finance for real estate project development. This process map also forms a part of the toolkit for securing finance for real estate project development (see chapter 10).

## Development of a process map for securing finance for real estate project development.

The process map is one of the components of the toolkit for securing finance for real estate project development in chapter 10.2. The process map provides a sequence of activities to be undertaken to secure finance for real estate project development. It is the sequence of activities that converts inputs to outputs and represents the processes for all stakeholders involved (please see table 7.5.1). This is an original contribution to knowledge as there is no detailed process map for securing finance for real estate project development presently available through a review of the literature.

The process map for securing finance for real estate project development is inspired by the advance work packing for construction projects by Ryan (2017), and the RIBA Plan of work 2020. The process protocol mapping methodology also provided a guide for the development of the process map for securing finance for real estate project development (Wu et al., 2001). The work breakdown structure concept (WBS) was also an inspiration for the development of the process map for securing finance for real estate project development. This is because the WBS ensures clear definition and communication of project scope and provides a platform as a monitoring and control tool (Norman et al., 2008).

Furthermore, Mintzberg’s general model of strategic decision process and theory and methodology of sociotechnical analysis of process mapping techniques helped in the development of a process map for securing finance for real estate project development.

**Mintzberg’s general model of the strategic decision process**

Mintzberg et al. (1976) developed a sequential three-phase model of strategic decision making (SDM). This theory is meant to support managers in strategic decision making by facilitating the actions necessary to achieve the main goals given the scarce resources (Anwar, et al., 2014). The model comprises the identification, development, and selection phases (Aristodemou & Tietze, 2019).

Opportunities and challenges arising from both within and outside the organisation are identified at the identification stage, which will stir up decisional activities. The development phase provides modifications or design behaviours that could lead to alternatives for possible problem areas, and then the final phase, which is the selection phase, narrows the process down to ready-made alternatives and selections which are made based on the evaluation of some feasible options ( Ahmed et al., 2014). Inside each of these three phases are seven (7) routines: recognition, diagnosis, search, design, evaluation, choice, and authorisation. Support routines which are decision, communication and policies, are also contained in each of the phases, including dynamic factors which may be determined ( Lamb et al, 2017).

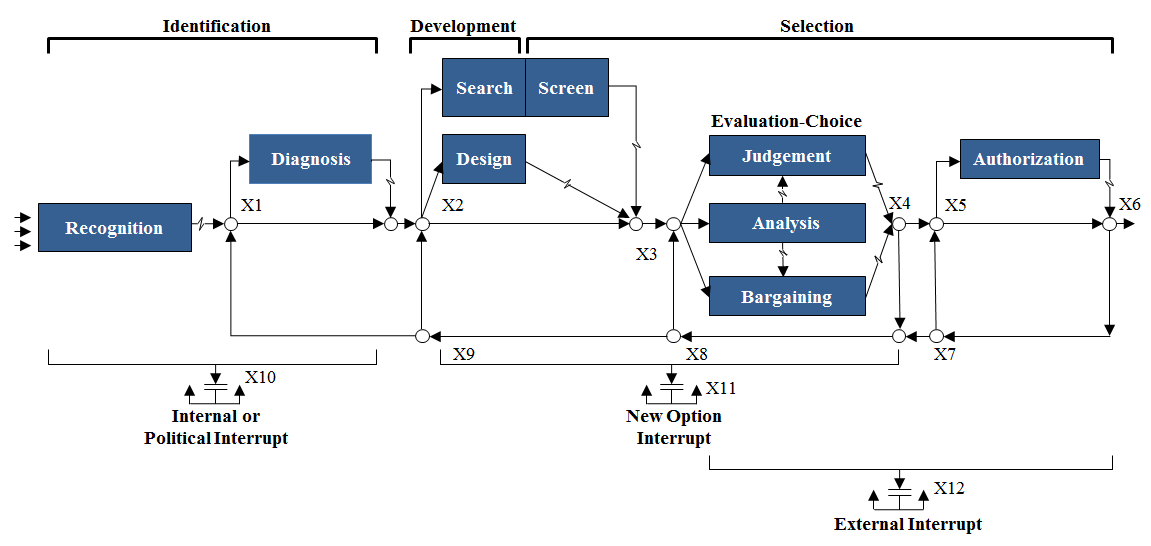


Figure ‑:General model of the strategic decision process by Mintzberg et al (1976)

Source: Lamb et al (2017)

The process map for securing finance for real estate project development brings on-board knowledge of the environment and the organisation by incorporating other aspects of this research which including skills, knowledge of the inventory of finance options and the criteria for securing finance, internal and external environmental scans for real estate project development. All these information were captured through both questionnaire surveys and semi-structured interviews on the decisions and processes for real estate project development.

Mintzberg’s model of the strategic decision process is considered important in developing the process map for securing finance for real estate project development because of the unstructured nature of the variables obtained from both the semi-structured interviews and questionnaire survey (see table 7.2 and 7.3). The variables obtained from the questionnaire and semi-structured interviews, which were essentially the constructs used in the development of the process map are considered unstructured because the decision processes by the different managers are not in the same form. Furthermore, there are no predetermined and explicit sets of ordered responses on the process map to secure finance for real estate project development.

The Mintzberg general model of the strategic decision process was adopted because it shows cases the fact that while strategic decisions may be complex and dynamic, it is possible to give them conceptual structuring (Wilson, 2001). The process map for securing finance for real estate project development in table 7.4 adopts Mintzberg’s general model phases as the processes map is in stages (stage 0 to 4), and this could be likened to the phases in the General model of the strategic decision process by Mintzberg. The different stages of the process map for securing finance for real estate project development have routines that are patterned after the Mintzberg model. These routines are also known as the key decisions and processes for securing real estate project development finance.

The fundamental weakness of Mintzberg’s model visa-vis the process map for securing finance for real estate project development is the ambiguity of Mintzberg’s model. This ambiguity was avoided in developing the process map to enhance acceptability and ease of understanding of the process map by an average manager in the real estate sector. Consequently, the process map did not adopt the intricacies of the breakdown of the supporting routines in Mintzberg’s model. The process map simply aligned the variables gotten from the semi-structured interviews and the questionnaire survey to the phases of identification, development and selection.

This research also applied the socio-technical theory of process mapping techniques in the development of the process map for securing finance for real estate project development, as showed in the next segment.

**Socio-technical systems theory as a process mapping technique**

The process mapping methods are also used in the development of the process map for securing finance for real estate project development. This is because process mapping consists of constructing models that show the relationship between the different activities (Biazzo, 1997). Socio-technical systems design (STSD) methods are approaches to design that consider technical, human, social and organisational aspects of a system together (Baxter & Sommerville, 2010). Socio-technical design is based on the premise that an organisation or a work unit is a combination of social and technical parts that are open to its environment (Appelbaum, 1997). According to the work of Emery & Trist ( 1978 & Trist (1982) as outlined by ( Biazzo 1997), the traditional methodology of sociotechnical analysis is usually in five stages which, are initial scanning, technical analysis, social analysis, analysis of external systems and work system design proposal.

According to Badham et al., 2000, socio-technical systems in contemporary times are used to describe many complex systems, but the characteristics of socio-technical systems are five (Baxter & Sommerville, 2010):

1. Systems should have interdependent parts
2. Systems should adapt to and pursue goals in external environments
3. Systems have equifinality, and this means systems goals can be achieved by more than one means depending on the design choice made during the development.
4. System performance relies on the joint optimisation of technical and social subsystems.
5. Consequently, focusing on one of these systems to the exclusion of the other is likely to lead to degraded system performance and utility.

The process map for securing finance for real estate project development is divided into five stages: stage zero to stage four. Stage 0 has to do with the identification stage. The manager identifies the market/ demand at this stage, decides on the project's location, and makes decisions on whether it is a commercial or retail project (Geltner et al., 2001). The demand for real estate, which is often referred to as the market for real estate is a factor that the manager should assess critically before initiating the financing process. The demand for real estate is fundamental to economic decisions, and the manager needs to gather enough data at this stage to understand the nature of the demand (Mueller, 2002).

Stage 1 is identification phase 2 which is essentially the concept and strategic definition. At this stage, the manager and his team undertake the external and internal environmental scan; determine the skills available to them, and scan for financiers. A detailed environmental scan will enable the manager to assess the strengths, weaknesses, opportunities, and threats the team may face in securing real estate project execution finance. A proper SWOT analysis will enable policies that will mitigate and /or reduce weaknesses and threats as well as enhance strengths and opportunities (Fine, 2009). Stage 1 also enables the managers to do a preliminary assessment of the hard and soft skills available to them and what would be needed. The skills budget will enable the manager to initiate the process of assembling the necessary skills set. Lenders traditionally look at an organisation's skill set in making decisions to either avails them of financing or not (Ogbenjuwa et al., 2018). The manager also scans for financiers at this stage and this could be either debt or equity finance via public or private platforms (Geltner et al., 2001).

Stage 2 is the development stage, which is when the manager and his team develop the feasibility study, consumer relationship and the proposal request for finance. The feasibility study the manager develops at this stage is the legal, commercial and technical feasibility. Development of consumer relationships at this stage entails building relations with off-takers and/or prospective tenants depending on the nature of the real estate. The feasibility study helps the manager and his team prepare to launch and manage their business (Wyckham and Wedley, 1990). Technical feasibility is multi-faceted and could be related to skills acquisition, site-location analysis and customer location. Geographical information systems (GIS) are a very good tool for site location analysis and customer location analysis (Pearson, 2007). The GIS could also support commercial feasibility because it helps to locate future markets to determine where the manager will get the highest market for the real estate project depending on the business objective, which could be profit maximisation or fulfilment of some noble cause such as corporate social responsibility. Overall, the feasibility study will determine the economic/ commercial, legal and technical viability of the project, and it will aid the manager's decisions on whether to proceed with the project or not (Siemieniako & Gebarowski, 2014).

The 3rd stage, also known as the selection stage, entails contacting financiers, obtaining funds, and executing project development. The manager answers the question of optimal capital structure at this stage. At this stage, the manager makes decisions on financiers and the types of finance that should be used for the project. The manager determines the appropriate mix of inside and outside finance, otherwise known as the capital structure, at this stage and contacts and negotiates with financiers (Riddiough, 2004; Squires et al., 2016). The real estate project is developed at this stage, and the deal is closed.

The 4th stage is the final stage, and this is also a feedback stage. At this stage, the manager meets up with the debt and/or equity covenants, pays off debt and sustains relationships with the financiers. Debt/equity covenant violation has great cost and relationship implications for real estate managers; hence, they are expected to make decisions to mitigate against covenants' violations (Dyreng, 2009).

Table 7.5‑1: Process map for securing finance for real estate project development.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Stages | | Routines / Key decisions and processes | | | |
| Stage 0 | Identification phase1 | Identify usage or rental market.  Identify demand/need for real estates.  Make decisions on location. | | | |
| Stage 1 | Identification phase 2 | Concept/Strategic definition  External environmental scan  Scan for Financiers  Determine Skills  Internal environmental scan    Skill  Debt &/ or  Equity decisions  Economic environment  Access to land  Social environment  Knowledge  Cash flow  Cost of finance  Collateral  Political environment  Competences  Liquidity management  Legal environment  Technological environment  Risk assessment & management  Physical Environmental | | | |
|  |  |  |  |  |  |
| Stage 2 | Development | Feasibility report  Develop consumer relationship.  Proposal/ request for finance  Legal feasibility  Provide financial modelling with realistic assumptions.  Off-takers  Commercial feasibility  Tenants  Technical feasibility | | | |
| Stage 3 | Selection | Secure funds  Develop project  Financiers  Evaluate choices of financiers.  Debt & /or equity finance  Close deal  Public or private source of finance  Negotiate | | | |
| Stage 4 | Feedbacks | Pay-off deb/ pay dividends.  Sustain relationship with financiers.  Meet up with debt/equity covenants. | | | |

It is recommended that the manager use the process map for securing finance for real estate project development in an orderly manner. This means that the manager should align their financing decisions in stages from stage 0, then stages 1,2,3 and 4 in that order. However, some of these decisions may overlap, just as is the case with the practical application of the RIBA 2020 plan of work. The sequential order of usage for the process map is to reduce and mitigate the possible risk associated with securing finance for real estate project development. These associated risks could be credit, market, operational risk or compliance risk.

A fundamental weakness of this process map is that it does not have responsible officers for the different levels of decisions. This is because it is meant to be adopted by real estate managers with varying levels of organisation sizes. However, it is recommended that managers delegate the responsibility for the different stages and key decisions and processes to their subordinates depending on their organisation's size.

## Summary

The questionnaire and interviews' findings show that there are no strictly uniformed key decisions and processes for securing finance for real estate project development adopted by the managers in both the developed and emerging economies. The findings also show that the managers consider key decisions and processes as joint decision-making processes, and this position was adopted for the study. The key decisions and processes are similar but not strictly in the same order. Consequently, this study used findings from the survey questionnaires and semi-structured interviews to develop a process map for securing finance for real estate project development, and this also forms part of the toolkit for securing finance for real estate project development in chapter 10. The process map is divided into five major stages, which are stages 0 to 4. Stage zero is the identification stage 1, and it is at this stage, the market is identified, and decisions on the location are made. Stage 1 is the identification stage 2, which is the concept and strategic definition stage. This is the stage when the environmental scan is done, the skills budget is executed, and scanning for financiers is put in place. Stage 2 is the development stage, and this is the stage where technical, legal and commercial feasibility is done. It is also the stage at which a relationship is developed with potential consumers, the proposal is put in place, and a finance request is initiated. Stage 3 is the selection stage, and this is the stage where the financier is selected, negotiations are done, funds are secured, and the project is developed. Stage 4 is the feedback stage, which entails meeting up with debt/ equity conditions, paying off debt and sustaining relationships with financiers.

The process map for securing finance for real estate projects was inspired by the advanced work package for construction projects by Ryan (2017), the RIBA Plan of work 2020, the concept of work breakdown structure (WBS) and the process protocol mapping methodology. Mintzberg's general model of strategic decision and theory and methodology of socio-technical analysis of process mapping techniques also provided a guide for developing the process map for securing finance for real estate project development. The manager’s skills, knowledge and competences for securing finance for real estate project development is discussed in the next chapter.

# Skills, knowledge and competences for securing finance for real estate project development in developed and emerging economies.

## Introduction

This chapter presents and discusses the findings on the manager’s skills, knowledge, and competences for securing finance for real estate project development. The chapter fulfils the first part of the fourth objective which is, “to document the skills, knowledge, and competences that the real estate development manager needs to be successful in securing finance for real estate project development”.

The study of the manager’s skills, knowledge, and competences for securing finance for real estate project development is for the following reasons:

1. To create awareness of the skills, knowledge, and competences that managers need to be able to obtain funding for real estate project development.
2. To provide a platform for training and development on the skills, knowledge and competences managers need to secure finance for real estate project development.
3. To contribute to the development of a toolkit for securing finance for real estate project development.

## Managers skills for securing finance for real estate project development.

A list of twenty-three (23) management skills was presented based on a review of the literature (See chapter 3.8). Respondents were requested to indicate the degree of importance for securing finance for real estate project development, the need for training and education for the present and the need for training and education for the next five (5) years.

The statistical analysis used SPSS 21, and it was discussed in two major parts:

1. The aggregate and disaggregate levels discussed the percentage usage and the mean values of the different management skills for securing finance for real estate project development based on the importance, the need for training for the present and the future.
2. The semi-structured interviews were also analysed to explore the different skills used in both the developed and emerging economies for securing finance for real estate project development.

### Degree of the importance of management skills for securing finance for real estate project development.

#### Questionnaire survey discussion and analysis at the aggregate level

The results relating to the importance of management skills for securing finance for real estate project development are shown in table 8.1. Almost 69% of the survey respondents were of the view that analytical skill is the most important skill for securing finance for real estate project development. This is closely followed by budgeting skills (64%), teamwork (58%), communication (56%) and developing confidence & building relationships (54%). The top 10 very important skills for securing finance for real estate project development have a high concentration of human and financial management skills; this is in line with existing literature which shows that human skills are the prognosticator of managerial effectiveness (Boyatzis, 1982; Ogbenjuwa et al., 2018). However, the skills considered least important in terms of the ranking of “very important” are emotional intelligence (24%), emerging technologies (27%), recognising and using influence (30%) and market liquidity timing (31%). The ranking has a combination of human, technical, conceptual, political and financial management skills. It is in line with the theoretical underpinning of Katz’s three-skill approach and Mumford’s skills model for leadership (see chapter 3.8).

Table 8.2‑1: Degree of the importance of management skills for securing finance for real estate project development.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Skills for securing finance for real estate project development** | **Not important at all** | **Less important** | **Fairly important** | **Important** | **Very important** |
| Percentage (%) | | | | |
| Analytical skill | Nil | 4.2 | 8.3 | 18.8 | 68.8 |
| Budgeting | Nil | 4.4 | 8.9 | 22.2 | 64.4 |
| Commercial awareness | Nil | 2.3 | 14.0 | 37.2 | 46.5 |
| Communication | Nil | 2.2 | 13.3 | 28.9 | 55.6 |
| Critical thinking | Nil | 7.1 | 7.1 | 38.1 | 47.6 |
| Developing and maintaining a cost management system | Nil | 4.3 | 13.0 | 41.3 | 41.3 |
| Developing confidence & building relationships | 2.2 | 6.5 | 10.9 | 26.1 | 54.3 |
| Diplomatic skills and social intelligence | 2.3 | 6.8 | 11.4 | 43.2 | 36.4 |
| Developing a financial forecast and models | Nil | 4.4 | 15.6 | 35.6 | 44.4 |
| Emerging technologies( such as artificial intelligence & machine learning) | 4.5 | 11.4 | 22.7 | 34.1 | 27.3 |
| Emotional intelligence | 2.2 | 8.9 | 26.7 | 37.8 | 24.4 |
| Financial management approach analysis | 2.3 | Nil | 11.6 | 44.2 | 41.9 |
| Identifying and accessing alternative option | 2.3 | 2.3 | 18.6 | 41.9 | 34.9 |
| Interpreting financial data and identifying trends | 4.5 | 4.5 | 13.6 | 31.8 | 45.5 |
| Leadership skill | 4.7 | Nil | 14.0 | 30.2 | 51.2 |
| Market liquidity timing skill | 2.4 | 2.4 | 21.4 | 42.9 | 31.0 |
| Negotiation | Nil | 2.3 | 14.0 | 32.6 | 51.2 |
| Recognising and using influence | 2.3 | Nil | 23.3 | 44.2 | 30.2 |
| Risks management | Nil | 4.8 | 19.0 | 31.0 | 45.2 |
| Specialized industry skill/ construction skill | Nil | 9.3 | 14.0 | 39.5 | 37.2 |
| Strategic planning | Nil | 2.3 | 13.6 | 31.8 | 52.3 |
| Team work | 2.2 | 2.2 | 4.4 | 33.3 | 57.8 |
| Planning and control | Nil | 6.8 | 6.8 | 40.9 | 45.5 |

The mean value is also used to analyse the degree of importance of management skills for securing finance for real estate project development (see table 8.2). The data shows that the overall mean score ranges between 3.7 to 4.48. This means that all the twenty-three management skills are significant and fall within the category of “important”.

Table ‑:Mean scores for Degree of the importance of management skills for securing finance for real estate project development.

|  |  |  |
| --- | --- | --- |
| Degree of the importance of Management skills | Mean score  N=81 | Rank |
| Analytical skill | 4.48 | 1 |
| Budgeting | 4.4 | 2 |
| Teamwork | 4.4 | 3 |
| Communication | 4.38 | 4 |
| Strategic planning | 4.33 | 5 |
| Negotiation | 4.29 | 6 |
| Commercial awareness | 4.29 | 7 |
| Critical thinking | 4.27 | 8 |
| Developing confidence & building relationships | 4.25 | 9 |
| Leadership skill | 4.22 | 10 |
| Planning and control | 4.22 | 11 |
| Financial management approach analysis | 4.2 | 12 |
| Developing a financial forecast and models | 4.17 | 13 |
| Developing and maintaining a cost management system | 4.17 | 14 |
| Risks management | 4.16 | 15 |
| Interpreting financial data and identifying trends | 4.07 | 16 |
| Specialised industry skill/ construction skill | 4.04 | 17 |
| Diplomatic skills and social intelligence | 4.02 | 18 |
| Identifying and accessing the alternative option | 4 | 19 |
| Market liquidity timing skill | 3.98 | 20 |
| Recognising and using influence | 3.98 | 21 |
| Emotional intelligence | 3.72 | 22 |
| Emerging technologies (such as artificial intelligence & machine learning) | 3.7 | 23 |

Not important at all (1), Less important (2,) Fairly important (3), Important(4), Very important(5)

The ranking of the top five skills considered important for securing finance for real estate project development further emphasises the effectiveness of leadership and management is centred on human, technical, financial management and conceptual skills (Katz, 1971, Muthuveloo et al., 2017). It is worth mentioning that budgeting, a technical skill, is considered a financial management skill (Grizzle, 1985; Ogbenjuwa et al., 2018). Despite being considered important, the least ranked skills are market liquidity timing skills, ability to recognise and use influence, emotional intelligence, and emerging technologies such as artificial intelligence and machine learning. A greater analysis of the ranking will be discussed more extensively at the disaggregate levels (see table 8.3). The next segment of the study discusses the importance of the selected skills for securing finance for real estate project development at the disaggregate level. See Appendix 1 table 1.

#### Questionnaire survey discussion and analysis at the disaggregate level.

Appendix 1 table 1 represents the overall mean score and the ranking given by survey respondents in Germany, the UK, the US, China, Nigeria, and South Africa for the degree of importance of management skills for securing finance for real estate project development. The data shows that the mean scores range for the six countries as follows: Germany (5 to 3.33), UK (4.5 to 3.27), US (4.8 to 3.33), China (4.6 to 3.5), Nigeria (4.75 to 3.71) and South Africa (4.67 to 3.56). This means that all the twenty-three skills are significant for securing finance for real estate project development for managers in both the developed and emerging economies because they all fall into the category of important.

However, the top five skills considered important for securing finance for real estate project development in the three developed and emerging economies in this study based on the questionnaire survey are as follows:

|  |  |  |
| --- | --- | --- |
| **Germany:**   1. Developing financial forecast and models 2. Negotiation 3. Commercial awareness 4. Developing and maintaining a cost management system 5. Developing confidence & building relationships | **United Kingdom:**   1. Budgeting 2. Communication 3. Critical thinking 4. Analytical skill 5. Commercial awareness | **United States:**   1. Interpreting financial data and identifying trends 2. Developing financial forecast and models 3. Planning and control 4. Financial management approach analysis 5. Negotiation |
| **China:**   1. Teamwork 2. Analytical skill 3. Negotiation 4. Communication 5. Strategic planning | **Nigeria:**   1. Budgeting 2. Leadership skill 3. Critical thinking 4. Planning and control 5. Developing financial forecast and models | **South Africa:**   1. Negotiation 2. Teamwork 3. Developing confidence & building relationships 4. Developing and maintaining a cost management system 5. Planning and control |

The top-ranked skills for both the developed and the emerging economies show a blend of human, technical, conceptual, political, and financial management skills, and this is in line with existing literature on management skills (Boyatzis, 1982; Ogbenjuwa et al.,2018 and IPMA,2015). Teamwork and negotiation have a high ranking of importance in China and South Africa. While negotiation has a top ranking in Germany. Conversely, emerging technology and emotional intelligence have a low ranking in all the countries in this study.

The next segment of the study elaborates on the need for training and education for management skills to secure finance for real estate project development based on the survey responses.

### The degree of need for training and education for management skills for securing finance for the present

#### Questionnaire survey discussion and analysis at the aggregate level

The results relating to the need for training and education for the present job at the aggregate level regarding management’s skills for securing finance for real estate project development are shown in table 8.4. Almost 65% of the survey respondents are of the view that they “highly needed training and education in analysis skills”. This is closely followed by teamwork skills (47%), planning and control (45%), developing confidence & building relationships (42%) and leadership (42%). The study undertaken by Mumford et al. (1987) has analytical skills and long-term planning as two of the managerial skills directors perceive as important. Therefore, it is understandable that managers in this study considered analytical and planning and control skills as two of the highly ranked skills they need training to secure finance for their present jobs.

However, the survey respondents signified they need the least training and education on their present jobs for diplomatic skills & social intelligence (27%), followed closely by identifying and accessing the alternative option (25%), recognising, and using influence (24%), market liquidity timing skills (22%) and emotional intelligence (19%). Greater depth to understanding the disparity in need for training need for these skills will be provided at the disaggregate level (see chapter 8.2.2.2).

Table ‑: The degree of need for training and education for management skills for securing finance for the present

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Management skills | Not needed | Less needed | Needed | Very needed | Highly needed |
| Percentage (%) | | | | |
| Analytical skill | Nil | 4.4 | 8.9 | 22.2 | 64.4 |
| Teamwork | 2.6 | 5.3 | 18.4 | 26.3 | 47.4 |
| Planning and control | 5.3 | 5.3 | 23.7 | 21.1 | 44.7 |
| Developing confidence & building relationships | 5.3 | 7.9 | 21.1 | 23.7 | 42.1 |
| Leadership skill | 5.6 | 5.6 | 25 | 22.2 | 41.7 |
| Commercial awareness | 5.3 | 10.5 | 18.4 | 26.3 | 39.5 |
| Financial management approach analysis | 5.4 | 5.4 | 32.4 | 18.9 | 37.8 |
| Communication | 7.9 | 5.3 | 28.9 | 21.1 | 36.8 |
| Interpreting financial data and identifying trends | 10.5 | 7.9 | 23.7 | 21.1 | 36.8 |
| Risks management | Nil | 13.5 | 29.7 | 21.6 | 35.1 |
| Developing and maintaining cost management system | 2.6 | 13.2 | 28.9 | 21.1 | 34.2 |
| Developing financial forecast and models | 5.3 | 7.9 | 26.3 | 26.3 | 34.2 |
| Budgeting | 7.9 | 13.2 | 28.9 | 18.4 | 31.6 |
| Emerging technologies (such as artificial intelligence & machine learning) | 5.1 | 10.3 | 33.3 | 20.5 | 30.8 |
| Specialized industry skill/ construction skill | 5.6 | 11.1 | 25 | 27.8 | 30.6 |
| Strategic planning | 2.8 | 5.6 | 38.9 | 22.2 | 30.6 |
| Negotiation | 5.4 | 2.7 | 24.3 | 37.8 | 29.7 |
| Critical thinking | 5.6 | 5.6 | 27.8 | 33.3 | 27.8 |
| Diplomatic skills and social intelligence | 5.4 | 5.4 | 40.5 | 21.6 | 27 |
| Identifying and accessing alternative option | 5.6 | 13.9 | 27.8 | 27.8 | 25 |
| Recognising and using influence | 8.1 | Nil | 40.5 | 27 | 24.3 |
| Market liquidity timing skill | 8.3 | 5.6 | 30.6 | 33.3 | 22.2 |
| Emotional intelligence | 5.4 | 16.2 | 40.5 | 18.9 | 18.9 |

The mean score was also used to determine the survey respondents' ranking on the need for training and education on their present jobs for skills for securing finance for real estate project development at the aggregate level. The data shows that the mean score ranges from 4 to 3.21. This means that managers who responded to the survey need training and education for all the twenty-three skills but with a varying degree of need at the aggregate level (see table 8.2.4).

Table ‑: Mean scores for Degree of need for training and education for management skills for securing finance for real estate project development. at the aggregate level

|  |  |  |
| --- | --- | --- |
| Skills | Mean score  N=81 | Rank |
| Teamwork | 4 | 1 |
| Strategic planning | 3.9 | 2 |
| Planning and control | 3.87 | 3 |
| Analytical skill | 3.81 | 4 |
| Leadership skill | 3.79 | 5 |
| Developing confidence & building relationships | 3.78 | 6 |
| Commercial awareness | 3.75 | 7 |
| Negotiation | 3.74 | 8 |
| Financial management approach analysis | 3.72 | 9 |
| Risks management | 3.72 | 10 |
| Developing a financial forecast and models | 3.7 | 11 |
| Communication | 3.65 | 12 |
| Developing and maintaining a cost management system | 3.65 | 13 |
| Specialised industry skill/ construction skill | 3.63 | 14 |
| Emerging technologies( such as artificial intelligence & machine learning) | 3.61 | 15 |
| Critical thinking | 3.61 | 16 |
| Interpreting financial data and identifying trends | 3.58 | 17 |
| Recognising and using influence | 3.54 | 18 |
| Diplomatic skills and social intelligence | 3.51 | 19 |
| Market liquidity timing skill | 3.5 | 20 |
| Budgeting | 3.45 | 21 |
| Identifying and accessing the alternative option | 3.45 | 22 |
| Emotional intelligence | 3.21 | 23 |

Not needed(1), Less needed(2), Needed (3), Very needed(4) & Highly needed(5)

Teamwork skills ranked number 1 entail a genuine ability to work cooperatively with others, facilitating group management, conflict resolution, and motivating others. In the same light analytical skills will enable the manager to anticipate, make adequate plans and see the consequences and implications of his actions (Spencer and Spencer, 1993). The manager with good teamwork skills will be able to lead effectively, hence the indicated need for training and education. Teamwork, strategic planning, planning and control, analytical and leadership skills are all interrelated.

#### Questionnaire survey discussion and analysis at the disaggregate level.

Comparisons were made between responses from managers in the three developed and three emerging economies covered in this research to ascertain the skills for securing finance for real estate project development that the managers need training and education for in their present jobs. See appendix 1 table 2.

The range of the mean values for Germany (3 to 1.5), UK (3.89 to 2.5), US(3.33 to 2.33), China (3.56 to 2.44), Nigeria (4.25 to 3.18) and South Africa (4.43 to 3.5). The range of the mean scores shows that the managers in five out of the six countries need training and education on all the twenty-three skills for their present jobs. Managers in Germany indicated they do not need training and education on their current jobs for diplomatic skills & social intelligence and recognising and using influence. However, the top five skills for which the managers indicated they need training in all the six countries are as follows:

|  |  |  |
| --- | --- | --- |
| **Germany**   1. Emerging technologies( such as artificial intelligence & machine learning) 2. Critical thinking 3. Risks management 4. Developing financial forecast and models 5. Developing and maintaining a cost management system | **UK**   1. Strategic planning 2. Specialised industry skill/ construction skill 3. Planning and control 4. Teamwork 5. Commercial awareness | **US**   1. Interpreting financial data and identifying trends 2. Financial management approach analysis 3. Analytical skill 4. Budgeting 5. Teamwork |
| **China**   1. Analytical skill 2. Teamwork 3. Strategic planning 4. Negotiation 5. Critical thinking | **Nigeria**   1. Leadership skill 2. Planning and control 3. Teamwork 4. Developing confidence & building relationships 5. Financial management approach analysis | **South Africa**   1. Developing confidence & building relationships 2. Analytical skill 3. Negotiation 4. Identifying and accessing the alternative option 5. Commercial awareness |

### The degree of need for training and education for management skills for securing finance for the future (next five years)

#### Questionnaire survey discussion and analysis at the aggregate level

The results relating to the degree of need for training and education for the future (next 5years) concerning skills managers' need to secure finance for real estate project development are contained in table 8.2.5.

The data proves that the skills for which training and education is most needed for the future is teamwork (53%). Teamwork is seen as the most vital managerial skill amongst technical professionals because most tasks are done in teams or involve coordinating other areas (Spencer and Spencer,1993). This is closely followed by analytical skills (48.7%), planning and control (48.6), leadership skills (41.2%) and developing and maintaining a cost management system (40.5%). However, the skills managers indicated they would need the least training and education at the aggregate level are recognising and using influence (19.4%) and emotional intelligence (18.9%).

Table ‑: The degree of need for training and education for management skills for securing finance for the future (next five years)

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Skills for securing finance for real estate project development | Not needed | Less needed | Needed | Very needed | Highly |
| Percentage (%) | | | | |
| Analytical skill | 2.6 | 12.8 | 30.8 | 5.1 | 48.7 |
| Budgeting | 5.7 | 11.4 | 34.3 | 14.3 | 34.3 |
| Commercial awareness | 5.4 | 8.1 | 24.3 | 27.0 | 35.1 |
| Communication | 8.3 | 2.8 | 19.4 | 30.6 | 38.9 |
| Critical thinking | 5.7 | 8.6 | 20.0 | 34.3 | 31.4 |
| Developing and maintaining a cost management system | 8.1 | 8.1 | 32.4 | 10.8 | 40.5 |
| Developing confidence & building relationships | 5.4 | 8.1 | 16.2 | 29.7 | 40.5 |
| Developing financial forecasts and models | 5.4 | 13.5 | 24.3 | 21.6 | 35.1 |
| Diplomatic skills and social intelligence | 5.6 | 8.3 | 33.3 | 16.7 | 36.1 |
| Emerging technologies (such as artificial intelligence & machine learning) | 2.7 | 8.1 | 29.7 | 18.9 | 40.5 |
| Emotional intelligence | 5.4 | 10.8 | 43.2 | 21.6 | 18.9 |
| Financial management approach analysis | 5.6 | 5.6 | 30.6 | 22.2 | 36.1 |
| Identifying and accessing alternative option | 5.6 | 11.1 | 27.8 | 33.3 | 22.2 |
| Interpreting financial data and identifying trends | 8.1 | 5.4 | 29.7 | 24.3 | 32.4 |
| Leadership skill | 8.8 | 5.9 | 23.5 | 20.6 | 41.2 |
| Market liquidity timing skill | 11.4 | 5.7 | 28.6 | 31.4 | 22.9 |
| Negotiation | 8.3 | Nil | 22.2 | 38.9 | 30.6 |
| Recognising and using influence | 8.3 | Nil | 44.4 | 27.8 | 19.4 |
| Risks management | Nil | 2.8 | 38.9 | 19.4 | 38.9 |
| Specialized industry skill/ construction skill | 2.8 | 5.6 | 38.9 | 22.2 | 30.6 |
| Strategic planning | Nil | 2.7 | 35.1 | 29.7 | 32.4 |
| Team work | 2.8 | 2.8 | 22.2 | 19.4 | 52.8 |
| Planning and control | 5.4 | 10.8 | 18.9 | 16.2 | 48.6 |

The study also investigated the degree of training and education for management skills for

securing real estate project development finance for the future (next 5years) using the mean

scores. The mean scores for the twenty-three skills in the study ranged from 4.22 to 3.32

and this means that the managers have a significant need for training and education on all

the twenty-three skills ( see table 8.2.6).

Table 8.2‑6: Mean scores for Degree of need for training and education for management skills for securing finance for real estate project development for the future at the aggregate level

|  |  |  |
| --- | --- | --- |
| Skills | Mean score  N=81 | Rank |
| Teamwork | 4.22 | 1 |
| Analytical skill | 3.80 | 8 |
| Planning and control | 3.87 | 3 |
| Leadership skill | 3.74 | 11 |
| Developing and maintaining a cost management system | 3.63 | 16 |
| Developing confidence & building relationships | 3.84 | 5 |
| Emerging technologies( such as artificial intelligence & machine learning) | 3.84 | 6 |
| Communication | 3.84 | 7 |
| Risks management | 3.89 | 2 |
| Diplomatic skills and social intelligence | 3.65 | 15 |
| Financial management approach analysis | 3.76 | 10 |
| Commercial awareness | 3.74 | 12 |
| Developing financial forecasts and models | 3.63 | 17 |
| Budgeting | 3.56 | 19 |
| Interpreting financial data and identifying trends | 3.63 | 18 |
| Strategic planning | 3.87 | 4 |
| Critical thinking | 3.69 | 14 |
| Negotiation | 3.78 | 9 |
| Specialised industry skill/ construction skill | 3.70 | 13 |
| Market liquidity timing skill | 3.47 | 22 |
| Identifying and accessing the alternative option | 3.51 | 20 |
| Recognising and using influence | 3.49 | 21 |
| Emotional intelligence | 3.32 | 23 |

Not needed (1), Less needed (2), Needed (3), Very needed (4) Highly needed (5)

#### Questionnaire survey discussion and analysis at the disaggregate level

A comparison of responses from the six countries' managers concerning the need for training and education for skills for securing finance for real estate project development for the future (next 5 years) is contained in appendix 1 table 3. The mean score ranges are Germany (3 to 1), UK (3.67 to 2.56), US(3.67 to 2), China (3.67 to 2.56), Nigeria (4.25 to 3.25) and South Africa (4.57 to 3.38). The ranges show a significant need for training and education for all the twenty-three skills in all of the countries apart from Germany. Managers in Germany indicated they did not need training and education for strategic planning, leadership, negotiation, planning and control, diplomatic intelligence, market liquidity timing, recognising and using influence, communication and developing & building relationships.

However, the top five skills which managers indicated they needed training and education for future use in securing finance for real estate project development are as follows:

|  |  |  |
| --- | --- | --- |
| Germany   1. Emerging technologies( such as artificial intelligence & machine learning) 2. Analytical skill 3. Interpreting financial data and identifying trends 4. Developing and maintaining a cost management system 5. Specialised industry skill/ construction skill | UK   1. Strategic planning 2. Interpreting financial data and identifying trends 3. Developing confidence & building relationships 4. Financial management approach analysis 5. Specialised industry skill/ construction skill | US   1. Interpreting financial data and identifying trends 2. Developing and maintaining a cost management system 3. Financial management approach analysis 4. Emerging technologies( such as artificial intelligence & machine learning) 5. Analytical skill |
| China   1. Teamwork 2. Strategic planning 3. Emerging technologies( such as artificial intelligence & machine learning) 4. Analytical skill 5. Negotiation | Nigeria   1. Teamwork 2. Communication 3. Planning and control 4. Risks management 5. Leadership skill | South Africa   1. Developing confidence & building relationships 2. Analytical skill 3. Communication 4. Teamwork 5. Negotiation |

### Relationship between the level of management and the degree of importance of management skills for securing finance for real estate project development.

Appendix 1 table 4 shows that there is a significant positive correlation between the level of management and some skills considered important for securing finance for real estate project development. This indicates that the lower the management level, the more they consider skills such as risks management, budgeting, planning and control, and market liquidity timing as important for securing finance for real estate project development. However, the findings show no significant relationship between management level and skills such as negotiation, developing financial forecast and models and commercial awareness.

The next segment of this study shows the findings on managers skills for securing finance for real estate project development based on the semi-structured interviews.

### Semi-structured interview analysis and discussion at the disaggregate level

The semi-structured interview helps provide more information on the skills for securing finance for real estate project development in addition to the information from the survey questionnaire. It does this by providing answers to the underlisted questions which were answered by real estate managers in both the developed and emerging economies:

1. What specific skills do you have that facilitates your ability to secure finance for real estate project development?
2. What skills do you need for securing finance for real estate project development that you do not presently have?
3. Which of the skills that you do not have would you want to acquire through training & education?

The summary of responses to these questions by managers in both the developed and emerging economies is contained in tables 8.2.7 and 8.2.8, respectively.

