INFLUENCE OF FOREIGN DIRECT INVESTMENT ON PERFORMANCE OF REAL ESTATE DEVELOPMENT PROJECTS IN KILIMANI, WESTLANDS SUB COUNTY, NAIROBI COUNTY, KENYA

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DECLARATION

This research project is my original work and has not been presented for an award in any University.

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This research project has been submitted for examination with my approval as the candidate's University Supervisor.

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DEDICATION

This work is dedicated to my dear wife Dinah Chelal together with my children; Ken, Valentine, Dennis, and Bernice for tolerating my long absence during the course of this study.

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ABBREVIATIONS AND ACRONYMS

APT:	Arbitrage Pricing Theory
CAPM:	Capital Asset Pricing Model.
FDI:	Foreign Direct Investment
GOK:	Government of Kenya
ICL:	Intercompany Lending
MDGs:	Millennium Development Goals
MNC/Es:	Multinational Companies/Enterprises
NEPAD:	New Partnership for Africa's Development
UNCTAD:	United Nations Conference on Trade and Development
WB:	World Bank

ABSTRACT

Over the past ten years, the real estate sector has been on steady growth with many investors focusing on the sector due to its payback and lesser risks. Foreign investors have also been focusing on the real estate sector with investors from China, India and other countries increasingly investing in high-rise buildings across the country especially in Nairobi County. However, as noted by previous reports, the performance of real estate projects has been dropping significantly in the recent past with most of the buildings remaining delayed for years. This is despite the recorded increase in foreign direct investment and most recently the focus by the government on housing as one of the big-four agendas. It is on this background that the study seeks to answer the question; what is the influence of foreign direct investment on the performance of real estate development projects? The aim of this study is therefore was to investigate the influence of foreign direct investment on performance of real estate development project in Kilimani area, Westlands Sub-County, Nairobi County. The study was guided by the following specific objectives; To determine how equity capital influences performance of real estate development projects, to assess how reinvested earning influences performance of real estate development projects, to establish how intra company loans influences performance of real estate development projects, to establish how off-plan purchases and sales influences performance of real estate development projects, and to assess how government policy moderate the relationship between foreign direct investment and performance of real estate development projects in Kilimani, Westlands sub county, Nairobi County. The study was anchored by four major theories which are pecking order theory, arbitrage pricing theory, trade-off theory and market timing theory. Descriptive research design was used while the target population was the real estate companies in Kilimani area, Nairobi County. There are forty-eighty registered real estate companies in this area. The units of observation were the directors, finance officers and investment managers from the forty-eight companies. This made a total of one hundred and forty-four respondents. Purposive sampling method was employed where the company directors, finance officers and investment managers were purposively picked. The data was collected using structured questionnaires and analyzed through descriptive and inferential statistical analysis techniques. The findings were presented in form of frequency tables for easier interpretation and understanding. The study obtained a response rate of 81.3% which was considered adequate for analysis. The findings revealed that equity capital, reinvested earnings, intra-company loans and off-plan sales and purchases significantly and positively influenced the performance of real estate development projects in Kilimani area, Westlands Sub-County. Government policy was also found to significantly moderate the relationship between foreign direct investments and performance of the real estate development projects. The study concluded that through equity capital, reinvested earnings, intra-company loans and off-plan sales and purchases, the real estate development projects performance better. It is therefore recommended that the real estate development companies through their management embrace FDIs through equity capital, reinvested earnings, intra-company loans and off-plan sales and purchases so as to steer the performance of their development projects.

CHAPTER ONE
INTRODUCTION

1.1 Background of the Study

Most countries strive to attract Foreign Direct Investment (FDI) because of its acknowledged advantage as a tool of economic development. Africa and Kenya in particular, joined the rest of the world in seeking FDI as achieved by the formation of the New Partnership for Africans Development (NEPAD), which is anchored on the attraction of foreign investment to Africa as a major component (Asiedu, 2001). Globally level the foreign direct investment and real estate relationship has been viewed in the same light with some studies exploring the effects of foreign direct investment in specific sectors of the economy, (Alfaro, 2003) and others examining the effects of foreign direct investment on foreign real estate investment (Fereidouni and Masron, 2012). Bardhan and Kroll (2017) in their survey on the relationship between globalization and real estate industry showed that service firms for real estate firms and brokerage firms for residential real estate in the US follows MNCs to developing nations to provide residential real estate services for expatriate population. Based on their findings it can be said that as MNCs expand their operation in the host nation, they contribute to an inflow of foreign real estate firms into the host country looking to capture the additional demand they create (He and Zhu, 2010). Inflow of Foreign real estate investment in the host country's real estate sector increases the level of foreign investment in the host nation further contributing to the level of competition and supply of housing in the host country's real estate sector (Fereidouni and Masron, 2012).

As the property market in the world is experiencing instabilities, development in foreign direct investment has ensured the real estate market has remained strong with the demand for middle to high income housing remaining steady. Studies over the years have established that FDI can either have a positive or a negative impact on the economy (Sylvester, 2005). Real estate sector being part of the economy, it's clear that foreign direct investment is likely to have impact on it.

Regionally, Foreign Direct Investment has become an area of concern to many developing nations due to economic benefit it presents to the host nation. Following this, developing nations are putting in place policies such as subsidies to foreign firms and imports duties exemptions to encourage the inflow of foreign direct investment (Ezeanjeij and Ifebi, 2016). Bjorvatvatn (2000) defines foreign direct investment as an investment made to acquire a long term investment in a foreign enterprise with the view of having a voice in enterprise management. Foreign direct investment can take three forms of Horizontal Foreign Direct Investment which occurs when a company undertakes the same activities abroad as home, vertical foreign investment where different stages of activities are added abroad and Conglomerate where a company expands its operations abroad through either green field or acquisition (O'Connor, 2003). Over the years studies have concentrated on the impact of foreign direct investment on the various sectors of the economy with some arguing that it has a negative impact and others arguing that it has appositive impact (Slywester, 2005), but the topic on influence of FDI remained highly uncovered.

The role played by real estate sector in the economy has become critical especially in the emerging economies. Due to economic development and heavy investment in infrastructure in this region, demand for better quality housing and emergence of new cities has been on rise. Real estate can be defined as a property consisting of land and anything permanently fixed to it along with the natural resources such as crops, minerals or water (Brow and Matysiak, 2000). The sector is made up of three major segments namely, agency, investment and operations (Kimmono, 2010). Real estate investment involves the purchase, ownership, management, renting of land or sale of real estate for profit. While real estate operations entail developing, renting, leasing, managing commercial and residential properties, consultation services, real estate appraisal service brokerage and agency services (New York Times, 2016). Kenyan real estate property covers all property category including single and multifamily residential dwellings, commercial and agricultural land, office space, go-downs and warehouses, retail outlets and shopping malls. Other aspects of real estate's include mortgage industry, real estate, investment trusts and other financial activities related to real estate sector (Bardhan and Kroll, 2007).

Kenya's economy is plagued by inadequate resources for long term development, high poverty level, low capacity utilization, high level of unemployment and other millennium development goals (MDGs) which have proven difficult to achieve by 2020, hence promotion and facilitation of technology transfer through FDI assumed a prominent place in the strategies of economic revival and growth being advocated by the policy makers at the county, national, regional and international levels because it is considered to be the key to bridging the technology and resource gap of under developed countries and avoiding further buildup of debt (Ikiara, 2002).

Kenyan economy has enjoyed significant development over time in terms of infrastructure and polices as well as experts and cooperation's interested in expanding operations relocating in to Kenya. Due to this development, Kenya has attracted foreign capitals and its real estate sector has become an area of interest to external economies (Kenya Economy Report, 2013). The movement of expatriate into the country and in flow of business has led to the increased demand for the residential as well as the commercial housing. This increased demand has further lend to development in satellite and commuter town evidenced by Konza city in Machakos, Tatu city in Kiambu, Suraya estate in Mlolongo, The reach estate by Cyton in Kiambu and Rosehood park estate in Kilimani. To meet the ever increasing expatriate demand for housing, developers have resulted to developments that are geared toward the quality demand of the expatriate. An example is Migaa in Kiambu County which is a modern, developed, equipped project with commercial and retail space, hospital Museum and golf course (Kenya Economy Report, 2013). Further investors in the real estate sectors have been seen to explore alternative means of capitalizing on the promising sector through use of real estate investment trust and partnering with financial institutions (Kenya Economy Report, 2013).

