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

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**ABSTRACT:** Performance of FDI in commercial real estate in Nigeria when compared to international benchmark figures is yet to be established and documented in literature. The aim of the study was to appraise the performance of FDI in commercial real estate in Nigeria from 2006 to 2017 in a bid to empirically assist foreign direct investors' decisions on investing in the Nigerian commercial real estate sector. The objectives were to; ascertain and compare returns from foreign direct investments in commercial real estate in Nigeria with international benchmark; and to examine how FDI tax responsibilities in Nigeria compare with the global benchmark rate. The study adopted ex post facto research design, and the unit of analysis was selected foreign controlled commercial real estate investments in Lagos and Abuja. The study adopted the Jones Lang LaSalle benchmark settings for commercial real estate performance indicator due to its empiricism from an international perspective where yield is 5.7%, capital growth is 7% and rental growth is 5.5%. Data were collected on rental values, capital values, tax responsibilities, and was analyzed using T-test. The study showed a yield of 4%, ($t = 6.364$; $p < 0.05$) and a capital growth rate of 21%, ($t = 1.592$; $p > 0.05$), while there was no negative variation in FDI tax responsibilities in Nigeria and international benchmark rate cap of 30% ($t = .8666$; $p > 0.05$). The study recommended that property managers should practice tenant mix and flexible leases and spaces.
**KEYWORDS:** Commercial Real Estate, FDI, Real Estate Performance Benchmarking, Real Estate Returns

## I. INTRODUCTION

The globalization of investment markets has provided a great platform for universal investments in diverse investment vehicles across different sectors and geographical locations (Dabara et al., 2016). Putting it into perspective, Udobi et al. (2016) quotes Jones Lang LaSalle in opining that "cross border transactions represented 42% of total real estate investment volume over the years" (Udobi, Kalu & Elekwachi, 2016). A vivid illustration of this globalized approach to investment is Foreign Direct Investment (FDI) which represents a foray by a foreign business entity into various sectors of another economy. Highlighting its prospects for emerging economies, Edrak et al. (2014) assert that FDI is a "non-debt, non-volatile investment and returns received on these are generally spent on the host country itself thus helping in the development of the country". Some of the manifestations of this spending may be found in positive foreign exchange earnings, employment creation and increasing income levels, and knowledge transfer.

One would be led to believe that with such fascinating prospects, there would be a preponderance of extant research on FDIs in these climes. If that is so, then extant real estate literature has some catching up to do as in spite of the prominence of actuaries in the discourse of performance appraisal and long-term investment modelling, there is little discussion in literature on performance of foreign real estate investments in developing countries like Nigeria. The consequence of this empirical lacuna is most significant considering that the dominant themes in the Nigerian economic discourse remain the improvement of FDI and economic diversification, and any upsurge in foreign real estate investments in the country is a pressing need.

To come to a decision on this, evaluation of certain FDI performance indices becomes necessary with a view to presenting a 'look before you leap' archetype for a foreign investor who might wish to test the waters of commercial property investment in Nigeria. Misiewicz (2014) summed it all up with the question - would you spend money if you did not know your bank balance? Accordingly, a performance appraisal of FDI in commercial real estate in Nigeria with respect to global benchmarking becomes imperative as Nigeria will no doubt revel in being associated with such facts as evident in the United States where in 2013, foreign buyers made up about 7% ($92.2 billion) of transactions in the $1.2 trillion U.S. real estate market (Balasubramanyam et al., 2017). To make this effective, performance standards or goals must be established and evaluated against actual portfolio performance. An illustration is made in Figure 1:

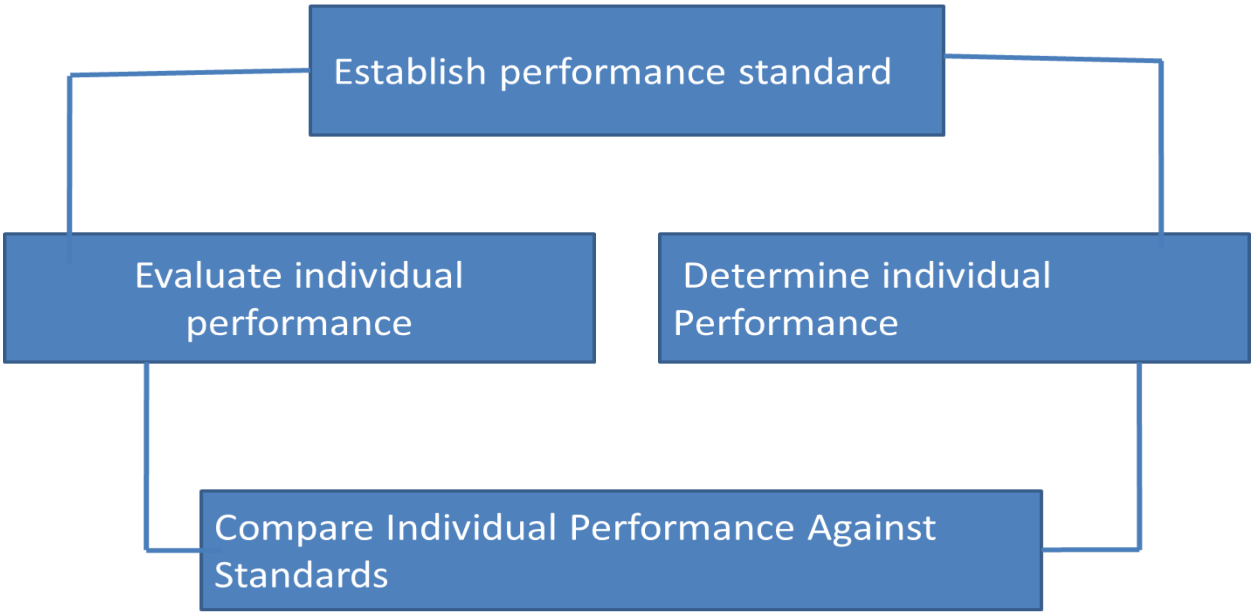


**Figure 1: Organizational Performance Evaluation**

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

Consistent with Figure 1, the study examined statistics from Jones Lang LaSalle Property Index which provides international benchmarking settings for commercial real estate portfolio performance. From the 2016 results, real estate performance indices such as yield, capital growth and rental growth was summarized in Table 1:

**Table 1: Benchmark Settings for Real Estate Investment Performance Indices**

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

**Source:** Jones Lang LaSalle (2016)

Table 1 shows benchmark performance indices for commercial real estate. For the purpose of this study, this benchmark of performance measurement of FDI in commercial real estate assets was adopted due to its empiricism from an international perspective towards ascertaining its empirical realities in Nigerian-based foreign commercial real estate sector. The indices were examined *pari-passu* with the global benchmark FDI tax rate ceiling of 30% with a view to determining how the commercial real estate market in Nigeria fared from an FDI perspective. The study is one of the few at the fore of including tax rate as a benchmark index for measuring FDI performance in the commercial real estate sector.

**Objectives of the Study**

1. To ascertain the relationship between global benchmark returns and foreign commercial real estate returns in Nigeria.
2. To examine how FDI tax responsibilities in Nigeria compare with the global benchmark rate cap of 30%.

**Study Area**

The areas covered by the study were Lagos and Abuja. The two areas boast a greater number of foreign direct investments in commercial real estate than other cities in the country. Figure 2 shows the geographical map of Lagos.