Table ‑: Summary of semi-structured interviews on skills for securing finance for real estate project development in the developed economies.

|  |  |  |  |
| --- | --- | --- | --- |
| **Country** | **Skills the mgr. presently have for securing real estate project development finance** | **Skills mgrs. do not presently have** | **Skills for which mgrs. want training & education to acquire** |
| Germany mgr. 1 | Global networking, delivering skills, a man of his word, access to buyers and investors and marketing skills | None | None |
| Germany mgr2 | Skilled at the understanding of what financiers require for different classes of assets and some foreign language skills, | Foreign languages, Mandarin | Foreign language skills, Mandarin |
| Germany mgr. 3 | Delivering on project development, presentation of a project to the bank & financiers, finance skills, relationship with banks, understanding of risks banks are willing to take, hedging skills and negotiation skills | None | None |
| Germany mgr4 | Multi-lingual, architectural skills, finance skills, legal and creativity skills | None | None |
| Germany mgr. 5 | An understanding of loan contract; an understanding of what lenders look for in terms of structure, security, pricing & covenants; knowledge of options for structuring debt | Skills for acquiring a bigger network of lenders | None |
| Germany mgr6 | Being good at the job, track record, reliability, knowing lots of people and building relationships and grounded business relationship | Economics | Real estate business |
| UK mgr. 1 | Finance skills, selling skills and specialized professional skills | Design skills and gardening skills | None |
| UK mgr2 | Skills at being able to identify the right land opportunities, identifying the right land that is for sale at a reasonable price, skills at knowing when to commence building, expertise in building efficiently, selling skills, skills at buying property at the right time, skills of purchasing land at the right price, appraisal of available plots of land, land purchasing skills and monitoring skills. | skills at minimising the risk of rent-free periods and land appraisal skill | None |
| UK mgr3 | Diligence and relationship with prospective tenants | None | None |
| UK mgr4 | Ability to explain the company’s vision, communication skills and being able to communicate information passionately without being emotional, contact keeping, teaming, sales negotiation, ability to show due diligence and analytics skill | Strong analytical skill and skills at using up to date technology for looking up big data to make a better longer-term informed decision | Strong analytical skills and skills at using up to date technology for looking up big data to make a better longer-term informed decision |
| UK Mgr5 | Strong finance and corporate governance background | More understanding of the regulatory framework | More knowledge of the regulatory framework |
| UK mgr6 | Ability to ask questions and listen to clients, ability to study the sector, ability to take information from clients and putting it in a simplified format for easy understanding for financiers, enthusiasm; ability to improve the company’s profile in the market by using the internet, LinkedIn and Facebook and real estate specialist skills | Skills at making legal inputs and specialised IT networking skills | Specialised IT networking skills |
| UK mgr7 | Value admission and appraisal techniques, understanding of numbers and cash flows, ability to appraise and scenario test different outcomes, negotiation, people skill, confidence, ability to write well, to report, question-asking skills, analysing skills, learning skills, confidence, ability to keep pace with evolving laws and regulations, | None | None |
| US mgr1 | Being able to put together finance models, analytical skills, persistence, marketing and sales, diligence, interpersonal skills, client management skills, lenders management skills and ability to anticipate questions, | Anticipating questions, a greater understanding of financial books and skills at understanding legal agreement | Informal legal and accounting training |
| US Mgr2 | Relationship building, analysing potential opportunities and data analytics | Data analytics, TIS mapping and prop-tech mapping | Data analytics, TIS mapping and Prop-tech mapping |
| US mgr3 | Skills at timing deals, skills at knowing how the contract runs, knowing how the contract should be staffed and management skills | Management | None |
| US mgr4 | Financial modelling, comparing scenarios, skills at reading through joint venture documents & understanding them and relationship management skills | Rolodex (networking), modelling waterfalls for JV deals. | Waterfalls, financial modelling |
| US mgr. 5 | Good modelling skills | None | None |

Table 8.2‑8: Summary of semi-structured interviews on skills for securing finance for real estate project development in the emerging economies.

|  |  |  |  |
| --- | --- | --- | --- |
| **Country** | **Skills the mgrs. presently have for securing real estate project development finance** | **Skills mgrs. do not presently have** | **Skills for which mgrs. want training & education to acquire** |
| China mgr. 1 | Skills at putting together investment cases and approaching providers of funds, stress-testing on scenarios, ability to do a vigorous analysis of the market and explain concisely what is believable, marketing, corporate real estate and real estate development | None | None |
| China mgr2 | Financial element skills, financial analysis skills, ability to make project analysis, business development & why it is bankable, ability to analyse financial occupidity, business development skills, ability to manage the team and all stakeholders, project planning, project finance & infrastructure | Ability to understand risks and how to assess them | Bankable project proposals |
| China mgrs. 3 | Excellent modelling skills, ability to accurately estimate returns & present to potential investors/lenders, ability to estimate essential factors such as the amount of equity and debt financing required using the model | None | None |
| China mgr4 | Modelling skills and ability to determine the financial need of the company | None | None |
| China Mgr5 | Modelling skills | None | None |
| China mgr6 | Modelling skills | None | None |
| China mgr7 | Transactor skills | Asset management, development management and technical aspect of development | None |
| Nigeria mgr1 | Relationship management skills, marketing skills, communication skills, ability to take the risk, monitoring skills, supervision & control skills | Town planning skills and persuasion skills | Town planning skills, persuasion skills |
| Nigeria mgr2 | Financial structuring, profit at the bottom of the pyramid, strategic thinking, ability to lobby, ability to network and ability to connect to people on an emotional level | Innovative thinking | None |
| Nigeria mgr3 | Marketing, project management, design management and proposal preparation | Safety | Safety |
| Nigeria mgr. 4 | Integrity and technical skills | Ability to attract financiers from abroad | Ability to attract financiers from abroad |
| Nigeria mgr. 5 | Technical skills, integrity & diversity | None | None |
| Nigeria mgr. 6 | Training as a listed surveyor, an understanding of other professionals in the field, being able to understand the life of a building, planning, presentation skills and graphics skills | Market analysis | Market analysis |
| South Africa mgr1 | Ability to service debt, the ability to pay back debt, an understanding of the project to be developed, technical skills and political skills, | None | None |
| South Africa mgr2 | Ability to package the application for funding, ability to minimise & mitigate against risk, relationship with financiers and interpersonal skills, | None | None |
| South Africa mgr3 | Investment and finance, | Enhanced finance skills | Enhanced finance skills |
| South Africa mgr4 | Ability to put the team together ability to do feasibility, ability to pre-let/sell for development, ability to structure package & funding proposal, ability to deliver on the development, i.e. to construct and ability to manage development after construction. | Construction | None |

Some managers interviewed in both developed and emerging economies claim it is essential to be skilled at understanding what the financiers require for different asset classes before approaching them. However, some of them agreed that they do not have some skills set but would outsource some things they cannot do themselves and hence may not require further training to acquire those skills. This position is reflected in the excerpts below.

*“It is of great importance to understand what the financing institutions want from you and being able to make an application very much from their perspective” - South African Mgr 2.*

*“….as a manager, you will need to understand the calculation of the banks and how they derive them”- Germany Mgr 3*

Some managers interviewed in the United Kingdom asserted that although skills are important, they do not take the place of reputation and experience. They believe banks in Europe deal with them because of the contracts, diligence, experience, and reputation, and that these fundamental factors, in addition to skills, lead to access to finance.

However, managers in Germany believe that skills in foreign languages are very important because of the diversity of people from different nationalities that come to invest in the German real estate market. Investors come into Germany from China, Arab countries and other parts of the world to transact. Consequently, the ability to speak multiple languages will enhance market share with prospects of better funding, ultimately building a good clientele base and access to finance.

UK Mgr4, whose career path includes the technology sector, explicitly said he would need enhanced technology skills, which will enable him to look at big data and make long-term decisions. This technology is to help him gather information on property purchase values, demographics of individuals, details of where people are migrating to, etc. This information is to help predict where to buy and where to build, and at what price.

A salient point made by managers in the UK is the need for the manager involved in financing decisions in the real estate sector to have real estate specialist skills. These specialist skills are excellent selling points for the manager in the eye of the financiers. It entails an understanding of the geography, location and the kind of building that fits that location. Furthermore, this includes an understanding of the sufficiency of the size of the plot, the height and the dimensions of the building.

South African managers believe that much of the opportunity to generate finance for project development lies in the balance sheet and the relationship you have been able to create with the financier over the years. They also believe that experience, a professional team, and a good track record with the financiers are essential to access finance for project development. They think, however, that there is an imbalance in the skills set in South Africa.

*“There is an imbalance in the skills set for real estate in South Africa, and it is because some institutions that do property studies only started up in the last five years and only a few institutions do property studies” - (South Africa Mgr4).*

Managers interviewed in Nigeria argued that it is not a skills problem affecting their access to finance but an outright lack of availability of finance or lack of financiers. UK mgr1 argued that it is difficult for him or anyone manager to have all the necessary skills. He recommended working with other professionals such as architects, designers, etc., even if the project is his idea. Being an ex-finance manager in an investment bank's property sector, he asserts that the financiers look at the team, which should be a composite of skilled professionals.

Some managers, especially in the developed economies, did not agree that lacking major skills for securing finance for project development was a problem because they argue that they work with other professionals in their team. However, a few agree that there is a need for an enhanced ability to understand the risks of the rent-free period in order not to take up positions that could mitigate against it. They said rent-free periods are not acceptable to institutional investors. Some managers need the training to understand the appraisal of available plots of land as this will reduce the total construction cost and enhance the speed of sales. Furthermore, some of the interviewees identified that a good real estate development firm should have a good land purchasing team as it ultimately enhances the maximization of profits and makes the firm attractive to financiers.

The different managers’ positions on skills for securing finance for real estate project development aligns with existing literature. It also incorporates findings from the questionnaire surveys (see chapter 3).

### Comparison of skills for securing finance for real estate’s development in the developed and emerging economies.

The survey questionnaire findings demonstrate that all of the selected twenty-three skills are considered important for securing finance for real estate project development in both the developed and emerging economies. The data also revealed a need for training and education for all the skills for both the present work managers do concerning real estate project development and for the future. However, the degree of importance and the need for training and education for the present and future varies in the six different countries (see Chapter 8.2.1.2, 8.2.2.2 & 8.2.3.2). Notably, the ranking of the different countries' skills do not demarcate skills used in developed countries as different from the emerging economies. However, the top-ranked skills show a blend of human, technical, conceptual, political, and financial management skills for all the countries.

The semi-structured interviews' findings emphasise some skills already picked up from the survey questionnaire and brought on board some new skills. Some skills that managers in both the developed and emerging economies have in common, based on the semi-structured interviews, include the following:

1. Analytical skills
2. Selling/ Marketing skills
3. Relationship management
4. Monitoring skills

However, their differing skills include the following –

**Developed economies:**

1. Ability to improve your profile in the market by using the internet, LinkedIn and Facebook
2. Financial modelling
3. Foreign language skills / Multi-lingual
4. Global networking
5. Hedging skills

**Emerging economies:**

1. Ability to connect to people on an emotional level
2. Ability to lobby
3. Integrity & diversity
4. Technical skills

### Implication the findings on skills for securing finance for real estate project development in the developed and emerging economies.

The findings show that the managers in the real estate sector of both developed

and emerging economies have an assortment of skills that help them in securing

finance for real estate project development. These skills that these managers have are

a mixture of human, technical, conceptual, political, and financial management

and this is in line with existing literature (see chapter 3.8).

However, the findings also show that some managers do not have some salient skills to secure finance for real estate project development. Notably, some of these managers would want to be trained to acquire these skills, while a few would rather pay contractors who already have the skills sets needed. This study developed a skills conceptual framework that is an inventory of skills for securing finance for real estate project development. This forms part of the tool kit for securing finance for real estate project development. This inventory of skills is to guide the managers involved in securing finance for real estate project development and act as a training and development guide. The conceptual skills framework/inventory of skills for securing finance for real estate project development is made up of findings from both the questionnaire surveys and semi-structured interviews. It is divided into five major skills: human, technical, conceptual, political, and financial management skills. The framework is inspired by several authors, which include Boyatzis (1982), Katz (1971), Egbu (1992), IPMA (2015), APM competency framework and a host of other authors (see chapter 3.8). However, the variables used in the development of the framework are from both the interviews and the questionnaire survey responses ( see table 8.2.9).

Table ‑: Framework/ Inventory of management skills for securing finance for real estate project development

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Human skills** | **Technical skills** | **Conceptual skills** | **Political skills** | **Financial management skills** |
| Ability to anticipate questions | Ability to identify the right Land opportunities | Analytical abilities | Ability to improve the company's profile through LinkedIn, Twitter & Facebook (virtual skill) | Budgeting |
| Ability to ask questions & listen to clients | Ability to incorporate finance models | Creativity | Apparent sincerity | Commercial awareness |
| Communication | Ability to package the application for funding | Critical thinking | Diplomatic skills | Cost-benefit analysis |
| Diligence | Ability to put in place a feasibility study | Information literacy | Global networking & ability to attract international financiers | Debt management |
| Emotional intelligence | Ability to package & structure funding proposal | Innovative thinking | Interpersonal influence | Debt servicing ability |
| Integrity | Analytical skills | Planning & control | Knowing people and building relationships | Developing financial forecast & models |
| Interpersonal skills | Corporate governance | Risk management | Network ability | Finance skills |
| Leadership skills | Data analytics | Strategic planning | Positive impression management | Financial management approach analysis |
| Negotiation skills | Emerging technologies (such as artificial intelligence & machine learning) | Strategic thinking | Positive impression management | Financial modelling, stress testing & comparing scenarios |
| Persuasion skills | Identifying trends & accessing alternatives |  | Recognising & using influence | Fiscal impact analysis |
| Relationship management | land purchasing & appraisal skill |  | Relationship with financiers | Hedging skills |
| Reliability | Legal skill |  | Relationship with tenants & prospective tenants | Investment |
| Teamwork | Management skills |  | Self-awareness | Market liquidity timing |
| Understanding foreign languages/ Multilingual  Understanding diversity | Market analysis |  | Social intelligence  Ability to connect to people on an emotional level  Ability to lobby | Presentation of a project to banks & other financiers |
|  | Modelling skills |  |  | Skills at putting together investment case and approaching providers of funds |
|  | Monitoring skills |  |  | Understanding of loan contracts |
|  | Project delivering skills |  |  | Understanding of options for structuring debt |
|  | Risks management |  |  | Understanding of what lenders look out for in terms of structure, security, pricing & covenants |
|  | Rolodex (networking) and modelling for Joint venture deals |  |  | Understanding the requirements of financiers for different classes of assets |
|  | Sales / Marketing skills |  |  | Understanding the risk banks are willing to take |
|  | Skills at accessing property buyers & investors |  |  |  |
|  | Specialised industry skills |  |  |  |
|  | Supervision and control |  |  |  |
|  | TIS mapping & prop-tech mapping |  |  |  |
|  | Town planning skills |  |  |  |
|  | Understanding of regulatory framework |  |  |  |
|  | Understanding of the project to be developed |  |  |  |

The interplay of human, technical, conceptual, political, and financial management skills is essential for the real estate manager to secure finance for project development based on the findings. This management skills framework for securing finance for real estate project development is a conceptual model which forms part of the tool kit for securing finance for real estate project development (see chapter 10). It is recommended that managers in both the developed and emerging economies use the inventory of skills to build their skills sets to enable them better access to finance for real estate project development.

## Management’s knowledge for securing finance for real estate project development.

A list of 17 management knowledge associated with finance was presented based on a review of the literature (See chapter 3.8). Respondents were requested to indicate the degree of importance for securing finance for real estate project development, the need for training and education for the present, and the need for training and education for the next five (5) years.

The statistical analysis used SPSS 21, and it was discussed in two major parts:

1. The aggregate level discussed the percentage usage and mean scores of the different management knowledge for securing finance for real estate project development based on the importance, the need for training for the present and the future.
2. The disaggregate level also discusses the data based on the ranking of the very important knowledge for securing finance, the knowledge for which training and education highly needed for the present and the future for managers in the developed and emerging economies.

The semi-structured interviews were also analysed to explore the different knowledge used in both the developed and emerging economies for securing finance for real estate project development.

### Degree of the importance of management knowledge for securing finance for real estate project development.

#### Questionnaire survey discussion and analysis at the aggregate level

The results relating to the degree of importance of knowledge for securing finance for real estate project development is contained in table 8.3.1. Almost 55% of the survey respondents consider funding sources as very important knowledge for securing finance for real estate project development. This is followed by Market intelligence (49%, fundamental concepts of economics & finance (47%), financial accounting basics (46%) and cost calculation techniques (44%). Conversely, the set of knowledge ranked as the “least very important” by the survey respondents are relevant conventions (26%), contingency approach (30%), principles of risk and diversification (30.8%), performance indicator (31%) and risks and opportunities response strategies and plan (32.6%).

Table ‑: Degree of the importance of management knowledge for securing finance for real estate project development.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Knowledge for securing finance for real estate project development | Not important at all | Less important | Fairly important | Important | Very important |
| Percentage (%) | | | | |
| Contingency approach | Nil | 6.8 | 18.2 | 45.5 | 29.5 |
| Cost calculation techniques | 2.3 | 9.3 | 7.0 | 37.2 | 44.2 |
| Cost estimation methods | 2.3 | 4.5 | 15.9 | 43.2 | 34.1 |
| Debt literacy | 2.3 | 2.3 | 11.4 | 40.9 | 43.2 |
| Finance options | 4.7 | Nil | 11.6 | 44.2 | 39.5 |
| Financial accounting basics | 4.5 | 2.3 | 4.5 | 43.2 | 45.5 |
| Financial management concepts & terms such as (cash flow, debt – asset ratio, return on investment & rate of return) | 4.8 | 2.4 | 2.4 | 47.6 | 42.9 |
| Fundamental concepts of economics & finance (e.g. calculation of interest rate & inflation) | 4.7 | Nil | 2.3 | 46.5 | 46.5 |
| Funding sources | 2.4 | nil | 11.9 | 31.0 | 54.8 |
| Market intelligence | nil | 7.0 | 2.3 | 41.9 | 48.8 |
| Performance indicator | 2.4 | 2.4 | 11.9 | 52.4 | 31.0 |
| Principles of risk and diversification | nil | nil | 23.1 | 46.2 | 30.8 |
| Process and governance for cost management | 2.4 | 4.8 | 21.4 | 38.1 | 33.3 |
| Relevant conventions, agreement, legislation and regulations | nil | nil | 20.9 | 53.5 | 25.6 |
| Risks and opportunities response strategies and plan | 5.9 | nil | 20.9 | 39.5 | 32.6 |
| Strategies for managing risks and uncertainty | 2.4 | 4.9 | 14.6 | 36.6 | 41.5 |
| Techniques and conditions for loan effectiveness | nil | 2.4 | 17.1 | 41.5 | 39.0 |

The mean score was also used to understand the ranking of management knowledge the respondents considered important for securing finance for real estate project development at the aggregate level ( see table 8.3.2). As the mean score increases, the degree of management’s knowledge for securing real estate project development finance increases. The data shows a range of 4.32 to 3.93, which means that all the seventeen-management knowledge are significant for obtaining finance for real estate project development. An analysis of these knowledge sets at the disaggregate level will create an enhanced understanding.

Table ‑: Mean scores for Degree of the importance of management knowledge for securing finance for real estate project development. at the aggregate level

|  |  |  |
| --- | --- | --- |
| Management Knowledge ( N=81) | Degree of importance | Rank |
| Funding sources | 4.32 | 1 |
| Market intelligence | 4.29 | 2 |
| Fundamental concepts of economics & finance ( e.g. calculation of interest rate & inflation) | 4.24 | 3 |
| Financial accounting basics | 4.2 | 4 |
| Debt literacy | 4.17 | 5 |
| Financial management concepts & terms such as ( cash flow, debt – asset ratio, return on investment & rate of return) | 4.16 | 6 |
| Techniques and conditions for loan effectiveness | 4.14 | 7 |
| Finance options | 4.13 | 8 |
| Cost calculation techniques | 4.09 | 9 |
| Strategies for managing risks and uncertainty | 4.07 | 10 |
| Performance indicator | 4.05 | 11 |
| Principles of risk and diversification | 4.05 | 12 |
| Cost estimation methods | 4 | 13 |
| Relevant conventions, agreement, legislation and regulations | 4 | 14 |
| Contingency approach | 3.98 | 15 |
| Risks and opportunities response strategies and planning | 3.96 | 16 |
| Process and governance for cost management | 3.93 | 17 |

Not important at all (1), Less important(2), Fairly important(3), Important(4) Very important(5)

#### Questionnaire survey discussion and analysis at the disaggregate level

Appendix 1 table 5 represents the degree of importance of management knowledge for securing finance for real estate project development at the disaggregate level based on the survey questionnaire responses. The mean score range is Germany (4.67 to 3.67), UK (4.27 to 3.3), the US (5 to 3.75), China (4.2 to 3.5), Nigeria (4.43 to 4.05) and South Africa (4.67 to 4). The mean score range for the different countries demonstrates that the survey respondents consider all the seventeen-management knowledge as significant for securing finance for real estate project development.

The top five management knowledge for securing finance for real estate project development is considered important by managers in the three developed and three emerging economies covered in this study are shown below. Notably, knowledge of finance sources is recognised amongst the five topmost important management knowledge for securing finance for real estate project development in all the countries apart from the US. Debt literacy and market intelligence, which featured amongst the top management knowledge, perform similar functions as knowledge of finance options (Nur et al., 2018). Financial accounting basics and performance indicators also feature prominently in both the developed and emerging economies.

|  |  |  |
| --- | --- | --- |
| **Germany**   1. Funding sources 2. Financial accounting basics 3. Finance options 4. Cost calculation techniques 5. Performance indicator | **UK**   1. Debt literacy 2. Funding sources 3. Financial accounting basics 4. Market intelligence 5. Fundamental concepts of economics & finance ( e.g. calculation of interest rate & inflation) | **US**   1. Debt literacy 2. Market intelligence 3. Financial accounting basics 4. Cost calculation techniques 5. Performance indicator |
| **China**   1. Performance indicator 2. Funding sources 3. Principles of risk and diversification 4. Contingency approach 5. Relevant conventions, agreements, legislation and regulations | **Nigeria**   1. Funding sources 2. Financial accounting basics 3. Finance options 4. Market intelligence 5. Fundamental concepts of economics & finance ( e.g. calculation of interest rate & inflation) | **South Africa**   1. Funding sources 2. Finance options 3. Fundamental concepts of economics & finance ( e.g. calculation of interest rate & inflation) 4. Cost calculation techniques 5. Cost estimation methods |

### The degree of need for training and education for management knowledge for securing finance for real estate project development for the present

#### Questionnaire survey discussion and analysis at the aggregate level

The results relating to the degree of training and education at the current jobs regarding management knowledge for securing finance for real estate project development at the aggregate level is contained in table 8.3.3. Almost 47% of the survey respondents indicated that they highly needed training & education for the present in financial management concepts & terms. This is followed closely by funding sources (45.7%), financial accounting basics (45.5%), cost calculation techniques (42.9%) and strategies for managing risks and uncertainty (41.5%). While the management knowledge the respondents to the survey indicated they needed the least, in respect of training and education for the present are principles of risks and diversification (32.4%), relevant conventions, agreement, legislation and regulations(30.3%); contingency approach (29.4%); risks and opportunities response strategies and plan, and process and governance for cost management(22.9).

Table ‑: The degree of need for training and education for management knowledge for securing finance for the present

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Knowledge for securing finance for real estate project development | Not needed | Less needed | Needed | Very needed | Highly needed |
| Percentage (%) | | | | |
| Contingency approach | 2.9 | 11.8 | 26.5 | 29.4 | 29.4 |
| Cost calculation techniques | 8.6 | 11.4 | 17.1 | 20.0 | 42.9 |
| Cost estimation methods | 8.8 | 5.9 | 26.5 | 23.5 | 35.3 |
| Debt literacy | 2.9 | 8.8 | 20.6 | 32.4 | 35.3 |
| Finance options | 5.7 | 5.7 | 22.9 | 28.6 | 37.1 |
| Financial accounting basics | 9.1 | 9.1 | 21.2 | 15.2 | 45.5 |
| Financial management concepts & terms such as ( cash flow, debt – asset ratio, return on investment & rate of return) | 5.9 | 8.8 | 32.4 | 5.9 | 47.1 |
| Fundamental concepts of economics & finance ( e.g. calculation of interest rate & inflation) | 8.3 | 5.6 | 22.2 | 25.0 | 38.9 |
| Funding sources | 5.7 | nil | 22.9 | 25.7 | 45.7 |
| Market intelligence | 2.9 | 11.4 | 20.0 | 25.7 | 40.0 |
| Performance indicator | 2.9 | 5.9 | 20.6 | 32.4 | 38.2 |
| Principles of risk and diversification | nil | 8.8 | 26.5 | 32.4 | 32.4 |
| Process and governance for cost management | 2.9 | 14.3 | 20.0 | 40.0 | 22.9 |
| Relevant conventions, agreement, legislation and regulations | nil | 3.0 | 24.2 | 42.4 | 30.3 |
| Risks and opportunities response strategies and plan | 5.9 | nil | 20.6 | 47.1 | 26.5 |
| Strategies for managing risks and uncertainty | 2.4 | 4.9 | 14.6 | 36.6 | 41.5 |
| Techniques and conditions for loan effectiveness | 6.1 | 3.0 | 18.2 | 39.4 | 33.3 |

The overall mean score and the survey respondents' ranking on the training and education they need for their present jobs with respect to management knowledge for securing finance for real estate project development is contained in table 8.3.4. The overall mean score range is 3.97 to 3.57, and these show that there is a significant need for training and education for all the management knowledge, according to the survey respondents.

Table ‑: Mean scores for Degree of need for training and education for management knowledge for securing finance for real estate project development. For the present at the aggregate level

|  |  |  |
| --- | --- | --- |
| Management Knowledge  N=81 | Mean score | Rank |
| Funding sources | 3.97 | 1 |
| Strategies for managing risks and uncertainty | 3.94 | 2 |
| Relevant conventions, agreement, legislation and regulations | 3.91 | 3 |
| Performance indicator | 3.86 | 4 |
| Debt literacy | 3.83 | 5 |
| Techniques and conditions for loan effectiveness | 3.83 | 6 |
| Market intelligence | 3.81 | 7 |
| Risks and opportunities response strategies and plan | 3.81 | 8 |
| Finance options | 3.78 | 9 |
| Principles of risk and diversification | 3.78 | 10 |
| Fundamental concepts of economics & finance ( e.g. calculation of interest rate & inflation) | 3.74 | 11 |
| Cost calculation techniques | 3.73 | 12 |
| Financial management concepts & terms such as ( cash flow, debt – asset ratio, return on investment & rate of return) | 3.72 | 13 |
| Financial accounting basics | 3.69 | 14 |
| Cost estimation methods | 3.69 | 15 |
| Contingency approach | 3.61 | 16 |
| Process and governance for cost management | 3.57 | 17 |

Not needed(1) , Less needed(2), Needed(3),Very needed(4)Highly needed(5)

#### Questionnaire survey discussion and analysis at the disaggregate level.

The results relating to the need for management knowledge training and education for the present job concerning securing finance for real estate project development at the disaggregate level is contained in appendix 1 table 6. The range for the data for the different countries is Germany (2.5 to 1.5), UK(4.17 to 3.17), the US(4 to 2.33), China (3.38 to 2.56), Nigeria (4.22 to 3.67) and South Africa (4.25 to 3.38). The range of the data shows that the managers who responded to the questionnaires indicated they needed some degree of training and education for the seventeen management knowledge shown in the questionnaire. However, managers in Germany indicated they did not need training and education for contingency approach, process and governance for cost management, risks and opportunities response strategies, plan & techniques, and conditions for loan effectiveness. However, debt literacy, which is ranked 1st by German managers, covers the four-management knowledge they indicated they did not need training and education for in their present jobs. Arguably, the focus of debt literacy in Germany is because bank debt is the major source of real estate project finance in Germany (Zhou, 2019).

The top five management knowledge the survey respondents indicated they need training and education to acquire is shown below. Notably, funding sources are ranked top by all the countries apart from China. While, debt literacy is ranked top by all the developed countries and China, arguably because debt is the most used finance option for real estate project development in both the developed and emerging economies (Delmendo, 2019).

|  |  |  |
| --- | --- | --- |
| **Germany**   1. Debt literacy 2. Funding sources 3. Relevant conventions, agreement, legislation and regulations 4. Cost calculation techniques 5. Cost estimation methods | **UK**   1. Debt literacy 2. Funding sources 3. Market intelligence 4. Fundamental concepts of economics & finance (e.g. calculation of interest rate & inflation) 5. Financial accounting basics | **US**   1. Funding sources 2. Debt literacy 3. Financial management concepts & terms such as ( cash flow, debt – asset ratio, return on investment & rate of return) 4. Finance options 5. Relevant conventions, agreement, legislation and regulations |
| **China**   1. Relevant conventions, agreement, legislation and regulations 2. Performance indicator 3. Debt literacy 4. Principles of risk and diversification 5. Contingency approach | **Nigeria**   1. Strategies for managing risks and uncertainty 2. Funding sources 3. Financial accounting basics 4. Financial management concepts & terms such as ( cash flow, debt – asset ratio, return on investment & rate of return) 5. Fundamental concepts of economics & finance such as ( cash flow, debt-asset ratio, returns on investment & rate of return). | **South Africa**   1. Funding sources 2. Finance options 3. Relevant conventions, agreement, legislation and regulations 4. Market intelligence 5. Debt literacy |

### The degree of need for training and education for management knowledge for securing finance for the future (next five years)

#### Questionnaire survey discussion and analysis at the aggregate level

The results relating to the degree of need for training and education for securing finance for real estate project development for the future (next 5years) at the aggregate level are contained in table 8:3.5. About 54% of the survey respondents are of the view they will need training and education on funding sources for future use. This is followed by market intelligence at 42.9%, financial accounting basics at 41.7%, financial management concepts at 40% and strategies for managing risks and uncertainty also at 40%.

The factors for which the respondents indicated they needed the least training and education for knowledge for securing finance for real estate project development at the aggregate level are cost estimation methods (30.6%), performance indicator (29.4%), relevant conventions, agreement, legislation, and regulation (28.6%), risks and opportunities response strategies and plan (27.8%) and process and governance for cost management (25.7%).

Table ‑: The degree of need for training and education for management knowledge for securing finance for the future (next five years)

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Knowledge for securing finance for real estate project development | Not needed | Less needed | Needed | Very needed | Highly needed |
| Percentage (%) | | | | |
| Contingency approach | 2.9 | 11.4 | 28.6 | 22.9 | 34.3 |
| Cost calculation techniques | 5.6 | 16.7 | 22.2 | 22.2 | 33.3 |
| Cost estimation methods | 5.6 | 13.9 | 27.8 | 22.2 | 30.6 |
| Debt literacy | 2.9 | 8.6 | 31.4 | 22.9 | 34.3 |
| Finance options | 6.3 | 3.1 | 18.8 | 37.5 | 34.4 |
| Financial accounting basics | 1.1 | 8.3 | 22.2 | 16.7 | 41.7 |
| Financial management concepts & terms such as ( cash flow, debt – asset ratio, return on investment & rate of return) | 8.6 | 2.9 | 25.7 | 22.9 | 40.0 |
| Fundamental concepts of economics & finance ( e.g calculation of interest rate & inflation) | 8.3 | 8.3 | 16.7 | 33.3 | 33.3 |
| Funding sources | 5.7 | 2.9 | 17.1 | 20.0 | 54.3 |
| Market intelligence | 2.9 | 8.6 | 17.1 | 28.6 | 42.9 |
| Performance indicator | 8.8 | nil | 20.6 | 41.2 | 29.4 |
| Principles of risk and diversification | 2.9 | 2.9 | 20.6 | 41.2 | 32.4 |
| Process and governance for cost management | 2.9 | 8.6 | 28.6 | 34.3 | 25.7 |
| Relevant conventions, agreement, legislation and regulations | nil | 5.7 | 28.6 | 37.1 | 28.6 |
| Risks and opportunities response strategies and plan | 2.8 | 5.6 | 19.4 | 44.4 | 27.8 |
| Strategies for managing risks and uncertainty | 2.9 | 5.7 | 17.1 | 34.3 | 40.0 |
| Techniques and conditions for loan effectiveness | 2.9 | 5.7 | 28.6 | 28.6 | 34.3 |

The mean was also used to determine the degree of need for training and education for management’s knowledge for securing finance for real estate project development for the future at the aggregate level (see table 8: 3.6). The data shows the overall mean score ranges from 4.11 to 3.59. This means that there is a need for training and education for all seventeen-management knowledge at the aggregate level.

Table ‑: Mean scores for Degree of need for training and education for management knowledge for securing finance for real estate project development for the future at the aggregate level

|  |  |  |
| --- | --- | --- |
| **Management Knowledge** | **Mean value N=81** | **Rank** |
| Funding sources | 4.11 | 1 |
| Market intelligence | 3.97 | 2 |
| Strategies for managing risks and uncertainty | 3.97 | 3 |
| Principles of risk and diversification | 3.93 | 4 |
| Finance options | 3.88 | 5 |
| Risks and opportunities response strategies and plan | 3.86 | 6 |
| Relevant conventions, agreement, legislation, and regulations | 3.86 | 7 |
| Techniques and conditions for loan effectiveness | 3.83 | 8 |
| Financial management concepts & terms such as (cash flow, debt – asset ratio, return on investment & rate of return) | 3.81 | 9 |
| Debt literacy | 3.78 | 10 |
| Performance indicator | 3.77 | 11 |
| Fundamental concepts of economics & finance (e.g. calculation of interest rate & inflation) | 3.73 | 12 |
| Financial accounting basics | 3.69 | 13 |
| Contingency approach | 3.69 | 14 |
| Process and governance for cost management | 3.67 | 15 |
| Cost calculation techniques | 3.59 | 16 |
| Cost estimation methods | 3.59 | 17 |

Not needed(1) , Less needed(2), Needed(3),Very needed(4)Highly needed(5)

#### Questionnaire survey discussion and analysis at the disaggregate level.

The results relating to the degree of need for training and education for management knowledge to secure finance for real estate project development at the disaggregate level are contained in appendix 1, table 6. The mean scores range for the different countries is Germany (3 to 1), UK (4.17 to 3.33), US ( 4 to 2.33), China ( 3.33 to 2.44), Nigeria (4.28 to 3.56) and South Africa (4.25 to 3). The range of mean values shows that respondents from the UK, the US, China, Nigeria and South Africa are of the view that they need training and education for all the seventeen management knowledge for the future (next five years). However, respondents from Germany indicated they do not need training and education for some management knowledge for future use. These management knowledge are financial accounting basics, financial management concepts and terms such as (cash flow, debt- asset ratio, return on investment & rate of return), performance indicators, principles of risk and diversification and contingency approach which all have mean scores of 1. Conversely, the top five management knowledge for securing finance for real estate project development, which respondents from the different countries indicated they would need training and education for future use are as follows:

|  |  |  |
| --- | --- | --- |
| **Germany**   1. Market intelligence 2. Debt literacy 3. Relevant conventions, agreement, legislation and regulations 4. Funding sources 5. Fundamental concepts of economics & finance ( e.g. calculation of interest rate & inflation) | **UK**   1. Market intelligence 2. Debt literacy 3. Funding sources 4. Fundamental concepts of economics & finance ( e.g. calculation of interest rate & inflation) 5. Financial management concepts & terms such as ( cash flow, debt – asset ratio, return on investment & rate of return) | **US**   1. Debt literacy 2. Funding sources 3. Finance options 4. Relevant conventions, agreement, legislation and regulations 5. Market intelligence |
| **China**   1. Relevant conventions, agreement, legislation and regulations 2. Contingency approach 3. Principles of risk and diversification 4. Process and governance for cost management 5. Fundamental concepts of economics & finance ( e.g. calculation of interest rate & inflation) | **Nigeria**   1. Funding sources 2. Market intelligence 3. Financial accounting basics 4. Financial management concepts & terms such as ( cash flow, debt – asset ratio, return on investment & rate of return) 5. Fundamental concepts of economics & finance (e.g. calculation of interest rate & inflation) | **South Africa**   1. Funding sources 2. Market intelligence 3. Finance options 4. Strategies for managing risks and uncertainty. 5. Risks and opportunities response strategies and plan |

### The relationship between management level and the degree of importance of knowledge for securing finance for real estate project development.

Appendix 1 table 8 shows that there is a strong positive correlation between the level of management and some financial knowledge sets for securing finance for real estate project development. The strong correlation shows that as managers tend towards lower management, it is significantly more important for them to have knowledge of strategies for managing risks and uncertainty, risks and opportunity response strategies and plan, and techniques and conditions for loan effectiveness when securing finance for project development. However, the table shows a weak correlation coefficient between management level and knowledge sets such as funding sources, financial management concepts, market intelligence, finance options, fundamental concepts of economics & finance and cost calculation techniques.

The next segment is the findings from the semi-structured interviews, and this is expected to provide some depth to the findings from the questionnaire survey.

### Management knowledge for securing finance for real estate project development: Semi-structured interview analysis & discussion at the disaggregate level.

The findings from the semi-structured interviews also provide some insights into management knowledge for securing finance for real estate project development in addition to the findings from the questionnaire surveys. The semi-structured interviews provide answers to the following questions:

1. What knowledge do you have that facilitates your ability to secure finance for your real estate project development?
2. What knowledge do you need to secure finance for your real estate project development that you do not presently have?
3. Which knowledge that you do not have, would you like to be trained to acquire?

The summary of the responses to these questions by managers in both the developed and emerging economies is contained in Tables 8.3.7 and 8: 3.8.