Jr-Tsung, Yu-Ning Hwang and KuangTu Lo (2004) in the article on the role of Foreign Direct investment in Shanghai real estate prices primarily established that real estate Foreign Direct Investment does not have significant effect on real estate prices for both official and housing prices in the short run but effect of official prices in the long run. Borrowing on this assumption it can be argued that FDI in real estate performance has significance on the performance on the real estate sector of the host nation based on its established relationship with the real estate prices.

1.2 Statement of the Problem

Foreign Direct Investment not only provides developing countries with much needed capital for domestic investment, but also creates employment opportunities and helps the transfer of managerial skills and technology, all of which contributes to economic development. Recognizing that FDI can contribute significantly to economic development, all African governments, including that of Kenya want to attract it. Indeed, the world market for such investment is highly competitive and Kenya, in particular, seeks such investment to accelerate the country's development efforts (Mitullah, 2010). One of the aspects of FDI is the equity capital which is the funding through the preferred or common stock. Being more expensive than debt financing, equity capital if not properly controlled could lead to the loss of control of the assets since equity investors have the opportunity to even vote in some given company matters. With large investments such as the National Housing Programme, the foreign investors who could gain influential positions to the projects, and therefore may take almost full control at the expense of local investors.

Re-invested earnings are another aspect of FDI which encompasses investing back the earnings from the industry through purchase or development of more property. Through investing back the earnings, the foreign investors expand their investment in the country which means long continued operation and this could affect the local investors and the overall independence of the real estate sector (Kioleoglou, 2015). Intra-company loans are the long-term or short-term loans that are transferred from one business unit of a company to another with the aim of enhancing the cash flows of the business unit in case of decline or investing corporate funds meant for investment. Intra-company loans help expand the FDI through provision of adequate funding to the struggling sister companies to undertake their construction projects thus strengthening their impact in the economy hence they are a key concern when it comes to the effect of FDI. Off-plan sales and purchases refer to the process of purchasing property before it is completed. This is one of the approaches in the FDI which has its risks and advantages. There has been complaints in the country over the past five years of increased risks associated with off-plan sales and purchases, a case of two local companies (Suraya Ltd and Gakuyo Real Estate Ltd)where investors paid through off-plan for property which was never to be (Wafula and Ng'ang'a, 2019; and Michiri, 2017).

At the global level, the foreign investment and real estate relationship has been viewed in the same light with some studies exploring the effect of Foreign Direct Investment in specific sectors of the economy and other examining the effect of Foreign Direct Investment on Foreign real Estate investment (Alfaro, 2003; Fereidouni and Masron, 2012). Even with such concerted efforts by the scholars to understand the role of FDI, there remains gaps in the areas which touches on its influence on performance of real estate development project. Drawing on these gaps in literature, this study seeks to establish how Foreign Direct investment influences the performance of the real estate sector in Kenya.

1.3 Purpose of the Study

The purpose of this study was to establish the influence of Foreign Direct Investment on performance of real estate development project: a case of Kilimani, Westland Sub county, Nairobi County, Kenya

1.4 Objectives of the Study

The study was guided by the following research objectives:

i) To determine how equity capital influences performance of real estate development projects in Kilimani, West lands sub county, Nairobi County, Kenya ;

ii) To assess how reinvestment earning influences performance of real estate development projects in Kilimani, Westlands sub county, Nairobi County, Kenya;

iii) To establish how intra company loans influences performance of real estate development projects in Kilimani, Westlands sub county, Nairobi County, Kenya;

iv) To establish how off-plan purchases and sales influences performance of real estate development projects in Kilimani, Westlands sub county, Nairobi County, Kenya;

v) To assess how government policy moderates the relationship between foreign direct investment and performance of real estate development projects in Kilimani, Westlands sub county, Nairobi County, Kenya.

1.5 Research Questions

The study sought to answer the following research questions:

i) How does equity capital influence the performance of real estate development projects in Kilimani, Westlands sub county, Nairobi County, Kenya?

ii) How does re-invested earnings influence performance of real estate development projects in Kilimani, Westlands sub county, Nairobi County, Kenya?

iii) How does intra-company loans influence performance of real estate development projects in Kilimani, Westlands sub county, Nairobi County, Kenya?

iv) How does off-plan purchases and sales influence performance of real estate development projects in Kilimani, Westlands sub county, Nairobi County, Kenya?

v) How does government policy moderate the relationship between foreign direct investment and performance of real estate development projects in Kilimani, Westlands sub county, Nairobi County, Kenya?

1.6 Significance of the Study

The study aims at adding to the existing literature on the real estate sector financing model and specifically on FDI providing academicians with insight on the areas in the real estate sector financing that needs to be researched further. The venture may also act as a guide to policymakers incoming up with polices that would ensure the economy benefits from FDI positivity from the result of this study. Also, the study may act as a guide to real estate investors in ensuring they reap the highest return from their investment while tailoring their developments towards the needs of their clients. Banks are also expected to benefit from this study as it would enlighten them on whether they stand to benefit from expanding their portfolio to incorporate financing of real estate investment. Finally, the study is expected to create awareness to potential investors financiers on what influence of FDI on the performance of real estate projects.

1.7 Delimitation of the Study

This study was restricted to geographical boundaries of Kilimani in Westlands Sub- County in Nairobi County. Again, this study was delimited to projects which have strictly benefited from FDI hence any project being carried out in area of study and that have enjoyed local funding do not form part of sample group. The study focused on Kilimani area since according to the data from the Nairobi County (Department of Planning), Kilimani is one of the major areas in the County where there have a steady increase in high-rise buildings, both residential and commercial and over 60% of these projects are beneficiaries of the FDIs. A report by Cytonn Investments (2018) reveals that among the Sub-Counties in Nairobi, Westlands is the most lucrative in real estate and this has seen most foreign investors focus on the area in the real estate development projects.

1.8 Limitation of the Study

The confidentiality policy of the firm may restrict some employees from filling in the questionnaire for fear of exposing the firms' private information. This was mitigated by assuring the respondents of utmost confidentiality and anonymity of the information provided. An introduction letter was obtained from the University and presented to the firms' management in order to eliminate suspicion and enable the respondents to disclose the information sought.

Other challenges may include some of the respondents not filling or completing the questionnaire correctly because of misunderstanding some issues. This was mitigated by the clarification of issues that are not easily understood by the respondents. Inadequate responses to questions and unexpected occurrences like respondents getting engaged elsewhere before completing the questionnaire. These challenges were mitigated through constant reminders and revisit to the respondents during the survey period. To ensure high response rate, Text messages, telephone calls, and emails were constantly used for follow up. There could be the errors in the information provided which could lead to ultra-vires data. This was mitigated through data cleaning before analysis.

1.9 Basic Assumption of the Study

The research assumed that the respondents were honest, cooperative and would provide reliable responses. This academic work required some funds and it was assumed that these funds would be available and accessible on time and that access to relevant research data in the course of the study would be granted on promptly. The researcher also assumed that there would be no enormous changes in the composition of the target population that could affect the effectiveness of the sample population under consideration.

1.10 Definition of Significant Terms Used in the Study

Foreign Direct Investment- Is the controlling of ownership of a business enterprise in one country by an entity based in another country. In this study, Foreign direct investment was addressed in four major variables which are; equity capital, reinvested earnings, intra-company loans, and off-plan sales and purchases.

Equity Capital – Is funds paid into a business by the investors in exchange for common or preferred stock and represent the core funding to a business, to which debt funding may be added. Equity capital was assessed through common stocks, treasury stocks and preferred stocks.

Re-invested earnings– are the portion of earnings invested back into new projects by the owners. The re-invested earnings are measured portions of total funds spent on development projects. This study used Net Income, Cash Dividends and Stock Dividends as the indicators for measuring this variable.

Intra- Company loans – Is short or long term borrowing and lending of funds between direct investors (parent enterprises) and affiliate enterprises ploughed into the new projects. In this study, the intra-company loans was measured by the long-term debts and the short-term debts.

Off-Plan purchases and sales - Off-Plan sales and purchases is an agreement where a buyer is accorded the chance to buy or purchase a real estate property before construction is completed by the developer. In this case, the buyer is given an attractive concessional rate that is lower as compared to when the property is complete because at this point, the property will have attracted full market price. This off-plan sales and purchase enables developers to raise cheap finances from potential buyers. Equally, the buyers benefit from the acquisition of real estate properties at affordable prices. This variable was measured using the price of newly completed real estate units and the prices of on-going real estate units. Also, the sales volume and the time taken for the real estate units to be sold was used as measurement indicators.

Government Policy – They are rules and principles that help to a better guide decision, resulting in positive outcome in the intended action needed in the execution of real estate development project.