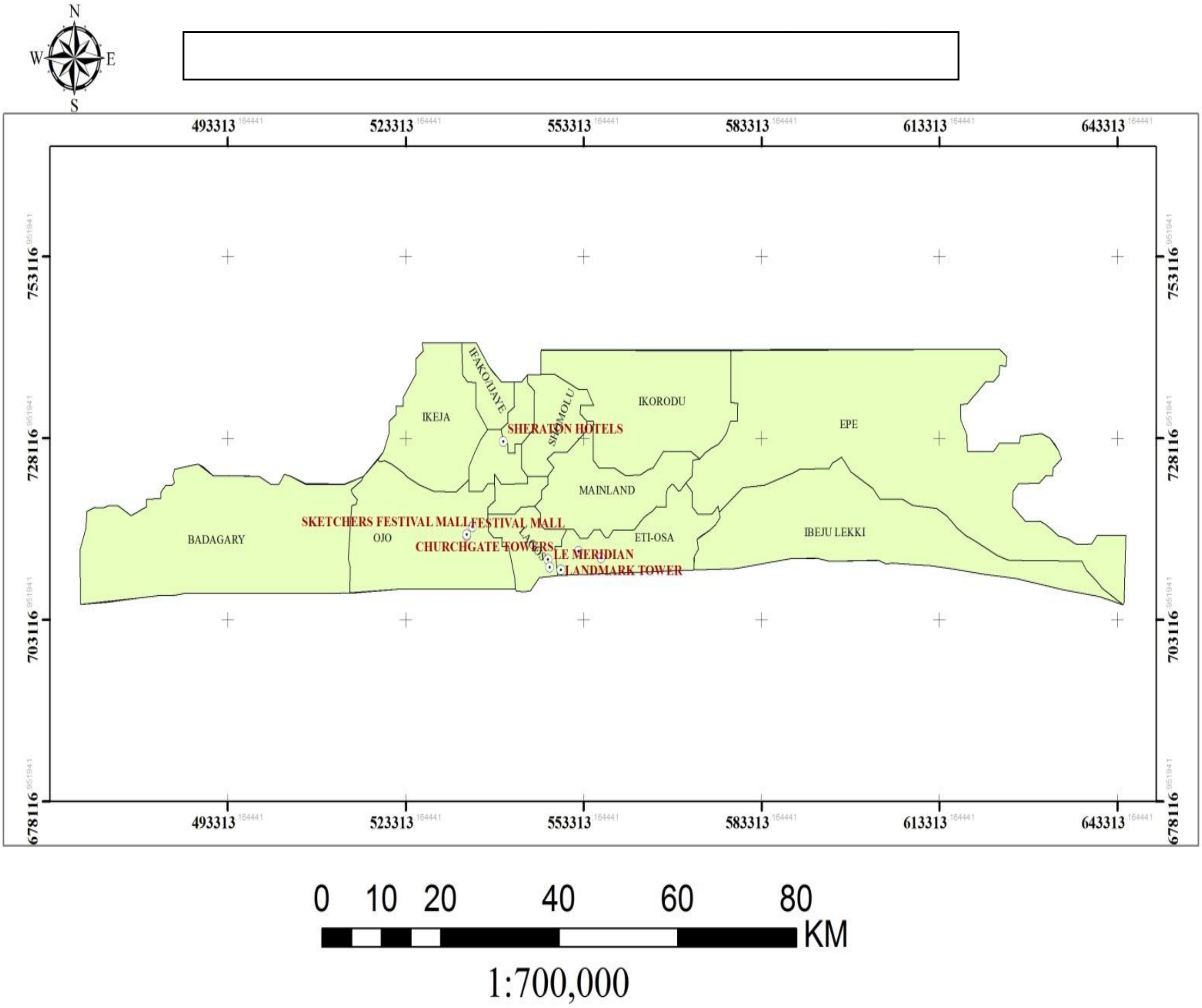


**Figure 2:** Map of Lagos state.
**Source:** Lagos state Ministry of Lands, Lagos.

Figure 2 is the map of Lagos, which is the most economically important State of the country and currently the home of 65% of Nigeria's businesses, with a presence of over 2,000 manufacturing companies, 200 financial institutions and the largest collection of small and medium enterprises in Africa. Two of the nation's largest seaports- Apapa and Tin Can ports are located in Lagos state, and it is the country's aviation hub. Lagos houses about 22 shopping malls and has the highest number of commercial real estate in Nigeria. These features amongst others make Lagos metropolitan area attractive for foreign direct investment.