Table ‑: Knowledge for securing real estate project development finance in developed economies.

|  |  |  |  |
| --- | --- | --- | --- |
| **Country** | **Knowledge the managers presently have for securing finance for real estate project development** | **Knowledge which the managers currently do not have** | **Knowledge the managers do not have & need training and education to acquire** |
| Germany mgr. 1 | Sales | Finance, legal and rental yield | None |
| Germany mgr2 | Knowledge of the market, knowledge of the financiers & what they require, knowledge of German regulations and laws, | Networking | Networking |
| Germany mgr. 3 | Knowledge of banks that lend, knowledge to secure & deliver projects, cash flow scenarios, technical expertise to produce buildings, planning, construction and letting | None | None |
| Germany Mgr4 | Understanding of client’s need and knowledge of numbers | Need to understand public perspective, legal & finance knowledge | Run cash flow models and how to build the best due diligence process |
| Germany mgr. 5 | Understanding of what lenders want, fundamental knowledge of financing, senior finance & debt structure, options for structuring debt, knowledge of the structure, knowledge of security required by banks, the pricing, the covenants and knowledge of types of sources of finance. | None | None |
| Germany mgr. 6 | Qualification in the legal side of real estates | None | None |
| UK mgr. 1 | Knowledge of the market, knowledge of how the house/property fits into the location, knowledge of planning approvals, legal knowledge, local knowledge, and knowledge of how to manage a project from start to finish, knowledge of what funding companies need, sales and finance knowledge. | Design and development of gardens | None |
| UK mgr2 | The need to be familiar with the market, knowledge of property laws, familiarity with the way buildings will be used, understanding of macro-economic factors that influence project development & usage; familiarity with the knowledge of the land, the building, and its usage | Know your customer | None |
| UK mgr3 | Finance and analysis, knowledge of the sector, knowledge of the region, understanding & usage of financial models, ability to communicate your ideas into complex models required by experienced investors and technical knowledge | Legal knowledge but this is outsourced | None |
| UK mgr4 | Knowledge of property (product), knowledge of the market and value of the property, knowledge of the location and background knowledge, | Knowledge of up-to-date technology for looking up big data to make better longer-term informed decisions | Knowledge of up-to-date technology for looking up big data to make better longer-term informed decisions |
| UK mgr5 | Understanding of development process, cash flow and risk | None | None |
| UK mgr6 | Contractual credit application knowledge | None | None |
| UK mgr7 | Land economy, understanding of numbers, cash flows and understanding of legal documentation, | None | None |
| US mgr1 | Knowledge of different asset types, good technological know-how, understanding of construction, understanding of legal terms & documents; financial modelling; understanding of loan agreement and how they work | Accounting, the working of financial books, legal, loan agreements, general ledger and programming | Accounting, the operation of financial books, legal, and loan agreements and, general ledger |
| US mgr2 | Understanding macro-economic conditions, understanding of the market and knowledge of technology | Data analytics, GIS and property tech. | Data analytics, GIS and property technology. |
| US mgr3 | Market knowledge & dynamics (such as supply, demand, price, value); ability to run financial performance using financial modelling software, legal knowledge, zoning and policies | None | None |
| US mgr4 | Doing financial models, comparing different scenarios, understanding of JV legal document | Financial modelling for waterfall | Financial modelling for waterfall |

Table ‑: Knowledge for securing real estate project development finance in emerging economies

|  |  |  |  |
| --- | --- | --- | --- |
| **Country** | **Knowledge the managers presently have for securing finance for real estate project development** | **Knowledge which the managers currently do not have** | **Knowledge the managers do not have & need training and education to acquire** |
| China Mgr1 | Knowledge of the market; knowledge of expectation of absorptions, sales rates, and pricing, ability to analyse the market and explain concisely | None | None |
| China Mgr2 | Understanding of how to develop the building, project management, knowledge of regulations, knowledge of the authorities & how to approach them and knowledge of the use of the land, financial analysis, portfolio management, leadership, and negotiation | None | None |
| China Mgr3 | Knowledge of the real estate market, asset class and various types of financing | None | None |
| China Mgr4 | Knowledge of the market and various finance instruments | None | None |
| China Mgr5 | Knowledge of the market and various finance instruments | None | None |
| China Mgr6 | Knowledge of the market and various finance instruments | None | None |
| China Mgr7 | Market knowledge, rental levels knowledge across all asset classes and CAPEX requirements | None | None |
| Nigeria Mgr1 | Market survey & segmentation, feasibility studies, knowledge of location & its topography, an understanding of government requirement for buildings and technical expertise in surveying | Knowledge on how to convert prospective clients to customers | Knowledge on how to convert potential clients to customers |
| Nigeria Mgr2 | Quantity surveying, project management and real estate development, | None | None |
| Nigeria Mgr3 | Project management & administration | Software training | Software training |
| Nigeria mgr. 4 | Legal and business plan preparation knowledge | Knowledge on how to attract international investors | Knowledge on how to attract foreign investors |
| Nigeria Mgr. 5 | Technical skills and financial management knowledge | Modern ways of building to minimise space & better infrastructural development | Modern methods of building to reduce space |
| Nigeria mgr. 6 | Knowledge of the market, understanding the product (i.e. residential or commercial buildings), understand building properties and project management | Real estate investment and finance | Real estate investment and finance |
| South Africa Mgr1 | Knowledge of accounting and economics | None | None |
| South Africa Mgr2 | Knowledge for putting together the feasibility & loan application | None | None |
| South Africa Mgr3 | Project finance, cash flows, time value for money and discounted cash flow | Town planning & enhanced financial knowledge | Town planning & enhanced financial knowledge |
| South Africa Mgr4 | Knowledge of property retail development & management, knowledge of management of shopping centres, feasibility study, structuring funding package or funding proposal, facilities management and asset management | None | None |

The findings show that there is a varied financial knowledge set that managers consider important for securing finance for real estate project development. The managers interviewed in all the developed and emerging economies are of the view that knowledge of the market and understanding both the client base and the available financiers are very important to their ability to secure finance for real estate project development. However, knowledge of different languages and exotic financial modelling stick out as very important and highly needed in the developed economies. Arguably, this is because the selected developed economies are among the top 5 largest economies globally with huge capital inflows from different parts of the world. Hence, managers need varied international languages to communicate effectively (Parsa et al., 1999; Bloomberg, 2019). The need for languages is prevalent amongst the managers interviewed in Germany. Managers interviewed from the US talked extensively about financial modelling as a knowledge/ skill that facilitates their ability to secure finance for real estate project development. They argued that financial modelling is probably the most important knowledge/skill because it helps them explain numbers and shapes. It helps them project to investors the advantages and the prospective returns on their investments.

Managers interviewed in both the developed and emerging economies who lack specific knowledge sets do not seem to be keen to acquire training and education in areas in which they are lacking, and this is because they claim such knowledge could be paid -for and, as such, they often hire people with the necessary expertise. A couple of the managers, especially in the developed economies, said that once they establish a good understanding of the legal framework with their lawyers, they outsource the technical bits and sometimes outsource market research. They do outsource when they do not have the comprehensive skills and knowledge sets in-house.

### Comparison of knowledge for securing finance for real estate project development for the developed and emerging economies.

The findings from the survey questionnaire demonstrate that all seventeen-management knowledge is considered as important for securing finance for real estate project development at the aggregate level by managers in both the developed and emerging economies. The managers at the aggregate level also indicated different degrees of need for training and education for all the management knowledge for securing finance for real estate project development for their present and future jobs. Interestingly, the knowledge of funding sources and market intelligence have a top-ranking with respect to their degree of importance and the need for training and education for the present and the future.

The questionnaire survey analysis on the disaggregate level based on the different countries shows rankings of the degree of importance, and the need for training and education for the present and future by the managers in both the developed and emerging economies is provided in chapters 8.3.1.2, 8.3.2.2 and 8.3.3.2. The findings show that knowledge of funding sources is ranked top by managers in all the developed and emerging economies apart from the United States. The findings, as was the case with skills, do not show a clear demarcation between the developed and the emerging economies. However, some of the managers in Germany indicated they did not need training and education for certain management knowledge both for the present and the future because they would rather get the relevant professionals to provide such knowledge sets (see chapter 8.3.2.2 and 8.3.3.2).

The semi-structured interviews also show that managers in both the developed and emerging economies have some financial knowledge sets in common that help them secure finance for real estate project development. Arguably, this is because of the global nature of the education sector, considering that about 99% of the managers interviewed from both the developed & emerging economies have at least a first degree. Some knowledge sets they have in common are as follows:

1. Sales
2. Knowledge of the market
3. Risk management
4. Cash flow
5. Financial analysis
6. Understanding of the product
7. Knowledge of regulations

Some knowledge sets that are differing for both developed and emerging economies respectively based on the semi-structured interviews are as follows:

|  |  |
| --- | --- |
| **Developed economies** | **Emerging economies** |
| 1. Financial modelling 2. Legal knowledge 3. Location knowledge 4. Policy knowledge 5. Risk 6. Technical knowledge 7. Understanding Joint venture legal document 8. Knowledge of loan agreements & how they work 9. Understanding of Macroeconomics factors 10. Awareness of the client’s need 11. Knowledge of what lenders want | 1. Asset management 2. Feasibility studies 3. Knowledge of accounting and economics 4. Knowledge of finance instruments 5. Knowledge of location & topography 6. Leadership & negotiation 7. Portfolio management 8. Proposal packing 9. Quantity surveying 10. Technical knowledge |

### The implication of the findings on knowledge for securing finance for real estate project development for the developed and emerging economies.

The findings from the questionnaires and semi-structured interviews show that there are varied financial knowledge sets that the managers in the real estate sector use for securing finance for real estate project development. The findings also show that there are some knowledge sets, which they need training and education to acquire, that the managers considered important for their present and future jobs for securing finance for real estate project development. There are some knowledge sets that some managers claim they need but presently do not have; however, they would employ qualified personnel to execute the tasks rather than getting trained to acquire them.

This study developed an inventory of management’s financial knowledge for securing finance for real estate project development; to bridge the knowledge gap on the financial knowledge sets that managers need for obtaining finance for real estate project development. These management knowledge sets are restricted to financial management knowledge and comprise findings from both the questionnaire surveys and semi-structured interviews. The inventory of financial management knowledge for securing finance for real estate project development is shown below (see table 8.3.9). It is also contained in the toolkit for securing finance for real estate project development in chapter 10.

Table 8.3‑9: Inventory of financial knowledge for securing finance for real estate project development.

|  |
| --- |
| 1. Asset management  2. Awareness of the client’s need  3. Cash flow  4. Contingency approach  5. Cost calculation techniques  6. Cost estimation methods  7. Debt literacy  8. Feasibility studies  9. Finance options  10. Financial accounting basics  11. Financial analysis  12. Financial management concepts & terms such as ( cash flow, debt – asset ratio, return on investment & rate of return)  13. Financial modelling  14. Fundamental concepts of economics & finance ( e.g. calculation of interest rate & inflation)  15. Funding sources  16. Knowledge of accounting and economics  17. Knowledge of finance instruments  18. Knowledge of loan agreement & how they work  19. Knowledge of location & topography  20. Knowledge of regulations  21. Knowledge of the market  22. Knowledge of what lenders want  23. Leadership & negotiation knowledge  24. Legal knowledge  25. Location knowledge  26. Market intelligence  27. Performance indicator  28. Policy knowledge  29. Portfolio management  30. Principles of risk and diversification  31. Process and governance for cost management  32. Proposal packing  33. Quantity surveying  34. Relevant conventions, agreements, legislation and regulations  35. Risk  37. Risks and opportunities response strategies and plan  38. Sales  39. Strategies for managing risks and uncertainty  40. Technical knowledge  42. Techniques and conditions for loan effectiveness  43. Understanding Joint venture legal document  44. Understanding of Macroeconomics factors  45. Understanding of the product |

## Management competences for securing finance for real estate project development.

A list of 19 competences was presented based on selections from the review of the literature (See chapter 3.8.3). Respondents were requested to indicate the degree of importance of competences for securing finance for real estate project development and the need for training and education for the present and the future (next five years), respectively.

The statistical analysis was discussed in two major parts:

1. The aggregate level addressed the degree of importance of the competences for securing finance for real estate project development and the need for training and education for the present and future (next 5 years).
2. The disaggregate level discusses the data based on the ranking of the different competences based on the degree of importance, and the need for training and education for the present and future (next five years).

The semi-structured interviews analysis also shows different competences used for securing finance for real estate project development in the developed and emerging economies at the disaggregated level.

### The degree of importance of management competences for securing finance.

#### Questionnaire survey discussion and analysis at the aggregate level

The findings on the competences show almost 58% of the survey respondents were of the view that leadership is the most important competence for securing finance for real estate project development (see table 8.4.1). It is followed by financial management (53.7%), managerial competence (52.4%), result-oriented (50%) and negotiation competence (47.6%). The sets of competences considered least, “very important for securing finance for real estate project development” are asset allocation (35%), independent assurance (33.3%), use of power (33.3%) and commercial management (31.8%). The findings are in line with existing literature on competences. Leadership, financial management, result-oriented, and planning competences are of great importance to any management function (APM, 2015 & IPMA,2015).

Table 8.4‑1: Degree of the importance of management competence for securing finance for real estate project development.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Competences for securing finance for real estate project development | Degree of importance | | | | |
| Not important at all | Less important | Fairly important | Important | Very important |
|  | Percentage % | | | | |
| Asset allocation | 2.5 | 5.0 | 17.5 | 40.0 | 35.0 |
| Business case | 2.5 | 7.5 | 10.0 | 37.5 | 42.5 |
| Capability development | 2.5 | 7.5 | 10.0 | 40.0 | 40.0 |
| Commercial management | Nil | 9.1 | 18.2 | 40.9 | 31.8 |
| Compliance management | 2.4 | 2.4 | 14.6 | 39.0 | 41.5 |
| Ethics, compliance and professionalism | Nil | 2.5 | 15.0 | 42.5 | 40.0 |
| Financial management | 2.4 | Nil | 14.6 | 29.3 | 53.7 |
| Governance, structure and processes | Nil | 2.4 | 22.0 | 36.6 | 39.0 |
| Independence assurance | Nil | 10.3 | 17.9 | 38.5 | 33.3 |
| Leadership competence | Nil | Nil | 12.5 | 30.0 | 57.5 |
| Managerial competences | NIL | 2.4 | 14.3 | 31.0 | 52.4 |
| Negotiation | Nil | 2.4 | 11.9 | 38.1 | 47.6 |
| Planning & control | Nil | 2.7 | 8.1 | 43.2 | 45.9 |
| Political competence(self-confidence, social astuteness & ability to influence others | Nil | 2.5 | 15.0 | 45.0 | 37.5 |
| Political competence | 2.9 | 8.6 | 31.4 | 31.4 | 25.7 |
| Political & use of power | Nil | 9.5 | 16.7 | 40.5 | 33.3 |
| Resourcefulness | Nil | 2.4 | 7.3 | 46.3 | 43.9 |
| Result oriented | Nil | Nil | 10 | 40 | 50 |
| Risk & opportunity | Nil | 2.4 | 11.9 | 47.6 | 38.1 |
| Technical competence | Nil | Nil | 11.9 | 47.6 | 40.5 |

The mean scores were also used to determine the importance of the selected 19 management competences for securing finance for real estate project development (see table 8.4.2).

Table 8.4‑2: Mean scores for Degree of the importance of management competences for securing finance for real estate project development. at the aggregate level

|  |  |  |
| --- | --- | --- |
| **Management competences N = 81** | **Degree of importance** | **Rank** |
| Leadership competence | 4.4 | 1 |
| Result oriented | 4.36 | 2 |
| Managerial competences | 4.3 | 3 |
| Resourcefulness | 4.3 | 4 |
| Planning & control | 4.28 | 5 |
| Negotiation | 4.27 | 6 |
| Technical competence | 4.25 | 7 |
| Financial management | 4.23 | 8 |
| Risk & opportunity | 4.18 | 9 |
| Compliance, standards & regulations | 4.14 | 10 |
| Ethics, compliance, and professionalism | 4.14 | 11 |
| Political competence( self-confidence, social astuteness & ability to influence others | 4.14 | 12 |
| Business case | 4.12 | 13 |
| Governance, structure, and processes | 4.11 | 14 |
| Capability development | 4.07 | 15 |
| Politics & use of power | 3.95 | 16 |
| Commercial management | 3.94 | 17 |
| Asset allocation | 3.93 | 18 |
| Independence assurance | 3.88 | 19 |

The data shows a range of 3.88 to 4.4, which means that the survey respondents consider all the selected competences as important to their ability to secure finance for real estate project development. Consequently, the top five ranked competences for securing finance for real estate project development at the aggregate level are as follows:

1. Leadership competence
2. Result oriented
3. Managerial competences
4. Resourcefulness
5. Planning & control

#### Questionnaire survey discussion and analysis at the disaggregate level

Appendix 1 table 8 represents findings on the degree of importance of management’s competences for securing finance for real estate project development at the disaggregate level based on the questionnaire survey. The mean score range for the different countries is Germany (4.67 to 3.67), UK (4.44 to 3.44), the US (4.75 to 3.75), China (4.5 to 3.4), Nigeria (4.57 to 4.11) and South Africa (4.71 to 4.11). The mean score range shows that the managers in all the six countries consider all nineteen competences important to their ability to secure finance for real estate project development. Consequently, the top five most important competences for securing finance for real estate project development are as shown below. Leadership and technical competences feature predominantly in both the developed and emerging economies. This is in line with existing literature on the importance of leadership and technical competences for effective management performance at the middle and upper levels of management, respectively (Ahmed, 2001; Rodriguez-Rivero et al., 2018).

|  |  |  |
| --- | --- | --- |
| **Germany**   1. Leadership competence 2. Technical competence 3. Compliance, standards & regulations 4. Planning & control 5. Negotiation | **UK**   1. Asset allocation 2. Politics & use of power 3. Independence assurance 4. Ethics, compliance, and professionalism 5. Managerial competences | **US**   1. Resourcefulness 2. Compliance, standards & regulations 3. Technical competence 4. Asset allocation 5. Result oriented |
| **China**   1. Technical competence 2. Result oriented 3. Leadership competence 4. Resourcefulness 5. Risk & opportunity | **Nigeria**   1. Leadership competence 2. Managerial competences 3. Planning & control 4. Financial management 5. Compliance, standards & regulations | **South Africa**   1. Planning & control 2. Leadership competence 3. Negotiation 4. Resourcefulness 5. Technical competence |

### The degree of need for training and education for management Competences for securing finance for the present

#### Questionnaire survey discussion and analysis at the aggregate level

The results relating to the degree of need for training and education for management’s competences for securing finance for real estate project development at the aggregate level is contained in table 8:4.3. Almost 52% of the managers who responded to the survey are of the view that they highly needed training and education for financial management competence. This is followed by leadership competence (45.2%), planning and control (45.2%), resourcefulness (44%) and managerial competence (42.9%).

However, the least ranked competence for which the survey respondents highly needed training and education for the present are political competence (25.7%), business case(24.2%), politics & use of power (22.2%), asset allocation (21.2%) and capability development (21.2%).

Table 8.4‑3: The degree of need for training and education for management Competences for securing finance for the present

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Management Competences | Need for training & education for the present | | | | |
| Not needed | Less needed | Needed | Very needed | Highly needed |
|  | Percentage % | | | | |
| Asset allocation | 3.0 | 15.2 | 36.4 | 24.2 | 21.2 |
| Business case | 9.1 | 12.1 | 24.2 | 30.3 | 24.2 |
| Capability development | 6.1 | 6.1 | 24.2 | 42.4 | 21.2 |
| Commercial management | 2.9 | 5.9 | 32.4 | 32.4 | 26.4 |
| Ethics , compliance and professionalism | 2.9 | 11.8 | 35.3 | 14.7 | 35.3 |
| Financial management | 6.1 | 6.1 | 24.2 | 12.1 | 51.5 |
| Governance, structure and processes | 3.0 | 12.1 | 30.3 | 24.2 | 30.3 |
| Independence assurance | 3.0 | 21.2 | 30.3 | 18.2 | 27.3 |
| Leadership competence | Nil | 6.5 | 25.8 | 22.6 | 45.2 |
| Managerial competences | Nil | 3.2 | 28.6 | 22.9 | 42.9 |
| Negotiation | 2.9 | 5.7 | 28.6 | 22.9 | 40.0 |
| Planning & control | Nil | 9.7 | 29.0 | 16.1 | 45.2 |
| Political competence( self-confidence, social astuteness & ability to influence others | 2.9 | 8.6 | 31.4 | 31.4 | 25.7 |
| Political competence | 6.1 | 9.1 | 27.3 | 24.2 | 33.3 |
| Political & use of power | 2.8 | 19.4 | 22.2 | 33.3 | 22.2 |
| Resourcefulness | Nil | 14.7 | 23.5 | 17.6 | 44.1 |
| Result oriented | 2.8 | 11.1 | 19.4 | 27.8 | 38.9 |
| Risk & opportunity | 2.9 | 11.4 | 28.6 | 22.9 | 34.3 |
| Technical competence | Nil | 8.8 | 26.5 | 32.4 | 32.4 |

The overall mean value was also used to determine the extent to which training, and education is needed for the selected management competences for securing finance for real estate project development (see table 8:4.4).

Table 8.4‑4: Mean scores for Degree of training and education for management competences for securing finance for real estate project development. for the present at the aggregate level

|  |  |  |
| --- | --- | --- |
| Management competences | Mean score | Rank |
| Leadership competence | 3.94 | 1 |
| Managerial competences | 3.92 | 2 |
| Planning & control | 3.88 | 3 |
| Financial management | 3.81 | 4 |
| Negotiation | 3.81 | 5 |
| Resourcefulness | 3.81 | 6 |
| Technical competence | 3.81 | 7 |
| Result oriented | 3.79 | 8 |
| Compliance, standards & regulations | 3.78 | 9 |
| Risk & opportunity | 3.65 | 10 |
| Commercial management | 3.62 | 11 |
| Governance, structure, and processes | 3.61 | 12 |
| Political competence(self-confidence, social astuteness & ability to influence others | 3.59 | 13 |
| Capability development | 3.58 | 14 |
| Ethics, compliance, and professionalism | 3.57 | 15 |
| Politics & use of power | 3.45 | 16 |
| Business case | 3.42 | 17 |
| Asset allocation | 3.42 | 18 |
| Independence assurance | 3.36 | 19 |

Not needed(1) , Less needed(2), Needed(3),Very needed(4)Highly needed(5)

The data shows an overall mean score range of 3.36 to 3.94. This means that there is a varying degree of need for training and education for all nineteen management competences for the present. The data shows the top five management competences for which training and education are highly needed for the present to be:

1. Leadership competence
2. Managerial competences
3. Planning & control
4. Financial management
5. Negotiation

The next segment discusses the questionnaire analysis at the disaggregate level. This should bring greater clarity to the need for training and education for competencies for managers operating in the selected developed and emerging economies.

#### Questionnaire survey discussion and analysis at the disaggregate level.

The results relating to the need for training and education for management’s competences for securing finance for real estate project development for the present is contained in Appendix 1 table 10. The mean score range for the data is Germany (3 to 1.5), UK (3.8 to 2.57), the US (4 to 2), China (3.44 to 2.33), Nigeria (4.24 to 3.47) and South Africa (4.29 to 3.36).

The mean score range shows that there is a significant need for training and education for the present on all nineteen competences for all the five countries apart from Germany where the managers indicated they did not need training and education for result-oriented, financial management and risks and opportunity. However, the top five competences for which the survey respondents indicated they highly needed training and education for the present are as follows:

|  |  |  |
| --- | --- | --- |
| **Germany**   1. Planning & control 2. Compliance, standards & regulations 3. Leadership competence 4. Technical competence 5. Ethics, compliance, and professionalism | **UK**   1. Planning & control 2. Compliance, standards & regulations 3. Negotiation 4. Leadership competence 5. Resourcefulness | **US**   1. Planning & control 2. Compliance, standards & regulations 3. Ethics, compliance, and professionalism 4. Leadership competence 5. Resourcefulness |
| **China**   1. Technical competence 2. Negotiation 3. Leadership competence 4. Risk & opportunity 5. Result oriented | **Nigeria**   1. Financial management 2. Leadership competence 3. Planning & control 4. Negotiation 5. Managerial competences | **South Africa**   1. Business case 2. Leadership competence 3. Managerial competences 4. Planning & control 5. Negotiation |

### The degree of need for training and education for management competences for securing finance for the future (next five years)

#### Questionnaire survey discussion and analysis at the aggregate level

The findings for the degree of training and education for competences for securing real estate development finance for the future (next five years) is contained in table 8:4.5. The data shows that 50% of the survey respondents at the aggregate level are of the view that they need training and education in leadership competences, this is followed by financial management (48.5%), Resourcefulness (44.1%), Compliance management (42.4%) and planning and control (40%). While, the competences for which training and education is least highly needed for the future at the aggregate level are managerial competence (23.8%), politics and use of power (23.5%). Independence assurance (21.9%) and asset allocation (21.2%).

Table 8.4‑5: The degree of need for training and education for management Competences for securing finance for the future (next five years)

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Competences | Need for training & education for the future | | | | |
| Not needed | Less needed | Needed | Very needed | Highly needed |
|  | Percentage % | | | | |
| Asset allocation | 3.0 | 9.1 | 36.4 | 30.3 | 21.2 |
| Business case | 9.4 | 12.5 | 21.9 | 25.0 | 31.3 |
| Capability development | 2.9 | 8.8 | 32.4 | 20.6 | 35.3 |
| Commercial management | Nil | 9.4 | 34.4 | 25.0 | 31.3 |
| Compliance management | 3.0 | 12.1 | 27.3 | 15.2 | 42.4 |
| Ethics, compliance and professionalism | Nil | 12.5 | 34.4 | 18.8 | 34.4 |
| Financial management | 3.0 | 6.1 | 24.2 | 18.2 | 48.5 |
| Governance, structure and processes | 6.1 | 12.1 | 33.3 | 21.2 | 27.3 |
| Independence assurance | 3.1 | 21.9 | 34.4 | 18.8 | 21.9 |
| Leadership competence | 3.1 | 6.3 | 25.0 | 15.6 | 50.0 |
| Managerial competences | Nil | 5.7 | 28.6 | 12.7 | 23.8 |
| Negotiation | 5.9 | 2.9 | 20.6 | 35.3 | 35.3 |
| Planning & control | 3.3 | 10.0 | 26.7 | 20.0 | 40.0 |
| Political competence( self-confidence, social astuteness & ability to influence others | 6.1 | 9.1 | 27.3 | 24.2 | 33.3 |
| Political competence | 6.1 | 9.1 | 27.3 | 24.2 | 33.3 |
| Political & use of power | 2.9 | 14.7 | 26.5 | 32.4 | 23.5 |
| Resourcefulness | 5.9 | 5.9 | 17.6 | 26.5 | 44.1 |
| Result oriented | 3.0 | 9.1 | 18.2 | 30.3 | 39.4 |
| Risk & opportunity | 5.7 | 5.7 | 31.4 | 22.9 | 34.3 |
| Technical competence | 5.9 | 8.8 | 23.5 | 32.4 | 29.4 |

Table 8.4.6 shows the ranking and mean score range of 3.97 to 3.32, and this shows that there is a significant need for training and education for these competences at the aggregate level for future use.

Table 8.4‑6: Mean scores for Degree of need for training and education for management competences for securing finance for real estate project development for the future at the aggregate level

|  |  |  |
| --- | --- | --- |
| **Management competences** | **Mean score N= 81** | **Rank** |
| Leadership competence | 3.97 | 1 |
| Managerial competences | 3.94 | 2 |
| Financial management | 3.91 | 3 |
| Resourcefulness | 3.91 | 4 |
| Result oriented | 3.88 | 5 |
| Negotiation | 3.86 | 6 |
| Compliance, standards & regulations | 3.8 | 7 |
| Planning & control | 3.77 | 8 |
| Commercial management | 3.76 | 9 |
| Capability development | 3.72 | 10 |
| Technical competence | 3.69 | 11 |
| Risk & opportunity | 3.69 | 12 |
| Ethics, compliance, and professionalism | 3.68 | 13 |
| Political competence( self-confidence, social astuteness & ability to influence others | 3.65 | 14 |
| Asset allocation | 3.57 | 15 |
| Politics & use of power | 3.54 | 16 |
| Business case | 3.53 | 17 |
| Governance, structure, and processes | 3.51 | 18 |
| Independence assurance | 3.32 | 19 |

Not needed(1) , Less needed(2), Needed(3),Very needed(4)Highly needed(5)

#### Questionnaire survey discussion and analysis at the disaggregate level

The mean score range for the need for training and education for competences for securing finance for real estate project development is Germany ( 4 to 0), UK (3.83 to 2.67), US (4 to 2.33), China (3.25 to 2.22), Nigeria (4.38 to 3.63) and South Africa (4.29 to 3.5).

The data shows that the survey respondents from all the countries, apart from Germany, are of the view that they need training and education for all nineteen management competences for securing finance for real estate project development for the future ( see details in appendix 1 table 11). The respondents from Germany are of the view that they do not need training and education for commercial management, business case, negotiation, planning and control, governance, structure and processes, political competence, risks and opportunity and resourcefulness. The top five competences which the managers in the different countries indicated they needed training and education for, for future use are as follows:

|  |  |  |
| --- | --- | --- |
| Germany   1. Leadership competence 2. Technical competence 3. Compliance, standards & regulations 4. Ethics, compliance, and professionalism 5. Politics & use of power | UK   1. Leadership competence 2. Technical competence 3. Planning & control 4. Negotiation 5. Result oriented | US   1. Leadership competence 2. Planning & control 3. Compliance, standards & regulations 4. Ethics, compliance, and professionalism 5. Result oriented |
| China   1. Negotiation 2. Commercial management 3. Leadership competence 4. Managerial competences 5. Result oriented | Nigeria   1. Leadership competence 2. Planning & control 3. Financial management 4. Compliance, standards & regulations 5. Negotiation | South Africa   1. Business case 2. Leadership competence 3. Negotiation 4. Politics & use of power 5. Commercial management |

### The relationship between management level and the degree of importance of management competences for securing finance for real estate project development

Appendix 1 table 11 shows correlations that range from weak to very strong between the levels of management and the competences for securing finance for real estate project development. This means that the evidence suggests that managers at the lower levels of management significantly consider result-oriented, business case, asset allocation, planning and control and governance, structure and processes as competences that are very important for securing finance for real estate project development. Most other competences in the table have moderate, weak and no relationship with the levels of management. The interpretation for the value of correlation can be found by referring to the work undertaken by Salkind (2004) in table 4.9 of this study.

### Manager’s competences for securing finance for real estate project development at the disaggregated level based on the semi-structured interview

This segment of the study reports findings on competences for securing finance for real estate project development based on semi-structured interviews.

The semi-structured interviews provide answers to the following questions:

1. *What competences do you have that facilitates your ability to secure finance for real estate project development?*
2. *What competences do you need to secure finance for real estate project development that you do not have presently?*
3. *Which of the competences that you do not have would you want to be trained to acquire?*

The summary of the responses to these questions by managers in both the developed and emerging economies is contained in tables 8:4.7 and 8:4.8.

Table 8.4‑7: Competences for securing real estate project finance in developed economies.

|  |  |  |  |
| --- | --- | --- | --- |
| **Country** | **Competences the mgrs. presently have for securing finance for real estate project development** | **Competences the mgrs. currently do not have** | **Competences the managers do not have & want training and education to acquire** |
| Germany Mgr 1 | Sales | None | None |
| Germany mgr2 | Reliability, ability to deliver on time, being attentive and being authentic | Impatience | None |
| Germany mgr 3 | Ability to build and communicate effectively with financiers | None | None |
| Germany Mgr4 | Finance and ability to make development computation, ability to communicate effectively with financiers | None | None |
| Germany Mgr 5 | Competence in understanding how finance works, competence in obtaining finance and committing to a senior loan contract & paying regular interest and sometimes amortisation | None | None |
| Germany Mgr 6 | Grounded business relationship | None | None |
| UK Mgr 1 | Ability to deliver in good time, track record, ability to supervise and manage the project from start to finish | None | None |
| UK Mgr2 | An understanding of the relevant laws | None | None |
| UK Mgr3 | An understanding of the geographical location and specific product type, expert in land and building | None | None |
| UK Mgr4 | Understanding of analytics & knowledge of the market and due diligence | None | None |
| UK Mgr5 | Strong finance background and track record | Understanding of institutional funding of long term rental property | On the job training |
| UK Mgr6 | Communication and property development | Improving on personal profile through web-based platforms like the internet, LinkedIn, and Facebook | Improving on personal profile through web-based platforms like the internet, LinkedIn, and Facebook |
| UK Mgr7 | Track record in the commercial property arena | None | None |
| US Mgr1 | Financial competence & ability to manage lenders | Legal training | Legal training |
| US Mgr2 | Relationship development and maintenance with investors and financiers, personal presentation skills and sales competences | None | None |
| US Mgr3 | Competent in the understanding of real estate entrance, operation, and exit; staffing & management; understanding of market needs and financing deals | None | None |
| US Mgr4 | Financial models; comparing scenarios, legal background and understanding of Joint Venture proposals | Financial modelling for waterfalls | Seminars |

Table ‑: Competences for securing real estate project finance in emerging economies

|  |  |  |  |
| --- | --- | --- | --- |
| **Country** | **Competences the mgrs presently have for securing finance for real estate project development** | **Competences the mgrs currently not have** | **Competences the managers do not have & want training and education to acquire** |
| China Mgr1 | Ability to do a rigorous analysis of the market; ability to explain in a concise way that is believable of how things are going to be; understanding of the market & understanding of construction | None | None |
| China Mgr2 | Financial analysis, business development & project management | None | None |
| China Mgr3 | established track record of successful acquisitions/dispositions, never defaulting on a loan | None | None |
| China Mgr4 | Established track record | None | None |
| China Mgr5 | Established track record | None | None |
| China Mgr6 | Established track record | None | None |
| China Mgr7 | Ability to consummate transactions, ability to negotiate documentation with partners, due diligence, financial and legal analysis | None | None |
| Nigeria Mgr1 | Track record in mass housing development, | town planning | town planning |
| Nigeria Mgr2 | Business development | None | None |
| Nigeria Mgr3 | Project implementation | None | None |
| Nigeria Mgr 4 | Finance | None | None |
| Nigeria Mgr 5 | Project execution | None | None |
| Nigeria Mgr 6 | Building of properties | None | None |
| South Africa Mgr1 | Networking | None | None |
| South Africa Mgr2 | Track record in executing projects | None | None |
| South Africa Mgr3 | Project management | None | None |
| South Africa Mgr4 | Retail development, management , | Project execution | Project execution |

The findings from both the survey questionnaires and interviews show that the different managers have different competences that they consider important in securing finance for their real estate project development. However, some of the managers interviewed said they would engage professional advice in certain areas in which they do not have core competences instead of attempting to be trained. A manager involved with securing finance for real estate project development should have the requisite skills, knowledge, and competences. The manager needs to understand how the asset will perform or best predict how it will perform. They should be able to adhere to all requirements by the loan contract both in terms of paying interest, amortisation and being able to repay the loan (Ogbenjuwa et al., 2018).

*“A competent manager understands the risk of taking out either equity or debt and will always manage it well in order not to breach the contract terms. A competent manager is someone who can consider different types of financing to find the best possible structure for their project (s) “– excerpt from interview with Uk mgr 2*

Based on the findings, a competent manager should be able to manage a project from the beginning to delivery beyond construction. A blend of all the skills, knowledge and competences is necessary for a real estate manager and his team to be successful in project execution and to access funding for real estate projects.

The findings show that managers in the real estate sector involved with real estate development financing decisions should be multi-lingual, especially in the developed economy where there is a lot of economic and policy coordination among countries. They need to have some fundamental financial knowledge and competences, and they need to have interpersonal relationships to coordinate and negotiate deals with financers. The manager involved with financing decisions also needs to have a good understanding of the real estate sector and some measure of technical competences (Varajao & Cruz-Cunha, 2013). They should be able to visualise how the property will be serving the needs of the clients or tenants.

### Comparison of competences for securing finance for real estate project development in the developed and emerging economies

The survey questionnaire findings show that all nineteen management competences are considered important for securing finance for real estate project development by both managers in the developed and emerging economies at the aggregate level. It also shows that they indicated a need for some degree of training and education for all nineteen competences for both the present and future need for securing finance for real estate project development.

Leadership, managerial, negotiation, result-oriented, planning and control competences are ranked highly with respect to degree of importance, and the need for training and education for both the present and future. Comparatively, the competences for securing finance for real estate project development in both the developed and emerging economies are similar, as was the case with knowledge and skills. The questionnaire survey analysis of the competences at the disaggregate level for the different countries showing the ranking of the degree of importance, need for training and education for the present and the future for the developed and emerging economies is shown in chapters 8.4.3.2, 8.4.2.2 and 8.4.1.2.

The findings from the semi-structured interviews show some commonalities in competences for securing finance for real estate project development in both the developed and emerging economies, as follows:

1. Ability to analyse the market
2. Legal competences
3. Sales competences
4. Communication
5. Construction of properties

While, the fundamentally differing competences for both regions are financial modeling for the developed economies and networking and retail developments for the emerging economies.

### The implication of the findings on competences for securing finance for real estate project development in the developed and emerging economies

The fundamental factors that financiers, whether debt, equity or mezzanine fund providers, look at is the return on their investment and the safety of their funds and how it can be achieved in the real estate sector if there is construction productivity. The interplay of management competences plays a significant role in increasing productivity, and as such, it is significant to managers' ability to source funding for projects (Ogbenjuwa et al., 2018).

This research developed an inventory of competences for securing finance for real estate project development based on the findings from this study. The inventory of competences is meant to act as a guide for managers and as a platform for training and development ( see table 8.4.9). It also forms a part of the toolkit for securing finance for real estate project development in chapter 10.

The study used all the variables that were tested in the questionnaire survey and the outputs from the interview to develop the inventory of competences for securing finance for real estate project development.

Table 8.4‑9:: Inventory of management competences for securing finance for real estate project development

|  |  |  |
| --- | --- | --- |
| * Asset allocation * Business case * Capability development * Commercial management * Compliance, standards & regulations * Ethics, compliance, and professionalism * Financial management * Governance, structure, and processes * Independence assurance * Leadership competence * Managerial competences * Negotiation * Planning & control * Political competence( self-confidence, social astuteness & ability to influence others * Politics & use of power * Resourcefulness * Result oriented * Risk & opportunity * Technical competence * Ability to communicate effectively with financiers * Ability to consummate transactions * Ability to deliver in good time * Ability to do a rigorous analysis of the market * Ability to explain in a concise way that is believable | * Ability to make development computation * Ability to manage lenders * Ability to negotiate documentation with partners * Ability to supervise and manage the project from start to finish * An understanding of the geographical location and specific product type * An understanding of the relevant laws * Being attentive * The building of properties/ real estate development * Competence in obtaining finance and committing to a senior loan contract * Competence in understanding how finance works * Competent in the understanding of real estate entrance, operation, and exit; staffing & management * Due diligence * Established track record of successful acquisitions/dispositions * Expert in land and building * Finance * Financial analysis * Financial competence * Financial models and comparing scenarios | * Grounded business relationship * Knowledge of the market * Legal analysis * Networking * Never defaulting on a loan * Paying regular interest and sometimes amortisation * Personal presentation skills and sales competences * Project execution * Project implementation * Project management * Property development * Relationship development and maintenance with investors and financiers * Reliability * Retail development, management * Sales * Strong finance background * Track record * Track record in executing projects * Track record in mass housing development, * Track record in the commercial property arena * Understanding of analytics * Understanding of construction * Understanding of Joint Venture proposals * Understanding of market needs and financing deals * Understanding of the market |

## Summary of skills, knowledge and competences for securing finance for real estate project development

This chapter examined the management skills, knowledge, and competences for securing finance for real estate project development in the developed and emerging economies.