Project Performance: This is the success in meeting pre-defined objectives, targets and goals such as simple terms refers to getting the job done or producing the result that you aim at. Performance of a project is multifaceted and may include unit cost, delivery speeds and the level of client satisfaction. Project performance can also be equated with project completion, project success and project implementation.

1.11 Organization of the Study

This document is organized into five chapters whereby chapter one is the introduction of the study; it gives the background of the study, statement of the problem, and purpose of the study, research objectives and the research questions that gives a guide of the study. The first chapter also contains the significance of the study, delimitation and limitation of the study as well as the definition of significant terms used in the study and organization of the study.

Chapter two contains the literature review which captures previous studies on the influence of equity capital, re-invested earnings, intra-company loans, off-plan purchases and government policy on the performance of real estate development sector. It also covers theoretical framework, conceptual framework, summary of literature reviewed and knowledge gaps.

Chapter three contains the research methodology which was used in this study. The chapter described the research design, target population, sample size and sampling procedures, research instruments used, data collection procedure and data analysis technique, ethical considerations and operationalization of variables.

Chapter four of this study presented the analysis, presentation, interpretations and discussions. Chapter five covered the summary of the findings, conclusions of the study, recommendations of the study and areas for further studies.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter covers the theoretical and empirical analysis of literature on influence of foreign direct investment on performance of the real estate development projects in Kenya based on the specific objectives of the study. It discusses the theoretical framework, conceptual framework, and finally; it discusses the research gaps and summary of the literature.

2.2 Performance of Real Estate Development Projects

The real estate industry is an integrate part of the economic development of the country and essential economic changes have directly on the sectors pricing. The sector is vital to the economy for the part it plays in the country's not only for the physical structures but for the growth of the whole state and multiple economic (Sorina, 2014). The properties pricing are vital as they are used to predict the economic growth of the nation (Scatigna, Szemere and Tsatsaronis, 2014). They are also vital to other sectors of the economy especially the financial markets which put their collateral on the advanced funds to its clients on them in cases of default. They take huge percentage of the commercial banks total current assets. Many investors who are interested in diversifying their investments give the properties market the first priority as the sector is not associated with frequent fluctuations (Pashardes and Savva, 2009).

A study by Ren (2016) analyzed the impact of property market investment on GDP and found that the study variables are directly correlated. Jackman (2010) carried out the analysis of the property market construction and GDP where he the results were ambiguous. Sorina (2014) posits that real estate market strongly influence the entire economy. According to Gaspareniene, Venclauskiene and Remeikiene (2014), supports that the growth or decline of real estate sector considerably affects the general growth or decline of a country's economy.

In their study, Kong, Glascock and Lu-Andrews (2016) on their research on the impact of properties market on economic performance in Asian content where their study findings revealed an existence of a significant and direct correlation among the study variables. Zhang, Wang and

Zhu (2012) examined association linking real estate investment on GDP among the Asian countries where the study results revealed a strong direct association among the study variables.

In Kenya, the real estate sector has continuously outdone other classes for the last five years, generating returns of between 25 percent and 30 percent hence making it the most lucrative business to venture in because of reduced losses. Residential units in Kenya generate an average rental yield of 5%, while commercial space generates an average yield of over 9% (NCC, 2017). A report by CAHF (2016) indicates that the total return, including rental yield and appreciation of housing businesses is about 28%. The real estate sector which has been previously dominated by individual developers now has an entry of more institutional developers such as Sacco's, private equity firms and foreign institutions in major towns around the country. Rapid population growth in Kenya of 2.4% per annum has created an increased demand for housing because of family growth and consumer needs which change to reflect improved standards of living. The demand has also been aided by the high urbanization rate of 4.4% per annum in the Nairobi area and the metropolis.

2.3 Equity Capital and Performance of Real Estate Development Projects

Generally, equity financing is a business capital financing method that does not require repayment and does not charge any interest on funds advanced but offers to investors a form of ownership in the business (Daniel et al., 2010). Equity financing comprises of sources such as venture capitalists, angels, family/friends equity contribution and other external resources (Fraser, 2005). However, shareholders' equity financing mainly consist of a source of own savings, contributions of the Board, the contribution of partners, property of the omission, deferred income and cash flows of the business (Kongmanila and Kimbara, 2007).

Equity capital is the capital that a firm raises from the stockholders and which is free from debt. This is a type of internal financing that is most reliable in enhancing firm financial performance. According to Titman, Keown and Martin (2011), contributions through the shareholders' equity are also eligible to returns just as it is the case to the debts only that in this case the returns are in form of dividends. Myers (1984) as cited by Carter and Tagg (2016) contemplated that equity financing from the shareholders is most essential in enhancing firm performance and profitability in that it has lesser risks as compared to debts.

Salazar et al. (2012) did a study on the relationship that exists between capital structure and profitability of listed industrial firms on the main board of the Kuala Lumpur Stock Exchange (KLSE). The results indicated a significant relationship between market imperfections changes in capital structure and the firm's profitability. In Kenya, Githire and Muturi (2015) conducted a research on the effect of equity financing on financial performance of firms listed at the Nairobi Securities Exchange and the results indicated that there was overwhelming evidence showing that equity financing positively affected the financial performance of the organization. The reason behind this was because there was direct control from the equity holders who ensured to maximize the interest of the shareholders. In addition, Maina and Ishmail (2014) found that equity was a major factor that determined the profitability of the organizations listed at the NSE.

Priya and Mohanasundari (2015) carried out a study on equity capital and its impact on firm value. The study aimed at establishing how preferred stocks and the stocks from treasuries affected the value of the firm. The scholars used theoretical and empirical frameworks from more than 100 studies to draw their conclusions and recommendations. According to Priya and Mohanasundari (2015), the equity capital has a significant effect on the value of the firm. The scholars concluded that the net assets of the firm based on the remainder after deduction of debts, equals shareholders equity which in turn is essential in determining the investments that a firm can make to enhance its revenues and value.

Hutchinson and Russell (2013) carried out a study on the influence of equity capital on firm performance among manufacturing firms in Pakistan. The study sought to find out the influence of shareholder's equity of return on assets and return on investment. The study adopted a correlational research design and had a sample of 219 manufacturing firms in Pakistan. The scholars established that the size of shareholder's equity had a correlation with the return on equity and return on investment among the manufacturing firms in Pakistan. According to Hutchinson and Russell (2013), equity capital and retained earnings as key aspects in the shareholders' equity determine the amount of treasury shares which in turn translate to the organization obtaining more financial muscle thus promoting performance.

Mallick and Yang (2011) used firm level data covering over 11,000 firms from 47 countries over a recent period of 1997 -2007 to examine the effect of different sources of financing on corporate performance. The results showed that firms with high debt- to- equity ratio tend to have lower returns to shareholders (profitability) and lower internal efficiency (productivity). The study found that retained earnings and equity financing improve performance, while debt financing by firms particularly in the form of bank loans leads to lower performance, although not so in the case of debt that is raised through issuing bonds. Moreover, Mallick and Yang (2011) induced that equity capital had a hand to play in determining corporate performance such that the type of stocks that a firm has to offer is related to the equity capital while these stocks determining the amount of capital that an organization is likely to raise to finance its operations and service the debts.

2.4 Re-invested Earnings and Performance of Real Estate Development Projects

Reinvested earnings or as simply known as retentions refers to the part of trading profits which is not distributed in the form of dividends but is retained by directors for future expansion of the company (Dinayak, 2014). Campbell (2012) notes that the prime idea behind earnings retention is that the more the company retains the faster it has chances for growth. Reinvested earnings are usually recorded under shareholders' equity on the balance sheet (Dinayak, 2014). Also related with periodically reinvested earnings is the accumulated retained earnings, which are computed by adding net income to (or subtracting any net losses from) beginning reinvested earnings and subtracting any dividends paid to shareholders (Dinayak, 2014). Earnings retained are the most important sources of financing growth of a firm. The level of internal funds conveys information about growth prospects of companies (Jangili and Sharad, 2011).

Better financially performing firms’ pay lower dividends, reinvest more of their earnings, and provide a greater percentage of their total returns in the form of capital gains (Etcherling, Eierle and Ketterer, 2015). Companies with a few major investment opportunities would limit paying out a larger percentage of their earnings. For this reason, higher dividends are paid in stable, low-growth industries. By contrast, high-growth companies with lots of investment opportunities are likely to pay low dividends because they have profitable uses for the capital. So, growth is likely to place a greater demand on internally generated funds. Higher financially placed firms use less debt (Ball, Gerakos, Linnainmaa, and Nikolaev, 2015). This is because conflicts of interest between debt and equity holders.