Figure 3 illustrates Abuja, the administrative capital of Nigeria.

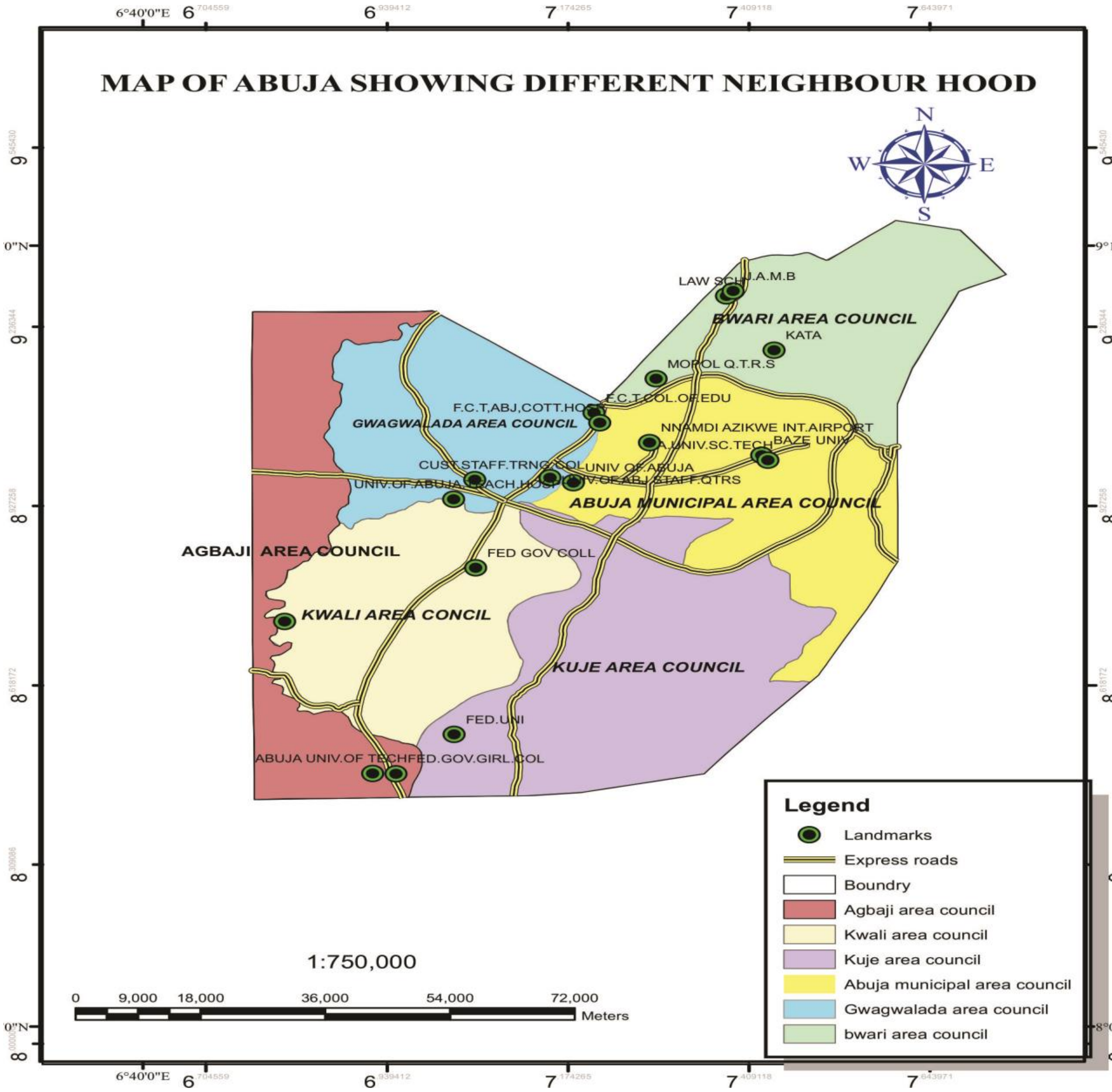


**Figure 3:** Geographical Map of Abuja

**Source**: Federal Capital Development Authority, Abuja.

Figure 3 is the map of Abuja which is currently the Federal Capital Territory (FCT) of Nigeria. It is a planned city which is home to Nigeria's federal government, supreme court and national legislature. As of 2015, the city is still experiencing an annual growth of at least 35%, still retaining its position as the fastest-growing city on the African continent and one same in the world. Abuja is known for being one of the few purpose-built capital cities in Africa, as well as being one of the wealthiest.

## II. REVIEW OF RELATED LITERATURE

### *Foreign Direct Investment (FDI)*

Prior to an incursion into the meaning of FDI, it is pertinent to examine some salient concepts which predate the FDI concept. In this context, the study examined the conceptual underpinnings of globalization, transnational companies (TNCs) and foreign investment. Generally speaking, the different nomenclature of globalization, be it global trade, global village, internalization, network society, universalism, and mega regionalism all point to the concept captured by Onah (2007) that globalization is "a concept by which the whole world for the purpose of trade and commerce is treated as one sovereign political entity" (Omolayole, 2004). Conceptually, this study examined globalization from the economic perspective which encapsulates foreign direct investment.

Economic globalization is a process of increasing economic integration between two or more countries leading to the emergence of a global market place or a single world market (Izuogu, 2007). Therefore, the concept of Globalization refers to increasing economic interdependence among countries as reflected in the flow of goods and services, financial capital and knowledge across the country borders (Hitt, 2003). This gave rise to transnational corporations (TNCs), and defines the necessity to bring TNCs into the discourse of FDI literature given their status as fulcrum to FDI. A transnational company is an enterprise that controls assets of enterprises in other countries other than their own, usually by owning a certain equity stake of at least 10% share of such assets, which confers voting power on them (Görg and Greenaway, 2004). They are private sector companies willing to invest anywhere, and they provide foreign direct investment (FDI) in form of supply of financial resources, technology, jobs, and are of great benefit to emerging economies (Obi-Aso, 2019).