The survey questionnaire findings demonstrate that all the twenty-three skills listed in the survey are considered important for securing finance for real estate project development in both the developed and emerging economies. The data also revealed a need for training and education for all the skills for both the present work managers do with respect to real estate project development and the future. However, the degree of importance, need for training and education for the present and future varies in the six different countries. Notably is the fact that the ranking of the skills for the different countries does not demarcate skills used in developed countries as different from the emerging economies. However, the top-ranked skills show a blend of human, technical, conceptual, political and financial management skills for all the countries. The results show a strong positive correlation between management levels and skills sets, including risk management, budgeting, planning and control, and liquidity management.

The semi-structured interviews' findings emphasise some skills already picked up from the survey questionnaire and brought on board some new skills. Some skills managers in both the developed and emerging economies have in common for securing finance for real estate project development based on the semi-structured interviews include:

1. Analytical skills
2. Selling/ Marketing skills
3. Relationship management
4. Monitoring skills

However, their differing skills include the following –

**Developed economies:**

1. Ability to improve your profile in the market by using the internet, LinkedIn and Facebook
2. Financial modelling
3. Foreign language skills / Multi-lingual
4. Global networking
5. Hedging skills

**Emerging economies:**

1. Ability to connect to people on an emotional level
2. Ability to lobby
3. Integrity & diversity
4. Technical skills

The findings also show that some managers do not have some salient skills needed for securing finance for real estate project development and would want to be trained to acquire these skills, while a few would rather pay contractors with the skills sets needed. This study developed a skills conceptual framework that is an inventory of skills for securing finance for real estate project development. It forms part of the tool kit for securing finance for real estate project development.

Furthermore, the questionnaires and semi-structured interviews show that there are varied financial knowledge sets that the managers in the real estate sector use to secure finance for real estate project development. The findings from the survey questionnaire demonstrate that all the selected seventeen-management knowledge in the survey are considered important for securing finance for real estate project development at the aggregate level by managers in both the developed and emerging economies. The managers at the aggregate level also indicated different degrees of need for training and education for all the management knowledge for securing finance for real estate project development for their present and future jobs. Interestingly, the knowledge of funding sources and market intelligence has a top-ranking regarding the degree of importance, the need for training and education for the present and the future.

The questionnaire survey analysis at the disaggregate level based on the different countries shows rankings of the degree of importance, need for training and education for the present and future by the managers in both the developed and emerging economies. The findings show that, except for the USA, knowledge of funding sources is ranked top by managers in both developed and emerging economies. The findings do not clearly distinguish between developed and emerging economies, as was also the case for management skills. However, some of the managers in Germany indicated they did not need training and education for certain knowledge both for the present and the future because they would rather contract professionals to provide such knowledge. The results also show a strong positive correlation between the level of management and some financial knowledge sets, which include strategies for managing risks and uncertainty, risks and opportunity response strategies and plan, and techniques and conditions for loan effectiveness.

The semi-structured interview findings also show that managers in both the developed and emerging economies have some financial knowledge sets in common that help them secure finance for real estate project development. Arguably, this is because of the global nature of the education sector. Considering that about 99% of the managers interviewed for both the developed & emerging economies have at least a first degree. Some knowledge sets they have in common are:

1. Sales
2. Knowledge of the market
3. Risk
4. Cash flow
5. Financial analysis
6. Understanding of the product
7. Knowledge of regulations

While some knowledge sets that are differing for both developed and emerging economies respectively based on the semi-structured interviews are as follows:

|  |  |
| --- | --- |
| **Developed economies** | **Emerging economies** |
| 1. Financial modelling 2. Legal knowledge 3. Location knowledge 4. Policy knowledge 5. Risk 6. Technical knowledge 7. Understanding Joint venture legal document 8. Knowledge of loan agreement & how they work 9. Understanding of Macroeconomics factors 10. Awareness of the client’s need 11. Knowledge of what lenders want | 1. Asset management 2. Feasibility studies 3. Knowledge of accounting and economics 4. Knowledge of finance instruments 5. Knowledge of location & topography 6. Leadership & negotiation 7. Portfolio management 8. Proposal packing 9. Quantity surveying 10. Technical knowledge |

To bridge the gap in the knowledge that managers have for securing finance for real estate project development, this study developed an inventory of management’s knowledge for securing finance for real estate project development which also forms a part of the toolkit for securing finance for real estate project development. These management knowledge sets are restricted to financial management knowledge and are made up of findings from questionnaire surveys and semi-structured interviews.

Comparatively, the competences for securing finance for real estate project development in both the developed and emerging economies are similar, just as in the case of knowledge and skills. The survey questionnaire findings show that all nineteen management competences listed in the survey are considered important for securing finance for real estate project development by both managers in the developed and emerging economies at the aggregate level. It also shows that the managers indicated a need for some degree of training and education for all nineteen competencies for the present and future need to secure finance for real estate project development. The results show a strong correlation between the level of management and some competences such as result-oriented, business case and managerial competences. The findings show some commonalities in competences for securing finance for real estate project development as follows:

1. Ability to analyze the market
2. Legal competences
3. Sales competences
4. Communication
5. Construction of properties

While the fundamentally differing competences for both regions are financial modelling for the developed economies and networking and retail developments for the emerging economies. This research developed an inventory of competences for securing finance for real estate project development based on the findings from this study. The inventory of competences is meant to act as a guide to managers and as a platform for training and development. It also forms a part of the toolkit for securing finance for real estate project development.

# Management career path, training, and education for securing finance for real estate project development in developed and emerging economies.

## Introduction

This chapter presents and discusses the findings on the manager’s career path, training, and education for securing finance for real estate project development. The chapter fulfils the second part of the fourth objective, “to document the skills, knowledge, and competences and ascertain the training background, education, and career pathway that the real estate development manager needs to be successful in securing finance for real estate project development”.

The study of the manager’s training, education, and career path for securing finance for real estate project development are for the following reasons:

1. To create awareness of the career path, training and education managers need to be able to obtain funding for real estate project development.
2. To provide a platform for a career path, training and education managers need to secure finance for real estate project development.
3. To contribute to the development of a toolkit for securing finance for real estate project development.

## Management career path for securing finance for real estate project development.

Respondents were requested to list their career path chronologically for both the online questionnaire survey and semi-structured interview. The data on career-path was analysed in two major sections:

1. the aggregate and disaggregate levels discuss the career path based on the online questionnaire survey to ascertain if the career path is relevant to the manager’s ability to secure finance for real estate project development.
2. career path on the disaggregate levels based on the findings from the semi-structured interview for both the emerging and developed economies.

### Management career path for securing finance for real estate project development.

#### Questionnaire survey discussion and analysis at the aggregate level

The survey questionnaire respondents were requested to list their career path in chronological order based on the online questionnaire survey, as shown in table 9.2.1.

Table 9.2‑1: Career path: Chronological order of the positions managers have held in the real estate industry since they first joined and the number of years they held such a post.

|  |  |  |
| --- | --- | --- |
| **Responses** | **Respondents** | **Valid Percent** |
| 1. Normal employee 2yrs. Planner 3yrs. Site project director 4. CEO | 1 | 1.6 |
| Analyst: 2 years development Manager : 3 months | 1 | 1.6 |
| assistant project manager (7yrs) | 1 | 1.6 |
| Assistant to Chairman (2 yrs.) Manager (2 yrs.) Head of Projects (3 yrs.) Partner & Head of Projects (2 yrs.) | 1 | 1.6 |
| Broker | 1 | 1.6 |
| Broker(5yrs) Developer(6yrs) | 1 | 1.6 |
| Business Development (2 yrs.) | 1 | 1.6 |
| Chief Executive Manager (5yrs) State Director (10yrs) | 1 | 1.6 |
| Chief Operations Officer (4yrs) | 1 | 1.6 |
| Design Engineer (2yrs) Projects Engineer (6yrs) Project Manager (8yrs) Associate Principal (2ys) Managing Director (2yrs) | 1 | 1.6 |
| Gen mgr (3yrs), CEO (3yrs), COO (2yrs) | 1 | 1.6 |
| General manager. 6yrs | 1 | 1.6 |
| general manager(12yrs) | 1 | 1.6 |
| Intern (2 yrs.) Manager (3.5 yrs.) General manager (2 yrs.) | 1 | 1.6 |
| Intern, Leasing Agent, Land Acquisition and Development Manager, Development Manager | 1 | 1.6 |
| Junior management 10years Senior and middle management ten years | 1 | 1.6 |
| Junior manager - 4 yrs Senior manager- 8 years Director- 5 years | 1 | 1.6 |
| Membership Officer/Records (8yrs) | 1 | 1.6 |
| Non | 1 | 1.6 |
| Project Manager (3yrs) Executive Director (4yrs) | 1 | 1.6 |
| Project Manager (8yrs) | 1 | 1.6 |
| Project Officer (5yrs) Project Manager (5 yrs.) Director Operations (3 yrs.) Managing Director ( 7 Yrs.) | 1 | 1.6 |
| Property Researcher 3yrs, Associate and head of dept 2yrs, Associate director 2 yrs, Director 26 yrs., Chair and Professor 6 months | 1 | 1.6 |
| Quantity surveyor- 6 Years | 1 | 1.6 |
| Regional Development Agency Finance Director Finance Director igloo Regeneration Finance Director PfP Capital | 1 | 1.6 |
| Regional manager | 1 | 1.6 |
| Research Analyst - 1 year | 1 | 1.6 |
| resident Surveyor 4 & managing partner 17 | 1 | 1.6 |
| Sales executive (1yr), manager(3yrs) | 1 | 1.6 |
| Sales executive, executive director, and chief executive | 1 | 1.6 |
| Sales manager | 1 | 1.6 |
| sales manager (2 yrs) | 1 | 1.6 |
| sales manager (3 yrs.) | 1 | 1.6 |
| Sales manager 3years General manager two years | 1 | 1.6 |
| Sales Manager, General Manager | 1 | 1.6 |
| sales-5 years development-18 years | 1 | 1.6 |
| Senior Manager (8yrs); Managing Director (1yrs) | 1 | 1.6 |
| Site engineer | 1 | 1.6 |
| Site supervisor (6yrs) Chief executive officer (2yrs) | 1 | 1.6 |
| Store inventory keeper(2yrs), site supervisor (3yrs) | 1 | 1.6 |
| surveyor(5 years), project manager (10 years) | 1 | 1.6 |
| Sustainability Consultant - 8 years. Self-employed consultant - 4 years Tech company operations direct - 3 years 'Head of' service - 2 years | 1 | 1.6 |
| Team leader (2yrs), Asst.Project Supervisor (1yr), Project supervisor (2yrs). | 1 | 1.6 |
| Team leader (3yrs) site supervisor (5yrs) project manager (15yrs) | 1 | 1.6 |
| Total | 64 | 100.0 |

The result from the online questionnaire survey shows the varied career paths the respondents had, and it also shows various sequences of advancement to higher-level positions. The responses show both lateral movements within and across industries. It also indicates vertical growth and progress to a higher-level position. These findings are in line with existing literature on a career path (Stewart and Kuenzi, 2018; Tuononen et al., 2018). It shows a combination of the theory of traditional career and human capital theory (Harris et al., 2015; Arthur & Rousseau, 1996); and this is because it can be deduced from the findings that some of these managers kept rising in careers based on their abilities, skills and other characteristics which are indicative of the human capital theory. However, those that climbed the corporate ladder, despite being few in the findings, is indicative of the theory of traditional career (Carden & Martin, 1998).

#### Questionnaire survey discussion and analysis at the disaggregate level.

Table 9.2‑2: Management’s career path at the disaggregate level

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Country | Germany | UK | US | China | Nigeria | South Africa |
| Number of respondents | 5 | 20 | 8 | 11 | 26 | 11 |
| Number of years worked in the real estate sector (range) | (1-5)25%  (6-10)25%  (11-15)25%  (16-20)0%  (over 20yrs) 25% | (1-5yrs)37.5%  (6-10yrs)31.3%  (11-15yrs) 6.3%  (16-20yrs ) 12.5%  Over (20yrs)6.3% | (1-5rs )25%  (6-10yrs) 37.5%  (11-15yrs)12.5%  (16-20yrs)0%  (Over 20yrs)25% | (1-5)36.4%  (6-10)  36.4%  (11-15)  9.1%  (16-20)  18.2%  (over 20yrs)0.0% | (1-5)36%  (6-10)28%  (11-15)16%  (16-20)12%  (over 20yrs)4.0% | (1-5)20%  (6-10)30%  (11-15)20%  (16-20)20%  (over 20)10% |
| Levels of management | 75% upper management & 25% middle management | 37.5% upper management; 4.38% middle management & 12.5% lower management | 37.5%Upper mgt and 62.5%middle mg | 54.5% upper mgt; 9.1% middle mgt and 36.4%lower mgt | 32%Upper mgt, 44% middle mgt & 24lower level mgt | 50%(upper mgt); 40% middle mgt & 10% lower mgt |

The survey questionnaire's findings at the disaggregate level show that the managers involved with securing finance for real estate project development in both developed and emerging economies have real estate experiences ranging from 5 years to over 20years (see table 9.2.2).

The findings revealed that managers involved in securing finance for real estate project development in the emerging economies are from the three levels of management; upper, middle, and lower levels. The findings also show that managers involved in securing finance for real estate project development in developed economies are mainly upper and middle-level management, with a significantly low percentage of lower management in the United Kingdom. This goes to show that the toolkit will be relevant to all managers irrespective of their levels.

### Career path for securing finance for real estate project development for both the developed and emerging economies at the disaggregate level.

Tables 9.2.3 and 9.2.4 show summaries of the managers’ career paths for securing finance for real estate project development for the developed and emerging economies based on the semi-structured interviews and information obtained from the interviewees LinkedIn profiles.

Table 9.2‑3: Major Characteristics of background & career paths of managers in developed economies

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Countries/ mgrs.** | **Class of mgrs.** | **Real estate type** | **No of years in real estate** | **Career path in chronological order** | **Int’l**  **work experiences** |
| Germany mgr. 1 | MD/CEO  (Strategic mgr.) – self-employed | Residential | 25 | Sale of off-plan projects and operation of off-plan projects | Dubai and Australia |
| Germany mgr. 2 | Mgr. – Self-employed | Residential | 6 | Mortgage and insurance speciality | None |
| Germany mgr 3 | Strategic mgr. / (Senior mgr.) | Commercial and residential | 30yrs work experience but 25 in real estate | Banker (11yrs), Director business development in a global property management firm (7yrs), Managing director real estate asset management firm (10yrs), Senior adviser mergers & acquisition, director real estate investment firm and CEO of a firm involved with running, growing and overseeing the areas of finance and operations, investment and business development | The United Kingdom, Switzerland, and France |
| Germany mgr. 4 | Strategic  (Senior mgr.) | Commercial and residential | 19 | Senior economist at international bank research specialised in real estates and industry analysis( 10yrs), Professor of Real Estate (7yrs), academic and managing director | US |
| Germany mgr. 5 | Associate director  (Middle-level mgr.) | Residential & industrial | 6 | Consultant in the UK (1yr), Analyst capital partners in the UK (1YR), investment manager (3yrs) and director (1yr | London -UK |
| Germany mgr. 6 | Middle-level mgr. | Residential | 10 | Legal counsel, Legal partner, head German real estate desk in London & Local partner legal | UK |
| UK mgr 1 | MD/CEO | Residential | 14 | Banking – property finance (10yrs) and property development (4rs) | Nigeria |
| UK mgr. 2 | MD/CEO  (Strategic mgr.) | Commercial and residential | 30 | Audit & accounting junior manager, Accountant at a bank (2yrs), audit & consulting /trustee (8yrs), Pension director (18yrs), governor & chair audit committee of a university in London (11yrs) and professional pension trustee ( 4motnths) | None |
| UK mgr. 3 | Strategic mgr. - Senior | Commercial real estate  (shopping malls ) and retail properties | 27 | The finance department in a hotel in Australia; commences business in the UK in 1988, set –up own firm in 2003 | Poland, central Europe, and Australia |
| UK mgr 4 | Strategic mgr. | Commercial (Shopping centres ) | 16 | Worked in a hotel before going into real estates | China, Eastern Europe, the US, Hong Kong, Singapore, Malaysia |
| UK mgr. 5 | Strategic – Finance director | Residential properties | 12 | Deloitte's and PWC to 1996, Chocolate company to 2003, development agency to 2008, company finance director to 2017, advisory services to 2019 and property firm | None |
| UK mgr. 6 | CEO –Strategic mgr. (senior manager) | Commercial property | 20 | Business services manager –logistics firm (15years), Director & consultant independent and project management consultant – IT firm and CEO commercial property development company | None |
| UK Mgr7 | Strategic mgr. / Director | Commercial & Residential | 23 | Associate 1999 to 2000; Director UK investment 2000 to date & Director of investment | Germany, Sweden, Paris, Luxemburg, Japan, Singapore & Australia |
| US Mgr1 | Middle-level mgr. | Commercial | 10 | Business development director 2009 to 2012, Associate director, strategy & business development 2012 to 2015, head real estate capita 2016, alternative real estate investment 2016 to 2017, senior associate 2017 to date | China, Amsterdam, Netherlands |
| US Mgr2 | Strategic mgr. | Residential & Commercial | 26 | Lecturer banking & finance 1993 to 2005, Director, centre for real estate research 2002 to 2005, Director real estate investment & corporate real estate 2006 to 2009, Professor finance 2004 to 2010, Director real estate finance 2011 to 2016, Professor of real estate 2016 to date | United Kingdom |
| US Mgr3 | Strategic management | Residential & commercial | 30 | Professor at University 2004 to 2014, executive director in an apartment industry education foundation; Adjunct professor school of architecture and design, adjunct professor 2013 to date, President Quadrillion 1997 to date. | None |
| US Mgr4 | Middle-level manager | Commercial & residential | 4 | Attorney, City of New York 2004 to 2007, Labour relations manager/, Human resources manager 2007 to 2013, Human resources manager 2013 to 2015, Managing partners real estate 2015 to 2019, Acquisition/development analyst 2017 to 2019 & development manager 2019 to date | None |
| US mgr. 5 | Upper-level manager / President of the company | Commercial | 24 | Vice president of development 1996 to 2010; Vice president commercial 2010 to 2014 & President 2014 to date |  |

Table 9.2‑4: Major Characteristics of background & career paths for managers in emerging economies

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Countries/ mgrs.** | **Class of management** | **Real estate area of speciality** | **No of years in the real estate sector** | **Career path in chronological order** | **International work experiences** |
| China Mgr2 | Strategic management | Commercial & residential | 27 | General Manager, project director & project manager (1992 to 2001), Researcher international project management, project finance & MNC’s operation (2001 to 2005), Adjunct Professor (2008 to 2013), Executive general manager (2009 to 2014), Senior management at the World Bank/ Asian development bank (2005 to 2015), Partner PWC (2015 to date) | Malaysia, Pakistan, Sri Lanka, Bangladesh, Singapore, Belize & Peru. |
| China Mgr3 | Strategic Management | Commercial & residential | Over 20 | Over 20 years of real estate investment and management experience in the United States and Asia as Vice-Chairman and former Chairman of al real estate companies | United States |
| China Mgr4 | Strategic Management | Commercial & residential | Over 20 | Over 20 years of Real estate investment and management experience in Thailand, Hong Kong, and China as Managing Director; director of leading real estate companies in US and Asia; Worked in the Structured Finance group at an international bank in New York and Corporate Finance at an international bank in Asia. | Thailand and Hong Kong |
| China Mgr5 | Strategic manager | Residential & commercial | Over 20 | Former director and Board of Directors of major hotels in Shanghai; before joining the present real estate company. | None |
| China Mgr 6 | Strategic manager | Residential & commercial | Over 20 | Over 20 years of investment banking and investment management experience in the Asia-Pacific region; Worked at both UBS and Goldman Sachs during her investment banking career, covering major institutional clients around the region in Asian Equities. | Asia pacific |
| China Mgr7 | Strategic manager | Commercial | 25 | Property services ( 6yrs); Banking (3years); banking and property investment (4years) and Pension plan investment board ( 2009 to present – 10years) | U.S, Moscow, and Canada |
| Nigeria Mgr1 | Strategic manager / CEO | Residential | 18 | Started real estate business in 2002, a member of Real Estate Developers of Nigeria (REDAN), assistant national secretary and board of trustee member of Nigerian chartered institute of project managers |  |
| Nigeria Mgr2 | Strategic manager | Residential | 15 | Construction (2004 to 2011), quantity survey services, project management and real estate development(2011 to date ), | None |
| Nigeria Mgr3 | Strategic manager / CEO | Residential | 8 | Studio Architect, Project Architect, Designing and real estate development | None |
| Nigeria Mgr4 | Strategic manager | Residential | 30 | Lawyer, Broker, and real estate development | Dubai |
| Nigeria Mgr5 | Middle level | Residential | 6 | Banking and project development | None |
| Nigeria Mgr6 | Middle-level manager | Residential | 10 | Real estate (3years) and property development | None |
| South Africa Mgr1 | Lower level manager | Commercial & residential | 6 | Risk department in a bank, risk department in insurance, market, credit risk, and project finance in present company | None |
| South Africa Mgr2 | Strategic manager | Residential and commercial | 14 | Entrepreneurship, renovation, buying & selling properties | None |
| South Africa mgr. 3 | Strategic manager | Commercial ( Educational) | 20 | Junior quantity surveyor in a construction firm (1999 to 2001); Senior quantity surveyor (2001 to 2006), property development manager (2006 to 2008), Head property development (2007 to 2012), property development manager 2011 to 2016), Executive director (2016 to date). | Nil |
| South Africa mgr. 4 | Strategic manager | Commercial | 25 | Regional head of an African network provider (2000 to 2002), General manager-Asset management (2002 to 2008), Independent Non-executive director (2009 to 2012), Founder real estate firm (2008 to 2014), Head valuation of a global bank (2008 to 2014) and Managing director asset management (2014 to date) | Nil |

### 

The findings on the career path for the managers involved in securing finance for real estate project development in both the developed and emerging economies show no rigid uniformed career paths for managers in both regions.

### A comparison of the management’s career path for securing finance for real estate project development in the developed and emerging economies.

The managers interviewed in developed economies are mostly strategic managers involved in commercial and residential real estate developments. They have an average real estate work experience of 17 years, with the highest at 30 years and the lowest at four years. Most of the managers' chronological work experience shows a strong finance background as most of them worked in banks, insurance companies, and pension funds before moving into the real estate sector. Their specialisations range from real estate industry analyst and real estate to pension fund management.

Most of the managers interviewed in Germany, the United Kingdom, and China have strong finance backgrounds as they have worked at managerial levels in finance sectors before taking on real estate and properties. Furthermore, most of the managers interviewed in Germany, the United Kingdom, the United States of America, and China have international real estate experience as they have worked in other countries, and some have subsidiaries of the companies they are actively involved in within different countries and continents.

The managers interviewed for the emerging economies mainly were strategic managers with a few middle level and lower-level managers. The average years of work experience for these managers are 16, with the lowest being 6 years and the highest 30 years. Their area of operation in the real estate sector is commercial; however, most of the managers interviewed in China operate majorly in the residential real estate sector. Some South African managers have a combination of commercial and residential areas of operation, but for the majority, it is residential. All the managers interviewed in Nigeria are involved in residential real estate development.

The managers interviewed in China have lots of international experience, just like the developed economies' managers. However, the managers interviewed in South Africa and Nigeria have been involved in mostly regional/country-based operations and have no international real estate experiences apart from one Nigerian manager who has marginal operations in Dubai.

The managers' professional background in China reflects good finance, property investment, and management composition. The professional background of managers interviewed in South Africa indicates project finance, risks management and property development. However, the professional experiences of managers interviewed in Nigeria reflect mostly hard skills such as architecture, construction, and real estate development. Managers operating in Nigeria, South Africa, and the United States have more country-based experience, although a few managers in the United States of America have experience operating in other countries. Notably, the US is already a very large market; hence some operators do not need to extend to other countries (the trading economics, 2019).

### The implication of the findings on the career path for securing finance for real estate project development in the developed and emerging economies.

Despite having worked in the real estate sector for several years, most of the interviewees and respondents to the questionnaires did not rise to the top in just one organisation. There were cross-organization, and cross-industry rises to the top in their careers. This is indicative of the influence of higher education and training on labour mobility. This is in line with existing literature (Young, 1988). Furthermore, managers' multiple country work experiences in the developed economy show the effect of socio-economic stability on career mobility. This study developed a conceptual framework of career path for securing finance for real estate project development as there is no established work in this light. The conceptual framework forms part of the toolkit for securing real estate project development finance in chapter 10.

### The development of a conceptual framework for career path for securing finance for real estate project development.

The real estate manager’s education and career histories, taken from both the survey questionnaires and the semi-structured interviews, provided a guide for the development of the framework for career path for securing finance for real estate project development. Some existing theories also provided a platform for the framework for a career path for securing finance for real estate project development. This conceptual framework on career path for securing finance for real estate project development provides recommendations of course contents for both undergraduate and postgraduate students in the Built Environment. It provides a guide on relevant courses for early academics aspiring to be managers in the Built Environment who will be involved in securing finance for real estate project development ( see table 9.2.5) . Appropriate courses could advance individuals' career prospects and could act as a stimulus to job satisfaction (Young, 1988). The framework will enhance selection and processes.

The theories that support the development of the framework for career path for securing finance for real estate project development are:

1. Human capital school of thought
2. Job matching theory.
3. Theory boundaryless career

The various theories are generally seen as platforms that contribute to policy development that helps in matching the educational systems and the labour markets. A well-trained workforce is seen as a precondition to economic growth. However, research has shown that education's value depends not just on the level of education but also on the subject studied (Heijke, 1996).

Table 9.2‑5: A conceptual framework for career path for securing finance for real estate project development.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Career history | Education | Module guide for undergraduates & postgraduate education | Cross organisational mobility | International content | Extra-organisational support/ membership |
| * Strong finance background. * Specialisation ranging from real estate industry analyst and real estate to pension fund management. * Specialisation in commercial or /and retail real estate developments * Good international work experiences across countries * Academic specialisation with a strong emphasis on real estate, construction & project finance, management & finance * A range of 4 to 17 years average experience in the real estate sector | * BA Rhetoric * BA, Economics * Bachelor of Science in Management and Master of Science in Real estate * BSc Economics * BSc Housing and Consumer Economics * BSc Management Estate Management * BSc political science * Certificate in mortgage practice * Chartered accountancy * Degree in Economics & Geography * Degree in Economics and public administration * Degree in Finance and accounting * Degree in Land Economics * Degree in Mathematics * Finance degree * J.D Law * Masters European Law focusing on real estates * Masters in Senior Housing * MSc Real estate * MSc, Investment Analysis * PhD Finance * PhD in Leadership Development. * RICS post-graduate diploma in property investment * Self –education * BSc Business property * CFAI- Chartered Financial Analyst Institute * Bachelor of Science in Civil Engineering * Bachelor of Science in Finance * Master of Science in Construction Management * Master’s degree in Finance * MSc Project Management * PhD. Construction Management and Economics * Bachelor of Science in Applied Mathematics and Economics * Master of Science in Property Investment * Bachelor of Science in Business Administration * BA Chinese * MBA * BSc Estate Management * Higher National Diploma ( HND) Quantity – Survey * MSc Architecture * BA Law * BSc Estate Management * MSC Estate Survey * BSc Mathematical Science, * BSc applied mathematics * Master of Management in Finance and investment * BSc Business and Commerce * Postgraduate Diploma In Real Estates * BSc Quantity Surveying * Master of Business leadership finance, general * BSc Corporate finance and Economics * Postgraduate degree in business management * Postgraduate degree in future studies * Research masters in performance in real estate performance structuring | * Financial accounting basics * Finance options * Cost calculation technique * Financial management concepts & terms such as (cashflows, debt-asset ratio & return on investment. * Debt literacy * Market intelligence * Principles of risk & diversification * Relevant conventions, regulations and legislation * Strategies for managing risk and uncertainties. * Cost estimation methods * Technics and conditions for loan effectiveness | * Insurance companies * Mortgage firms * Banks * Legal firms | * Work experiences in differed countries * Academic experiences in different countries * Internship programs in different countries * Universities exchange program in different countries * Short courses focused on real estates in different countries. * Seminars and conferences in different countries | * Society of property researchers (SPR) * ARCOM * CIB * Mentors |

The framework for the career path for securing finance for real estate project development is made up of five parts. These five parts are a reflection of the data collected and the three theories used as a basis for the creation of the framework. The five parts are career history, education, module guide for undergraduates and postgraduate studies, organisational mobility, and international content. There is no existing research done on career path for securing finance for real estate project development, and hence a comparison could not be made in that regard.

1. **Career history / Education/ module guide for undergraduate and postgraduate education**

Management education is seen as instrumental to the success of any task hence this framework suggests an education and module guide that tilts towards management skills in finance. Aside from acting as a guide for prospective students with an interest in this sector, the framework provides broad content for undergraduates and postgraduate students. It is recommended that school authorities design the curriculum for students in the Built Environment to include the modules in the framework to enhance the careers of the students. The provision of courses and a module guide in the framework aligns with the human capital theory, which emphasises that education increases the productivity and efficiency of workers by increasing the level of cognitive stock of economically productive human capability, which is a product of inborn abilities and investment in human beings (Almendarez, 2016).

The framework provides relevant courses for managers and aspiring managers that will be involved with securing finance for real estate project development. Appropriate courses could advance the career prospects of the individuals, they act as direct stimuli to job satisfaction and could reduce skills mismatch (Young, 1988). Modern economists are of the opinion that education and health care are the keys to improving human capital and ultimately increasing the economic output of a nation (Strober, 1990). This study aims to leverage on that fact by including appropriate education via the provision of relevant courses and modular guides to enhance the knowledge of managers and therefore enable them to access finance for real estate project development.

Furthermore, according to human capital theory, education positively correlates with income. This is because education increases skills, and this, in turn, increases productivity; higher productivity is then rewarded through higher earnings (Strober, 1990). It is important, therefore, that those aspiring to a career in the real estate sector have access to a framework, like the one in this study, early in their career pursuit in order to make decisions that would help them.

1. **Cross organisational mobility and international content**

A person ” job fit” or “organisational fit”, are usually instrumental to matching the knowledge, skills and abilities of the individuals with the work requirement. Therefore, without a good “fit”, there is a likelihood of lower employee performance, higher turnover, and absenteeism (Bhat, 2014). This also leads to significant cross-organisational mobility and sometimes cross border mobility. Hence organisations invest heavily to get the right types of people even if it means searching across organisations or across borders. It is believed that under conditions of perfect information, a competitive labour market will match workers and jobs and this could be not just across organisations but across borders (Crowford and Knoer, 1981).

The data collected from the interviews show significant mobility of managers from different sectors into the real estate sector. Most of these migrations were from the banking, pension fund and insurance sectors into the real estate sector. These are areas that are very closely linked to the real estate sector. The data also showed that a number of the managers in the developed economies who claimed they did not have problems with access to finance had either schooled or/ and worked in other countries previously. The relationship linking skills that are specific to turnover over the decision is considered very important in the economics of labour mobility (Miller,1984). Hence, the introduction of cross-organisational mobility and international content is a strong component of this framework because of the incremental knowledge managers gained from such movement and its positive impact on their careers.

The boundaryless career theory also adds credence to the importance of inter-organisation mobility of labour and the importance of international content. Contemporary employment contexts call for careers to be more boundaryless and there is evidence that people who exhibit boundaryless career behaviour report considerably higher levels of career success. Career success in this regard includes promotions, salary increases, and career satisfaction (Arthur et al, 2005). The boundaryless career provides opportunities that transcend any single employer. The boundaryless career theory also supports extra-organisational support which entails people developing their career and enhancing career successes through relevant peer groups or work-related communities, these provide platforms for enhanced skills and knowledge through shared information and overlapping work experiences (Arthur, 2005). Such groups are meant to support managers and aspiring managers in their work roles and help them make sense of what kind of career success they have attained (Arthur et al, 2005).

The next segment of this study discusses the education and training for securing finance for real estate project development.

## Manager’s education and training for securing finance for real estate project development.

The study on the manager’s education and training for securing finance for real estate project development are for the following reasons:

1. To create awareness of education and training, managers need to secure finance for real estate project development.
2. To provide a platform for training and education for securing finance for real estate project development.
3. To contribute to the development of a toolkit for securing finance for real estate project development.

### Management’s qualifications for securing finance for real estate project development.

#### Questionnaire survey discussion and analysis at the aggregate level

A list of 7 qualifications, with an option to provide others if need be, was presented to the respondents and they were requested to tick as many, as necessary. 9.4% of the respondents indicated they have O Levels, another 9.4% indicated they have A’ Levels, 10.9% indicated they have a diploma (HNC) or equivalent, 35.9% indicated they have first degrees, 53.1% have higher degrees (MSc, MA, MBA & PhD) while 26.6% reported they have membership of professional institution (by examination) and 25% membership of institution ( by association). This result goes to show that managers involved with securing finance for real estate project development are very educated with most of them having higher degrees, first degrees and membership of professional institutions by examination and association. However, the findings do not show any correlation between the level of management and the qualifications attained.

#### Questionnaire survey discussion and analysis at the disaggregate level.

At the disaggregate level, the findings show that 50% of survey respondents from Germany have first degrees and higher degrees while 25% have a membership of professional institutions by examination. There is, however, no correlation between the level of management and qualification of the respondents from Germany. About 44% of survey respondents from the UK have first degrees, higher degrees (63%), membership of professional institutions by examination (36%) and membership of professional institutions by association (19%). The findings show no correlation between the levels of management and the qualifications by managers in the UK based on the questionnaire survey. About 50% of survey respondents in the US have a first degree, higher degrees (63%), membership of professional institution by examination (38%) and membership of professional institution by association (13%). The findings show that there is no correlation between the level of management and the qualification of managers in the US.

The findings show that 9% of survey respondents in China indicated they have first degrees, higher degrees (73%), membership of professional institutions by examination (36%) and membership of institutions by association (9%). There is no correlation between the level of management and the qualification of respondents from China. While 48% of survey respondents from Nigeria have a first degree, higher degrees (52%), membership of professional institution by examination (24%) and membership of professional institution by association (32%). There is no correlation between the levels of management and the qualification of the managers in Nigeria based on the survey. About 20% of the survey respondents from South Africa have a first degree, higher degrees (70%), membership of professional institution by examination (40%) and membership of professional institution by association (40%). The spearman rho results also show that there is no correlation between the level of management and the qualification of managers in South Africa.

### Management’s approaches for training and education for securing finance for real estate project development.

The managers were presented with a list of seventeen approaches to training and education for securing finance for real estate project development which was obtained through a review of literature on approaches to management training (see chapter 3.8.5). They were requested to indicate the extent of use, degree of importance for the present and degree of perceived importance for the future (next 5years) in securing finance for real estate project development and this was analysed at both the aggregate and disaggregate levels.

#### The degree of use of approaches for training and education for securing finance for real estate project development.

##### Questionnaire survey discussion and analysis at the aggregate level

The findings are summarised in table 9.3.1. shows that almost 49% of the survey respondents use continuing professional development as the most highly used approach for training and education for securing finance for real estate project development. This is followed by classroom instructor-led training for a short period offered by consultants (39%), conferences and seminars 38.5%), computer-based training (37.5%) and usage of formal qualification (35.9%). The least highly used options at the aggregate levels are external training (30.8%), learning by holding meetings (26.3%), executive MBA with classes on a part-time basis (24.3%), university residential (23.1) and online and tutorial training (16.2%).

Table ‑: The degree of use of approaches for training and education for securing finance for real estate project development.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Training & education | Degree of use | | | | |
| Not used | Less used | used | Very used | Highly used |
|  | Percentage % | | | | |
| Classroom instructor led training for short period(offered by consultants) | 9.8 | 9.8 | 22.0 | 19.5 | 39.0 |
| Company-specific courses targeted at securing financing skills & knowledge | 4.9 | 17.1 | 24.4 | 19.5 | 34.1 |
| Computer based training | 5.0 | 15.0 | 20.0 | 22.5 | 37.5 |
| Conferences & seminar | 5.1 | 12.8 | 23.1 | 20.5 | 38.5 |
| Continuing professional development | 2.6 | 2.6 | 10.3 | 35.9 | 48.7 |
| Executive MBA(with classes on part time basis) | 16.2 | 21.6 | 18.9 | 18.9 | 24.3 |
| External training | 5.1 | 7.7 | 41.0 | 15.4 | 30.8 |
| Learning by holding meetings | 5.3 | 7.9 | 31.6 | 28.9 | 26.3 |
| Online and tutorial training | 10.8 | 16.2 | 32.4 | 24.3 | 16.2 |
| University residential (full time program for some weeks ) | 20.5 | 20.5 | 23.1 | 12.8 | 23.1 |
| Usage of formal qualification | 5.1 | 20.5 | 17.9 | 20.5 | 35.9 |
| Usage of internal program and instructors | 10.5 | 7.9 | 23.7 | 26.3 | 31.6 |

The overall mean values in table 9.3.2 and the ranking given by the survey respondents depicting the degree of use of the selected approaches for training and education for securing finance for real estate project development at the aggregate level. The data shows a mean score range of 4.2 to 2.93, and this is indicative of the fact that these managers use the various approaches for training and education at the aggregate level. The findings show the most highly used approaches to be continuing professional development, conferences & seminars, computer-based training, learning by holding meetings and classroom instructor-led training for short periods offered by consultants.