Hanlon (2015) states that managers retain cash under their control and grow the firm rather than pay the cash to shareholders. Thus, as the stock of FDI becomes more mature, undistributed cash holdings are likely to be utilized to compensate for the growth of existing firms or for new investments in the existing market. Furthermore, the assumption of reinvested earnings as marginal investments in the host country implies a perception of higher reinvested earnings being a good signal of higher long-run confidence on the part of existing investors, while a repatriation of earnings may mean the reverse. Thus, reinvested earnings may also stand for an important policy means to attract potential foreign investments in the existing market. Yet, unlike the irreversible equity investments, Multinational Firms (MNF's) part of their earnings undistributed to the shareholders are "hot money" by their very nature, and thus they are more likely exposed to the risks and uncertainties in the market.

Kayam (2009) investigated the home country factors that encourage FDI outflows for 65 developing and transition countries for the 2000–2006 periods. Finally, she concluded that small market size, trade conditions, costs of production, and local business conditions within the home country are the major push factors that cause FDI outflows. Moreover, Buckley et al. (2007) examined the determinants of Chinese FDI outflows. They found that Chinese FDI outflows are highly correlated with political risks experienced in the country, cultural proximity with the host country, and the host country's natural resources endowments. On the other hand, Tolentino (2008) examined the relationships between home country-specific macroeconomic factors and FDI outflows of China and India for the period between 1982 and 2006. He had an interesting conclusion, arguing that country-specific factors of China such as the interest rate, openness to international trade, income per capita, human capital, technological capability, exchange rate, and exchange rate volatility do not have a significant effect on FDI outflows in China, while India's technological capability results in FDI outflows in India.

Edwards, Kravet and Wilson (2013) conducted a study on the relationship between reinvested earnings and foreign cash acquisitions' profitability. According to the US tax laws, there is an incentive for the organization in the US meant to avoid foreign earnings repatriation as the government has put up more charges for any repatriated foreign earnings. As pointed out in ASC 740, taxes on foreign earnings are treated differently. Incentives are higher so that firms can designate foreign earnings in terms of permanently reinvested earnings and delay the recognition of the deferred tax liability that comes as a result of repartition of the US tax which leads to a higher after tax income. Consistent with expectations, the study observed that organization that showed high earnings that were termed as PRE and which were held as cash did not make more acquisitions that were profitable by making use of their cash consideration compared to organizations that had high levels of PRE that were considered as cash.

Masum (2014) carried out a study on the reinvested earnings and their impact on stock prices. The researcher focused on commercial banks listed in Dhaka Stock Exchange, Bangladesh. The aim of the study was to unveil the effect of dividend value, price to book value and net assets value as aspects of reinvested earnings on the prices of the stocks. The study employed ex-post facto research design and targeted 14 commercial banks listed at Dhaka Stock Exchange, Bangladesh. The findings revealed that reinvested earnings had a direct link with the prices of stocks of the commercial banks listed at the Dhaka Stock Exchange. According to Masum (2014), the more an organization is capable to retain more earnings, the more its ability to reinvest and diversify its revenues for enhanced performance.

In Nigeria, Yemi and Seriki (2018) carried out a study on reinvested earnings and firms' market value. The sample data was extracted from 75 non-financial firms listed on the Nigeria stock Market during the period 2003 to 2014. The unbalanced panel data (cross-sectional and time series) used to examine the relationship was obtained from the annual financial statements of the various firms. Two basic approaches descriptive and multiple regression models were used to determine the relationship between the underlying variables. The study found that retained earnings; earnings per share, dividend pay-out had a significant effect on the value of firms. According to Yemi and Seriki (2018), through retained earnings, the firms' market value increased in that this relied on the ability of the firm to effectively pay dividends and encourage shareholders to contribute to firm financing as well as creating other opportunities for expansion.

Thuranira (2014) did a study on the effect of reinvested earnings on the returns of firms listed at the Nairobi Securities Exchange. The study aimed at unveiling effect of the dividend policy and cost of equity as determinants of reinvested earnings on the returns of the firm. The researcher used a descriptive research design and had a census of 61 companies listed at the NSE as at 2014. The study found that reinvested earnings had a significant influence on the return of the firm listed and NSE. According to Thuranira (2014), net asset value per share, price to book value and dividend yield positively influences the returns of firms listed at NSEs.

2.5 Intra-Company Loans and Performance of Real Estate Development Projects

Intercompany lending, is a constituent part of foreign direct investments (FDI) (IMF, 2009) that represents a controversial element, frequently underestimated because of its indebting nature and involvement in tax evasion strategies (Estrin and Uvalic, 2013). Intra-company loan is the debt financing in which a corporate invests part of the revenue to a business line or company owned or under the main company. Intra-company loans may be issued in short-term or log-term buts are directed towards steering the company's performance through putting into use idle funds or as an intervention measure to rescue the cash flows of the business. The intra-company finance is primarily concerned with the analysis of decisions that affect current assets and current liabilities from within the firm and how they can be used to keep the operations of other sister companies running (Ross, Westerfield and Jordan, 2008). It involves multiple crucial decisions, which involve management of account payables and receivables, cash conversion cycle, preservation a definite level of stock and the investment of available cash (Deloof, 2003). According to the matching principle of finance, intra-company loans from short-term assets should be financed with short-term liabilities and long-term assets should be financed with long-term liabilities (Guin, 2011).

The power of multinational companies (MNC) depends on their ability to make the most out of their global presence. Therefore, when deciding where to establish a new unit, they look for cost-cutting opportunities, such as tax reduction schemes (Devereux and Griffith, 1998; Barrios et al., 2009). Intercompany Lending (ICL) is a common part of these plans as it allows exploitation of the tax rate differentials to shift profit (Buettner and Wamser, 2007; Stewart, 1977) leaving both source and host countries with lower tax bases and tax revenues. However, ICL should not be observed only as a part of a tax evasion strategy but also as a part of a risk-management strategy that MNC employ to optimise resources and protect previously invested funds.

Since the outbreak of the financial crisis, risk aversion among investors has risen, leading to an increase in ICL (ECB, 2012). There are at least two reasons for this. First, affiliated companies located in emerging markets were faced with a tightening of credit conditions and were unable to obtain the necessary funds under conditions acceptable to them. Secondly, as EI represents pricier and riskier forms of capital, direct investors needed something that would allow them to finance their subsidiary while preserving flexibility. The solution was ICL since it provides a flow of funds for affiliates, and at the same time, creates enough pressure to make them step up and work better in the crisis period (Starnawska, 2015).

Studies have found that intercompany loans are the way to go for FDI. This dimension became noticeable only after the crisis when many posed the question regarding the sustainability of the benefits of FDI to emerging economies (Starnawska, 2015). Hebous and Weichenrieder (2010) noted that ICL amplified the stabilising role FDI had during the crisis.

Omran and Pointon (2015) conducted a study on the influence of intercompany long-term debts on firm characteristics and performance. The scholars did an empirical analysis from sugar firms in Egypt and aimed at establishing the effect of bonds and mortgages on the firm characteristics such as size of the firm, longevity of operations and diversity in shareholding as well as the overall performance of the firms. The study established that through effective management of long-term debts, the organizations were able to finance their investments and embrace effective shareholding through which they enhanced their performance. Omran and Pointon (2015) pointed out that the management of the sugar firms in Egypt had the full mandate of ensuring that the long-term debts are properly managed to steer organizational processes.

2.6 Off-Plan Sales and Purchases and Performance of Real Estate Projects

Isthmus (2010) defines off plan purchase as the buying of property before works have begun or before the actual works have been completed. The buyer has the option of either making judgments on what to purchase from the unfinished house or from plans, maps and computer generated images of proposed development project of housing. This form of acquisition applies both to plots and houses. The buyer gets to buy the house by paying a deposit or providing the developer with a letter of credit before the project starts and signs a contract with the developer binding him to pay the remaining balance as a lump sum or in installments according to the terms and condition of the contract. In off plan purchase usually the subdivision of land has not occurred and the certificates of title have not yet been issued by the Ministry of Lands. The issuance of certificate of title to the buyer occurs upon settlement of outstanding monies owed to the developer.

According to Mugendi (2012), the difference between an off-the-plan and a customary property buy is that individuals purchasing an established property can review the property before signing an agreement to purchase. This implies they can get a 'feel' of the property and check whether it is reasonable for their requirements. Individuals who purchase off-the-plan are some of the time restricted to survey promoting material or a longing idea given by the developer. In these cases, the purchaser needs to depend on the demonstrable skill, competency and trustworthiness of the developer, and the terms of the agreement, to guarantee the task is finished on time, and to an adequate quality.