Alluding to the foregoing, Prasad, Rajan and Subramanian (2007) argue that the contribution of TNCs in FDI actualization lies in the fact that they possess vast technical resources, control enormous financial resources, and have extensive global coverage. Uzoma (2008) submits that this global capital flow has been fueled by globalization, as it has broken down trade barriers among nations. However, much as they are providers of FDI, they are not development agencies but more of profit-seeking organizations, thereby begging the following questions: Do they truly give or their mission in the countries of investment is mainly to take from them? Are they stakeholders or exploiters? Can they be good world citizens or are they indifferent? These questions raise the issue of Foreign Investment, which has sometimes been interchanged with FDI (Abobaker, 2015). This is an anomaly as instead of being utilized as one, FDI which may be viewed as more of an aspect of foreign investment, is uniquely different.

Abobaker (2015) argues that any form of injection of private or public foreign capital into an economy is foreign investment. The misperception here is that FDI can also be likened to such an expression. Therefore, it is pertinent to carefully extricate the FDI concept from the foreign investment nomenclature as this will make our conceptual underpinnings of FDI meaningful. Nweze (2010) avers that foreign investment is a situation where foreign donors make money available for investment into crucial sectors of an economy, while Foreign Direct Investment takes the form of a foreigner setting up a subsidiary or taking over control of an existing firm in another country, thus internationalizing products in order to service markets hitherto served by exports. The implication of this assertion is that foreign investors do not stop at providing monetary incentives and monitoring of investments, but go further to own and operationalize the investment.