Table 9.3‑2: Mean scores for degree of use of approaches for training and education for securing finance for real estate project development. at the aggregate level

|  |  |  |
| --- | --- | --- |
| Training & education | Degree of use | Rank |
| Continuing professional development | 4.2 | 1 |
| Conferences & seminar | 3.68 | 2 |
| Computer-based training | 3.67 | 3 |
| Learning by holding meetings | 3.6 | 4 |
| Classroom instructor-led training for a short period(offered by consultants) | 3.58 | 5 |
| Usage of internal program and instructors | 3.57 | 6 |
| Usage of formal qualification | 3.56 | 7 |
| External training | 3.54 | 8 |
| Company-specific courses targeted at securing financing skills & knowledge | 3.53 | 9 |
| Online and tutorial training | 3.18 | 10 |
| Executive MBA(with classes on a part-time basis) | 3.08 | 11 |
| University residential (the full-time program for some weeks ) | 2.93 | 12 |

##### Questionnaire survey discussion and analysis at the disaggregate level

Table 9.3‑3: Mean scores for Degree of use of approaches to training and education for securing finance for real estate project development at the disaggregate level

|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Approaches to management's training & education | Degree of use | | | | | | | | | | |  |
| Germany  N=5 | Rank | UK  N=20 | Rank | US  N=8 | Rank | China  N=11 | Rank | Nigeria  N=26 | Rank | South Africa  N=11 | Rank |
| Classroom instructor-led training for a short period(offered by consultants) | 2 | 10 | 4.5 | 1 | 3.6 | 1 | 4.33 | 1 | 4.26 | 1 | 4.63 | 1 |
| Company-specific courses targeted at securing financing skills & knowledge | 3 | 8 | 4.14 | 2 | 3.4 | 4 | 3.22 | 9 | 3.53 | 7 | 3.67 | 8 |
| Computer-based training | 3.5 | 4 | 4 | 3 | 3.4 | 5 | 3.56 | 3 | 3.72 | 2 | 3.63 | 9 |
| Conferences & seminar | 3 | 9 | 4 | 4 | 3.6 | 2 | 3.67 | 2 | 3.58 | 6 | 4.13 | 5 |
| Continuing professional development | 4 | 2 | 3.71 | 5 | 2.2 | 10 | 3.44 | 7 | 3.68 | 3 | 4.25 | 4 |
| Executive MBA(with classes on a part-time basis) | 4.5 | 1 | 3.71 | 6 | 3.6 | 3 | 3.56 | 4 | 3.42 | 9 | 3.63 | 10 |
| External training | 4 | 3 | 3.67 | 7 | 2.5 | 9 | 3.56 | 5 | 3.68 | 4 | 4 | 6 |
| Learning by holding meetings | 3.5 | 5 | 3.33 | 8 | 3 | 6 | 3.56 | 6 | 3.47 | 8 | 4.38 | 2 |
| Online and tutorial training | 3.5 | 6 | 3 | 9 | 2.75 | 7 | 3.44 | 8 | 3.68 | 5 | 3.87 | 7 |
| University residential (the full-time program for some weeks ) | 1.5 | 12 | 3 | 10 | 2 | 11 | 2.56 | 11 | 2.95 | 12 | 4.29 | 3 |
| Usage of formal qualification | 2 | 11 | 2.83 | 11 | 2 | 12 | 2.33 | 12 | 3 | 11 | 3.25 | 12 |
| Usage of internal program and instructors | 3.5 | 7 | 2.67 | 12 | 2.75 | 8 | 3.22 | 10 | 3.28 | 10 | 3.63 | 11 |

The data in table 9.3.3 shows classroom instructor-led training for a short period offered by consultants as the highest-ranked approach to training and education for securing finance for real estate project development in all the emerging and developed economies in this study apart from Germany. The data also shows significant use of computer-based training by managers in both the developed and emerging economies.

The mean score ranking for the countries is Germany (2 to 1.5), UK (4.5 to 2.7), the US (3.6 to 2), China (4.33 to 2.33), Nigeria (4.26 to 3) and South Africa (4.63 to 3.25). The mean score ranking shows that all twelve approaches to management training and education for securing finance for real estate project development are significantly used by managers who responded to the questionnaire survey in the three emerging economies, UK and the US. However, managers who operate in Germany are not keen on using university residential (full-time program for some weeks). Arguably this is because this approach to training entails a significant cost as the manager will have to be away from work when on training. The top five ranked approaches for training and education for securing finance for real estate project development used by managers in the developed and emerging economies is shown below:

|  |  |  |
| --- | --- | --- |
| **Germany**   1. Executive MBA(with classes on a part-time basis) 2. Continuing professional development 3. External training 4. Computer-based training 5. Learning by holding meetings | **UK**   1. Classroom instructor-led training for a short period(offered by consultants) 2. Conferences & seminar 3. Company-specific courses targeted at securing financing skills & knowledge 4. Executive MBA(with classes on a part-time basis) 5. Computer-based training | **US**   1. Classroom instructor-led training for a short period(offered by consultants) 2. Conferences & seminar 3. Executive MBA(with classes on a part-time basis) 4. Company-specific courses targeted at securing financing skills & knowledge 5. Computer-based training |
| **China**   1. Classroom instructor-led training for a short period(offered by consultants) 2. Conferences & seminar 3. Computer-based training 4. Executive MBA(with classes on a part-time basis) 5. External training | **Nigeria**   1. Classroom instructor-led training for a short period(offered by consultants) 2. Computer-based training 3. Continuing professional development 4. External training 5. Online and tutorial training | **South Africa**   1. Classroom instructor-led training for a short period(offered by consultants) 2. Learning by holding meetings 3. University residential (the full-time program for some weeks ) 4. Continuing professional development 5. Conferences & seminar |

#### The degree of perceived importance of approaches for management training and education for securing finance for real estate project development for present work.

##### Questionnaire survey discussion and analysis at the aggregate level

The results relating to the perceived importance of the different management training approaches and education for securing finance for real estate project development show that almost 42% of survey respondents consider continuing professional development as important for their present job. This is followed by company-specific courses targeted at securing financing skills and knowledge (35%), conferences & seminars (31.7%), computer-based training (28.2%) and university residential full-time program for some weeks (27.5%). However, the survey respondents consider the usage of formal qualification (22%), classroom instructor-led training for a short period (21.6%), online and tutorial training (19%) and external training (18.4%) as the least very important approaches to training and education for their present jobs (see table 9.3.4).

#### 

Table ‑: Degree of need for training and education for the present job

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Training & education | Need for training & education for the present | | | | |
| Not important | Less important | Fairly important | Important | Very important |
|  | Percentage % | | | | |
| Classroom instructor led training for short period(offered by consultants) | 8.1 | 8.1 | 21.6 | 40.6 | 21.6 |
| Company specific courses targeted at securing financing skills & knowledge | 2.5 | 7.5 | 25.0 | 30.0 | 35.0 |
| Computer based training | 2.6 | 10.3 | 12.8 | 46.2 | 28.2 |
| Conferences & seminar | 9.8 | 7.3 | 22.0 | 29.3 | 31.7 |
| Continuing professional development | 4.9 | 9.8 | 12.2 | 31.7 | 41.5 |
| Executive MBA(with classes on part time basis) | 12.5 | 12.5 | 22.5 | 30.0 | 22.5 |
| External training | 5.3 | 7.9 | 23.7 | 44.7 | 18.4 |
| Learning by holding meetings | 4.9 | 7.3 | 14.6 | 46.3 | 26.8 |
| Online and tutorial training | 7.1 | 23.8 | 16.7 | 33.3 | 19.0 |
| University residential (full time program for some weeks ) | 12.5 | 12.5 | 32.5 | 15.0 | 27.5 |
| Usage of formal qualification | 7.3 | 12.2 | 29.3 | 29.3 | 22.0 |
| Usage of internal program and instructors | 12.5 | 5.0 | 25.0 | 35.0 | 22.5 |

The study also used the mean scores of the different approaches to management’s training and education to assess their perceived importance to the present jobs of the managers who responded to the questionnaires ( see table 9.3.5). The data shows a mean score range of 3.91 to 3.26. This indicates that all the approaches are considered important to the managers in their present jobs in securing finance for real estate project development.

Table ‑: Mean scores for perceived importance of approaches for training and education for securing finance for real estate project development. For the present job at the aggregate level

|  |  |  |
| --- | --- | --- |
| Approaches to Management's training & education | Mean score | Rank |
| Continuing professional development | 3.91 | 1 |
| Company-specific courses targeted at securing financing skills & knowledge | 3.81 | 2 |
| Learning by holding meetings with experts | 3.79 | 3 |
| Computer-based training | 3.78 | 4 |
| Conferences & seminar | 3.6 | 5 |
| External training | 3.57 | 6 |
| Classroom instructor-led training for a short period(offered by consultants) | 3.51 | 7 |
| Usage of internal program and instructors | 3.45 | 8 |
| Usage of formal qualification | 3.4 | 9 |
| Executive MBA(with classes on a part-time basis) | 3.33 | 10 |
| Online and tutorial training | 3.3 | 11 |
| University residential (the full-time program for some weeks ) | 3.26 | 12 |

##### Questionnaire survey discussion and analysis at the disaggregate level.

Table ‑: Mean scores for Degree of perceived importance of approaches to training and education for securing finance for real estate project development for the present job at the disaggregate level

|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Degree of perceived importance for the present | | | | | | | | | | | | |
| Approaches to management's training & education | Germany  N=5 | Rank | UK  N=20 | Rank | US  N=8 | Rank | China  N=11 | Rank | Nigeria  N=26 | Rank | South Africa  N=11 | Rank |
| Classroom instructor-led training for a short period(offered by consultants) | 3.33 | 6 | 3.22 | 4 | 2.8 | 5 | 3.1 | 9 | 3.95 | 6 | 3.38 | 8 |
| Company-specific courses targeted at securing financing skills & knowledge | 2.33 | 11 | 2.44 | 12 | 3 | 4 | 3.8 | 4 | 4.1 | 4 | 3.75 | 3 |
| Computer-based training | 3.67 | 2 | 3.1 | 8 | 3 | 3 | 3.8 | 3 | 4.15 | 3 | 3.56 | 4 |
| Conferences & seminar | 3.33 | 5 | 3.62 | 1 | 3 | 2 | 3.7 | 6 | 4.15 | 2 | 3.33 | 9 |
| Continuing professional development | 2.67 | 9 | 3 | 9 | 3.5 | 1 | 3.8 | 2 | 4.2 | 1 | 4.22 | 1 |
| Executive MBA(with classes on a part-time basis) | 2.33 | 12 | 3 | 10 | 2.5 | 9 | 3 | 10 | 3.75 | 9 | 3.11 | 12 |
| External training | 3.67 | 4 | 3.11 | 7 | 2.5 | 8 | 3.8 | 5 | 3.88 | 8 | 3.44 | 6 |
| Learning by holding meetings | 3.33 | 8 | 3.3 | 3 | 2.8 | 6 | 3.9 | 1 | 4 | 5 | 3.78 | 2 |
| Online and tutorial training | 3.67 | 3 | 3.11 | 6 | 2.5 | 10 | 3 | 11 | 3.57 | 12 | 3.44 | 7 |
| University residential (the full-time program for some weeks ) | 2.67 | 10 | 2.78 | 11 | 2 | 12 | 2.8 | 12 | 3.7 | 10 | 3.33 | 11 |
| Usage of formal qualification | 4.33 | 1 | 3.5 | 2 | 2.2 | 11 | 3.5 | 8 | 3.68 | 11 | 3.56 | 5 |
| Usage of internal program and instructors | 3.33 | 7 | 3.14 | 5 | 2.5 | 7 | 3.7 | 7 | 3.9 | 7 | 3.33 | 10 |

The results relating to the perceived importance of training and education approaches for securing finance for real estate project development at the disaggregate level are shown in table 9.3.6. The mean score range for the different countries is Germany (4.33 to 2.33), UK (3.62 to 2.44), the US (3.5 to 2), China (3.9 to 2.8), Nigeria (4.2 to 3.57) and South Africa (4.22 to 3.11).

The data provided indicates that all twelve approaches to securing finance for project development are perceived to be important for their present jobs. Conversely, the top five approaches perceived as important by the managers in the six countries is shown below. The findings do not show a clear divide between approaches to training and education perceived as important by managers in the developed and emerging economies. Continuing professional development is ranked number one by managers in the US, Nigeria, and South Africa. The top five ranked approaches to management’s training and education for securing real estate project development finance for all six countries reviewed in this study are below.

|  |  |  |
| --- | --- | --- |
| **Germany**   1. Usage of formal qualification 2. Computer-based training 3. External training 4. Online and tutorial training 5. Classroom instructor-led training for a short period(offered by consultants) | **UK**   1. Conferences & seminar 2. Usage of formal qualification 3. Learning by holding meetings 4. Classroom instructor-led training for a short period(offered by consultants) 5. Usage of internal program and instructors | **US**   1. Continuing professional development 2. Conferences & seminar 3. Computer-based training 4. Company-specific courses targeted at securing financing skills & knowledge 5. Classroom instructor-led training for a short period(offered by consultants) |
| **China**   1. Learning by holding meetings 2. Continuing professional development 3. Computer-based training 4. Company-specific courses targeted at securing financing skills & knowledge 5. External training | **Nigeria**   1. Continuing professional development 2. Conferences & seminar 3. Computer-based training 4. Company-specific courses targeted at securing financing skills & knowledge 5. Learning by holding meetings | **South Africa**   1. Continuing professional development 2. Learning by holding meetings 3. Company-specific courses targeted at securing financing skills & knowledge 4. Computer-based training 5. Usage of formal qualification |

#### Degree of need for training and education approaches for securing finance for real estate project development for the future (next 5 years)

Almost 55% of the managers who responded to the questionnaire survey are of the view that continuing professional development is an approach to training and education for securing finance for real estate that they perceive will be of importance to them for the future (next 5years). This is followed by usage of formal qualification (41.7%), company-specific courses targeted at securing finance skills & knowledge (40%), conferences & seminars (40%) and usage of internal programs and instructors (37.1%). University residential full-time program for some weeks is considered the least important (see table 9.3.7).

Table 9.3‑7: Degree of need for training and education for the future (next 5years)

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Training & education | Need for training & education for the future | | | | |
| Not important | Less important | Fairly important | Important | Very important |
|  | Percentage % | | | | |
| Classroom instructor led training for short period(offered by consultants) | 2.9 | 8.8 | 20.6 | 41.2 | 26.5 |
| Company-specific courses targeted at securing financing skills & knowledge | Nil | 5.37 | 28.6 | 25.7 | 40.0 |
| Computer-based training | Nil | 8.8 | 14.7 | 41.2 | 35.3 |
| Conferences & seminar | 2.9 | 11.4 | 22.9 | 22.9 | 40.0 |
| Continuing professional development | Nil | 5.7 | 8.6 | 31.4 | 54.3 |
| Executive MBA(with classes on part time basis) | 5.7 | 11.4 | 25.7 | 25.7 | 31.4 |
| External training | 2.9 | 5.7 | 25.7 | 40.0 | 25.7 |
| Learning by holding meetings | 2.8 | Nil | 22.2 | 41.7 | 33.3 |
| Online and tutorial training | 2.9 | 17.1 | 25.7 | 20.0 | 34.3 |
| University residential (full time program for some weeks ) | 7.3 | 12.3 | 29.3 | 29.3 | 22.0 |
| Usage of formal qualification | 5.6 | 8.3 | 22.2 | 22.2 | 41.7 |
| Usage of internal program and instructors | 8.6 | 2.9 | 31.4 | 20.0 | 37.1 |

Furthermore, table 9.3.8 shows a mean score range of 4.27 to 3.43 and this indicates that all twelve approaches are perceived to be important for future jobs (next 5 years). Continuing professional development, learning by holding meetings, computer-based training, company-specific courses targeted at finance skills and knowledge are ranked top.

Table 9.3‑8: Mean scores for perceived importance of approaches for training and education for securing finance for real estate project development for the future ( next 5years) at the aggregate level

|  |  |  |
| --- | --- | --- |
| Approaches to training & education | Perceived importance for future job | Rank |
|
| Continuing professional development | 4.27 | 1 |
| Learning by holding meetings | 3.97 | 2 |
| Computer-based training | 3.92 | 3 |
| Company-specific courses targeted at securing financing skills & knowledge | 3.92 | 4 |
| Conferences & seminar | 3.78 | 5 |
| Usage of formal qualification | 3.76 | 6 |
| External training | 3.73 | 7 |
| Classroom instructor-led training for a short period (offered by consultants) | 3.69 | 8 |
| Usage of internal program and instructors | 3.68 | 9 |
| Executive MBA (with classes on a part-time basis) | 3.59 | 10 |
| Online and tutorial training | 3.59 | 11 |
| University residential (the full-time program for some weeks) | 3.43 | 12 |

##### Questionnaire survey discussion and analysis at the disaggregate level.

Table 9.3‑9: Mean scores for Degree of perceived importance of approaches to training and education for r securing finance for real estate project development for the future (next 5 years) at the disaggregate level

|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Approaches to management's training & education | Degree of perceived importance for the future | | | | | | | | | | |  |
| Germany  N=5 | Rank | UK  N=20 | Rank | US  N=8 | Rank | China  N=11 | Rank | Nigeria  N=26 | Rank | South Africa  N=11 | Rank |
| Classroom instructor-led training for a short period(offered by consultants) | 2 | 9 | 3.2 | 5 | 2.33 | 5 | 3.11 | 9 | 3.94 | 8 | 3.86 | 10 |
| Company-specific courses targeted at securing financing skills & knowledge | 3 | 6 | 3 | 7 | 2.67 | 4 | 3.67 | 4 | 4.22 | 3 | 4 | 5 |
| Computer-based training | 3 | 5 | 3.8 | 1 | 2.67 | 3 | 3.78 | 2 | 4.18 | 4 | 4 | 4 |
| Conferences & seminar | 3.5 | 2 | 3.5 | 3 | 2.67 | 2 | 3.44 | 5 | 4.29 | 2 | 3.63 | 12 |
| Continuing professional development | 4.5 | 1 | 3.7 | 2 | 3.33 | 1 | 4.22 | 1 | 4.47 | 1 | 4.75 | 1 |
| Executive MBA(with classes on a part-time basis) | 1.5 | 11 | 2.5 | 11 | 2 | 9 | 2.78 | 10 | 3.82 | 10 | 3.88 | 9 |
| External training | 3 | 7 | 3 | 8 | 2 | 8 | 3.44 | 8 | 3.68 | 12 | 4 | 6 |
| Learning by holding meetings | 3.5 | 4 | 3 | 9 | 2.33 | 6 | 3.78 | 3 | 4.06 | 7 | 4.38 | 2 |
| Online and tutorial training | 3 | 8 | 3.3 | 4 | 2 | 10 | 2.78 | 11 | 3.94 | 9 | 4 | 7 |
| University residential (the full-time program for some weeks ) | 1 | 12 | 2.5 | 12 | 1 | 12 | 2.67 | 12 | 3.82 | 11 | 3.75 | 11 |
| Usage of formal qualification | 2 | 10 | 2.5 | 10 | 1.75 | 11 | 3.44 | 6 | 4.06 | 6 | 4.25 | 3 |
| Usage of internal program and instructors | 3.5 | 3 | 3.2 | 6 | 2 | 7 | 3.44 | 7 | 4.12 | 5 | 3.88 | 8 |

The results relating to the perceived importance of approaches to management’s training and education for securing finance for real estate project development for the future ( next 5years) at the disaggregate level is contained in table 9.3.9. The data shows a mean score range for Germany (4.5 to 1), UK (3.8 to 2.5), the US (3.33 to 1), China (4.22 to 2.67), Nigeria (4.47 to 3.68) and South Africa (4.75 to 3.63). The mean range shows that all managers in the UK, China, Nigeria and South Africa perceive all the approaches to management’s training and education as important for the future. However, managers in Germany do not perceive an executive MBA (with classes on a part-time basis) and University residential (full-time program for some weeks) important for the future. In the same light, managers in the US do not consider the usage of formal qualification and university residential ( the full-time program for some weeks) as an important approach to management’s training and education for the future. Arguably, the negative position of managers in Germany and the US on these four approaches to management’s training is because of the length of time they consume.

The five top approaches to management’s training and education perceived as important for the future by the survey respondents is shown below. Notably, there are no pronounced differences between choices made by managers in the developed and emerging economies. However, continuing professional development and computer-based training come out top-ranked by managers in both the developed and the emerging economies.

|  |  |  |
| --- | --- | --- |
| Germany   1. Continuing professional development 2. Conferences & seminar 3. Learning by holding meetings 4. Usage of internal program and instructors 5. Company-specific courses targeted at securing financing skills & knowledge | UK   1. Computer-based training 2. Continuing professional development 3. Conferences & seminar 4. Online and tutorial training 5. Classroom instructor-led training for a short period(offered by consultants) | US   1. Continuing professional development 2. Conferences & seminar 3. Computer-based training 4. Company-specific courses targeted at securing financing skills & knowledge 5. Classroom instructor-led training for a short period(offered by consultants) |
| China   1. Continuing professional development 2. Computer-based training 3. Learning by holding meetings 4. Company-specific courses targeted at securing financing skills & knowledge 5. Conferences & seminar | Nigeria   1. Continuing professional development 2. Conferences & seminar 3. Company-specific courses targeted at securing financing skills & knowledge 4. Computer-based training 5. Usage of internal program and instructors | South Africa   1. Continuing professional development 2. Learning by holding meetings 3. Usage of formal qualification 4. Company-specific courses targeted at securing financing skills & knowledge 5. Computer-based training |

#### The number of courses taken, the degree of satisfaction with the amount and quality of training received within the last two years regarding securing finance

In response to the number of management courses related to securing finance for project, development attended within the last two years; 22.2% of the respondents indicated they did not participate in any course. 33.3% attended 1 to 2 courses, 33.3% attended 3 to 4 courses, while 4.4% attended 5 to 6 courses, and 6.7% attended more. This result shows that more people attended 1 to 2 and 3 to 4 courses that are related to securing finance for real estate project development within the last two years at the aggregate level.

Respondents' responses concerning the satisfaction they derived from the amount of training and education show that 9.5% were not satisfied, 9.5% were fairly satisfied, 31.7% were moderately satisfied, 23.8% were very satisfied, and 4.8% were extremely satisfied. Furthermore, responses on the level of satisfaction with the quality of training and education had 6.3% saying they were not satisfied, 9.5% were fairly satisfied, 20.6% moderately satisfied, 33.3% very satisfied and 4.8% extremely satisfied.

### The relationship between management level and the degree of use of management education & training for securing finance for real estate project development

Table 9.3‑10: Spearman's correlation coefficient test for the relationship between the level of management and the training and education used for securing finance for real estate project development

|  |  |
| --- | --- |
| Spearman's rho | Sig. (2-tailed) |
| Management level/ job title | 1 |
| University residential (Full-time program for some weeks) | 0.937 |
| Executive MBA (with classes on a part-time basis) | 0.932 |
| Continuing professional development | 0.922 |
| External training | 0.915 |
| Online and tutorial training | 0.894 |
| Usage of formal qualification only | 0.828 |
| Usage of internal programs and instructors | 0.701 |
| Learning by holding meetings with experts | 0.658 |
| Conferences and seminars | 0.58 |
| Computer-based training | 0.464 |
| Classroom instructor-led training for short periods (offered by consultants) estate project financing? Please tick one box only | 0.19 |
| Company-specific courses targeted at securing financing skills & knowledge estate project financing | 0.035 |

The findings show a very strong positive correlation with some of the approaches for education and training and the level of management. Table 9.3.10 shows sufficient evidence to suggest that managers in lower-level management tend to highly use approaches such as university residential (full-time program for some weeks), executive MBA (with classes on a part-time basis), continuing professional development, external training, online and tutorial training and usage of formal qualification. There is, however, a weak relationship with the management level and some approaches to training, such as company-specific courses targeted at securing financing skills and knowledge.

### Management’s training and education for securing finance for real estate project development: discussion and analysis of semi-structured interviews.

Table 9.3.11 and 9.3.12 present the summary of the findings on management’s training and education for securing finance for real estate project development for the developed and emerging economies, respectively, based on the semi-structured interviews and information taken from interviewee’s LinkedIn profiles. It provides answers to the following questions:

1. *What training and education do you have that facilitates your ability to secure finance for real estate project development?*
2. *What training and education do you need to secure finance for real estate project development that you do not presently have?*
3. *What training and education that would aid your ability to secure finance for real estate project development would you like to undertake?*

Table 9.3‑11: Training and Education for securing finance for real estate project development in Developed economies

|  |  |  |
| --- | --- | --- |
| **Countries/ mgrs.** | **Training** | **Education** |
| Germany mgr. 1 | Mentoring by established developers; on-the-job training, and sales training after high school | Self–education and high school |
| Germany mgr. 2 | Several courses in chambers of commerce in Germany and certificate in national planning and training in insurance brokerage. | Master’s in political science and business administration from German higher educational institutions; |
| Germany mgr. 3 | On the job training, usage of external advisers and mentoring | Degree in Economics and public administration from Royal Holloway of London; RICS post-graduate diploma in property investment from Reading University, United Kingdom |
| Germany mgr 4 | Research analyst at an international bank, on the job training, seminars and conferences | BSc Economics – Germany and PhD - Germany |
| Germany mgr. 5 | On the job training both as a lender and as a developer; classroom-based training in development and acquisition finance and mentoring | Bachelor of Science in Management and Master of Science in Real estate from Cass business school London |
| Germany mgr6 | Personal developments on up-to-date development in the German real estate market through Seminars and conferences | BSc Philipps University Marburg, Germany and Masters European Law focusing on real estates, Kings College London |
| UK mgr. 1 | On the job training, classroom-based training by consultants, work experience as a property lender in banks within and outside the UK, personal development | Degree in Mathematics – Nigeria, MBA –UK and certificate in mortgage practice -UK |
| UK mgr. 2 | On the job training, conferences, seminar, training by external consultants | BA, Economics University of Liverpool - the UK & a chartered accountant |
| UK mgr. 3 | On the job training and learning from experience | Degree in Finance and accounting in Australia |
| UK mgr. 4 | Experience and on the job training | BSc History –UK, MA Political science –the UK, PhD in progress |
| UK mgr. 5 | Different types of training as needed based on the budget, on the job training and experience | Finance degree and qualified chartered accountant - UK |
| UK mgr. 6 | UK banking qualification, learning through training others, experience from working in the banking sector | Degree in Economics & Geography Exeter University –UK, |
| UK mgr7 | Professional qualification from RICS, regular CPDs every year, market briefings, seminars, conferences, experience and on the job training | Degree in Land Economics from Aberdeen University |
| US mgr1 | Internship with the Royal Bank of Scotland investment team, conferences, newsletters that are hotel industry related, | BSc Economics at the University of Amsterdam and a master’s degree in Finance |
| US Mgr2 | Academic research, conferences, seminars, work experiences and interactions with other industry practitioners | BSc Estate Management from University of John Moores University –UK; MSc, Investment Analysis from University of Stirling – Scotland and PhD Finance from UCD Michael Smurfit Graduate School- Dublin |
| US mgr. 3 | On the job training, experience, seminars, workshop and conferences | BSc Housing and Consumer Economics; Masters in Senior Housing and PhD Leadership Development. |
| US mgr. 4 | On the job training | BA Rhetoric from University of California, Berkeley; J.D Law from University of Miami School of Law –US and MSc Real estate from University of Washington |
| US mgr.5 | CPDs, conferences and seminars | BSc Real estates from Ohio State University |

Table 9.3‑12: Training and Education for securing finance for real estate project development in emerging economies

|  |  |  |
| --- | --- | --- |
| **Countries/ mgrs.** | **Training** | **Education** |
| China mgr. 1 | Experience, on the job training and executive development program | BSc Business and property University of South Australia & Master’s degree in Finance from Financial Services Institute of Australia |
| China mgr. 2 | Financial analysis and business development courses; seminar, conferences, workshop and on the job training | BSc Engineering, Tsinghua University; MSc Project Management, National University of Singapore; PhD. Construction Management and Economics, National University Singapore & Financial analysis, CFAI- Chartered Financial Analyst Institute |
| China mgr. 3 | Over 20years experience in the real estate and finance industry | Bachelor of Science in Civil Engineering from the School of Engineering at the University of Pennsylvania, a Bachelor of Science in Finance from the Wharton School at the University of Pennsylvania, and a Master of Science in Construction Management from Stanford University. |
| China mgr. 4 | Over 20years experience in the real estate and finance industry | Bachelor of Science in Applied Mathematics and Economics from Brown University (magna cum laude). |
| China mgr. 5 | Over 20years experience in the real estate and finance industry | A Bachelor of Science in Economics from the University of London and a Master of Science in Property Investment from the City University Business School, London. |
| China mgr. 6 | Over 20years experience in the real estate and finance industry | Bachelor of Science in Business Administration from the University of San Francisco. |
| China mgr. 7 | On the job training; experiences in banking, real estate and fund management | BA Chinese, St. Anne’s College, Oxford University and MBA, Stern School of Business, New York University |
| Nigeria Mgr1 | Project management training from National homebuilders of America and practical on-the-job training from industry practitioners | BSc Estate Management- Nigeria |
| Nigeria Mgr2 | Personal development through studying and in-house training; | Higher National Diploma ( HND) Quantity – Survey Nigeria |
| Nigeria Mgr3 | Project management and administrative training and specialist software training | MSc Architecture - Nigeria |
| Nigeria Mgr4 | Training as a stockbroker, Classroom-based training at University of Lagos – Nigeria | BA Law - Nigeria |
| Nigeria Mgr5 | On the job training | BSc Estate Management |
| Nigeria Mgr6 | On the job training and training in project management, | BSc Estate Management and MSc Estate Survey - Nigeria |
| South Africa Mgr1 | Work experience from previous jobs at the bank and insurance company, | BSc Mathematical Science, BSc Applied Mathematics, Master of Management in Finance and investment – South Africa |
| South Africa Mgr2 | Short courses on property management | BSc Business and Commerce University of Pretoria, South Africa, Postgraduate diploma in Real Estates, Wits University South Africa. |
| South Africa Mgr3 | Senior executive program at Harvard Business School | BSc Quantity Surveying Tshwane University of Technology and Master of Business leadership finance, general |
| South Africa Mgr4 | Registered professional Valuer with regular training on same; executive development program and property management trainee program | BSc Corporate finance and Economics; Postgraduate degree in business management, a postgraduate degree in future studies, and research master’s in performance in real estate performance structuring in progress – South Africa |

Table 9.3.11 and 9.3.12 show that over 90% of the managers interviewed in the developed economies of Germany, the United Kingdom, and the United States have first degrees, Masters and a few PhDs. They have qualifications mainly in Finance, Economics, and Management. The managers interviewed in the emerging economies all have first degrees and higher-level degrees. The areas of qualification for managers in the emerging economies include Engineering, Economics, Architecture, Estate Management, and Quantity Surveying.

The training achievement by managers in the developed and emerging economies shows training through workshops, mentoring, seminars, work experience, specialised training, and classroom-based training.

### Comparison of education and training for securing finance for real estate project development in the developed and emerging economies

A distinct commonality in both the developed and the emerging economies shows that they both have similar levels of education and platforms for training and education. The levels of education in this regard include first degrees, higher degrees such as MSc, MA, MBA, and PhDs, as well as membership of professional institutions both by examination and associations. The commonality of similar platforms for training and education for both the developed and emerging economies shows that they both use platforms such as classroom instruction led training for short periods (offered by consultants), company-specific courses targeted at securing financing skills & knowledge, computer-based training, conferences and seminars, continuing professional development, executive MBA with classes on a part-time basis, external training, learning by holding meetings with experts, online and tutorial, usage of formal qualification, utilisation of internal programs and instructors.

The findings from the questionnaire survey show that managers in both the developed and emerging economies use the twelve approaches to training and education for securing finance for real estate project development ( see table 9.3.9). The response also shows the degree of perceived importance of those approaches on their present jobs and the future ( next 5years). A comparison of the degree of use, perceived importance for the present and future at the aggregate level is shown below.

|  |  |  |  |
| --- | --- | --- | --- |
| Management Training & Education | Degree of use | Perceived importance for present job | Perceived importance for future job |
| Classroom instructor-led training for a short period(offered by consultants) | 5 | 7 | 8 |
| Company-specific courses targeted at securing financing skills & knowledge | 9 | 2 | 4 |
| Computer-based training | 3 | 4 | 3 |
| Conferences & seminar | 2 | 5 | 5 |
| Continuing professional development | 1 | 1 | 1 |
| Executive MBA(with classes on a part-time basis) | 11 | 10 | 10 |
| External training | 8 | 6 | 7 |
| Learning by holding meetings | 4 | 3 | 2 |
| Online and tutorial training | 10 | 11 | 11 |
| University residential (the full-time program for some weeks ) | 12 | 12 | 12 |
| Usage of formal qualification | 7 | 9 | 6 |
| Usage of internal program and instructors | 6 | 8 | 9 |
|  |  |  |  |

There is no clear divide in the approaches for training and education for the developed and emerging economies based on the survey questionnaire. However, continuing professional development and computer-based training ranks top for both the developed and emerging economies ( see chapters 9.32, 9.3.4 and 9.3.6).

Furthermore, the semi-structured interviews show that the use of experience, seminars and on-the-job training are common approaches for training for securing finance for real estate project development in both the developed and emerging economies. The differences in education and training approaches used by managers in the developed and emerging economies are as follows:

|  |  |
| --- | --- |
| **Developed economies** | **Emerging economies** |
| 1. Academic research 2. Classroom-based training with consultants 3. Internship with banks 4. Market briefings 5. Professional qualification from RICS 6. Seminars 7. Usage of external advisers 8. Workshops | 1. Business development courses 2. Experience in real estate and finance 3. In-house training 4. Training in project management |

### The implication of findings on education and training for securing finance for real estate project development in the developed and emerging economies

This research shows that education and training have some degree of effect on the manager’s ability to secure finance for real estate project development. This study developed a conceptual framework for training and education for securing finance for real estate project development which forms a part of the toolkit for securing finance for real estate project development in chapter 10. The variables used to develop the conceptual framework for training and education for securing finance for real estate development were obtained from both the questionnaire and semi-structured interview responses.

### Development of a conceptual framework for training and education for securing finance for real estate project development.

The purpose of this segment is to set out a conceptual framework for training and education for securing finance for real estate project development. Information from this study on the training and education forms the basis for the framework. Some learning theories were incorporated into the development of the framework.

The learning theories are principles that explain how different managers acquire, retain, and recall knowledge (Egbu,1994). They help give clarity and guidance to help in the selection of training that will help enhance skills, knowledge, and competences for securing finance for real estate project development. This study adopted the three major learning theories as guides in the development of a conceptual framework for training for securing finance for real estate project development.

#### Learning theories

The selected learning theories are:

* Behaviourist school of thought
* Cognitivism theories
* Constructivism theories

#### **The conceptual framework for training and education for securing finance for real estate project development.**

The different learning styles projected in the framework for training and education for securing finance for real estate project development takes into cognisance the behavioural, cognitive and constructivism learning theories as well as Kolb’s learning stages; Kolb’s learning styles and Gibbs’ learning cycle to enhance the learning experiences for the managers and facilitate effectiveness in securing finance for real estate project development. A combination of learning theories is necessary as no single theory is adequate ( Egbu, 1994; Whetten and Cameron, 1991). The theories are discussed in greater detail in chapter 3.

A total of 23 training and education styles/ types were identified from both the questionnaire surveys and the semi-structured interviews, and they are used for the framework. The different approaches to training and education can apply to either on the job or off the job methods of training and education for managers depending on the organisational preferences and application of cost-benefit analysis. On the job and off the job training and education could be customised in conjunction with universities or their training institutions, as with the University of California and Silicon Valley Titans, where customised corporate training is offered for an average of six months (Clark, 1999).

The different approaches to training and education for securing finance for real estate project development are classified into traditional and computer-assisted training, collaborative, talent-driven training, blended and informal learning and E-learning. The benefits of the behaviourist learning school of thought are obtained through the training and education approaches classified under the traditional and computer-assisted training platforms (Umida et al., 2020). The approaches to training and education classified under the collaborative, blended and informal learning and the e-leering platforms incorporate the cognitivism and constructivism learning theories ( Yadav, 2016 & Yilmazi, 2011; Bersin, 2020 ).

The feedback mechanism of questionnaires, observation, role-play, group discussion, practice, and experience incorporate the Kolb learning cycle, Kolb learning style and Gibbs reflective cycle (Gibbs, 1988 & Kolb,1976). The feedback mechanism also incorporates four main stages shown to be effective for developing management skills/knowledge (Egbu, 1994). The detailed conceptual framework for training and education for securing finance for real estate project development is contained in table 9.3.13.

Table 9.3‑13: Conceptual framework for training and education for securing finance for real estate project development

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Form of training** | **On the job and/or off the job training and education** | | | |
| **Learning platforms** | **Traditional and computer-assisted training** | **Collaborative, talent-driven learning** | **Blended and informal learning** | **E-learning** |
| Recommended frequencies | 1 to 2 times annually | 1 to 2 times annually | Regular basis | Regular basis |
| Learning approaches | * Classroom instructor-led training for a short period(offered by consultants) * Computer-based training * Continuing professional development * Executive MBA(with classes on a part-time basis) * External training * University residential (the full-time program for some weeks ) * Usage of formal qualification * Academic research * Classroom-based training with consultant * Professional qualification from RICS or other relevant bodies * Business development courses * Experience in real estate and finance * In-house training | * Conferences & seminars * Continuing professional development * Executive MBA(with classes on a part-time basis) * Learning by holding meetings * External training * Academic research * Internship with banks * Usage of external advisers * Workshops * Business development courses * Experience in real estate and finance * In-house training | * Conferences & seminar * Continuing professional development * Learning by holding meetings * External training * Internship with banks * Usage of external advisers * Workshops * Business development courses * Experience in real estate and finance * In-house training | * Company-specific courses targeted at securing financing skills & knowledge * Computer-based training * Continuing professional development * Executive MBA(with classes on a part-time basis) * Learning by holding meetings * External training * Online and tutorial training * University residential (the full-time program for some weeks ) * Usage of formal qualification * Academic research * Classroom-based training with consultant * Professional qualification from RICS or other relevant bodies * Usage of external advisers * Workshops * Business development courses * Experience in real estate and finance * In-house training |
| Feedbacks mechanism | * Questionnaires * Observation * Roleplays * Group discussion * Practice * Experience | | | |

## Summary of management career path, education and training for securing finance for real estate project development in developed and emerging economies.

This chapter examined the management career path, education, and training for securing finance for real estate project development in the developed and emerging economies.

Despite having worked in the real estate sector for several years, most of the interviewees and respondents to the questionnaires did not rise to the top in just one organisation. There were cross-organization, and cross-industry rises to the top in their careers. This is indicative of the influence of higher education and training on career mobility. Furthermore, the multiple country work experiences of managers in the developed economy show the effect of socio-economic stability on career mobility. The managers interviewed in developed economies are mostly strategic managers involved in commercial and residential real estate development. They have an average of 17 years of real estate work experience, with the highest amount of experience standing at 30 years and the lowest at 4 years. Most of the managers in the developed economies' chronological work experience show a strong finance background as most of them have worked in banks, insurance companies, and pension funds before moving into the real estate sector. Their specialisations range from real estate industry analyst and real estate to pension fund management. Most of the managers interviewed in Germany, the United Kingdom, and China have strong finance backgrounds as they have worked at managerial levels in finance sectors before taking on real estate and properties. Furthermore, most of the managers interviewed in Germany, the United Kingdom, the United States of America, and China have international real estate experience as they have worked in other countries, and some have subsidiaries of the companies they are actively involved in different countries and continents.

The managers interviewed from the emerging economies were mostly strategic managers with a few middle level and lower-level managers. The average years of work experience for these managers was16 years, with the lowest being 6 years and the highest 30 years. Most of the managers interviewed operated in commercial and residential real estate sectors, however, for most of the managers interviewed in China, the area of operation was residential. While South Africa had a few combinations of commercial and residential operations, the majority were residential, all the managers interviewed in Nigeria were involved in residential real estate development.