In the sale agreement for an off-plan property, the developer promises to deliver a development/housing unit together with all the stipulated amenities to a buyer at an agreed price at a future date, subject to the developer obtaining all necessary approvals in respect of the development from the relevant authorities and satisfying any conditions necessary to finalize the development (Cytonn Investments, 2016).

Kioleoglou (2015) analyses whether purchasing off-Plan was the most efficient way of investing in real estate. It was noted that during the last decades, markets around the globe have been attempting elective approaches to back tasks. In real estate development, there have been a few alternatives to raise adequate funds for such ventures. Bank Loans, value reserves, are probably the most well-known among others. The choice however that most developers appear to incline toward is “off plan sales”.Kioleoglou (2015) further notes that other than the apparent dangers of a developer who might discontinue from business before the construction of the development is completed and the purchaser being unable to recuperate the deposit progressive, the option of decline in property values before completion of the construction is an issue to be considered.

According to Isthmus (2010), property developers in the United Kingdom sell off-plan properties at a discount to potential buyers in a bid to attract financing for their developments and to compensate the investors for potential construction risks. Further, buyers have alternative to insurance funds in case the developers fail to complete their projects or be bankrupt. Isthmus (2010) notes that ‘caveat emptor’ (meaning let the buyer beware), is the market doctrine for buyers of units in off-plan developments. Though, participants in the market are aware of the risks intrinsic to in purchasing and vending off-plan and the regulations laid for property development.

2.7 Government Policy and Performance of Real Estate Projects

The government policy stands to be the key determinant of how effective FDIs flow in the country and their overall contribution to the economy (World Bank, 2015). The major aspects of government policy attached to FDI include the restrictions, the openness of the boarders as well as internal policies aimed at providing guidelines on how FDI are carried out with limitations and benefits. The openness of a country to FDI is primarily assessed in terms of policies that create (or eliminate) border barriers for investors, measured by indicators of statutory restrictions to FDI and multilateral agreements that create areas of free trade and/or capital movements among signatory countries. However, tariff and non-tariff barriers to trade in goods and services are also considered, because they may affect the choice of MNEs between exporting and investing abroad as well as the choice between horizontal and vertical FDI.

Although formal international agreements on FDI have been far less extensive than on international trade, global negotiations and regional free-trade agreements often cover some aspects of international investment as well (for example capital-market liberalization within the European Union and provisions on commercial presence in the GATS), generally leading to lower barriers to FDI. Moreover, a number of bilateral investment treaties have been signed among OECD countries, aiming at curbing barriers to FDI. A new set of indicators of FDI restrictions was assembled by the OECD to summarize and quantify such barriers and their evolution over time. The indicators, which are described in detail in Golub (2003), cover mainly statutory barriers, ignoring most of the other direct or indirect obstacles impinging on FDI, such as those related to corporate governance mechanisms and/or hidden institutional or behavioral obstacles that discriminate against foreign firms.

Tariff barriers can also indirectly affect bilateral FDI relationships. Vertical FDI aimed at re-importing to the home country or exporting to third-party countries the final or intermediate goods produced by foreign affiliates can be depressed by high bilateral tariffs between the host and investor country or between the host and third-party countries. On the other hand, high bilateral tariffs can generate so-called “tariff-jumping” behaviour by MNEs (Sauve and Steinfatt, 2003).

2.8 Theoretical Framework

This consists of concepts together with their definitions and reference to relevant scholarly literature (Kothari, 2014), existing theory that is used for a particular study. Here a demonstration of understanding of theories and concepts that are relevant to the topic of the research paper and that relate to the broader areas of knowledge being considered (Beyene, 2015).

2.8.1 Pecking Order Theory

The pecking order theory was proposed by Myers and Majluf (1984). The theory argues that organizations are more inclined to accept internal funding rather than use external funding. If they must use external funding, many firms prefer to use debt over equity and they only choose to seek equity if all the other options are exhausted. Thus due to information asymmetry most of the organizations lack an optimum debt to equity ratio. The enterprises use a traditional approach for divided and to maximize their value they choose to seek for debt financing (Abhijit, 2013).

The theory further argues that any profitable organizations prefer to seek internal funding rather than seek equity or debt funding. This is despite the fact that debt is seen as less expensive compared to equity. Myers and Majluf (1984) argue that the asymmetry of information disturbs the firm value and also affects the wealth of the firm's stakeholders. In this study, pecking order theory is used to explain the influence of equity capital and reinvested earnings as components of FDI on the performance of real estate development projects.

2.8.2 Arbitrage Pricing Theory

The Arbitrage Pricing Theory (APT) was first developed by Ross Alan Stephen in 1976. The theory considers that markets are competitive and that individuals homogeneously believe that the linear structure of risk drives the returns of all assets in the economy. The APT model represented an answer to criticizes suffered by the popular Capital Asset Pricing Model. CAPM establishes a linear relation between the excess assets' return and a single risk factor – the excess return on the market portfolio. It assumes that all assets can be held by an individual investor.

Although it can be considered a particular case of APT, the theoretical construction of CAPM requires normality of returns or quadratic utility function, what isn't always easy to justify. Besides, it can be proved that any mean-variance portfolio satisfies exactly the CAPM equation.

However, the true set of all investment opportunities would include everything with worth (Sharpe and Cooper, 1972). Risk factors (in the APT) emanate from changes in some fundamental economic and financial variables. APT theory is applicable in this research in that real estate markets are competitive and that individuals homogeneously believe that the return of all real estate assets in the economy are driven by a linear structure of risk factors.

2.8.3 Trade-Off Theory

The trade-off theory was put forward by Kraus and Litzenberger (1973). The motive of the scholars was to introduce the interest tax shields associated with debt and financial distress into a state preference. As postulated by Myers (2001), the theory hypothesizes that firm managers seek to have an optimal financial structure by striking a balance (trade-off) between the benefits of debt financing (tax shields) and associated costs like financial distress costs and bankruptcy costs. According to this theory, every firm has an optimal debt-equity ratio that maximizes its value and minimizes the overall cost of capital. Firms set a target debt to value ratio and steadily adjust towards the target ratio to balance the trade-off between tax savings and bankruptcy costs. The major benefit of debt financing is that it provides a tax shield that increases the returns to be distributed to shareholders of equity.

The theory points out that firms that have an incentive to turn to debt as the generation of annual profits allows benefiting from the debt tax shields (López-Gracia and Sogorb-Mira, 2008). According to DeAngelo and Masulis (1980), non-debt tax shields, such as deductions allowed by depreciations and investment tax credit could substitute the role of tax savings permitted by debt. This implies that a firm with a high level of non-debt tax shields will probably have a lower level of debt than a firm with low non-debt tax shields. The theory emphasizes that a balance between tax saving arising from debt, decrease in agent cost and bankruptcy and financial distress costs (Oruç, 2009).

It assumed each source of money has its own cost and return and these are associates with the firm’s earning capacity and its business and insolvency risks (Awan & Amin, 2014). Therefore, firm with more tax advantage will issue more debt to financed business operation and the cost of financial distress and benefit from tax shield are balanced (Mostafa and Boregowda, 2014).

2.8.4 Market Timing Theory

The market timing theory is extensively discussed in the empirical work by Choe, Masulis, and Nanda (1993), Bayless and Chaplinsky (1996), and Baker and Wurgler (2000). The scholars suggest that the decisions to issue equity depend on market performance. The theory suggests that managers attempt to time the market by issuing new equity when the share price is assumed to be overpriced and issuing debt when the interest rates are assumed to be very low (Baker and Wurgler, 2002).

According to Baker and Wurgler (2002), market timing is the main determinant of a firm's mixture of debt and equity. They contend that firms do not generally care whether they finance with debt or equity as long as they choose the form of financing which is more valued by the market at that point in time. The theory posits that equity market timing has a persistent effect on the financial structure of a firm since there will always be movements either in equity or debt levels.

In addition, Grullon, Michaely and Swaminathan (2002) suggested that the market timing theory implies that repurchase announcements should be accompanied by positive price changes and followed by positive news or market perceptions about the future profitability of the firm. The fact that managers always want to maximise the proceeds from the issue of shares or the benefits that come with share repurchases achieved when the share prices are either over- or underpriced, justifies the basis for market timing.

2.9 Conceptual Framework

A conceptual framework according to Creswell (2005) is the presentation in a study that shows the relationship between variables thus giving the study a dimension to focus on. According to Kim and Kross (2015), a conceptual framework in a study portrays how variables in the study flow and the measures that are to be used to assess the impacts of the variables in the study. The conceptual framework in this study is shown in Figure 1. The independent variables include; equity capital, reinvested earnings, intra-company loans and off-plan sales. The study also adopted a moderating variable which in this case is the government policy. The dependent variable is the performance of real estate development projects.