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

***Performance Appraisal***

Understanding performance is a concept fundamental to any business, whether it is the measuring of achievements against set goals and objectives or, against the competition, or in this case – against established acceptable standard (Esmer, 2008). Baum and Crosby (1988) established performance appraisal benchmarks for five broad classes of comparable investments as follows: For bank deposits, this is the current interest rate; for fixed interest gilts, the coupon; for index linked gilts, the next interest payment (based on the retail price index already published); for ordinary shares, the last dividend payment; and for property, the last contract rent. In determining the best approach to real estate performance appraisal for foreign investor's decision-making, Aniagolu et al. (2018) and Fraser (1996) assert that in order to compare rack rented freehold investments, fixed income property investments, the net rental income yield is the appropriate unit of comparison, and this is depicted as follows:

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

Udoetuk (2008) further listed the objectives of performance measurement as the rate of return, assessment to how these rates compare with those of other assets in the portfolio; examination of the timing of asset acquisition; good asset and portfolio selection; consistency in achieving good performance; assessment of the risk profile; examination of the portfolio diversification and sources of the portfolio returns. In agreement, the study empirically compares the performance of FDI in commercial real estate in Nigerian against established recent global benchmark using real estate investment performance indicators as yield and capital growth rate. Jones Lang LaSalle Property Index (2016) provides international benchmarking settings for commercial real estate portfolio performance indicator as at 2$^{nd}$ Quarter of 2016. This was summarized in Table 1 which shows the global commercial real estate benchmark of 5.7% for yield; and 7% for capital growth.

***Taxation and Foreign Direct Investment***

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

"The return to foreign direct investment may be subject to international double taxation. A foreign subsidiary is always subject to corporate income tax in the host country. These profits can be taxed again under the corporate income tax in the home country of the parent." This explains why there is a great deal of interest in, and concern about, the possible impact of tax policy on FDI (Acharyya, 2009).

Interestingly, a number of empirical studies (Fleming and Ling, 2010; Acharyya, 2009; Srivastava, 2004) report positive correlations between investment levels and after-tax returns to foreign direct investment. This is because though high tax rates are naturally thought to discourage foreign investment since international investors would prefer to avoid taxes than to pay them, there is some controversy over this. It has been pointed out that though older time-series studies indicate a very great responsiveness of FDI to tax differences, the infrequency of major tax changes and the correlation of tax changes with movements in important omitted variables may make this evidence inconclusive (Srivastava, 2004). This flaw however may not entirely affect such a study on Nigeria since at least her major tax changes have not been infrequent (Ariwodola, 2005) especially during the long military regime.

In any case, Srivastava (2004) points that recent research is more cross-sectional in nature than earlier studies, and offers more convincing evidence of a smaller but important and statistically significant effect of taxation on the location and volume of investment. He continues that clearly, if all other considerations are held constant, international investors would prefer to avoid taxes than to pay them, so there must exist some situations in which tax differences significantly influence investment. The question driving empirical work in this field is the extent to which these situations arise in practice. The Nigerian tax system however does not have much of such immeasurable investment incentives. Both educational and economic infrastructures are so decayed that multinational companies operating in Nigeria are forced to self-provide most of them. Therefore, a comparative study of the tax responsibilities of FDI in Nigeria and other climes is a legitimate one since it is expected that tax considerations be given to corporations who provide a significant portion of the infrastructure they use. This informs the need to re-examine this situation as objective two intends to do.

***Gap in Literature***

Many of the studies relating to foreign direct investment in commercial real estate performance carried out in many parts of the world were done under social, economic and political situations different from the Nigerian situation. Therefore, their adoption to Nigerian situation cannot provide a perfect explanation to Nigerian's foreign controlled commercial property market situation. Where there were other indigenous studies such as Udobi et al. (2018), Mba (2009), Bello et al. (2018), Bello (2012), Amidu, Aluko, Nuhu and Saibu (2008), Olaleye and Ajayi (2009), and Adegoke (2009), they either consider the performance of property investment in general, indirect property investment or residential property investment and stocks. None of these available indigenous studies has examined the disparities between the performances of FDI in retail commercial real estate investments like malls from a global benchmark and local perspective as considered in this study. This lacuna is most especially felt in the study area, and thus, presents an empirical gap the study attempted to fill.