The managers interviewed in China have lots of international experience, just like the developed economies' managers. However, the managers interviewed in South Africa and Nigeria have been involved in mostly regional country-based operations with no international real estate business operation apart from one Nigerian manager who has marginal operations in Dubai. The professional background of the managers interviewed in China reflects a good composition of finance, property investment, and management. The professional background of managers interviewed in South Africa indicates project finance, risks management and property development. However, the professional backgrounds of managers interviewed in Nigeria reflect mostly hard skills such as architecture, construction, and real estate development.

Managers operating in Nigeria, South Africa, and the United States have more country-based experiences. A few managers in the United States of America have experience operating in other countries. Notably, the US is already a very large market; hence some operators do not need to extend to other countries. This study developed a conceptual framework for a career path for securing finance for real estate project development and this also forms part of the toolkit for securing finance for real estate project development in chapter 10.

A distinct commonality in both the developed and the emerging economies shows that they both have similar levels of education and similar platforms for training and education. The levels of education in this regard include first degrees, higher degrees such as MSc, MA, MBA, and PhDs, and membership of professional institutions both by examination and associations. The findings also show that there is no correlation between the levels of management and the qualification obtained in both the developed and emerging economies.

The commonality of similar platforms for training and education for both the developed and emerging economies shows that they both use platforms such as classroom instruction led training for short periods (offered by consultants), company-specific courses targeted at securing financing skills & knowledge, computer-based training, conferences and seminars, continuing professional development, executive MBA with classes on a part-time basis, external training, learning by holding meetings with experts, online and tutorial, usage of formal qualification, utilisation of internal programs and instructors. The findings from the questionnaire survey show that managers in both the developed and emerging economies use the mentioned twelve approaches for training and education for securing finance for real estate project development. The responses also show the degree of perceived importance of those approaches on their present jobs and the future ( next 5years). There is no clear divide on the approaches for training and education for the developed and emerging economies based on the survey questionnaire. However, continuing professional development and computer-based training ranks top for both the developed and emerging economies. The computation of the spearman rho shows a strong positive correlation between the levels of management and some of the approaches for training and education such as university residential (full-time program for some weeks), executive MBA( with classes on a part-time basis), continuing professional development, external training, online tutorial training and usage of formal qualification.

The semi-structured interviews show that the use of experience, seminars and on-the-job training are common approaches for training for securing finance for real estate project development in both the developed and emerging economies. The differences in education and training approaches used by managers in the developed and emerging economies are as follows:

|  |  |
| --- | --- |
| **Developed economies** | **Emerging economies** |
| 1. Academic research 2. Classroom-based training with consultants 3. Internship with banks 4. Market briefings 5. Professional qualification from RICS 6. Seminars 7. Usage of external advisers 8. Workshops | 1. Business development courses 2. Experience in real estate and finance 3. In-house training 4. Training in project management |

This study developed a conceptual framework for training and education for securing finance for real estate project development which also forms a part of the toolkit for securing finance for real estate project development in chapter 10.

# Development of a toolkit for securing finance for real estate project development.

## Introduction

*“Never tell people how to do things. Tell them what to do, and they will surprise you with ingenuity”*

* *George S. Patton*

This segment of the study focuses on the toolkit for securing finance for real estate project development. The toolkit provides a guide that will improve the real estate manager’s ability to secure finance for real estate project development. It is meant to be a support system for the manager in securing real estate project development finance. This chapter brings together the different toolkit elements, which were developed in chapters 5, 6,7, 8 and 9. The detailed development of the components of the toolkit is contained in those chapters. The variables used in developing the individual components of the toolkit were obtained from the manager’s responses to the semi-structured interview questions and questionnaires from both the developed and emerging economies.

This chapter addresses objective 5 of the study, which is; “to integrate the different components of the tool kit for securing finance for real estate project development. “, which essentially takes care of the study's aim. The importance of the toolkit is discussed in chapter 3. This chapter is divided into five segments: an introduction of the toolkit, a discussion on the individual components of the toolkit, the recommended usage of the toolkit, the weaknesses of the toolkit, and how the weakness can be ameliorated and finally the summary.

## Development of the toolkit for securing finance for real estate project development/ key components of the toolkit for securing finance for real estate project development.

The development of a toolkit for securing finance for real estate project development involved six stages, shown in table 10.2.1. Different approaches are used in constructing the model, such as the toolkit for securing finance for real estate project development. Some models are depicted in a diagram or visual representation, while others use steps that can be followed just like the work breakdown structure. The toolkit for securing finance for real estate project development could be said to be ‘hybrid’. This is because the approach to the development of the different components could be said to be a mixture of visual representation and steps to be followed (Suresh, 2006). The toolkit for securing finance for real estate project development prescribes the steps used in the development of the different components of the toolkit (see chapter 5, 6,7,8 and 9). It also recommends steps in the usage of the toolkit.

The toolkit for securing finance for real estate project development was developed through a thorough review of literature on the real estate sector in the developed and emerging economies, skills, knowledge, competences, training, career path and education ( see chapter 2 and 3). Furthermore, it fundamentally used the data collected from 116 managers in the real estate sectors of both the developed and emerging economies who are involved in securing finance for real estate project development. Specifically, these managers were from the developed economies of Germany, the UK and the USA, while the emerging economies are China, Nigeria and South Africa. Thirty-five (35) of these managers provided information through semi-structured interviews, while 81 was through a questionnaire survey. The managers volunteered the information that facilitated the development of the toolkit for securing finance for real estate project development. The responses helped meet the research objectives and develop the individual components of the toolkit as contained in table 1.2.

The next section presents the various elements of the toolkit for securing finance for real estate project development. The toolkit is presented in a series of short chapters, just like the World Bank’s toolkit for the evaluation of financial capability programs in low and middle-income countries (Young et al., 2013).

Table 10.2‑1: Toolkit for securing finance for real estate project development (A reader’s guide to the toolkit)

|  |
| --- |
| Stage 1: Inventory of finance options and criteria for securing finance for real estate project development |
| Finance type |
| Finance options |
| The decision on capital structure |
| Criteria for securing finance for real estate project development |
| Stage 2: Conceptual framework for environmental scan for securing finance for real estate project development |
| External environmental scan |
| Internal environmental scan |
| Feedback mechanism |
| Stage 3: Process map for securing finance for real estate project development |
| Stages |
| Routines / key decisions and processes |
| Stage 4: Inventory of skills knowledge & competences |
| Inventory of management skills for securing finance for real estate project development |
| Inventory of management knowledge for securing finance for real estate project development |
| Inventory of management competences for securing finance for real estate project development |
| Stage 5: Conceptual framework for career path for securing finance for real estate project development |
| Career history |
| Education |
| Module guide for undergraduates and postgraduate education |
| Cross organisational mobility |
| International content |
| Extra-organisational support/membership |
| Stage 6: Conceptual framework for training and education for securing finance for real estate project development |
| Learning platforms |
| Recommended frequencies |
| Learning approaches |
| Feedback mechanism |

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**Toolkit stage1: Inventory of finance options and criteria for securing finance for real estate project development.**

It is essential for the manager involved with securing finance for real estate project development to know the varied finance options for real estate project development and the criteria required by financiers. This section raises awareness of various finance options available for real estate project development and some of the fundamental criteria required by financiers. Typically, sources of finance for real estate project development are categorised into equity and debt; however, this study has also included creative and innovative sources of finance (Ogbenjuwa & Egbu, 2017).

Figure 10.3‑1: The Summary inventory of finance options for securing finance for real estate project development.

Equity finance can be described as an exchange of funds for part business ownership (Magos, 2002). This type of financing allows you to obtain funds without incurring debt. The fundamental disadvantage of equity finance for the real estate development firm is that it dilutes ownership interests and could possibly lose control because of sharing ownership with additional investors. Conversely, debt means borrowing money that is repaid, usually with interest, over time. This could be short or long-tenured, the lender does not gain any ownership interest, and the obligation of the real estate development firm or manager is limited to repaying the loan and the interest (Glickman, 2014).

However, creative and innovative finance in the context is a mechanism to raise funds in addition to conventional methods as well as a mechanism to improve the use of the funds (Gargasson & Salome,2010; Grishankar, 2009 ). It encompasses the bringing in of existing options in readiness for a new market or in a market where their maximal effect is yet to be utilised. Excessive debt financing may impair the firm’s credit rating and ability to raise funds in the future, making potential creditors consider it too risky and unsafe for investment (Magos, 2002). Lenders often consider the debt-to-equity ratio in assessing if it is safe and viable to avail debt to any particular firm. The debt-equity ratio is usually 1:2 (33 per cent equity) and 1:1 (50 per cent equity), and this does not often apply to turnkey projects where the firm may not have sufficient equity. Financing for these kinds of projects is usually project-specific.

Table 10.2.2 provides an inventory of some viable finance options, a guide on capital structure decisions, and criteria for securing real estate project development finance. Data from the questionnaire survey and the semi-structured interviews with the support of some relevant theories were used to develop the inventory of finance options and criteria for securing finance for real estate project development. The inventory of options and criteria for securing finance for real estate project development is divided into four major segments: finance types, finance options, the decision on capital structure, and criteria for securing finance. The finance type is divided into equity, debt and creative and innovative finance in line with the findings based on the primary data collection. The classification into debt, equity and innovative and creative finance are in line with existing literature which created a platform for the data collection ( see chapters 2 and 3 ).

The inventory of options and criteria for securing finance for real estate project development is based on the data collection information on short- and long-term finance options for real estate project development. It also contains the decision on the capital structure, which is essentially guided by the finance theories used in this study ( see the detailed development in chapter 5). Finally, the criteria for securing finance are based on information from the data collected in chapter 5.

Table 10.2‑2: Inventory of finance options and criteria for securing finance for real estate project development.

|  |  |  |  |
| --- | --- | --- | --- |
| **Finance types** | **Finance options** | **The decision on capital structure** | **Criteria** |
| Equity Finance (See chapter 2,3 & 5) | 1. Cash flow from business/ undistributed profits 2. Equity crowdfunding 3. Equity fund 4. Equity REITs 5. High net worth individuals 6. Private equity (pension funds & insurance companies 7. Public equity (public listing & **IPO)** 8. Sale of common stock 9. Sale of preferred. | 1. The cost-benefit analysis should be primary. 2. A blend of debt and equity 3. Increased debt-equity ratio if the company has plenty of taxable income to shield. 4. Unprofitable firms may rely more on equity in the short term to reduce the impact of debt burden | 1. Details of the proposed project 2. Contractual documentation on land acquisition/land title 3. Loan agreement 4. Feasibility report (economic & technical feasibility) 5. Collateral to mitigate default risk 6. Capital base 7. Due diligence 8. Cash flow 9. Management capabilities/management profile 10. Track records (records of accomplishment 11. Audited financial reports/ independent audit committee 12. Necessary permits & site clearance 13. Risk and returns 14. Indemnification 15. Performance support guarantees 16. Usage of hedging instruments 17. Tax returns 18. Equity contribution 19. Potential rent 20. Availability of prospective tenants 21. Due diligence 22. Track records 23. Cost relationship with developers 24. Business plan 25. Financial models 26. Supporting documents that describe the site 27. Geotechnical study 28. Topographical survey 29. Pre-sale details 30. Projected returns 31. Proof of adherence to government regulations 32. Company profile 33. Collateral 34. Projected revenue and income |
| Debt Finance ( See chapter 2,3 & 5) | 1. Bank loans 2. Bonds 3. Debenture 4. Debt fund 5. Hybrid REITs 6. Limited Partnership. 7. Mortgage Bonds. 8. Mortgage Loans. 9. Mortgage REITs. 10. Participating mortgages 11. Sale and Leaseback arrangement. 12. Sale of collateralised mortgage-backed obligation 13. Sale of Commercial mortgage-backed securities 14. Sale of commercial paper 15. Sale of unsecured bonds |
| Innovative & creative finance (See chapter 2,3 & 6) | 1. Community-based housing finance initiatives 2. Convertible Mortgages 3. Crowdfunding 4. Derivatives 5. Government grants and subsidies 6. Housing microfinance 7. Joint Ventures 8. Long tenured Mortgage bond 9. Mezzanine Capital Financing 10. Participating Mortgages 11. Pension Backed Housing Finance 12. PPP (Public-Private Partnership) 13. Project Financing 14. Public-Private Partnership (PPP)/ Private Finance Initiates (PFI) 15. Real estate investment trust (REITs) 16. Residential mortgage-backed securitisation (RMBS) 17. Sovereign wealth fund 18. Tax-exempt bond financing 19. Venture capital |

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See detailed development of the inventory of options and criteria for securing finance for real estate project development in Chapter 5.4.

**Further comments**

The real estate manager responsible for securing finance for real estate project development and his team members should study the various options for securing finance for real estate project development. It will enable them to understand the options that are best suitable for their project (s) and understand how to secure the funds using such finance options. Furthermore, research by the managers into the different finance options can enable them to make recommendations of creative and innovative finance options to their financiers. It is also very important for the real estate manager and his team to know the fundamental criteria requested by financiers and understand capital structure decisions. This segment of the toolkit has provided a guide to these elements.

**Toolkit stage 2: Conceptual framework for Environmental scan for securing finance for real estate project development**

Environmental scanning enhances an organisation’s ability to monitor the internal and external environments and incorporate anticipated changes into its strategic plans to foster its adaptability and survival (Frolick et al., 2007). The knowledge of this will enable the management to plan the organisation's activities better and enhance their chances of securing finance. The environmental scan enables the organisation's leadership to develop effective responses to ensure the organisation's operations and facilitates an effective SWOT (strength, weaknesses, opportunities, and threats) analysis. The external environmental scanning helps to focus the organisation’s strategic and tactical plans on those factors that may threaten its stability and enables them to turn potential problems into advantages (Choo, 2001; Albright, 2004).

Understanding certain environmental factors are vital for success in securing finance for real estate project development. These factors could be in the form of challenges, opportunities and critical success factors. The real estate managers involved with obtaining finance for real estate project development must understand how to mitigate against and reduce potential challenges and harness potential opportunities. Challenges and opportunities are often factors that are economic, political, social, legal and country-specific factors. The real estate manager should scan the environment to identify these potential challenges and opportunities when preparing to secure finance for real estate project development. The conceptual framework for environment scan for securing finance for real estate project development is divided into three major segments. These segments are the external environmental scan, internal environmental scan and the feedback mechanism as contained in table 10.2.3.

The PESTLE and SWOT analysis techniques for environmental scan provided a guide for the framework. Pestle theory helped elaborate the external environmental factors that the managers will need to monitor to secure finance for real estate project development. PESTLE analysis helps analyse factors influencing an organisation that is external to the firm (Hassan et al, 2019). This study used the Pestle analytical tool in classifying the challenges and opportunities associated with securing finance for real estate project development into political, economic, social, technological, legal and environmental factors. The manager is to mitigate and or reduce the challenges while maximising the opportunities.

The SWOT analysis theory also helps to understand the framework for environmental scan for securing finance for real estate project development. SWOT ( an acronym for strength, weaknesses, opportunities and threats) supports the analysis of the internal ( strengths, weaknesses) and external ( opportunities, threats) factors for adopting a strategy which in this case is securing finance for real estate project development. SWOT clarifies the internal environmental scan for this study which is the critical success factor. Understanding the SWOT analysis will enable the manager to formulate strategies that will enhance strengths and opportunities and reduce threats and weaknesses. The SWOT analysis is an effective tool for analysing the strengths, weaknesses, opportunities and threats of an organisation or a project and facilitating effective planning (Sabbagbi and Vaidyanathan, 2004).

The manager is expected to check the critical success factors to identify the strengths, weaknesses, opportunities, and threats in his firm that could affect securing finance to facilitate adequate planning, policy, and strategy formulation.

Table 10.2‑3: Conceptual framework for environmental scan for securing finance for real estate project development

|  |  |  |
| --- | --- | --- |
| **Environmental scan for securing finance for real estate project development** | | |
| Phase 1 | **External environmental scan** | **Feedback mechanism** |
| Phase1a | **Potential challenges** | * Access to finance * Sustained relationship with financiers * Reduced default in payback |
| |  |  |  |  | | --- | --- | --- | --- | | **Economic factors** | * Access to finance * Access to land * Currency risk * Lengthy and challenging banking criteria * Difficult experiences for foreign investors in getting loans * Economy trends * Collateral requirement * Exchange rate volatility * High-interest rates * Import/export ratios * The increasing cost of construction * Industry growth * Inflation * International exchange rates * International trade * Lack of long term financing * Large equity input requests by banks * Local economy * Low demand for real estate and properties * Seasonality issues * Size of transaction * Taxation | **Political factors** | * Bureaucracy * Corruption * Difficulties accessing a loan from the government * Elections and political trends * Funding, grants, and initiatives * Government policies * Government terms and changes in policies * Inter-country relationships * Internal political issues * Lobbying and pressure groups * Local commissioning processes * Terrorism * Trading policies * Wars and conflicts | | **Social factors** | * Work ethic * Advertising and publicity * Buying access and trends * Consumer buying patterns * Cultural Taboos * Demographics * Ethical issues * Lack of skilled professionalism in project development * Lifestyle trends * Major events and influences * Population shrinking and ageing * Real estate market transparency * Unemployment | **Technological factors** | * Emerging technologies * Maturity of technology * Technology legislation * Research and Innovation * Information and communications * Competitor technology development * Intellectual property issues | | **Legal Factors** | * Complicated processes of getting a land lease * Current legislation * Difficult land-use laws * Future legislation * Industry-specific regulations * International legislation * Money laundering regulations * Regulatory bodies and processes * Tax regulations Competitive regulations | **Environmental Factors** | * Ecological regulations * Environmental regulations * Impact of adverse weather * Lenders not equipped to review construction costs and projects * Reduction of carbon footprint * Sustainability | |
|  | |
| Phase1b | **Potential opportunities** |
| |  |  |  |  | | --- | --- | --- | --- | | **Economic factors** | * Local economy * Growing demand in the property market * Favourable tax platform * Foreign exchange stability * Low Inflation * Low-interest rates * Economy trends * Seasonality issues * Industry growth * Import/export ratios * International trade * International exchange rates * Availability of long term funds * Market liquidity * Market maturity & transparency * Multiple finance sources * Positive and sustained economic growth * Foreign exchange stability * Presence of international market interest * Access to bank loan * Access to equity & debt * Involvements in large real estate deals * Availability of finance from existing properties * A long-standing relationship with existing bankers | **Political factors** | * Funding, grants, and initiatives * Government housing regulations and policies * Government housing subsidies & credit interventions * Government monetary and fiscal policies * Government policies * Government support to first-time homeowners * Government term and change * Local commissioning processes * Political stability * Trading policies | | **Social factors** | * Work ethic * Advertising and publicity * Buying access and trends * Consumer buying patterns * Cultural Taboos * Demographics: Growing population * Developer’s rights to combining the construction of industrial, commercial, residential, health care centres. * Ethical issues * Experience working with the lender * Highly skilled labour * Increase in demand for modular housing and workforce housing * An increasing trend in the development of senior housing * Infrastructure quality * Lifestyle trends * Major events and influences | **Technological factors** | * Competitor technology development * Emerging technologies * Information and communications * Intellectual property issues * Maturity of technology * Research and Innovation * Technology legislation | | **Legal factors** | * Current legislation * Future legislation * International legislation * Regulatory bodies and processes * Money laundering regulations * Tax regulations Competitive regulations * Industry-specific regulations * Strong judiciary system * Track records | **Environmental Factors** | * Ecological regulations * Environmental regulations * Impact of adverse weather * Reduction of carbon footprint * Sustainability | |
|  | |
| Phase 2 | **Internal environmental scan** |
| **Critical success factors** |
| * Access to land * Access to relevant update data * An understanding of the financer and how they operate; understand the terms and conditions of banks * Assembling the right team of advisors * Audited financial reports/ independent audit committee * Availability of prospective tenants * Business plan * Capital base * Cash flow * Collateral to mitigate default risk * Company profile * Contractual documentation on land acquisition/land title * Cost relationship with developers * Demonstration of skills to execute the job * Details of the proposed project * Due diligence * Equity contribution * Establishing an appropriate length and form of contract * Existence of enabling policy and legal framework * Familiarity with local legislation & clear contract terms * Feasibility report( economic & technical feasibility) * Financial modelling with realistic assumptions * Financial models * Geotechnical study * Good relationships with lenders & effective communication * Indemnification * Liquidity management * Loan agreement * Location and visibility of the project * Management capabilities/management profile * Manager’s knowledge and skills * Meeting of project timeline & control of project performance * Necessary permits & site clearance * Performance support guarantees * Planning permission * Potential rent * Pre-sale details * Project manager’s experience * Project technical feasibility * Projected returns * Projected revenue and income * Proof of adherence to government regulations * Risk and returns * Risks allocation and risk-sharing * Shared responsibility between the public and private sector * Stable macro-economic environment * Stable political and social environment * Supporting documents that describe the site * Tax returns * The expected debt-paying ability of the project * The financial capacity of the organisation * The profitability of the project * Topographical survey * Track records(records of accomplishment) * Usage of hedging instruments |

Source: compilation by the author (2021)

Detailed development of a conceptual framework for environmental scan for securing finance for real estate project development is contained in chapter 6.5.

**Further comments**

The real estate manager and his team should consider the environmental scan when making plans to secure finance for real estate project development. These factors affect the real estate manager’s ability to secure finance for project development and their ability to utilise such funds effectively with the prospect of payback. To be abreast of contemporary happenings on all the platforms for external environmental scan, the manager needs to keep regularly updated with business and political news through different platforms like personal contacts, journals, newspapers, financial publications, seminars, conferences, workshops, commercial databases. Large organisations could have departments dedicated to contemporary happenings.

**Toolkit stage 3: Process map for securing finance for real estate project development.**

The process map provides a sequence of activities to be undertaken in securing finance for real estate project development as contained in table 10.2.4. It is developed from data collected from the literature review, questionnaire surveys, and semi-structured interviews. The process map for securing finance for real estate project development is inspired by advanced work packing for construction projects by Ryan (2017), the work breakdown structure and the RIBA Plan of work 2020. The process protocol mapping methodology also guided developing the process map for securing finance for real estate project development. The detailed development process is in chapter 7.

The process map for securing finance for real estate project development is divided into five stages: stage zero to stage four. Stage 0 has to do with the identification stage. The manager identifies the market/demand at this stage and decides whether it is a commercial or retail project (Geltner et al., 2001). The demand for real estate often referred to as the market for real estate, is a factor that the manager should critically assess before initiating the financing process. The demand for real estate is a fundamental economic decision, and the manager needs to gather enough data to understand the nature of the demand.

Stage 1 is identification phase 2, and this is essentially the concept and strategic definition. At this stage, the manager and his team undertake the external and internal environmental scan, determine their skills, and scan for financiers. A detailed environmental scan will enable the manager to access the strengths, weaknesses, opportunities, and threats the team may face in securing real estate project execution finance. A proper SWOT analysis will enable policies to mitigate and /or reduce weaknesses and threats and enhance strengths and opportunities (Fine, 2009). Stage 1 also enables the managers to preliminarily assess both hard and soft skills that are available to them and what would be needed. The skills budget will enable the manager to initiate the process of assembling the needed skills set. Lenders traditionally look at the skills set of an organisation in making decisions to provide the financing or not (Ogbenjuwa et al., 2018). The manager also scans for financiers at this stage, and this could be either debt or equity finance in the form of public or private finance (Geltner et al., 2001).

Stage 2 is the development stage, and it is the stage when the manager and his team develop the feasibility study, consumer relations and the proposal requesting finance. The feasibility study the manager develops at this stage is the legal, commercial and technical feasibility. The development of consumer relationships at this stage entails building relations with off-takers and/or prospective tenants depending on the nature of the real estate. The feasibility study helps the manager and his team prepare to launch and manage their business (Wyckham and Wedley, 1990). Technical feasibility is multi-faceted and could be concerning skills acquisition, site-location analysis and customer location. The geographical information system ( GIS) is a good tool for site location analysis and customer location analysis ( Pearson, 2007). The GIS could also support commercial feasibility because it helps to locate where future markets could be found. It would determine where the manager could get the highest market for the real estate project depending on the business objective, which could be profit maximisation or fulfilling some noble cause such as corporate social responsibility. Overall, the feasibility study will determine the project's economic/ commercial, legal, and technical viability. The feasibility study will aid the managers' decisions on whether to proceed with the project or not ( Siemieniako & Gebarowski, 2014).

The 3rd stage, known as the selection stage, entails contacting financiers, obtaining funds and executing project development. The manager answers the question of optimal capital structure at this stage. At this stage, the manager makes decisions on financiers and the type of finance that should be used for the project. The manager determines the appropriate mix of inside and outside finance, otherwise known as the capital structure at this stage, and contacts and negotiates with financiers (Riddiough, 2004; Squires et al., 2016). The real estate project is developed at this stage, and the deal is closed.

The 4th stage is the final stage, and this is also a feedback stage. At this stage, the manager meets up with the debt and/or equity covenants, pays off debt and sustains a relationship with the financiers. Debt/equity covenant violation has great costs and relationship implications for the real estate manager; hence they are expected to make decisions to mitigate against the breach of covenants (Dyreng, 2009).

Table 10.2‑4: Process map for securing finance for real estate project development

|  |  |  |
| --- | --- | --- |
| Stages | | Routines / Key decisions and processes |
| Stage 0 | Identification 1 | Identify usage or rental market  Identify demand/need for real estates  Make decisions on location |
| Stage 1 | Identification phase 2 | Concept/Strategic definition  External environmental scan  Scan for Financiers  Determine Skills  Internal environmental scan    Skill  Debt &/ or  Equity decisions  Economic environment  Access to land  Social environment  Knowledge  Cash flow  Cost of finance  Collateral  Political environment  Competences  Liquidity management  Legal environment  Physical Environmental  Risk assessment & management  Technological environment |
| Stage 2 | Development | Feasibility report  Develop consumer relationship  Proposal/ request for finance  Legal feasibility  Provide financial modelling with realistic assumptions  Off-takers  Commercial feasibility  Tenants  Technical feasibility |
| Stage 3 | Selection | Secure funds  Develop project  Financiers  Evaluate choices of financiers  Debt & /or equity finance  Close deal  Public or private source of finance  Negotiate |
| Stage 4 | Feedbacks | Pay-off debt  Sustain relationship with financiers  Meet up with debt/equity covenants |

Source: compilation by the author (2021)

Detailed development of process map for securing finance for real estate project development is contained in chapter 7.5.

**Further comments**

The process map provides a general overview of the processes for securing finance for real estate project development. It is meant to guide and improve the quality and safety of the process in obtaining finance for real estate project development. It is intended to be a planning tool that describes the flow of work that may be required when the real estate manager is securing finance for project development. The process map demonstrates the steps and the key decisions that are taken in the process of securing finance for project development. The process map as a guide helps to eliminate risk and reduce delays in the process of securing finance for real estate project development if the managers take the time to understand and adapt it to their peculiar financial environment. Furthermore, the processes at the different stages could overlap depending on agreements by the parties involved in the finance process.

**Toolkit stage 4: Inventory of skills, knowledge, and competences for securing finance for real estate project development**

Stage 4 of the toolkit for securing finance for real estate project development has three main components: the skills, knowledge, and competences for securing finance for real estate project development.

1. **Toolkit stage 4.1: Inventory of skills for securing finance for real estate project development**

This inventory of skills guides the managers in securing finance for real estate project development and acts as training and development support. The conceptual skills framework/inventory of skills for securing finance for real estate project development is divided into five major skills: human, technical, conceptual, political, and financial management skills (please see table 10.2.5). The framework is inspired by some authors, which includes Boyatzis (1982), Katz (1971), Egbu (1992), IPMA (2015), Grizzle (1985), Whetten & Camron (2015), Spencer & Spencer (1993), Whetton & Cameron (2015), Muthuveloo(2017) and Ogbenjuwa et al. (2018). However, variables used in developing the toolkit are fundamentally from the semi-structured interviews and questionnaire survey responses.

Table 10.2‑5: Framework/ Inventory of management skills for securing finance for real estate project development

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Human skills** | **Technical skills** | **Conceptual skills** | **Political skills** | **Financial management skills** |
| Ability to anticipate questions | Ability to identify the right Land opportunities | Analytical abilities | Ability to improve the company's profile through LinkedIn, Twitter & Facebook (virtual skill) | Budgeting |
| Ability to ask questions & listen to clients | Ability to incorporate finance models | Creativity | Apparent sincerity | Commercial awareness |
| Communication | Ability to package the application for funding | Critical thinking | Diplomatic skills | Cost-benefit analysis |
| Diligence | Ability to put in a place a feasibility study | literacy | Global networking & ability to attract international financiers | Debt management |
| Emotional intelligence | Ability to package & structure funding proposal | Innovative thinking | Interpersonal influence | Debt servicing ability |
| Integrity | Analytical skills | Planning & control | Knowing people and building relationships | Developing financial forecast & models |
| Interpersonal skills | Corporate governance | Risk management | Network ability | Finance skills |
| Leadership skills | Data analytics | Strategic planning | Positive impression management | Financial management approach analysis |
| Negotiation skills | Emerging technologies (such as artificial intelligence & machine learning) | Strategic thinking |  | Financial modelling , stress testing & comparing scenarios |
| Persuasion skills | Identifying trends & accessing alternatives |  | Recognising & using influence | Fiscal impact analysis |
| Relationship management | land purchasing & appraisal skill |  | Relationship with financiers | Hedging skills |
| Reliability | Legal skill |  | Relationship with tenants & prospective tenants | Investment |
| Teamwork | Management skills |  | Self-awareness | Market liquidity timing |
| Understanding foreign languages/ Multilingual  Understanding diversity | Market analysis |  | Social intelligence  Ability to connect to people on an emotional level  Ability to lobby | Presentation of a project to banks & other financiers |
|  | Modelling skills |  |  | Skills at putting together investment case and approaching providers of funds |
|  | Monitoring skills |  |  | Understanding of loan contracts |
|  | Project delivering skills |  |  | Understanding of options for structuring debt |
|  | Risks management |  |  | Understanding of what lenders look out for in terms of structure, security, pricing & covenants |
|  | Rolodex (networking) and modelling for Joint venture deals |  |  | Understanding the requirements of financiers for different classes of assets |
|  | Sales / Marketing skills |  |  | Understanding the risk banks are willing to take |
|  | Skills at accessing property buyers & investors |  |  |  |
|  | Specialised industry skills |  |  |  |
|  | Supervision and control |  |  |  |
|  | TIS mapping & prop-tech mapping |  |  |  |
|  | Town planning skills |  |  |  |
|  | Understanding of regulatory framework |  |  |  |
|  | Understanding of the project to be developed |  |  |  |

Source: compilation by the author (2021)

The detailed development of an inventory of skills for securing finance for real estate project development is contained in Chapter 8.2.7

The interplay of human, technical, conceptual, political and financial management skills is essential for the real estate manager to secure finance for project development based on the findings. The skills most cited by managers for securing finance for real estate project development with the highest counts in citations based on NVIVO software analysis are management, project development, relationship management, financial skills, and negotiation.

1. **Toolkit stage 4.2: Inventory of Knowledge for securing finance for real estate project development**

This study developed an inventory of management’s financial knowledge for securing finance for real estate project development to bridge the gap in the management knowledge for securing finance for real estate project development. This is made up of findings from both the questionnaire surveys and semi-structured interviews. The inventory of financial management knowledge for securing finance for real estate project development is shown in table 10.2.6

Table 10.2‑6: Inventory of financial knowledge for securing finance for real estate project development

|  |
| --- |
| 1. Asset management  2. Awareness of the client’s need  3. Cash flow  4. Contingency approach  5. Cost calculation techniques  6. Cost estimation methods  7. Debt literacy  8. Feasibility studies  9. Finance options  10. Financial accounting basics  11. Financial analysis  12. Financial management concepts & terms such as ( cash flow, debt – asset ratio, return on investment & rate of return)  13. Financial modelling  14. Fundamental concepts of economics & finance ( e.g. calculation of interest rate & inflation)  15. Funding sources  16. Knowledge of accounting and economics  17. Knowledge of finance instruments  18. Knowledge of loan agreements & how they work  19. Knowledge of location & topography  20. Knowledge of regulations  21. Knowledge of the market  22. Knowledge of what lenders want  23. Leadership & negotiation  24. Legal knowledge  25. Location knowledge  26. Market intelligence  27. Performance indicator  28. Policy knowledge  29. Portfolio management  30. Principles of risk and diversification  31. Process and governance for cost management  32. Proposal packing  33. Quantity surveying  34. Relevant conventions, agreements, legislation and regulations  35. Risk  37. Risks and opportunities response strategies and plan  38. Sales  39. Strategies for managing risks and uncertainty  40. Technical knowledge  42. Techniques and conditions for loan effectiveness  43. Understanding Joint venture legal document  44. Understanding of Macroeconomics factors  45. Understanding of the product |

Source: compilation by the author (2021)

The detailed development of the inventory of financial knowledge for securing finance for real estate project development is contained in 8.3.7.

The most cited knowledge the real estate managers use in securing finance for real estate project development based on NVIVO software analysis is finance options, financial knowledge, finance sources, accounting, and economics.

1. **Toolkit stage 4.3: Inventory of competences for securing finance for real estate project development**

This research developed an inventory of competences for securing finance for real estate project development based on the findings from this study ( see table 10.2.7). The inventory of competences is meant to act as a guide to managers and also as a platform for training and development.

Table 10.2‑7: Inventory of management competences for securing finance for real estate project development

|  |  |  |
| --- | --- | --- |
| * Asset allocation * Business case * Capability development * Commercial management * Compliance, standards & regulations * Ethics, compliance, and professionalism * Financial management * Governance, structure, and processes * Independence assurance * Leadership competence * Managerial competences * Negotiation * Planning & control * Political competence( self-confidence, social astuteness & ability to influence others * Politics & use of power * Resourcefulness * Result oriented * Risk & opportunity * Technical competence * Ability to communicate effectively with financiers * Ability to consummate transactions * Ability to deliver in good time * Ability to do a rigorous analysis of the market * Ability to explain in a concise way that is believable how things are going to be | * Ability to make development computation * Ability to manage lenders * Ability to negotiate documentation with partners * Ability to supervise and manage the project from start to finish * An understanding of the geographical location and specific product type * An understanding of the relevant laws * Being attentive * The building of properties/ real estate development * Competence in obtaining finance and committing to a senior loan contract * Competence in understanding how finance works * Competent in an understanding of real estate entrance, operation, and exit; staffing & management * Due diligence * Established track record of successful acquisitions/dispositions * Expert in land and building * Finance * Financial analysis * Financial competence * Financial models and comparing scenarios | * Grounded business relationship * Knowledge of the market * Legal analysis * Networking * Never defaulting on a loan * Paying regular interest and sometimes amortisation * Personal presentation skills and sales competences * Project execution * Project implementation * Project management * Property development * Relationship development and maintenance with investors and financiers * Reliability * Retail development, management * Sales * Strong finance background * Track record * Track record in executing projects * Track record in mass housing development, * Track record in the commercial property arena * Understanding of analytics * Understanding of construction * Understanding of Joint Venture proposals * Understanding of market needs and financing deals * Understanding of the market |

Source: compilation by the author (2021)

The detailed development of inventory of competences for securing finance for real estate project development is contained in chapter 8.4.7.

The most cited competences based on NVIVO software analysis are management competence management, business development, understanding of construction and ability to deliver projects.

**Further comments**

The interplay of various skills, knowledge, and competences is significant to the manager’s ability to secure finance for real estate project development. A single manager might not have all the skills, knowledge and competences. However, it is recommended that managers build up teams with the required skills, knowledge and competences to effectively secure funding from different sources for real estate project development (Ogbenjuwa et al., 2018).

Therefore, the next section provides a conceptual framework on the career path, training, and education for managers involved with securing finance for real estate project development. It is a guide for delivering training and education needs and career pathways for professional development through higher education and continuing professional education (CPD).

**Toolkit stage 5: Conceptual framework for career path for securing finance for real estate project development**

The framework for the career path for securing finance for real estate project development is made up of five parts. These five parts reflect the data collected and the three theories used as the basis for the creation of the framework. The five parts are career history, education, module guide for undergraduates and postgraduate studies, organisational mobility and international content ( see table 10.2.8).

The theoretical frameworks that supported the development of the framework for career path for securing finance for real estate project development are:

* Human capital school of thoughts
* Job matching theory
* Theory boundaryless career

Table 10.2‑8: A conceptual framework for career path for securing finance for real estate project development.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Career history | Education | Module guide for undergraduates & postgraduate education | Cross organisational mobility | International content | Extra-organisational  support/ membership |
| * Strong finance background. * Specialisation ranging from real estate industry analyst and real estate to pension fund management. * Specialisation in commercial or /and retail real estate developments * Good international work experiences across countries * Academic specialisation with a strong emphasis on real estate, construction & project finance, management & finance * A range of 4 to 17 years average experience in the real estate sector | * BA Chinese * BA Law * BA Rhetoric * BA, Economics * Bachelor of Science in Business Administration * Bachelor of Science in Civil Engineering * Bachelor of Science in Finance * Bachelor of Science in Management * Master of Science in Real estate * BSc applied mathematics * BSc Business and Commerce * BSc Business property * BSc Corporate finance and Economics * BSc Economics * BSc Estate Management * BSc Housing and Consumer Economics * BSc Management Estate Management * BSc Mathematical Science, * BSc political science * BSc Quantity Surveying * Certificate in mortgage practice * CFAI- Chartered Financial Analyst Institute * Chartered accountancy * Degree in Economics & Geography * Degree in Economics and public administration * Degree in Finance and accounting * Degree in Land Economics * Finance degree * Higher National Diploma ( HND) Quantity – Survey * J.D Law * Master of Business leadership finance * Master of Management in Finance and investment * Master of Science in Construction Management * Master of Science in Property Investment * Master’s degree in Finance * Masters European Law focusing on real estates * Masters in Senior Housing * MBA * MSc Architecture * MSC Estate Survey * MSc Project Management * MSc Real estate * MSc, Investment Analysis * PhD Finance * PhD in Leadership Development. * PhD. Construction Management and Economics * Postgraduate degree in business management * Postgraduate degree in future studies * Postgraduate Diploma In Real Estates * Research masters in performance in real estate performance structuring * RICS post-graduate diploma in property investment * Self –education | * Financial accounting basics * Finance options * Cost calculation techniques * Financial management concepts & terms such as ( cashflows, debt-asset ratio & return on investment. * Debt literacy * Market intelligence * Principles of risk & diversification * Relevant conventions, regulations and legislation * Strategies for managing risk and uncertainties * Cost estimation methods * Technics and conditions for loan effectiveness | * Insurance companies * Mortgage firms * Banks * Legal firms | * Work experiences in different countries * Academic experiences in other countries * Internship programs in other countries * Universities exchange programs in different countries * Short courses focused on real estate in different countries * Seminars and conferences in other countries | * Society of property researchers (SPR) * ARCOM * C.I.B * Mentors |

Source: compilation by the author (2021)

The detailed development of the conceptual framework for career path for securing finance for real estate project is contained 9.2.5

Management education is seen as instrumental to the success of any task; hence this framework suggests an education and module guide that tilts towards management skills in finance. The framework acts as a guide for prospective students with an interest in this sector and provides broad content for undergraduates and postgraduate students. It is recommended that school authorities design the curriculum for students in the Built Environment to include the modules in the framework to enhance the students' careers. The provision of the courses and module guide in the framework aligns with the human capital theory, which emphasises that education increases the productivity and efficiency of workers by increasing the level of cognitive stock of economically productive human capability, which is a product of inborn abilities and investment in human beings (Almendarez, 2016).