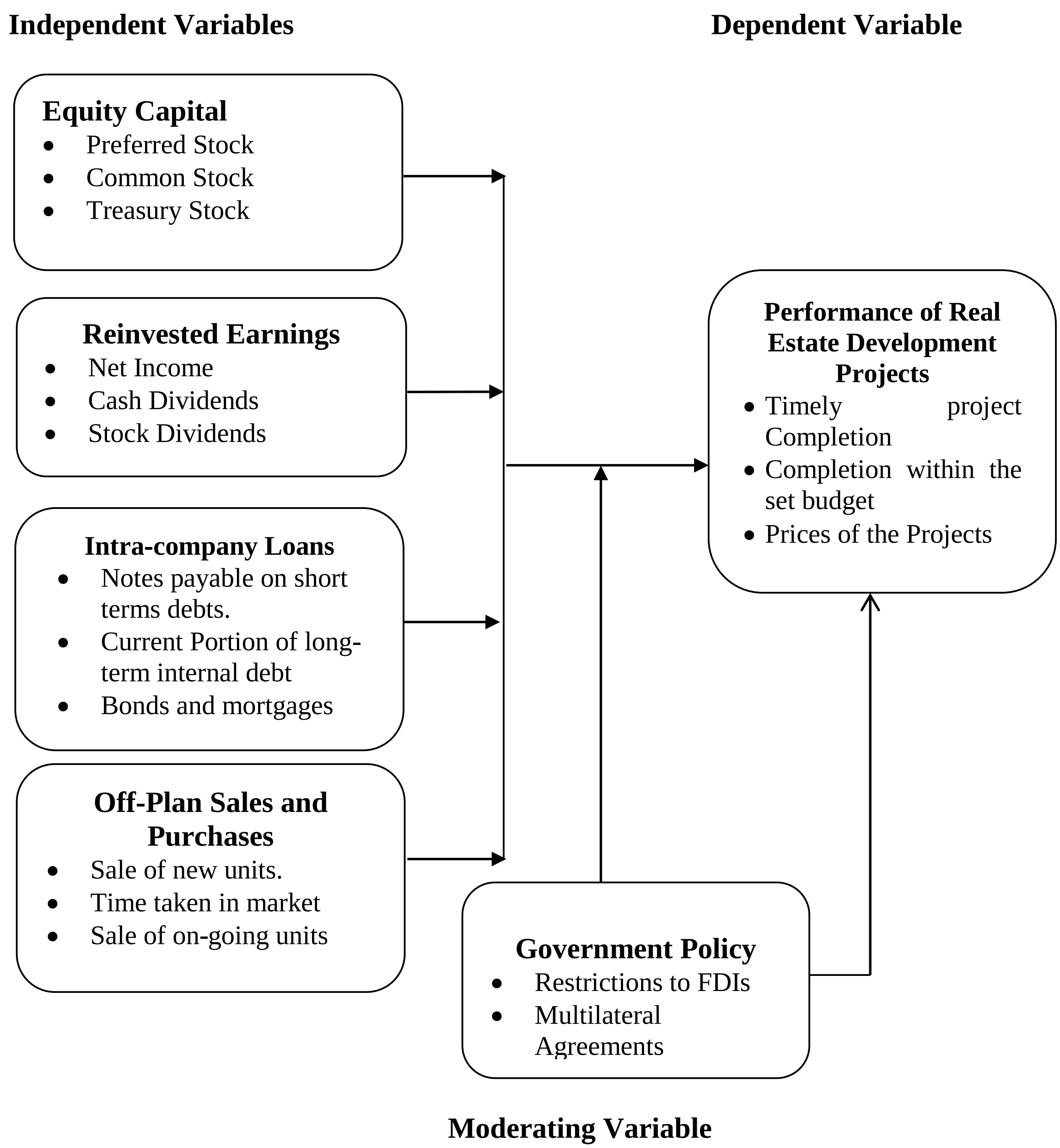

Figure 1: Conceptual Framework

2.10 Summary of Literature Review

The contribution of FDIs towards growth and development of economies has been an integral aspect reveled by the reviewed studies. The studies have shown the need for equity capital as an aspect of FDIs in project performance as well as re-invested earnings, intra-company loans and off-plan sales and purchases. The studies by Priya and Mohanasundari (2015); Dinayak (2014); Hanlon (2015) and Ball et al. (2015) have linked the key aspects of foreign direct investment to the project performance and economic growth and development. The contexts of these studies reveal the importance of FDIs and the impact of their presence to the general society. Several theories have been reviewed to point out on the effect of FDIs. Pecking order theory by Myers and Majluf (1984) explains the need for internal funding while the Arbitrage pricing theory by Ross (1976) contemplates on the need for risks in investment. Trade-Off theory by Kraus and Litzenberger (1973) elaborates on the need for debt financing and the Market timing theory by Choe et al. (1993) aligns to the need for equity financing. The conceptual framework shows the flow of independent variables (Equity capital, re-invested earning, intra-company loans, off-plan sales and purchases) and their link to the dependent variable (Performance of real estate development projects).

2.11 Research Gaps

The reviewed studies revealed different contexts from the current study which justifies the need for this study. While studying the impact of equity capital, Priya and Mohanasundari (2015) utilized an empirical approach and focused on firm value as the dependent variable. This study had limited information and that did not address the actual state of things due to lack of primary data. Firm value may not be equated to project performance hence their findings could not be a replica to this study. Most of the studies reviewed focused on other industries such as the manufacturing industry (Hutchinson and Russell, 2013), banking industry (Masum, 2014), Stock market (Thuranira, 2014) and insurance industry. The operations and financial needs of these industries do not compare with those in the real estate development hence the findings may not be replicated. Majority of the studies on FDIs and project/organizational performance have mainly utilized secondary panel data. It however raises the urge to utilize primary data to establish the actual views and opinions of the stakeholders.

Table 2.1: Knowledge Gaps

Author/Year	**Title**	**Methodology**	**Findings**	**Gaps**
Priya and Mohanasundari (2015)	Impact of equity capital on firm value.	Empirical study from 100 studies	Equity capital has a significant effect on the value of the firm.	The scholars did not indicate the measures they used in measuring firm value. Firm value may not be replicated to project performance.
Hutchinson and Russell (2013).	The influence of equity capital on performance of manufacturing firms in Pakistan.	Correlational research design with a sample of 219 manufacturing firms in Pakistan	The size of shareholder's equity had a correlation with the return on equity and return on investment among the manufacturing firms in Pakistan	The scope of the study was manufacturing sector in Pakistan which may not be replicated to real estate sector in Kenya
Masum (2014)	Impact of reinvested earnings on stock prices in listed commercial banks in Dhaka Stock Exchange, Bangladesh.	Ex-post facto research design used and targeted 14 listed commercial banks.	Reinvested earnings have a direct influence on the prices of stocks of the commercial banks listed at the Dhaka Stock Exchange	The study's scope was commercial banks in Bangladesh
Omran and Pointon (2015)	Influence of intercompany long-term debts on firm characteristics and performance.	Empirical analysis from sugar firms in Egypt	The study established that through effective management of long-term debts, the organizations were able to finance their investments and embrace effective shareholding	The study was carried out in Egypt which is a different scope from the current study
Kioleoglou (2015)	The impact of purchasing off-Plan in real estate	Cross-sectional research design	Through off-plan sales and purchases, companies are able to obtain easier and cheaper financing to their projects.	The study did not indicate the aspects of off-plan purchases utilized hence not clear how it influences project success

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

Research methodology is an overall scheme, plan or structure conceived to aid the study in answering the raised research questions and objectives (Bridget and Lewin, 2005). This chapter describes the methods and design that were used to carry out the study. Therefore, in this section the research identifies the procedures and techniques used in the collection, processing and analysis of data. The sub-topics covered in this chapter are: research design, target population, sample size and sampling techniques, instrumentation, data collection methods and data analysis techniques, ethical issues and operationalization of the variables.

3.2 Research Design

Research design is the blue print for the collection, measurement and analysis of data (Zikmund, Babin, and Griffin, 2010). An expanded view from Coopers and Schindler (2008) considers research design as a plan and structure of investment conceived so as to obtain answers to research questions. This study used a descriptive survey research design. This is a study design that systematically describes the characteristics of the study objects in all aspects. It gives a wide range of information on the research phenomenon that the research seeks to focus on. This design is deemed appropriate for the study in that it gives both qualitative and quantitative data about the study objects thus giving the researcher a wider view and deeper understanding of the phenomenon (Babbie, 2012).