## III. METHODOLOGY

The study used the survey approach as it adopted the use of a sample in generalizing data from a large population, and reported on ongoing events in the study area. Rental incomes and Capital values of the commercial real estate investments were collected and used for the calculations of returns, which was proxied by yield of the properties used. Tax rates from the Federal Inland Revenue Services were used to analyze the effects of tax structure on investments. Secondary sources of data were used, and these were obtained from the statistical records of the Federal Inland Revenue Service and National Bureau of Statistics, and financial records of the commercial real estate investments in the study area. Data was collected on the rents passing for rental values the recent sales made for similar property within their locations for capital values.

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

The population of the study comprises 17 foreign controlled commercial real estates which were used to proxy foreign controlled commercial properties across Lagos and Abuja, Nigeria. Due to the manageable nature of the population, total enumeration sampling was used in the study. Data was analyzed using t-test of the difference between two means. For the T-test, the two means comprise evidence from Nigeria and global benchmark. The mean values of the appropriate indicators were calculated and compared. The significance of the difference was tested using T-test to determine whether there was a significant difference between the means of two groups. It is appropriate in this study since the difference between the means of the set standard and that of the data collected were tested and the sample size is small (less than 30).

***Model Specification***

In testing Hypothesis 1, that there is no negative variance between returns of foreign commercial real estate investment in Nigeria and the international benchmark yield for commercial real estate investments. The researcher presented the annual rental values and the annual capital values of the 17 commercial real estate investments used in the study for the period covered by the study, that is, 2006 – 2017 to establish the yield. This was presented in Equation I:

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

The yield for each year was calculated so as to establish the mean yield for comparison with the global benchmark.

In testing Hypothesis 2, that there is no negative variance in the mean score of FDI tax responsibilities in Nigeria and the international benchmark. The researcher presented data on Capital Income Tax, Capital Growth Tax Rate and Education Tax from 2006 - 2017. The hypothesis was tested using t-test.

## IV. DATA PRESENTATION

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

1. **Trend in Rental Values of Commercial Real Estate in Lagos and Abuja**

Trend in rental values of the foreign controlled commercial real estates were shown in Table 4.

**Table 2: Summary of Trend in Rental Values/Cash Inflow of Foreign Owned Commercial Real Estates.**

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

Table 2 shows that there was progressive increase in rental values of the foreign owned investment in commercial estate investments in Lagos and Abuja. However, this increase was recorded in triennial periods. Also, the rate of growth was not constant but varied whenever it occurs.

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

### 2. Trend in Capital Values of Foreign Owned Commercial Real Estate Investments in Lagos and Abuja

The capital values of the properties under study were presented in Table 3.

**Table 3: Summary of Trends in Capital Values of Foreign Owned Commercial Real Estate Investments under Study.**

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

Table 3 shows the capital values of foreign direct commercial real estate investments in Lagos and Abuja, Nigeria. The data shows a steady increase in capital values till year 2015 where a drop was recorded. Estate Surveyors and Valuers in the area opined that the drop was triggered by the political instability in the country preceding the 2015 general elections.

### 3. Measuring the Yield Trend from Foreign Owned Commercial Real Estate Investments in Lagos and Abuja

For convenient calculation of the investment yield, Table 4 shows an amalgamation of the rental and capital values data of the investments.

**Table 4: Merged Rental and Capital Values Data of the Commercial Real Estates.**

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

Table 4 shows the rental and capital values of the commercial real estate investments under review with uniform dates for convenient calculation of the yield per annum.

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

In consistence with the works of Aniagolu et al. (2018) and Fraser (1996), the yield of foreign direct commercial real estate investment consists of the rent passing net of ground rent (NR) expressed as a percentage of the gross capital value (GCV) at the same date. This was expressed in Equation I in the preceding pages.

Table 5 shows the yield trend of foreign owned commercial real estate investments in Lagos and Abuja as obtained from their financial records for the period 2006 - 2017.