* **Cross organisational mobility and international content**

The data collected from the interview shows the significant mobility of managers from different sectors into the real estate sector. Most of these migrations were from the banking, pension fund and insurance sectors into the real estate sector. These are areas that are very closely linked to the real estate sector. The data also showed that a number of the managers in the developed economies who claimed they did not have problems with access to finance had either schooled or/ and worked in other countries previously. The relationship linking skills that are specific to turnover-over the decision is considered very important in the economics of labour mobility (Miller,1984). Hence, the introduction of cross-organisational mobility and international content is a vital component of this framework because of the incremental knowledge managers gained from such movement and its positive impact on their careers.

The boundaryless career theory adds credence to the importance of inter-organisation mobility of labour and the importance of international content. Contemporary employment contexts call for careers to be more boundaryless. There is evidence that people who exhibit boundaryless career behaviour report considerably higher levels of career success; career success in this regard includes promotions, salary increases, scales of career satisfaction (Arthur et al., 2005). The boundaryless career provides opportunities that transcend any single employer.

The boundaryless career theory also supports extra-organisational support, which entails people developing their career and enhancing career successes through relevant peer groups or work-related communities. These provide enhanced skills and knowledge platforms through shared information and overlapping work experiences (Arthur et al., 2005). Such groups are meant to support managers and aspiring managers in their work roles and help them make sense of what kind of career success they have attained.

**Further comments**

Table 10.2.8 shows a career path involving a strong background in finance, international experiences, and specialisation in commercial and residential real estate. An academic speciality with a strong focus on real estate, construction and finance are very important for the manager involved in securing finance for real estate project development. The career path for securing finance for real estate project development is also depicted in figure 10.3.3.

Figure 10.3‑3: Career path for securing finance for real estate project development

**Toolkit stage 6: Conceptual framework for training and education for securing finance for real estate project development**

The different learning styles projected in the framework for training and education for securing finance for real estate project development takes into cognisance the behavioural, cognitive and constructivism learning theories as well as Kolb learning stages, Kolb learning styles and Gibbs reflective cycle to enhance the learning experiences for the managers and facilitate effectiveness in securing finance for real estate project development. A combination of learning theories is necessary as no single learning theory is adequate ( Egbu, 1994; Whetten and Cameron, 1991). Training and education for securing finance for real estate project development are discussed in more detail in chapter 9.

A total of 23 training and education styles/ types were identified from both the questionnaire surveys and semi-structured interviews, and they were used for the framework. The different approaches to training and education can apply either on the job or off the job methods of training and education for managers depending on the organisational preferences and the application of cost-benefit analysis. On the job and off the job training and education could be customised in conjunction with universities or their training institutions, as with the University of California and Silicon Valley Titans, where customised corporate training was offered for an average of six months (Clark, 1999).

The different approaches to training and education for securing finance for real estate project development are classified into traditional and computer-assisted training, collaborative, talent-driven training, blended and informal learning and E-learning. The behaviourist learning school of thought benefits are obtained through the training and education approaches classified under the traditional and computer-assisted training platforms. However, the approaches to training and education that are classified under collaborative, blended and informal learning and the E-learning platforms incorporate the cognitivism and constructivism learning theories.

The feedback mechanism of questionnaires, observation, role-play, group discussion, practice, and experience incorporate the Kolb learning cycle, Kolb learning style and Gibbs reflective cycle (Gibbs, 1988 & Kolb,1976). The feedback mechanism also incorporates the four main stages shown to be effective for developing management skills/knowledge (Egbu, 1994).

*Table 10.2‑9: Conceptual framework for training and education for securing finance for real estate project development*

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Form of training | On the job and/or off the job training and education | | | |
| **Learning platforms** | **Traditional and computer-assisted training** | **Collaborative, talent-driven learning** | **Blended and informal learning** | **E-learning** |
| **Recommended frequencies** | 1 to 2 times annually | 1 to 2 times annually | Regular basis | Regular basis |
| Learning approaches | * Classroom instructor-led training for a short period(offered by consultants) * Computer-based training * Continuing professional development * Executive MBA(with classes on a part-time basis) * External training * University residential (the full-time program for some weeks ) * Usage of formal qualification * Academic research * Classroom-based training with consultant * Professional qualification from RICS or other relevant bodies * Business development courses * Experience in real estate and finance * In-house training | * Conferences & seminars * Continuing professional development * Executive MBA(with classes on a part-time basis) * Learning by holding meetings * External training * Academic research * Internship with banks * Usage of external advisers * Workshops * Business development courses * Experience in real estate and finance * In-house training | * Conferences & seminar * Continuing professional development * Learning by holding meetings * External training * Internship with banks * Usage of external advisers * Workshops * Business development courses * Experience in real estate and finance * In-house training | * Company-specific courses targeted at securing financing skills & knowledge * Computer-based training * Continuing professional development * Executive MBA(with classes on a part-time basis) * Learning by holding meetings * External training * Online and tutorial training * University residential (the full-time program for some weeks ) * Usage of formal qualification * Academic research * Classroom-based training with consultant * Professional qualification from RICS or other relevant bodies * Usage of external advisers * Workshops * Business development courses * Experience in real estate and finance * In-house training |
| Feed backs mechanism | * Questionnaires * Observation * Role plays * Group discussion * Practice * Experience | | | |

Source: compilation by the author (2021)

Detailed development of a conceptual framework for training and education for securing finance for real estate project development is contained in chapter 9.3.7.3.

**Further comments**

There are varied training and education methods that will help the manager in securing finance for real estate project development, as shown in the information obtained from real estate managers involved with securing finance for project development and from existing literature. Effective training and education for managers involved in securing finance for real estate project development in contemporary times can be further enhanced, in addition to the above framework in table 10.2.9. It can be achieved by bringing managers in the different parts of the built environment into a classroom setting where discussions can be held from time to time to develop interdisciplinary skills, knowledge, and competences for securing finance for real estate project development. Putting this more simplistically entails putting professionals in the different arms of the built environment and real estate sector to be in one class. This class will constitute legal consultants, financiers, investors, agents, facilities managers, etc., who would work on projects. It will be a form of formal education and could lead to the development of an app that can be termed a real estate financing app for inquiry, training and development purposes for managers in this sector. This interdisciplinary training will have managers working in groups and participating in group discussions; that way, they get to understand how the different professionals in the loop think and what they require for effectiveness. This will ultimately facilitate access to finance.

It is recommended that managers involved in securing finance for real estate project development undertake a least two (2) training courses concerning finance annually based on the findings from this study.

Furthermore, there is a need for a bankers/ financiers - real estate development managers forum and training. This way, the bankers and financiers will get to have a better perspective of what the real estate developer does, as this will help the bankers/ financiers in their assessment, which will, in turn, enable the real estate manager to access finance for project development. This is because some managers interviewed complained that the bankers/ financiers do not fully understand their operations, and this ultimately mitigates against their access to finance.

## Recommendations on the usage of the toolkit for securing finance for real estate project development in the developed and emerging economies.

The researcher recommends a multi-facet approach to the usage of the toolkit for securing finance for real estate project development and they are as follows:

* 1. The toolkit is generic and is meant to act as a guide for managers involved in securing finance for real estate project development. It is also a tool that could be used for training and education for both industry practitioners and academia. Consequently, the managers can plug in at any stage depending on their levels of needs.
  2. It is recommended that managers who are new on the job or in a new environment navigate consecutively from stage 1 to stage 6 to enhance the prospect of mitigating against possible risk and enhancing prospects of making the right decisions in the process of securing finance for real estate project development. Emphasis should be placed greatly in stages 1, 2,3,4 and 6 because of the peculiarity of their constructs. (Please see chapter 5.4, 6.5,7.5,8.2.7, 8.3.7, 8.4.7 and 9.3.7).
  3. It is recommended that users in academia or industry for training and development navigate consecutively from stage 1 to stage 6. This is because each stage has learning outcomes that flow almost sequentially in a real-life scenario in some regard. Conversely, some of the stages could also overlap, but navigating consecutively is recommended for learning purposes. However, in CPD programs, facilitators can plug in at any stage of the toolkit depending on the learners' levels and experiences.
  4. The researcher does not make rigid recommendations on usage by managers in the developed and emerging economies because the results show significant similarities between managers in the developed and emerging economies. However, managers in the emerging economies are recommended to give some serious thought to the learning platforms (see table 10.2.9). This is because the blended approach and E-learning options may be a problem in some regions of the emerging economies because of problems with internet connections.

## The weakness of the toolkit for securing finance for real estate project development in the developed and emerging economies.

There are two fundamental weaknesses with the toolkit for securing finance for real estate project development, and they are the lack of inputs from financiers in the development of the toolkit. Secondly, the possible internet challenges that some regions in the emerging economies could encounter and hence have difficulties using the blended and E-learning platforms.

The usage of information from semi-structured interviews, questionnaires, and literature review provides great depth to the different constructs discussed. Hence this is still a very robust toolkit despite not having input from financiers. The study also covers the developed and emerging economies, and this provides great depth to the findings. Furthermore, the toolkit provides multiple platforms for training and education. This could help ameliorate the impact of problems with internet services, which could hinder the usage of blended and E-Learning platforms in some emerging economies.

## Summary

This chapter discussed the integration of the different components of the tool kit for securing finance for real estate project development. The toolkit fulfilled the primary aim of this research: to develop a toolkit for securing finance for real estate project development. The toolkit is to assist the manager in the real estate sector in planning the process of securing finance for real estate project development. It is also to act as a guide when the process of securing finance for the project has commenced and a guide for training and education.

Six major stages of the toolkit, which were initially developed in chapters 5,6,7,8 and 9 were all assembled in this chapter showing the different stages of the toolkit. Consequently, the toolkit is a composition of the inventory of finance options and criteria; a conceptual framework for the environmental scan; process map; inventory of skills, knowledge & competences; a conceptual framework for a career path and conceptual framework for training and education for securing finance for real estate project development. The toolkit can be adaptable to both the developed and emerging economies. It is a valuable guide for training and education for the real estate manager involved with securing finance for real estate project development. This chapter also highlighted the recommended usage of the toolkit, the weaknesses, and how these weaknesses were ameliorated.

# Conclusions and recommendation

## Introduction

The study on securing finance for real estate project development in the developed and emerging economies has been undertaken. This chapter summarises the main findings from the study and provides recommendations and limitations of the study.

## Conclusions on Research Objectives

The research objectives were developed to achieve the research aim (see section 1.5 of chapter 1). There were six (6) objectives, and all six objectives were achieved through the review of literature, questionnaire surveys, and semi-structured interviews. This section provides a summary of the key findings to demonstrate the achievement of the objectives.

**Research objective one**: To examine the real estate finance options and criteria for securing finance for real estate project development in the developed and emerging economies.

The findings at the aggregate level show that all eighteen (18) finance options listed in the questionnaire survey are used at the aggregate level with varying degrees of usage by managers in the different countries(see table 5.2.1). However, the five most highly used finance options for real estate project development at the aggregate level are ranked below:

1. Bank loan
2. Cash flow from business operation
3. High net worth individuals
4. Equity funds
5. and Joint ventures.

While debentures, derivatives, and equity crowdfunding are the least used. The findings from both the questionnaire survey and interviews show that bank debt is used highly in both the developed and emerging economies for real estate project development.

The developed economies in this study all have excellent access to debt finance as compared to the emerging economies despite debt finance being dominant in both regions.

Managers in China have as much access to debt as those in the developed economies. Managers in China have access to bank debt, sovereign wealth funds and REITs. Managers in China have greater access to debt finance than those in Nigeria and South Africa. The findings show that Nigeria managers have the least access to bank debt, private debt finance, and REITs for real estate project development. The comparative shortfall in debt finance in Nigeria and South Africa compared to China and the selected developed economies is partly a result of their governments’ unfavourable monetary policies. Also, mortgage institutions in Nigeria are plagued with bureaucracy, high interest rates, and high collateral requests, and there are also problems of historical inequalities in South Africa.

The criteria for real estate project development finance for both developed and emerging economies are very similar, and this is because the world has become a global village for information and how financial risk can be avoided and mitigated. Furthermore, there is a great deal of international economic coordination amongst governments. Through their central banks, the different governments have set guidelines for the financial sectors, which have also greatly influenced real estate project development finance. The survey response at the aggregate level shows that all the sixteen criteria for securing finance for real estate project development as listed in the questionnaire survey are requested by financiers in all six countries ( see table 5.3.1). However, rankings vary for the degree to which financiers request them in different countries. The five topmost criteria always requested by financiers in both the developed and emerging economies at an aggregate level is ranked as follows:

1. Details of the proposed project
2. Contractual document on land acquisition/ land title
3. Loan agreement
4. Feasibility report (economic & technical feasibility)
5. Collateral

While the criteria least requested by financiers for real estate project finance on an aggregate level is the usage of the hedging instrument. A track record is a criterion required by financiers in both the developed and emerging economies, and it is the most cited criteria by the managers who were interviewed. It is followed closely by cash flow, business plan and then collateral. However, the ranking of the most cited criteria requested by financiers in developed economies interviewed are:

1. Track record
2. Due diligence
3. Details of projected rent
4. Business plan
5. Cash flow
6. Collateral

While the ranking of the most mentioned criteria requested by financiers in the emerging economies based on the interview are:

1. Track record
2. Projected returns
3. Cash flow
4. Existing relationships with financiers
5. Adherence to government policies
6. Business plan
7. Collateral

This study developed an inventory of finance options and criteria for securing finance for real estate project development. This is to act as a guide for managers, and it also forms a part of the toolkit for securing finance for real estate project development.

**Research objective 2:** To identify the critical success factors, challenges, and opportunities for securing real estate project development finance in developed and emerging economies.

The findings at the aggregate level based on the questionnaire survey demonstrate that all the twenty factors listed in the questionnaire are critical for securing finance for real estate project development in both the developed and emerging economies based on their mean values (see table 6.2.1). However, the five top-ranked critical success factors for securing finance for real estate project development at the aggregate level are:

1. Access to land
2. The profitability of the project
3. Business plan
4. Project technical feasibility
5. Project manager’s experience

Furthermore, the managers interviewed in both the developed and emerging economies cited the following critical success criteria in common :

* 1. Track records
  2. Access to land
  3. Cash flow
  4. Relationship with financiers
  5. Access to market

The ranking of the critical success factors most cited by managers interviewed in the developed economies are:

* 1. Track records
  2. Cash flow
  3. Access to land
  4. Access to market
  5. Experience

While the ranking of critical success factors for securing finance for real estate project development most cited by managers in the emerging economies are as follows:

* 1. Access to land
  2. Track records
  3. Cash flow
  4. Equity
  5. Relationship with financiers
  6. Off takers

Based on the survey questionnaire responses, the ranking of the top five challenges associated with securing finance for real estate project development in both developed and emerging economies at the aggregate level are :

* 1. Government’s ineffective policies
  2. Excessive collateral requirement
  3. Difficult lending criteria by financiers
  4. Lack of long-term financing
  5. High-interest rate

While the dominant challenges for securing finance for real estate project development common to both the developed and emerging economies from the interview are:

1. Access to land
2. Collateral
3. Rising interest rates

However, the five most cited challenges associated with securing finance for both the developed and emerging economies from the interviews are as follows-

**Developed economies:**

1. Access to land
2. Lenders do not have staff and the expertise in-house to be able to monitor construction
3. Banks being too suspicious of foreign inflows for real estate project finance
4. Criteria of big institutional investors
5. Collateral

**Emerging economies:**

1. Access to land & multiple ownership of land
2. Corrupt government officials
3. Difficult lending criteria & high interest rate
4. Government interventions
5. Long negotiation period

Based on the questionnaire, the opportunities associated with securing finance for real estate project development at the aggregate level for both the developed and emerging economies include all the nineteen (19) factors listed in the questionnaire survey (see table 6.4.1). However, there are differing rankings for the individual developed and emerging economies based on the mean values. Notably, all the managers who responded to the survey questionnaire ranked among their five top factors considered an opportunity to secure finance for real estate project development, “growing demand in the property market”. The list below shows the ranking of the top five opportunities at the aggregate level.

1. Growing demand in the property market
2. Positive and sustained economic growth.
3. Availability of long-term funds
4. Political stability
5. Multiple finance sources

The factors which are considered as opportunities in common by managers in both the developed and emerging economies based on the semi-structured interviews are high demand for housing and long-standing relationship with financiers.

However, the five most cited opportunities associated with securing finance for real estate project development for the developed and emerging economies, respectively are –

**Developed economies:**

1. An abundance of both equity and debt
2. Government support to first-time homeowners
3. Increase in demand for housing
4. International market
5. Low-interest rate

**Emerging economies:**

1. High demand for housing
2. A long-standing relationship with financiers
3. Existing markets for office retail and logistics sectors and key 2nd tier cities across China
4. Private equity/offtakes
5. Developers combine industrial, commercial, residential, and health care centres, especially in China.

The study developed a conceptual framework for environmental scan for securing finance for real estate project development based on the findings from critical success factors and challenges and opportunities for securing finance for real estate project development. This framework forms part of the toolkit for securing finance for real estate project development.

**Objective 3: To document the processes and key decisions for securing finance for project development in developed and emerging economies.**

The questionnaire and interviews show no strictly uniform key decisions and processes adopted by the managers in both the developed and emerging economies for securing finance for real estate project development. The findings also show that the managers consider processes and decisions a joint process, and this position was adopted for the study. The decision-making processes adopted by different managers are similar but not strictly in the same order. Consequently, this study summarised the decision-making processes from both the questionnaire survey and semi-structured interviews which, were used in developing a process map for securing finance for real estate project development. The process map for securing finance for real estate project development also forms part of the toolkit for securing finance for real estate project development. The process map is divided into five stages: stages 0 to 4 (see table 7.5.1). The process map for securing finance for real estate projects was inspired by the advance work package for the construction project by Ryan (2017), the work breakdown structure and the RIBA Plan of work 2020.

**Objective 4: To identify and document the skills, knowledge, competences and ascertain the training background, education, and career pathway for securing finance for real estate project development**

**Skills for securing finance for real estate project development:**

The findings from the survey questionnaire demonstrate that all the twenty-three skills listed are considered important for securing finance for real estate project development in both the developed and emerging economies (see table 8.2.1). The data also revealed that there is a need for training and education for all the skills for both the present work managers do for real estate project development and the future. However, the degree of importance and need for training and education for the present and future varies in the six different countries. Notably, the ranking of the skills for the different countries does not demarcate skills used in developed countries as different from the emerging economies. However, the top-ranked skills show a blend of human, technical, conceptual, political, and financial management skills for all the countries. The findings from the questionnaire survey at the aggregate level show the ranking of the selected skills based on their degree of importance and need for training and education for the present and future (next five years) for securing finance for real estate project development in both the developed and emerging economies.

The findings from the semi-structured interviews emphasise some skills already picked up from the survey questionnaire and brought on board some new skills. Some skills managers in both the developed and emerging economies have in common for securing finance for real estate project development based on the semi-structured interviews include the following:

1. Analytical skills
2. Selling/ Marketing skills
3. Relationship management
4. Monitoring skills

However, their differing skills include the following –

**Developed economies:**

1. Ability to improve your profile in the market by using the internet, LinkedIn and Facebook
2. Financial modelling
3. Foreign language skills / Multi-lingual
4. Global networking
5. Hedging skills

**Emerging economies:**

1. Ability to connect to people on an emotional level
2. Ability to lobby
3. Integrity & diversity
4. Technical skills

The findings show that the managers in the real estate sector of both the developed

and emerging economies have a multiplicity of skills that help them secure finance for real estate project development. However, the findings also show that some managers do not have some salient skills to secure finance for real estate project development. Notably, some of these managers would want to be trained to acquire these skills, while others would rather pay contractors who have the skills sets needed. This study developed a skills conceptual framework, an inventory of skills for securing real estate project development finance. It forms part of the tool kit for securing finance for real estate project development. This inventory of skills could guide the managers in obtaining finance for real estate project development and acts as a training and development guide.

**Knowledge for securing finance for real estate project development:**

The findings from the questionnaires and semi-structured interviews show that there are varied financial knowledge sets that the managers in the real estate sector used for securing finance for real estate project development. The findings from the survey questionnaire demonstrate that all the seventeen-management knowledge sets are considered important for securing finance for real estate project development at the aggregate level by managers in both the developed and emerging economies ( see table 8.3.1). The managers at the aggregate level also indicated different degrees of need for training and education for all the management knowledge for securing finance for real estate project development for their present and future jobs. Interestingly, the knowledge of funding sources and market intelligence have top rankings for the degree of importance, the need for training and education for the present and the future.

The semi-structured interviews also show that managers in both the developed and emerging economies have some common financial knowledge sets that help them secure finance for real estate project development. Arguably, this is because of the global nature of the education sector. Considering that about 99% of the managers interviewed for both the developed & emerging economies have at least a first degree. Some knowledge sets they have in common are as follows:

1. Sales
2. Knowledge of the market
3. Risk
4. Cash flow
5. Financial analysis
6. Understanding of the product
7. Knowledge of regulations

Some knowledge sets that are differing for both developed and emerging economies respectively based on the semi-structured interviews are as follows:

|  |  |
| --- | --- |
| **Developed economies** | **Emerging economies** |
| 1. Financial modelling 2. Legal knowledge 3. Location knowledge 4. Policy knowledge 5. Risk 6. Technical knowledge 7. Understanding Joint venture legal document 8. Knowledge of loan agreements & how they work 9. Understanding of Macroeconomics factors 10. Awareness of the client’s need 11. Knowledge of what lenders want | 1. Asset management 2. Feasibility studies 3. Knowledge of accounting and economics 4. Knowledge of finance instruments 5. Knowledge of location & topography 6. Leadership & negotiation 7. Portfolio management 8. Proposal packing 9. Quantity surveying 10. Technical knowledge |

This study developed an inventory of management’s financial knowledge for securing finance for real estate project development to bridge the gap in the knowledge that managers have for securing finance for real estate project development

**Competences for securing finance for real estate project development:**

Comparatively, the competences for securing finance for real estate project development in both the developed and emerging economies are similar, just as in knowledge and skills. The findings from the survey questionnaire show that all nineteen management competences listed in the questionnaire are considered important for securing finance for real estate project development by both managers in the developed and emerging economies at the aggregate level ( see table 8.4.1). It also shows that the managers indicated a need for some degree of training and education for all nineteen competences for the present and future need to secure finance for real estate project development.

The findings from the semi-structured interviews show some commonalities in competences for securing finance for real estate project development as follows:

1. Ability to analyze the market
2. Legal competences
3. Sales competences
4. Communication
5. Construction of properties

The fundamentally differing competences for both regions are financial modelling for the developed economies and networking and retail developments for the emerging economies.

This research developed an inventory of competences for securing finance for real estate project development based on the findings from this study. The inventory of competences is meant to act as a guide to managers and also as a platform for training and development. It also forms a part of the toolkit for securing finance for real estate project development.

**Career path for securing finance for real estate project development:**

Despite working in the real estate sector for several years, most of the interviewees and respondents to the questionnaires did not rise to the top in just one organisation. There were cross-organization, and cross-industry rises to the top in their careers. This is indicative of the influence of higher education and training on mobility. Furthermore, the multiple country work experiences of managers in the developed economy also show the effect of socio-economic stability on career mobility. The managers interviewed in the developed economies are mostly strategic managers involved in commercial and residential real estate development. They have had an average real estate work experience of 17 years, with the highest been 30 years and the lowest 4 years. The chronological work experience of most of the managers shows a strong finance background as most of them have worked in banks, insurance companies, and pension funds before moving into the real estate sector. Their specialisations range from real estate industry analyst and real estate to pension fund management.

Most of the managers interviewed in Germany, the United Kingdom, and China have strong finance backgrounds. They have worked in managerial levels in the finance sectors before taking on real estate and properties. Furthermore, most of the managers interviewed in Germany, the United Kingdom, the United States of America and China have international real estate experience as they have worked in other countries, and some have subsidiaries of the companies they are actively involved in different countries and continents.

The managers interviewed for the emerging economies mainly were strategic managers with a few middle level and lower-level managers. They have, on average, 16 years of work experience, with the lowest being 6 years and the highest 30 years. The areas of operation in the real estate sector for most of the managers interviewed in China are commercial and residential. While South Africa has a few combinations of commercial and residential with the majority being residential, all the managers interviewed in Nigeria are involved in residential real estate development.

The managers interviewed in China have lots of international experience, just like the managers of the developed economies. However, the managers interviewed in South Africa and Nigeria have been involved in mostly regional country-based operations and, apart from one Nigerian manager who has marginal operations in Dubai, have no international real estate business operations. The professional background of the managers interviewed in China reflects a good composition of finance, property investment, and management. The professional background of managers interviewed in South Africa indicates project finance, risks management and property development. However, the managers' professional backgrounds in Nigeria mostly reflect hard skills such as architecture, construction and real estate development. While managers operating in Nigeria, South Africa, and the United States have more country-based experiences, a few managers in the United States of America have experiences operating in other countries. Notably, the US is already a very large market; hence some operators do not need to extend to other countries.

This study developed a conceptual framework for a career path for securing finance for real estate project development which also forms part of the toolkit for securing finance for real estate project development.

**Education and training for securing finance for real estate project development:**

A distinct commonality in both the developed and the emerging economies shows that they both have similar levels of education and similar platforms for training and education. The levels of education in this regard include first degrees, higher degrees such as MSc, MA, MBA, and PhDs, and membership of professional institutions both by examination and associations. The commonality of similar platforms for training and education for both the developed and emerging economies shows that they both use platforms such as classroom instruction led training for short periods (offered by consultants), company-specific courses targeted at securing financing skills & knowledge, computer-based training, conferences and seminars, continuing professional development, executive MBA with classes on a part-time basis, external training, learning by holding meetings with experts, online and tutorial, usage of formal qualification, utilisation of internal programs and instructors.

The findings from the questionnaire survey show that managers in both the developed and emerging economies use the twelve approaches to training and education for securing finance for real estate project development mentioned in the questionnaire survey. The responses also show the degree of perceived importance of those approaches on their present jobs and the future (next 5years).

There is no clear divide on the approaches for training and education for the developed and emerging economies based on the survey questionnaire. However, continuing professional development and computer-based training ranks top for both the developed and emerging economies.

The semi-structured interviews show that experience, seminars, and on-the-job training are common approaches for training on securing finance for real estate project development in both developed and emerging economies. The differences in education and training approaches used by managers in the developed and emerging economies are as follows:

|  |  |
| --- | --- |
| **Developed economies** | **Emerging economies** |
| 1. Academic research 2. Classroom-based training with consultants 3. Internship with banks 4. Market briefings 5. Professional qualification from RICS 6. Seminars 7. Usage of external advisers 8. Workshops | 1. Business development courses 2. Experience in real estate and finance 3. In-house training 4. Training in project management |

This study developed a conceptual framework for training and education for securing finance for real estate project development which forms a part of the toolkit for securing finance for real estate project development.

***Research objective five: To integrate the different components of the tool kit for securing finance for real estate project development.***

The toolkit fulfilled the primary aim of this research: to develop a toolkit for securing finance for real estate project development. The toolkit is to assist the manager in the real estate sector in planning the process of securing finance for real estate project development. It is also to act as a guide when securing finance for the project has commenced and a guide for training and education.

Six major stages were developed as part of the tool kit. Consequently, the toolkit is a composition of the inventory of finance options and criteria, environmental scan, process map, skills, knowledge & competences, the conceptual framework for career path and conceptual framework for training and education for securing finance for real estate project development. The toolkit can be adapted for both the developed and emerging economies. It is a useful guide for training and education for the real estate manager involved with securing finance for real estate project development.

## Contribution of the research

This study will contribute to both theoretical and practical bodies of knowledge.

**Main contribution/ Contribution to the theoretical and practical body of knowledge:**

This study's main contribution to theoretical and practical bodies of knowledge is the development of a toolkit for securing finance for real estate project development. This toolkit will act as a support for managers in obtaining finance for real estate project development. The study also proves that finance theories, such as the pecking order theory, market capital timing theory, and trade-off theories, are relevant to understanding the manager’s responsibility to secure finance for real estate project development. The findings show that capital acquisition for real estate sector project development is first internally generated funds and debt before issuance of equity. These findings are in line with the Pecking order theory. The results also show that the managers use cost-benefit analysis to determine the source of capital to employ for real estate project development depending on the option that optimises value, which is an application of the trade-off theory.

The findings collaborate Katz’s three skills approach to management, Mumford’s skills model of leadership, motivation theory, human capital theory, theory of traditional career and boundaryless career as platforms for development that equips the managers with the tools for securing finance for real estate project development. These theories illustrate the importance of skills, knowledge, competences, career path, training and education as enablers to work performance at a high level. The findings show that the managers' application of skills, knowledge, competences, career path, training and education enhances their ability to secure finance for real estate project development in developed and emerging economies.

**Contribution to academics, researchers, and empirical research:**

The research makes the following contribution to academics and researchers:

1. The development of a conceptual model for securing finance for real estate project development (the toolkit): This conceptual model can be further validated using different scenarios or countries, therefore, enhancing knowledge in real estate project development finance.
2. The toolkit can be used as a platform for guiding fresh students into the real estate sector on the path to take for a sustainable career in the real estate and property sector.
3. This research's findings can be used to enhance the curriculum for real estate and property studies in the built environment.

**Contribution to professionals and the industry:**

1. This study would assist decision-makers in real estate development organisations select and recruit personnel and managers with the requisite skills, knowledge, and competencies. Which should potentially help mitigate the issue associated with securing finance for real estate project development.
2. This study provides a platform for the training and education needed for managers in the real estate and property sector, potentially enhancing their ability to secure finance for project development.
3. Through the process map and the inventory of different finance options, the study will create more knowledge of finance sources, which will create an enhanced enabling environment for significant real estate project development.
4. National and international investors depend on information about the real estate markets in different countries as decision-making platforms. This research will provide a platform from where they can secure information that will enhance investment decision making.

## Recommendation for future works

The recommendations are as shown below:

### Recommendations for practitioners

1. It is recommended that managers in the different parts of the built environment be brought into a classroom setting where discussions can be held from time to time to develop interdisciplinary skills, knowledge, and competences for securing finance for real estate project development. Putting this more simplistically entails putting professionals in the different arms of the built environment and real estate sector in one class. The class will constitute legal consultants, financiers, investors, agents, facilities managers, etc. who will be made to work on a project and this will be a form of formal education and could lead to the development of an app that can be termed a real estate financing app for inquiry, training and development purposes for managers in this sector. This interdisciplinary training will have managers working in groups and taking part in group discussions; that way, they get to understand how the different professionals in the loop think and what they require for effectiveness, and this will ultimately facilitate access to finance.
2. This study also recommends a banker- real estate development manager forum and training. This way, the bankers and financiers will get to have a better perspective of what the real estate developer does. This will help the bankers in their assessments, enabling the real estate manager to access finance for project development. This is because some managers interviewed complained that the financiers and bankers do not fully understand their operation.
3. It is recommended that the industry practitioners use this toolkit for training and education purposes as it will facilitate greater access to finance for real estate project development. Six major steps were developed as part of the tool kit. Consequently, the toolkit is a composition of the inventory of finance options and criteria; a conceptual framework for the environmental scan; process map; inventory of skills, knowledge & competences; a conceptual framework for a career path and conceptual framework for training and education for securing finance for real estate project development. The toolkit can be adapted for both developed and emerging economies.

### Recommendation for policymakers

This study recommends that various policymakers, including governments of different countries, the private sector, local banks and multilateral development banks, should provide scalable and sustainable solutions that will facilitate access to finance for real estate project development hence resulting in a reduction to the global housing crisis. These recommendations will assist policy-makers to support developers/ managers, governments, and any other parties interested in the funding of the real estate sector. This will ultimately reduce or eliminate the challenges in accessing finance for real estate project development. A breakdown of these recommendations is as follows:

Enhanced efforts by different stakeholders can help to bridge this funding gap in the following ways:

1. Governments should develop economic stability through fiscal and monetary policies and provide robust sovereign wealth funds to enhance long-term debt for real estate project development.
2. Governments should create an enabling environment for the establishment of more REITs, especially in the emerging economies
3. Governments should create platforms for the merger of some real estate firms and therefore reduce fragmentation as this will lead to better access to finance
4. Multilateral development banks should create a more engaging platform to influence emerging economies' monetary and fiscal policies to facilitate the provision of finance for real estate project development.
5. The Research Community should undertake more research on innovative financing to access the funding requirements for real estate project development
6. Private sector/ Real estate managers should take advantage of government economic policies like tax exemptions that encourage real estate investment. They should also take advantage of existing policies that facilitate partnership with government and managers in the real estate’s sector to provide housing
7. The private sector should get involved in establishing more REITs and real estate companies and should enhance capacity building for the development of skills. knowledge and competences to facilitate access to more funding
8. Local banks should provide more banking products that encourage real estate provision, as well as get into joint venture agreements with the government for real estate provision
9. Communities growth and development should be encouraged to enhance employment and hence finance for real estate project development.

### Recommendation for the Academics

1. The study developed a toolkit for securing finance for real estate project development. It is recommended that other academics validate this toolkit in the specific countries considered for this research as well as other countries.
2. Since the respondents for this research are from managerial positions (top, middle and lower-level managers) involved with financing decisions in the real estate sectors, a survey of a different group of respondents who are financiers, which in this case should be debt, equity, and innovative and creative financiers, may reveal a perspective that will further enhance knowledge in this sector greatly.
3. Considering the broad scope of this research, it is also recommended that some future research be done on a narrower and broader perspective, respectively. Narrower could be focused on one country or a few countries in either the developed or emerging economies, and wider could be focused on more countries, and this could yield vibrant comparative data.
   1. **Limitation of the study**

The study has achieved very useful results, but there are, however, some limitations, and they are as follows:

1. One of the limitations of this study is gaining access to managers in all six countries for both the semi-structured interviews and online questionnaire surveys. This is due to the broadness of the scope of the research and the very busy schedule of managers in the real estate sector.
2. A significant limitation of this study is the fact that the toolkit has not been validated.
3. A significant challenge to this study is the low response rate to the questionnaire survey. Initially, this resulted from insufficient access to respondents who seem to be more willing to do interviews than questionnaires. Eventually, when the researcher gained access to extensive coverage of managers in the real estate development sector of both the developed and emerging economies, the challenge then centred on the robustness of the questionnaire. The managers complained they did not have time to respond to the survey. The length of the questionnaire was, however, highlighted in the course of the pilot, but not much reduction could be made because of the robustness of the information required for the research considering the broad coverage of the study. However, this limitation is mitigated by the very detailed and rich semi-structured interviews from managers in Germany, the United Kingdom, the United States of America, China, South Africa, and Nigeria as well as the literature review.