3.3 Target Population

Cooper and Schindler (2006) define population as the collection of items or individuals with some similar characteristic that a researcher seeks to focus on when carrying out the study. On the other hand, Beneito-Montagut (2011) defines target population as the group of persons or objects with a certain unique characteristic that a research intends to use when conducting a study. The target population for this study was real estate companies in Kilimani area, Westlands Sub-County, Nairobi County. According to the Nairobi City County and the real estate agents board, there are 48 real estate companies in Kilimani area, Westlands Sub-County. The study specifically targeted the company directors and finance/investment personnel in the 48 companies. The distribution of the target population is as shown in Table 3.1.

Table 3.1: Distribution of the Target Population

Category	Population	Percentage
Directors	48	33.3%
Investment Managers	48	33.3%
Finance Officers	48	33.3%
Total	**144**	**100%**

Source: Nairobi City County (2018)

3.4 Sample Size and Sampling Procedures

Sampling is the process of obtain a representative number of a population targeted in a given study (Goldfarb & King, 2016). An appropriate sampling design should therefore be chosen that ensures lesser or no biasness and helps in identification of a sample size that effectively represents the targeted population.

3.4.1 Sample Size

Cooper and Schindler (2010) indicate that sampling frame is a list of elements from which the sample is actually drawn and is closely related to the population. The sampling frame in the study comprised of the 48 registered real estate companies in Kilimani area, Westlands Sub-county, Nairobi City County. The sample size for the study was specifically drawn from the directors and finance officers and investment managers. This totaled to a sample size of 144 respondents.

3.4.2 Sampling Procedures

Creswell (2013) defines sampling as the process of obtaining representatives of a certain population to be used in a study. For this study, a purposive sampling was used where a director, a finance officer and an investment manager from each of the 48 companies were surveyed. This totaled to 148 respondents for the study. According to Creswell (2013), a purposive sampling helps the researcher to obtain the appropriate respondents who are more familiar with the research subject.

3.5 Research Instruments

Primary data according to Kothari (2010) is the data collected a fresh for the first time while secondary data is that data that has already been collected and passed through statistical process. Andre (2004) explains that primary data is data that is used for a scientific purpose for which it was collected. This study employed primary data. A self-administered questionnaire was used to collect the primary data. According to Daniel (2012), a questionnaire is a set of questionnaire that is designed bearing a certain specific flow of questions that are meant to seek some information from the respondents based on a certain study problem. The questionnaire was divided into seven major sections where section A obtained the background information from the respondents, the section B, C, D, and E obtained data regarding the independent variables; Equity capital, re-invested earning, intra-company loans, off-plan sales and purchases while sections F and G obtained information on the moderating variable (Government policy) and the dependent variable (Performance of real estate development projects) respectively. The questionnaire contained both closed and open-headed questions. This was in order to enhance better responses that best fits the research questions. Questionnaire was considered appropriate based on the ability to collect more data and with less time as well as avoiding biasness.

3.5.1 Pilot Testing of Instruments

A pilot study is the study done prior to the actual study to test the ability of the research instruments to give reliable results. According to Bryman and Bell (2015), a pilot study in an academic research work can be done using between 5% and 15% of the ample size. In this study, the pilot study was conducted using 10% of the sample size which was 14 respondents (10% of 144). The companies used in the pilot study were obtained from Parklands which is closer to the area of study with similar characteristics with the study locale. The respondents were given the questionnaires to fill and the responses were compared to the motive of the questions asked and in case of any misinterpretation they were corrected with immediately effect. The respondents used in pilot study were not included in the actual study so as to ensure accuracy and avoid biasness.

3.5.2 Validity of the Research Instruments

Validity determines whether the research instrument truly measures that which it was intended to measure or how truthful the research results are (Walliman, 2011). Validity requires that an instrument is reliable, but an instrument can be reliable without being valid. Researchers generally determine validity by asking a series of questions and often looked for the answers in the research of others. The questionnaire was tested against content validity and construct validity. This refers to the degree that the instrument covers the content that it is supposed to measure. It also refers to 'the adequacy of the sampling of the content that should be measured (Yaghmale, 2009). Therefore, content validity measures the comprehensiveness and representativeness of the content of a scale. Content validity in this study was measured through use of two experts in the field of FDIs and real estate. The experts were asked to read through the questions in the questionnaire and rate the content and ability of the questions to respond to the study problem. Their opinions and suggestions were considered and the questionnaire amended accordingly. On the other hand, construct validity was tested through Principle Component Analysis (PCA). This is where the pilot responses from the collected data were analysed and the coefficients rated as per the items (questions) in the questionnaire. According to Sekaran and Bougie (2016), for a question in a research instrument to be deemed valid, it ought to have a minimum coefficient of 0.60 and this was the threshold used in the study.

3.5.3 Reliability of the Research Instruments

According to Mugenda (2008), the reliability of a research instrument is the variance by which an instrument (questionnaire or interview), produces results as to the required results. The questions in the questionnaire was tested for reliability by use of Cronbach’s Alpha (α). This was based on the pilot study data collected from 14 respondents. Cronbach's coefficient alpha determines the internal consistency or the average correlation of items within the test. Alpha values range from Zero (0) which means no internal consistency to one (1) which means complete internal consistency (Cronbach, 1952).Chua (2016) suggests that a Cronbach’s Alpha (α) coefficient of 0.70 is the appropriate threshold for an instrument to be deemed reliable. This was the threshold to be adopted in this study.

3.6 Data Collection Procedures

Questionnaires were dropped at the respondent's working places through use of research assistants and the researcher who also picked the questionnaires at an agreed date. Based on the changes in technology some respondents may not be available physically at their designated working stations. This, therefore, called for seeking of alternative methods of reaching them and one of the methods is to ask for their addresses from the persons present at the working place and send them the questionnaire via emails. They were required to fill in the questionnaire and send them back at some agreed date as well. Afterward, all the questionnaires were collected and brought together for sorting and analysis.

3.7 Data Analysis Techniques

The study used both qualitative and quantitative data analysis techniques to analyse the collected data. Descriptive statistics were used to analyse the quantitative data. Under the descriptive statistics, mean, standard deviation, percentages and frequencies were used which were generated by use of Statistical Package for Social Scientists (SPSS). The findings were presented in form of frequency tables which are easily interpretable and thus making the findings profound. Qualitative data was analysed through content analyses whereby the responses were sorted and organized as per the research questions and presented on the findings part. The correlation between the variables was tested through use of ANOVA, P-values and regression coefficients.

The following factors were used to represent the variables of the study and were put across to find out the relationship between the independent and the dependent variables. The factors are X_1, X_2, X_3 and X_4 which represented the independent variables whereas the dependent variable was represented by Y.

X_1 = Equity Capital

X_2 = Reinvested Earnings

X_3 = Intra-company Loans

X_4 = Off-plan Sales and Purchases

Y = Performance of real estate development projects.

3.8 Ethical Considerations

The study aimed at protecting the confidentiality of the respondents and the data provided. This helped to create confidence among the respondents thus encouraging them to be more open and ready to give information on the research questions. One of the measures taken was use of the informed consent whereby the respondents were informed of why they need to participate and how the data was to be used. They were also informed that they can withdraw from the study at any point they felt so without any limitation. A research permit was sought from the National Commission for Science Technology and Innovation (NACOSTI) and from the County Director of Education. The permits and an introduction letter from the institution were attached on the questionnaire. An introduction letter from the University was also provided to certify that the data was only to be used for academic purposes.

3.9 Operationalization of the Variables

The study has both dependent and independent variables. The dependent variable was the performance of real estate development projects while the independent variables were equity capital, reinvested earnings, intra-company loans and off-plan sales and purchases. The relationship between the variables was moderated by government Policies. The operationalization of the variables is as herein shown in Table 3.2.