**Table 5: Yield Trend of Foreign Owned Commercial Real Estate Investments in Lagos and Abuja**

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

Table 5 shows the yield trend of foreign controlled commercial real estate investments in the study areas which indicates a dip in the rate of return of these properties.

From the data in Table 6, the average yield for the period in review is calculated thus in Equation II:

$$\text{Average Yield} = \frac{\Sigma i}{n} \quad \ldots\ldots\ldots\ldots\ldots\ldots\text{Equation II}$$

Where Σi is the sum of the yields in percentage
n is the number of years under review

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

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

Therefore, returns of foreign direct commercial real estate investment in Lagos and Abuja was 4%, as indicated by the average yield from the longitudinal grouping of rental and capital values.

### 4. FDI Tax Responsibilities in the Study Area

In examining the tax obligations of foreign direct commercial real estate investments in Lagos and Abuja, the study presented data obtained from the Federal Inland Revenue Service in Table 8.

**Table 6: Tax Rate Levied on Foreign Direct Commercial Real Estate Investments in Lagos and Abuja.**

| Year | Income Tax (%) (CIT) | Capital Growth TAX RATE (%) (CGT) | Education Tax (%) ( ET) |
|---|---|---|---|
| 2006 | 30 | 10 | 2 |
| 2007 | 30 | 10 | 2 |
| 2008 | 30 | 10 | 2 |

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

| | | | |
|---|---|---|---|
| 2009 | 30 | 10 | 2 |
| 2010 | 30 | 10 | 2 |
| 2011 | 30 | 10 | 2 |
| 2012 | 30 | 10 | 2 |
| 2013 | 30 | 10 | 2 |
| 2014 | 30 | 10 | 2 |
| 2015 | 30 | 10 | 2 |
| 2016 | 30 | 10 | 2 |
| 2017 | 30 | 10 | 2 |

**Source:** Federal Inland Revenue Services (2018)

From Table 6, it is evident that foreign owned commercial real estate investments in Nigeria were charged a Capital Income Tax (CIT) rate of 30% of profits, while the Capital Growth Tax (CGT) rate is 10%. Likewise, Education tax (ET) of 2% of assessable profits is imposed on all companies incorporated in Nigeria, thus, includes the commercial real estate investments under study. Assessment and payment of education tax are done together with the assessment and collection of the CIT.

## V. DATA ANALYSIS

**Hypothesis One**

There is no negative variation between returns of foreign commercial real estate investments in Nigeria and international benchmark yield for commercial real estate investments. This was tested with T-test as follows:

**Table 7: Descriptive Statistics**

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

**Table 7: T-test on the Yield of Foreign Owned Commercial Real Estates in Nigeria.**

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

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

**Hypothesis Two**

There is no negative variation in the mean score of FDI tax responsibilities in Nigeria and global benchmark rate cap of 30%. This was tested with t-test as follows:

**Table 8: Descriptive Statistics**

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

**Table 9: T-test on FDI Tax Responsibilities in Nigeria**

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

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

## V. FINDINGS, CONCLUSION AND RECOMMENDATIONS

**Summary of Findings**

1. There was a negative variation between the yield of foreign commercial real estate investments in Nigeria and international benchmark yield for commercial real estate investments (t = 6.364; p < 0.05).
2. There was no variation in the mean score of FDI tax responsibilities in Nigeria and global benchmark rate cap of 30% (t = .8666; p > 0.05).

**CONCLUSION**

While results from the Nigerian commercial real estate sector show a positive yield (4%), for foreign direct commercial real estate investment, it still fell short of the global benchmark of 5.7%. This was as a result of the fact that the rental value growth of the properties was not commensurate with the capital growth. However, a comparable tax rate for FDIs was fou8nd to meet the global benchmark rate. Therefore, the study concluded that Foreign Direct Investment into the Nigerian commercial real estate sector has compared favourably to the global benchmark performance; thus, indicative of a satisfactory performance.

**RECOMMENDATIONS**

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

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

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

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

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

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