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# Appendices

APPENDIX 1: FINDINGS FROM THE QUESTIONNAIRE SURVEY AT THE DISAGGREGATE LEVELS

*Table 1:* *Mean scores for Degree of importance of management skills for securing finance for real estate project development. at the disaggregate level*

|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Degree of importance of Management skills | **Germany**  **N=5** | | **UK**  **N=20** | | **US**  **N=8** | | **China**  **N=11** | | **Nigeria**  **N=26** | | **South Africa**  **N=11** | |
| Mean score | Rank | Mean score | Rank | Mean score | Rank | Mean score | Rank | Mean score | Rank | South Africa | Rank |
| Analytical skill | 3.33 | 23 | 4.17 | 4 | 4.13 | 14 | 4.50 | 2 | 4.33 | 17 | 4.22 | 15 |
| Budgeting | 4.00 | 11 | 4.50 | 1 | 4.29 | 9 | 3.70 | 16 | 4.75 | 1 | 4.11 | 20 |
| Teamwork | 4.00 | 12 | 4.00 | 7 | 4.20 | 10 | 4.60 | 1 | 4.38 | 14 | 4.56 | 2 |
| Communication | 4.00 | 13 | 4.36 | 2 | 4.00 | 15 | 4.40 | 4 | 4.38 | 15 | 4.33 | 7 |
| Developing confidence & building relationships | 4.33 | 5 | 3.67 | 18 | 4.00 | 16 | 4.00 | 10 | 4.48 | 6 | 4.56 | 3 |
| Strategic planning | 3.67 | 21 | 4.00 | 8 | 3.80 | 18 | 4.40 | 5 | 4.43 | 9 | 4.00 | 21 |
| Leadership skill | 4.00 | 14 | 3.82 | 15 | 3.80 | 19 | 3.80 | 15 | 4.65 | 2 | 4.33 | 8 |
| Negotiation | 4.67 | 2 | 3.91 | 11 | 4.33 | 5 | 4.50 | 3 | 4.47 | 7 | 4.67 | 1 |
| Critical thinking | 4.33 | 6 | 4.18 | 3 | 4.33 | 6 | 4.20 | 8 | 4.58 | 3 | 4.25 | 14 |
| Commercial awareness | 4.67 | 3 | 4.09 | 5 | 4.33 | 7 | 4.30 | 6 | 4.40 | 11 | 4.38 | 6 |
| Interpreting financial data and identifying trends | 4.00 | 15 | 3.83 | 14 | 4.80 | 1 | 3.70 | 17 | 4.40 | 12 | 4.33 | 9 |
| Planning and control | 4.33 | 7 | 3.58 | 20 | 4.40 | 3 | 4.30 | 7 | 4.50 | 4 | 4.44 | 5 |
| Risks management | 4.33 | 8 | 4.00 | 9 | 4.00 | 17 | 4.10 | 9 | 4.42 | 10 | 4.33 | 10 |
| Developing financial forecast and models | 5.00 | 1 | 3.91 | 12 | 4.57 | 2 | 4.00 | 11 | 4.50 | 5 | 4.33 | 11 |
| Financial management approach analysis | 4.33 | 9 | 4.00 | 10 | 4.40 | 4 | 4.00 | 12 | 4.40 | 13 | 4.33 | 12 |
| Developing and maintaining a cost management system | 4.67 | 4 | 3.91 | 13 | 4.33 | 8 | 3.50 | 22 | 4.45 | 8 | 4.50 | 4 |
| Specialised industry skill/ construction skill | 4.33 | 10 | 4.09 | 6 | 4.20 | 11 | 3.50 | 23 | 4.35 | 16 | 4.22 | 16 |
| Diplomatic skills and social intelligence | 3.67 | 22 | 3.27 | 22 | 3.60 | 22 | 3.90 | 13 | 4.19 | 20 | 4.22 | 17 |
| Identifying and accessing the alternative option | 4.00 | 16 | 3.82 | 16 | 4.20 | 12 | 3.60 | 19 | 4.30 | 18 | 4.33 | 13 |
| Market liquidity timing skill | 4.00 | 17 | 3.82 | 17 | 4.20 | 13 | 3.70 | 18 | 4.26 | 19 | 3.89 | 22 |
| Recognising and using influence | 4.00 | 18 | 3.64 | 19 | 3.80 | 20 | 3.90 | 14 | 4.15 | 21 | 4.22 | 18 |
| Emerging technologies( such as artificial intelligence & machine learning) | 4.00 | 19 | 3.27 | 23 | 3.33 | 23 | 3.60 | 20 | 4.05 | 22 | 3.56 | 23 |
| Emotional intelligence | 4.00 | 20 | 3.42 | 21 | 3.80 | 21 | 3.60 | 21 | 3.71 | 23 | 4.22 | 19 |

Not important at all (1) ,Less important (2,) Fairly important(3) ,Important (4), Very important(5)

Table 2: *Mean scores for Degree of need for training and education for management skills for securing finance for real estate project development. at the disaggregate level*

|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Degree of importance of Management skills | **Germany**  **N=5** | | **UK**  **N=20** | | **US**  **N=8** | | **China**  **N=11** | | **Nigeria**  **N=26** | | **South Africa**  **N=11** | |
| Mean score | Rank | Mean score | Rank | Mean score | Rank | Mean score | Rank | Mean score | Rank | South Africa | Rank |
| Analytical skill | 2.00 | 7 | 3.44 | 6 | 3.00 | 3 | 3.56 | 1 | 4.00 | 14 | 4.25 | 2 |
| Budgeting | 2.00 | 8 | 3.13 | 14 | 3.00 | 4 | 2.44 | 23 | 3.94 | 16 | 3.71 | 14 |
| Teamwork | 2.00 | 9 | 3.56 | 4 | 3.00 | 5 | 3.56 | 2 | 4.24 | 3 | 3.87 | 9 |
| Communication | 2.00 | 10 | 3.25 | 10 | 2.50 | 17 | 3.22 | 8 | 4.00 | 13 | 3.63 |  |
| Developing confidence & building relationships | 2.00 | 11 | 3.38 | 7 | 2.33 | 20 | 3.25 | 7 | 4.19 | 4 | 4.43 | 16 |
| Strategic planning | 2.00 | 12 | 3.89 | 1 | 2.67 | 11 | 3.44 | 3 | 412 | 6 | 3.50 | 20 |
| Leadership skill | 2.00 | 13 | 3.25 | 11 | 2.67 | 12 | 3.11 | 12 | 4.25 | 1 | 3.75 | 10 |
| Negotiation | 2.00 | 14 | 3.25 | 12 | 2.50 | 18 | 3.44 | 4 | 3.94 | 15 | 4.00 | 3 |
| Critical thinking | 2.50 | 2 | 3.13 | 15 | 2.75 | 10 | 3.33 | 5 | 4.06 | 12 | 3.71 | 15 |
| Commercial awareness | 2.00 | 15 | 3.50 | 5 | 3.00 | 6 | 3.22 | 9 | 4.06 | 11 | 3.88 | 5 |
| Interpreting financial data and identifying trends | 2.00 | 16 | 3.22 | 13 | 3.33 | 1 | 2.67 | 21 | 3.88 | 18 | 3.75 | 11 |
| Planning and control | 2.00 | 17 | 3.58 | 3 | 2.67 | 13 | 3.33 | 6 | 4.24 | 2 | 3.63 | 17 |
| Risks management | 2.50 | 3 | 3.38 | 8 | 2.33 | 21 | 3.00 | 14 | 4.06 | 10 | 3.75 | 12 |
| Developing financial forecast and models | 2.50 | 4 | 3.13 | 16 | 3.00 | 7 | 2.89 | 15 | 4.06 |  | 3.88 | 6 |
| Financial management approach analysis | 2.00 | 18 | 3.13 | 17 | 3.33 | 2 | 2.89 | 16 | 4.12 | 5 | 3.88 | 7 |
| Developing and maintaining a cost management system | 2.50 | 5 | 3.11 | 19 | 3.00 | 8 | 2.78 | 18 | 4.06 | 8 | 3.75 | 13 |
| Specialised industry skill/ construction skill | 2.50 | 6 | 3.75 | 2 | 2.67 | 14 | 2.67 | 22 | 4.06 | 7 | 3.50 | 21 |
| Diplomatic skills and social intelligence | 1.50 | 22 | 2.50 | 23 | 2.33 | 22 | 3.22 | 10 | 3.76 | 22 | 3.63 | 18 |
| Identifying and accessing the alternative option | 2.00 | 19 | 2.63 | 21 | 2.67 | 15 | 2.78 | 19 | 3.81 | 21 | 4.00 | 4 |
| Market liquidity timing skill | 2.00 | 20 | 2.88 | 20 | 3.00 | 9 | 2.89 | 17 | 3.81 | 20 | 3.88 | 8 |
| Recognising and using influence | 1.50 | 23 | 3.13 | 18 | 2.33 | 23 | 2.78 | 20 | 3.88 | 17 | 3.50 | 22 |
| Emerging technologies( such as artificial intelligence & machine learning) | 3.00 | 1 | 3.38 | 9 | 2.50 | 19 | 3.22 | 11 | 3.83 | 19 | 3.50 | 23 |
| Emotional intelligence | 2.00 | 21 | 2.63 | 22 | 2.67 | 16 | 3.11 | 13 | 3.18 | 23 | 3.63 | 19 |

Not needed(1), Less needed(2), Needed (3), Very needed(4) & Highly needed(5)

Table 3: *Mean scores for degree of need for training and education for management skills for securing finance for real estate project development for the future at the disaggregate level*

|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Degree of the importance of Management skills | **Germany**  **N=5** | | **UK**  **N=20** | | **US**  **N=8** | | **China**  **N=11** | | **Nigeria**  **N=26** | | **South Africa**  **N=11** | |
| Mean score | Rank | Mean score | Rank | Mean score | Rank | Mean score | Rank | Mean score | Rank | South Africa | Rank |
| Analytical skill | 3.00 | 2 | 3.44 | 10 | 3.20 | 5 | 3.44 | 4 | 3.81 | 18 | 4.38 | 2 |
| Budgeting | 2.00 | 7 | 3.29 | 12 | 3.00 | 6 | 2.56 | 22 | 3.94 | 13 | 3.57 | 21 |
| Teamwork | 2.00 | 8 | 3.56 | 7 | 3.00 | 7 | 3.67 | 1 | 4.25 | 1 | 4.00 | 4 |
| Communication | 0.00 | 22 | 3.57 | 6 | 2.67 | 11 | 3.38 | 7 | 4.20 | 2 | 4.14 | 3 |
| Developing confidence & building relationships | 0.00 | 23 | 3.63 | 3 | 2.33 | 17 | 3.25 | 8 | 4.07 | 9 | 4.57 | 1 |
| Strategic planning | 1.00 | 15 | 3.67 | 1 | 2.33 | 18 | 3.56 | 2 | 3.94 | 14 | 3.38 | 23 |
| Leadership skill | 1.00 | 16 | 3.13 | 13 | 2.33 | 19 | 3.00 | 11 | 4.13 | 5 | 3.43 | 22 |
| Negotiation | 1.00 | 17 | 3.13 | 14 | 2.00 | 23 | 3.44 | 5 | 3.87 | 16 | 4.00 | 5 |
| Critical thinking | 2.00 | 9 | 3.00 | 17 | 2.50 | 16 | 3.00 | 12 | 4.07 | 10 | 4.00 | 6 |
| Commercial awareness | 2.00 | 10 | 3.38 | 11 | 3.00 | 8 | 2.89 | 14 | 3.88 | 15 | 4.00 | 7 |
| Interpreting financial data and identifying trends | 3.00 | 3 | 3.67 | 2 | 3.67 | 1 | 2.56 | 23 | 3.81 | 19 | 4.00 | 8 |
| Planning and control | 1.00 | 18 | 3.11 | 16 | 2.67 | 12 | 3.22 | 9 | 4.19 | 3 | 3.63 | 19 |
| Risks management | 3.00 | 6 | 3.50 | 8 | 2.67 | 13 | 3.44 | 6 | 4.19 | 4 | 4.00 | 9 |
| Developing financial forecast and models | 2.00 | 11 | 3.00 | 18 | 3.00 | 9 | 2.89 | 15 | 4.00 | 11 | 3.75 | 14 |
| Financial management approach analysis | 2.00 | 12 | 3.63 | 4 | 3.33 | 3 | 2.78 | 17 | 4.00 | 12 | 3.75 | 15 |
| Developing and maintaining a cost management system | 3.00 | 4 | 2.88 | 20 | 3.67 | 2 | 2.67 | 20 | 4.12 | 8 | 4.00 | 10 |
| Specialised industry skill/ construction skill | 3.00 | 5 | 3.62 | 5 | 3.00 | 10 | 2.89 | 16 | 4.13 | 7 | 3.75 | 16 |
| Diplomatic skills and social intelligence | 1.00 | 19 | 2.75 | 21 | 2.33 | 20 | 3.00 | 13 | 3.87 | 17 | 3.88 | 12 |
| Identifying and accessing the alternative option | 2.00 | 13 | 3.00 | 19 | 2.67 | 14 | 2.67 | 21 | 3.75 | 20 | 4.00 | 11 |
| Market liquidity timing skill | 1.00 | 20 | 2.75 | 22 | 2.33 | 21 | 2.78 | 18 | 3.73 | 21 | 3.75 | 17 |
| Recognising and using influence | 1.00 | 21 | 3.13 | 15 | 2.33 | 22 | 2.78 | 19 | 3.63 | 22 | 3.63 | 20 |
| Emerging technologies( such as artificial intelligence & machine learning) | 3.00 | 1 | 3.50 | 9 | 3.25 | 4 | 3.56 |  | 4.13 | 6 | 3.75 | 18 |
| Emotional intelligence | 2.00 | 14 | 2.56 | 23 | 2.67 | 15 | 3.22 | 10 | 3.25 | 23 | 3.88 | 13 |

Not needed(1), Less needed(2), Needed (3), Very needed(4) & Highly needed(5)

*Table 4:* *Spearman correlation coefficient test for the relationship between the management level and the importance of skills for securing finance for real estate project development*

|  |  |
| --- | --- |
|  | *Sig. (2-tailed)* |
| *Mgt level/ Job title* | *1* |
| *Risks management.* | *0.84* |
| *Budgeting* | *0.823* |
| *Planning and control* | *0.76* |
| *Market liquidity timing skill* | *0.642* |
| *Emotional intelligence* | *0.584* |
| *Teamwork.* | *0.52* |
| *Communication* | *0.49* |
| *Diplomatic skills and social intelligence* | *0.489* |
| *Identifying and accessing the alternative option* | *0.431* |
| *Strategic planning* | *0.372* |
| *Financial management approach analysis* | *0.322* |
| *Interpreting financial data and identifying trends* | *0.311* |
| *Analytical skill* | *0.308* |
| *Leadership skill* | *0.287* |
| *Emerging technologies* | *0.274* |
| *Recognizing and using influence* | *0.271* |
| *Critical thinking* | *0.237* |
| *Developing and maintaining cost management system* | *0.205* |
| *Specialized industry skill /Construction skill* | *0.188* |
| *Developing confidence and building relationships* | *0.102* |
| *Commercial awareness skill* | *0.09* |
| *Developing financial forecasts and models* | *0.021* |
| *Negotiation* | *0.001* |

Table 5: *Mean scores for Degree of importance of management knowledge for securing finance for real estate project development.at the disaggregate level*

|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Management Knowledge | Germany  N=5 | Rank | UK  N=20 | Rank | US  N=8 | Rank | China  N=11 | Rank | Nigeria  N=26 | Rank | South Africa  N=11 | Rank |
| Funding sources | 4.67 | 1 | 4.20 | 2 | 4.00 | 12 | 4.10 | 2 | 4.43 | 1 | 4.67 | 1 |
| Market intelligence | 4.33 | 7 | 4.18 | 4 | 4.80 | 2 | 3.78 | 7 | 4.43 | 4 | 4.44 | 6 |
| Fundamental concepts of economics & finance ( e.g. calculation of interest rate & inflation) | 4.00 | 9 | 4.10 | 5 | 4.60 | 6 | 3.70 | 8 | 4.43 | 5 | 4.56 | 3 |
| Financial accounting basics | 4.67 | 2 | 4.20 | 3 | 4.80 | 3 | 3.50 | 15 | 4.55 | 2 | 4.33 | 8 |
| Debt literacy | 4.33 | 8 | 4.27 | 1 | 5.00 | 1 | 3.80 | 6 | 4.32 | 8 | 4.44 | 7 |
| Financial management concepts & terms such as ( cash flow, debt – asset ratio, return on investment & rate of return) | 4.00 | 10 | 4.10 | 6 | 4.50 | 8 | 3.70 | 9 | 4.43 | 6 | 4.33 | 9 |
| Techniques and conditions for loan effectiveness | 4.00 | 11 | 3.89 | 10 | 4.00 | 13 | 3.60 | 12 | 4.29 | 10 | 4.33 | 10 |
| Finance options | 4.67 | 3 | 4.10 | 7 | 4.60 | 7 | 3.50 | 16 | 4.45 | 3 | 4.60 | 2 |
| Cost calculation techniques | 4.67 | 4 | 4.00 | 9 | 4.80 | 4 | 3.50 | 17 | 4.38 | 7 | 4.56 | 4 |
| Strategies for managing risks and uncertainty | 3.67 | 15 | 3.40 | 15 | 3.75 | 17 | 3.60 | 13 | 4.30 | 9 | 4.22 | 12 |
| Performance indicator | 4.67 | 5 | 3.70 | 12 | 4.75 | 5 | 4.20 | 1 | 4.29 | 11 | 4.22 | 13 |
| Principles of risk and diversification | 4.00 | 12 | 3.56 | 14 | 4.25 | 10 | 4.10 | 3 | 4.10 | 15 | 4.29 | 11 |
| Cost estimation methods | 4.67 | 6 | 4.10 | 8 | 4.50 | 9 | 3.60 | 14 | 4.10 | 16 | 4.56 | 5 |
| Relevant conventions, agreement, legislation and regulations | 3.67 | 16 | 3.73 | 11 | 4.00 | 14 | 3.90 | 5 | 4.14 | 12 | 4.11 | 14 |
| Contingency approach | 4.00 | 13 | 3.40 | 16 | 4.00 | 15 | 4.10 | 4 | 4.14 | 13 | 4.11 | 15 |
| Risks and opportunities response strategies and plan | 3.67 | 17 | 3.30 | 17 | 3.80 | 16 | 3.70 | 10 | 4.14 | 14 | 4.00 | 17 |
| Process and governance for cost management | 4.00 | 14 | 3.70 | 13 | 4.25 | 11 | 3.70 | 11 | 4.05 | 17 | 4.11 | 16 |

Not important at all (1), Less important(2), Fairly important(3), Important(4) Very important(5)

Table 6: *Mean scores for Degree of need for training and education for management knowledge for securing finance for real estate project development for the present at the disaggregate level*

|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Management Knowledge | Germany  N=5 | Rank | UK  N=20 | Rank | US  N=8 | Rank | China  N=11 | Rank | Nigeria  N=26 | Rank | South Africa  N=11 | Rank |
| Funding sources | 2.50 | 2 | 4.00 | 2 | 4.00 | 1 | 2.89 | 7 | 4.22 | 2 | 4.25 | 1 |
| Market intelligence | 2.00 | 10 | 3.83 | 3 | 3.00 | 6 | 2.63 | 16 | 4.11 | 7 | 3.88 | 4 |
| Fundamental concepts of economics & finance ( e.g. calculation of interest rate & inflation) | 2.00 | 9 | 3.83 | 4 | 2.67 | 12 | 2.89 | 8 | 4.17 | 5 | 3.38 | 15 |
| Financial accounting basics | 2.00 | 7 | 3.83 | 5 | 2.67 | 13 | 2.67 | 12 | 4.20 | 3 | 3.38 | 16 |
| Debt literacy | 2.50 | 1 | 4.17 | 1 | 4.00 | 2 | 3.22 | 3 | 3.94 | 11 | 3.88 | 5 |
| Financial management concepts & terms such as ( cash flow, debt – asset ratio, return on investment & rate of return) | 2.00 | 8 | 3.83 | 6 | 3.50 | 3 | 2.56 | 17 | 4.18 | 4 | 3.38 | 17 |
| Techniques and conditions for loan effectiveness | 1.50 | 17 | 3.50 | 14 | 2.50 | 14 | 2.67 | 13 | 4.13 | 6 | 3.75 | 8 |
| Finance options | 2.00 | 6 | 3.67 | 8 | 3.50 | 4 | 2.89 | 9 | 3.83 | 13 | 4.13 | 2 |
| Cost calculation techniques | 2.00 | 4 | 3.67 | 9 | 2.33 | 16 | 2.78 | 11 | 4.06 | 8 | 3.50 | 12 |
| Strategies for managing risks and uncertainty | 2.00 | 13 | 3.67 | 10 | 3.00 | 7 | 2.89 | 10 | 4.24 | 1 | 3.88 | 6 |
| Performance indicator | 2.00 | 11 | 3.83 | 7 | 3.00 | 8 | 3.33 | 2 | 3.82 | 15 | 3.88 | 7 |
| Principles of risk and diversification | 2.00 | 12 | 3.67 | 11 | 3.00 | 9 | 3.22 | 4 | 3.83 | 14 | 3.71 | 10 |
| Cost estimation methods | 2.00 | 5 | 3.67 | 12 | 2.33 | 17 | 2.67 | 14 | 4.00 | 10 | 3.43 | 14 |
| Relevant conventions, agreement, legislation and regulations | 2.50 | 3 | 3.67 | 13 | 3.50 | 5 | 3.38 | 1 | 4.06 | 9 | 4.00 | 3 |
| Contingency approach | 1.50 | 14 | 3.33 | 16 | 3.00 | 10 | 3.11 | 5 | 3.59 | 17 | 3.50 | 13 |
| Risks and opportunities response strategies and plan | 1.50 | 16 | 3.50 | 15 | 3.00 | 11 | 3.00 | 6 | 3.88 | 12 | 3.75 | 9 |
| Process and governance for cost management | 1.50 | 15 | 3.17 | 17 | 2.50 | 15 | 2.67 | 15 | 3.67 | 16 | 3.63 | 11 |

Not needed(1) , Less needed(2), Needed(3),Very needed(4)Highly needed(5)

Table 7: *Mean scores for Degree of need for training and education for management knowledge for securing finance for real estate project development for the future at the disaggregate level*

|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Management Knowledge | Germany  N=5 | Rank | UK  N=20 | Rank | US  N=8 | Rank | China  N=11 | Rank | Nigeria  N=26 | Rank | South Africa  N=11 | Rank |
| Funding sources | 2.00 | 4 | 4.00 | 3 | 3.50 | 2 | 2.78 | 9 | 4.28 | 1 | 4.25 | 1 |
| Market intelligence | 3.00 | 1 | 4.17 | 1 | 3.33 | 5 | 2.75 | 13 | 4.22 | 2 | 4.13 | 2 |
| Fundamental concepts of economics & finance ( e.g. calculation of interest rate & inflation) | 2.00 | 5 | 3.83 | 4 | 2.67 | 12 | 2.89 | 5 | 4.11 | 5 | 3.25 | 16 |
| Financial accounting basics | 1.00 | 13 | 3.50 | 8 | 2.33 | 17 | 2.56 | 15 | 4.22 | 3 | 3.00 | 17 |
| Debt literacy | 3.00 | 2 | 4.17 | 2 | 4.00 | 1 | 2.89 | 6 | 3.94 | 10 | 3.75 | 9 |
| Financial management concepts & terms such as ( cash flow, debt – asset ratio, return on investment & rate of return) | 1.00 | 14 | 3.67 | 5 | 3.00 | 7 | 2.44 | 17 | 4.17 | 4 | 3.38 | 14 |
| Techniques and conditions for loan effectiveness | 2.00 | 6 | 3.33 | 16 | 3.00 | 8 | 2.78 | 10 | 4.11 | 6 | 3.88 | 6 |
| Finance options | 2.00 | 7 | 3.40 | 15 | 3.50 | 3 | 2.88 | 8 | 3.94 | 11 | 4.00 | 3 |
| Cost calculation techniques | 2.00 | 8 | 3.67 | 6 | 2.67 | 13 | 2.56 | 16 | 3.89 | 14 | 3.63 | 12 |
| Strategies for managing risks and uncertainty | 2.00 | 9 | 3.67 | 7 | 3.00 | 9 | 2.89 | 7 | 4.11 | 7 | 4.00 | 4 |
| Performance indicator | 1.00 | 15 | 3.50 | 9 | 2.50 | 15 | 2.78 | 11 | 3.76 | 15 | 3.88 | 7 |
| Principles of risk and diversification | 1.00 | 16 | 3.50 | 10 | 2.50 | 16 | 3.11 | 3 | 3.94 | 12 | 3.71 | 11 |
| Cost estimation methods | 2.00 | 10 | 3.50 | 11 | 2.67 | 14 | 2.67 | 14 | 3.94 | 13 | 3.50 | 13 |
| Relevant conventions, agreement, legislation and regulations | 3.00 | 3 | 3.50 | 12 | 3.50 | 4 | 3.33 | 1 | 4.06 | 8 | 3.88 | 8 |
| Contingency approach | 1.00 | 17 | 3.33 | 17 | 3.00 | 10 | 3.33 | 2 | 3.56 | 17 | 3.38 | 15 |
| Risks and opportunities response strategies and plan | 2.00 | 11 | 3.50 | 13 | 3.33 | 6 | 2.78 | 12 | 4.06 | 9 | 4.00 | 5 |
| Process and governance for cost management | 2.00 | 12 | 3.50 | 14 | 3.00 | 11 | 3.00 | 4 | 3.67 | 16 | 3.75 | 10 |

Not needed(1) , Less needed(2), Needed(3),Very needed(4)Highly needed(5)

*Table 8. Spearman correlation coefficient test for the relationship between the level of management and the degree of importance of management knowledge for securing finance for real estate project development:*

|  |  |
| --- | --- |
| Spearman rho correlation coefficient test | Sig. (2-tailed) |
| Mgt level/ title | 1 |
| Strategies for managing risks and uncertainty | 0.808 |
| Risks and opportunity response strategies and plan | 0.796 |
| Techniques and conditions for loan effectiveness | 0.62 |
| Process and governance for cost management | 0.525 |
| Contingency approach | 0.449 |
| Principles of risk and diversification | 0.338 |
| Relevant conventions, agreement, legislation and regulations | 0.249 |
| Financial accounting basics (cash flow, charts of accounts and cost structure) | 0.22 |
| Cost estimation methods | 0.188 |
| Performance indicator | 0.144 |
| Debt literacy | 0.128 |
| Cost calculation techniques | 0.087 |
| Fundamental concepts of economics & finance (e.g. calculation of interest rate & inflation) | 0.079 |
| Finance options | 0.077 |
| Market intelligence | 0.05 |
| Financial management concepts and terms such as (cash flow, debt – asset ratio, return on investment & rate of return) | 0.023 |
| Funding sources | 0.007 |

Table 9: *Mean scores for Degree of importance of management competences for securing finance for real estate project development.at the disaggregate level*

|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Management competences** | **Germany N=5** | **Rank** | **UK N=20** | **Rank** | **US N= 8** | **Rank** | **China N= 11** | **Rank** | **Nigeria N= 26** | **Rank** | **South Africa N= 11** | **Rank** |
| Leadership competence | 4.67 | 1 | 4.44 | 1 | 4.25 | 7 | 4.2 | 3 | 4.57 | 1 | 4.67 | 2 |
| Result oriented | 4 | 10 | 4 | 4 | 4.33 | 5 | 4.33 | 2 | 4.4 | 6 | 4.38 | 8 |
| Managerial competences | 4 | 11 | 3.78 | 13 | 3.8 | 16 | 3.8 | 9 | 4.52 | 2 | 4.3 | 12 |
| Resourcefulness | 4.33 | 6 | 4.22 | 2 | 4.75 | 1 | 4.2 | 4 | 4.29 | 9 | 4.56 | 4 |
| Planning & control | 4.5 | 4 | 3.87 | 12 | 4.33 | 6 | 4 | 7 | 4.5 | 3 | 4.71 | 1 |
| Negotiation | 4.5 | 5 | 4 | 5 | 4.25 | 8 | 4.11 | 6 | 4.35 | 8 | 4.63 | 3 |
| Technical competence | 4.67 | 2 | 4 | 6 | 4.5 | 3 | 4.5 | 1 | 4.29 | 10 | 4.56 | 5 |
| Financial management | 4 | 12 | 4 | 7 | 4.25 | 9 | 4 | 8 | 4.48 | 4 | 4.44 | 6 |
| Risk & opportunity | 4 | 13 | 4 | 8 | 4.2 | 11 | 4.2 | 5 | 4.1 | 17 | 4.33 | 9 |
| Compliance, standards & regulations | 4.67 | 3 | 3.89 | 10 | 4.75 | 2 | 3.7 | 15 | 4.45 | 5 | 4.44 | 7 |
| Ethics, compliance, and professionalism | 4 | 14 | 3.67 | 16 | 4.25 | 10 | 3.8 | 10 | 4.38 | 7 | 4.22 | 14 |
| Political competence( self-confidence, social astuteness & ability to influence others | 3.67 | 18 | 3.78 | 14 | 3.75 | 17 | 3.8 | 11 | 4.2 | 14 | 4.11 | 17 |
| Business case | 4 | 15 | 4.2 | 3 | 4.2 | 12 | 3.3 | 19 | 4.26 | 13 | 4.33 | 10 |
| Governance, structure, and processes | 4 | 16 | 3.89 | 11 | 4 | 13 | 3.8 | 12 | 4.18 | 15 | 4.11 | 18 |
| Capability development | 3.67 | 19 | 3.78 | 15 | 3.75 | 18 | 3.4 | 19 | 4.29 | 11 | 4.22 | 15 |
| Politics & use of power | 4.33 | 7 | 3.56 | 17 | 4 | 14 | 3.8 | 13 | 4.14 | 16 | 4.22 | 16 |
| Commercial management | 4.33 | 8 | 3.9 | 9 | 4 | 15 | 3.8 | 14 | 4.05 | 18 | 4.3 | 13 |
| Asset allocation | 4 | 17 | 3.44 | 19 | 4.5 | 4 | 3.5 | 18 | 4.29 | 12 | 4.33 | 11 |
| Independence assurance | 4.33 | 9 | 3.56 | 18 | 3.75 | 19 | 3.7 | 16 | 4.05 | 19 | 4.11 | 19 |

Not needed(1) , Less needed(2), Needed(3),Very needed(4)Highly needed(5)

Table 10: *Mean scores for Degree of need for training and education for management competences for securing finance for real estate project development for the present at the disaggregate level*

|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Management competences** | **Germany N=5** | **Rank** | **UK N=20** | **Rank** | US N= 8 | Rank | China N= 11 | Rank | Nigeria N= 26 | Rank | South Africa N= 11 | Rank |
| Leadership competence | 2.5 | 3 | 3.5 | 4 | 3.5 | 4 | 3.33 | 3 | 4.19 | 2 | 4 | 2 |
| Result oriented | 1.67 | 17 | 3.14 | 12 | 2.67 | 13 | 3.2 | 5 | 3.68 | 13 | 3.56 | 17 |
| Managerial competences | 2 | 8 | 3.17 | 9 | 3 | 10 | 3.11 | 6 | 4.11 | 5 | 4 | 3 |
| Resourcefulness | 2 | 9 | 3.4 | 5 | 3.5 | 5 | 3.11 | 7 | 3.89 | 8 | 3.88 | 8 |
| Planning & control | 3 | 1 | 3.8 | 1 | 4 | 1 | 3 | 9 | 4.13 | 3 | 4 | 4 |
| Negotiation | 2 | 10 | 3.6 | 3 | 2.5 | 15 | 3.38 | 2 | 4.12 | 4 | 4 | 5 |
| Technical competence | 2.5 | 4 | 3.4 | 6 | 3.5 | 6 | 3.44 | 1 | 3.94 | 7 | 3.88 | 9 |
| Financial management | 1.5 | 18 | 3 | 13 | 3.5 | 7 | 2.56 | 16 | 4.24 | 1 | 3.36 | 19 |
| Risk & opportunity | 1.5 | 19 | 2.8 | 18 | 3.33 | 9 | 3.22 | 4 | 3.61 | 14 | 3.63 | 15 |
| Compliance, standards & regulations | 3 | 2 | 3.67 | 2 | 4 | 2 | 2.56 | 17 | 4.06 | 6 | 4 | 6 |
| Ethics, compliance, and professionalism | 2.5 | 5 | 3.17 | 10 | 4 | 3 | 2.67 | 15 | 3.83 | 9 | 3.75 | 13 |
| Political competence( self-confidence, social astuteness & ability to influence others | 2 | 11 | 3 | 14 | 2.67 | 14 | 2.7 | 13 | 3.72 | 12 | 3.56 | 18 |
| Business case | 2 | 12 | 3 | 15 | 2.5 | 16 | 2.5 | 18 | 3.56 | 15 | 4.29 | 1 |
| Governance, structure, and processes | 2 | 13 | 3.33 | 7 | 3 | 11 | 3 | 10 | 3.47 | 17 | 3.88 | 10 |
| Capability development | 2.5 | 6 | 2.83 | 16 | 2.5 | 17 | 2.78 | 11 | 3.76 | 11 | 4 | 7 |
| Politics & use of power | 2 | 14 | 2.57 | 19 | 2.33 | 18 | 2.7 | 14 | 3.53 | 16 | 3.78 | 12 |
| Commercial management | 2.5 | 7 | 3.33 | 8 | 3 | 12 | 3.11 | 8 | 3.78 |  | 3.88 | 11 |
| Asset allocation | 2 | 15 | 3.17 | 11 | 3.5 | 8 | 2.33 | 19 | 3.47 | 18 | 3.75 | 14 |
| Independence assurance | 2 | 16 | 2.83 | 17 | 2 | 19 | 2.78 | 12 | 3.47 | 19 | 3.63 | 16 |

Not needed(1) , Less needed(2), Needed(3),Very needed(4)Highly needed(5)

*Table 11. Mean scores for degree of need for training and education for management competences for securing finance for real estate project development for the future at the disaggregate level*

|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Management competences** | **Germany N=5** | **Rank** | **UK N=20** | **Rank** | US N= 8 | Rank | China N= 11 | Rank | Nigeria N= 26 | Rank | South Africa N= 11 | Rank |
| Leadership competence | 4 | 1 | 3.83 | 1 | 4 | 1 | 3.11 | 3 | 4.38 | 1 | 4 | 2 |
| Result oriented | 2 | 6 | 3.5 |  | 3.5 | 5 | 2.89 | 5 | 4.12 | 7 | 3.71 | 16 |
| Managerial competences | 2 | 7 | 3.33 | 8 | 3 | 10 | 3 | 4 | 4.18 | 6 | 3.88 | 6 |
| Resourcefulness | 1 | 12 | 3.5 | 6 | 3 | 11 | 2.89 | 6 | 4 | 9 | 3.75 | 11 |
| Planning & control | 0 | 16 | 3.6 | 3 | 4 | 2 | 2.63 | 13 | 4.29 | 2 | 3.83 | 10 |
| Negotiation | 0 | 17 | 3.6 |  | 2.5 | 14 | 3.25 | 1 | 4.19 | 5 | 4 | 3 |
| Technical competence | 3 | 2 | 3.83 | 2 | 3.5 | 6 | 2.78 | 8 | 3.82 | 14 | 3.88 | 7 |
| Financial management | 2 | 8 | 3 | 9 | 3.5 | 7 | 2.89 | 7 | 4.29 | 3 | 3.75 | 12 |
| Risk & opportunity | 1 | 13 | 3 | 10 | 3.33 | 9 | 2.67 | 11 | 3.82 | 15 | 3.75 | 13 |
| Compliance, standards & regulations | 3 | 3 | 3 | 11 | 4 | 3 | 2.67 | 12 | 4.24 | 4 | 3.88 | 8 |
| Ethics, compliance, and professionalism | 3 | 4 | 3 | 12 | 4 | 4 | 2.78 | 9 | 4.06 | 8 | 3.63 | 17 |
| Political competence( self-confidence, social astuteness & ability to influence others | 1 | 14 | 3 | 13 | 2.5 | 15 | 2.44 | 16 | 3.94 | 11 | 3.5 | 19 |
| Business case | 0 | 18 | 3 | 14 | 2.5 | 16 | 2.25 | 18 | 3.87 | 13 | 4.29 | 1 |
| Governance, structure, and processes | 1 | 15 | 2.83 | 17 | 2.5 | 17 | 2.22 | 19 | 3.65 | 17 | 3.75 | 14 |
| Capability development | 2 | 9 | 3 | 15 | 2.5 | 18 | 2.78 | 10 | 4 | 10 | 3.88 | 9 |
| Politics & use of power | 3 | 5 | 2.83 | 18 | 3 | 12 | 2.56 | 14 | 3.82 | 16 | 4 | 4 |
| Commercial management | 0 | 19 | 3.4 | 7 | 3 | 13 | 3.25 | 2 | 3.94 | 12 | 4 | 5 |
| Asset allocation | 2 | 10 | 3 | 16 | 3.5 | 8 | 2.56 | 15 | 3.65 | 18 | 3.75 | 15 |
| Independence assurance | 2 | 11 | 2.67 | 19 | 2 | 19 | 2.33 | 17 | 3.63 | 19 | 3.63 | 18 |

Not needed(1), Less needed(2), Needed(3),Very needed(4)Highly needed(5)

*Table11. : Spearman correlation coefficient test for the relationship between management level and importance of management competences for securing finance for real estate project development*

|  |  |
| --- | --- |
| Level of management/ job title | 1 |
| Result oriented | 1 |
| Business case | 0.859 |
| Managerial competence (strategic thinking, initiative, intellectual capacity, participative management & emotional maturity) only | 0.852 |
| Asset allocation | 0.796 |
| Planning and control | 0.751 |
| Governance, structure and processes | 0.709 |
| Leadership competence | 0.653 |
| Negotiation | 0.615 |
| Resourcefulness | 0.569 |
| Technical competence | 0.518 |
| Ethics, compliance and professionalism | 0.492 |
| Independent assurance | 0.434 |
| Financial management | 0.334 |
| Compliance, standards and regulations | 0.161 |
| Commercial management | 0.151 |
| Risk and opportunity | 0.147 |
| Capability development | 0.143 |
| Political competence (self-confidence, social astuteness and ability to influence others) | 0.118 |
| Politics and use of power | 0.081 |

APPENDIX 2: LINK TO ONLINE QUESTIONNAIRE SURVEY

[Questionnaire survey for thesis.pdf](file:///C:\Users\lucyo\Desktop\New%20Desk%20top\HP%20DESKTOP%2011042021\Amuda\Final%20Thesis%2005022021\Questionnaire%20survey%20for%20thesis.pdf)

APPENDIX 3: SEMI-STRUCTURED INTERVIEW QUESTIONS

**Securing Real Estate Project Development Finance in Developed and Emerging Economies**

**Interview questions for managers in the real estate sector**

Name of Company:

Company Address:

Name of Manager:

Date:

Commencement of Interview Time:

End of Interview Time:

Total Interview Time:

The aim of this research is to develop a tool kit and set of guidance on strategic real estate project development financing to create awareness for the benefit of decision-makers in the real estate sector. Input is solicited from all professionals involved in financing decisions in the real estate development sector.**Please be assured that this interview is strictly for research purpose. Individual responses will remain confidential. The identity of you and that of your company will remain strictly confidential.**

**Definition of key terms**

Below are definitions of some key terms used in the questions.

**Knowledge**: This study aligns its definition of knowledge with that of the International Project Management Association (IPMA, 2015). Knowledge is, therefore, the collection of information and experience that an individual possesses. An example could be, understanding the concept of cash flow.

**Skills**: This study aligns its definition of skill with that of the Royal Institute of Chartered Surveyors (RICS, 2018) and the International Project Management Association (IPMA, 2015). Skill is the application of Knowledge. Skills are specific capabilities that enable an individual to perform a task. An example of skill could be the ability to develop the cash flow statement for a business.

**Competence:** Competence refers to being able to do something effectively. Competence enables the skilled personnel to be termed a professional (Lester, 2014). Competence depicts superior work performance (Boyatzis, 1982). To be competent or show competence, entails having some skills, knowledge and personality traits that lead to superior performance. An individual becomes competent through a combination of education, training and work practice resulting in the ability to perform tasks and roles to the expected standards set by business and the industry.

**Background: general information**

1. In which country do you operate?
2. What is your company staff strength, i.e., the number of staff?
3. Career path: Please kindly give me some insights into your education and previous work experiences in chronological order?

**Section A: Real estate finance instruments**

1. Please give me some insights into the types/ sources of funding you use for your project development?

**Section B: The challenges affecting and opportunities available to managers in real estate project financing.**

1. What are the major challenges you encounter in the process of securing funding for your project development?
2. Could you give me some specific examples of opportunities available to you that facilitates your ability to secure funding for real estate project development?

**Section C: Documentation required, and criteria funding institutions use in**

**lending for a real estate development**

1. What are the main criteria required of you by funding institutions to avail you with your project development funds?
2. How challenging is it for you to provide these criteria?

**Section D: Process map and decision-making process associated with funding for real estate project development.**

1. Please give me some insights into the processes and key decisions you undertake when sourcing funding for your project development?

**Section E: Skills the manager needs to secure funding for projects**

1. What specific skills do you have that facilitates your ability to secure funding for your real estate project development?
2. What skills do you need to secure project development funds that you do not presently have?
3. Which of these skills that you do not have will you want to be trained to acquire?

**Section F: Knowledge, the manager, needs to be able to secure funding for their projects.**

1. What knowledge do you have that facilitates your ability to secure funding for your project development?
2. What knowledge do you need to secure funding for your project development that you do not presently have?
3. Which of the knowledge that you do not have will you want to be trained to acquire?

**Section G: Competences, the manager needs to secure funding for projects.**

1. What competences do you have that facilitates your ability to secure funding for project development?
2. What competences do you need to secure funding for project development that you do not have presently?
3. Which of the competences that you do not have will you want to be trained to acquire?

**Section H: Manager’s education, training, and career development path (present & future) that will facilitate access to real estate funding.**

20. What training and education do you have that facilitates your ability to secure funding for real estate project development?

1. What training and education do you need for the future that will facilitate your ability to secure real estate project development funding?
2. What training and education that would aid your ability to secure real estate project funding would you like to undertake?

**Critical success factors for securing finance for real estate project development**

1. Please could you give me some insights into the critical success factors for effectively securing finance for real estate project developments?

Thank you.

Lucy Ogbenjuwa