Table 3.2: Operationalization of the Variables

Objective	Variable	Indicators	Measurement Scale	Research Approach	Data analysis technique	Tools of data analysis
To determine how equity capital influences performance of real estate development projects in Kilimani, West lands sub county, Nairobi County, Kenya	Equity Capital	Preferred Stock Common Stock Treasury Stock	Ordinal	Qualitative and Quantitative techniques	Descriptive Statistics	Mean, standard deviations, measures of central tendency, measures of dispersion, regression model
To assess how reinvestment earning influences performance of real estate development projects in Kilimani, Westlands sub county, Nairobi County, Kenya	Reinvested Earnings	Net Income Cash Dividends Stock Dividends	Ordinal	Qualitative and Quantitative techniques	Descriptive Statistics	Mean, standard deviations, measures of central tendency, measures of dispersion, regression model
To establish how intra company loans influences performance of real estate development projects in Kilimani, Westlands sub county, Nairobi County, Kenya	Intra-company Loans	Notes payable on short terms debts. Current portion of long-term internal debt Bonds and mortgages	Ordinal	Qualitative and Quantitative techniques	Descriptive Statistics	Mean, standard deviations, measures of central tendency, measures of dispersion, regression model
To establish how off-plan purchases	Off-plan sales and purchases	Prices of new units.	Ordinal	Qualitative and	Descriptive Statistics	Mean, standard deviations, measures of central tendency,

and sales influences performance of real estate development projects in Kilimani, Westlands sub county, Nairobi County, Kenya		Time taken on market by the units Price of the on-going units		Quantitative techniques		measures of dispersion, regression model
To assess how government policy moderates the relationship between foreign direct investment and performance of real estate development projects in Kilimani, Westlands sub county, Nairobi County, Kenya	Government Policies	Restrictions to FDIs Multilateral Agreements Incentives to FDIs	Ordinal	Qualitative and Quantitative techniques	Descriptive Statistics	Mean, standard deviations, measures of central tendency, measures of dispersion, regression model
	Performance of Projects	Timely project completion Completion within the set budget Prices of the completed Projects	Ordinal	Qualitative and Quantitative techniques	Descriptive Statistics	Mean, standard deviations, measures of central tendency, measures of dispersion, regression model

CHAPTER FOUR

DATA ANALYSIS, PRESENTATION, INTERPRETATION AND DISCUSSION OF FINDINGS

4.1 Introduction

This chapter presents the findings of the study on the influence of foreign direct investment on performance of real estate development projects in Kilimani area, Westlands sub-county, Nairobi County. The chapter begins by covering the response rate of the research instrument followed by the results of the pilot study. The chapter highlights the demographic data of the respondents, the descriptive analysis of the major study findings and the inferential analysis of the regression model.

4.2 Questionnaire Return Rate

The study sought to find out the rate at which the targeted respondents participated in the study. This would help to determine whether the study attained a reliable number of respondents to make conclusions and recommendations. The study had a sample of 144 respondents drawn from 48 real estate development companies in Kilimani area, Westlands Sub-County, Nairobi County. The respondents were surveyed using a structured questionnaire. A response rate of 81.3% was achieved where 117 respondents gave back their questionnaires dully filled for analysis. This therefore makes the study appropriate to make conclusions and recommendations since according to Creswell (2014), a response rate of 30-60% in a study is adequate for making conclusions and recommendations. The response rate is as shown in table 4.1.

Table 4.1: Response Rate

Category	Frequency	Percentage
Sampled Population	144	100%
Responses	117	81.3%
Non-Responses	27	18.7%

4.3 Results of the Pilot Study

A pilot test was carried out to establish the reliability and validity of the data collection tools. The pilot test aimed at establishing construct validity and reliability of the data collection instruments (Collis and Hussey, 2014). A total of 14 respondents which is 10% of the sample size (144) took part in the pilot study. This was in line with Cooper and Schindler (2011) who allude that a resopose rate of between 10% and 15% of the sample size is adequate for pilot study. The respondents in the pilot study were picked from other real estate development companies not included in the sample size but met the requirements to be included in the sample. An expert in the field of real estate development and the supervisor were also given a sample questionnaire to give their views which were considered when rectifying the questionnaire. The results of the pilot study based on reliability and validity are as herein shown.

4.3.1 Reliability Test

According to Cherry (2016), reliability is the ability of the research instrument to give the same answer in the same circumstances from time to time. If respondents answer a questionnaire the same way on repeated situations, then the questionnaire is said to be reliable. The research instrument was subjected to a reliability test using Cronbach's Alpha. The findings indicated that all constructs had Cronbach's Alpha values within the suggested value of between 0.7 and 0.9 thus the data collection tool was reliable (Young, 2013; Sekaran & Bougie, 2009; Creswell, 2013; Strivastrave & Rego, 2011; Kombo & Tromp, 2014). On the basis of this study, reliability test was confirmed that the scales used in the study were reliable to capture the constructs. The findings of the reliability test are shown in table 4.2.

Table 4.2: Reliability Results

Construct	Cronbach's Alpha Value	Number of Items	Comment
Equity Capital	0.806	9	Accepted
Reinvested Earnings	0.865	10	Accepted
Intra-company Loans	0.840	9	Accepted
Off-plan Sales and Purchases	0.723	10	Accepted
Government Policy	0.823	9	Accepted
Project Performance	0.758	6	Accepted

4.3.2 Validity Results

Validity requires that an instrument is able to measure the intended subject as per the researcher's intentions. Expert judgment achieved through a peer review was applied to test for content validity of the research instruments. A peer review is the review of the data and research process by someone who is familiar with the research or the phenomenon being explored (Creswell & Plano, 2011). A peer reviewer provides support, plays devil's advocate, challenges the researchers' assumptions, pushes the researchers to the next step methodologically, and asks hard questions about methods and interpretations (Kombo & Tromp, 2014). In this view, the judgment of the pilot study respondents on the items contained in the questionnaire on the study variables was sought and their proposed changes noted and incorporated in the final questionnaire used for the main study.

4.4 Demographic Information

To enhance the feasibility of a study, it is a prerequisite to ask the respondents the background information as a way of developing a concrete relationship between the respondents and the researcher (Axinn, Link & Groves, 2011; Strivastrave, & Rego, 2011). In this regard, the study asked the respondents the demographic information which included level of education, firms' period of operation and the position held by the respondents at their respective firms. This is presented in tables and figures as shown below.

4.4.1 Level of Education of Respondents

The study sought to identify the highest level of education obtained by the respondents. The findings are as shown in Table 4.3.

Table 4.3: Distribution of the Respondents by their Level of Education

Category	Frequency	Percent	Cumulative Percent
Diploma/Certificate	39	33.3%	33.3
Undergraduate	61	52.1%	85.5
Masters	14	12.0%	97.4
PhD	3	2.6%	100.0
Total	117	100.0%	

As the findings portray, majority of the respondents (52.1%) had an undergraduate degree as their highest level of education, 33.3% had a college diploma or certificate, and 12% had a master's degree while 2.6% of the respondents had a PhD as their highest educational qualification. The findings imply that the directors, finance officers, investment officers, heads of departments and other senior employees at the real estate development companies have professional educational qualification an indication that they could be in a position to make more critical investment decisions.

4.4.2 Firms' Period of Operation

The study sought to establish the period in years that the surveyed real estate development companies had been in operation. The findings are as shown in Table 4. 4.

Table 4.4: Firm's Period of Operation

Category	Frequency	Percent	Cumulative Percent
Less than 5 Years	47	40.2%	40.2
5-10 Years	49	41.9%	82.1
11-15 Years	12	10.3%	92.3
16-20 Years	5	4.3%	96.6
Above 20 Years	4	3.4%	100.0
Total	117	100.0%	

The results revealed that 40.2% of the firms had been in operation for less than five years, 41.9% had operated for a period between 5 and 10 years, 10.3% had operated or between 11 and 15 years while 3.4% of the firms had been in operation for more than 20 years. The finding imply that most of the firms had operated for less than 10 years which is significance to the period that Kenya has seen a surge in the real estate sector as well as bilateral trade that has enhanced the foreign direct investments in the country.

4.4.3 Distribution of the Respondents by the Positions Held

The study sought to establish the position held by the respondents in their respective organizations. The findings are as shown in Table 4.5.

Table 4.5: Position Held by the Respondents

Category	Frequency	Percent	Cumulative Percent
Director	29	24.8%	24.8
Finance Officer	35	29.9%	54.7
Head of Department	26	22.2%	76.9
Investment Officer	27	23.1%	100.0
Total	117	100.0%	

The results revealed that 29.9% of the respondents were finance officers, 24.8% were directors, 23.1% were investment officers while 22.2% were heads of departments. The findings imply that most of the senior management in the real estate development companies took part in the study an indication that the study would obtain the key information of FDIs and project performance since these are the most informed stakeholders on the subject matter of the study.

4.5 Descriptive Analysis of the Study Variables

The study carried out descriptive analysis of the main findings of the study. Descriptive statistics seeks to describe the study findings as observed during the actual study. The main statistics covered are mean, standard deviation, frequencies, and percentages. The findings are presented systematically based on the major variables of the study which were; equity capital, reinvested earnings, intra-company loans, off-plan sales and purchases, government policy and performance of the real estate development projects.

4.5.1 Equity Capital and Performance of Real Estate Development Projects

The first objective of the study was to establish the influence of equity capital on the performance of real estate development projects in Kilimani area, Westalnds Sub-County, Nairobi County. The respondents were asked to indicate their level of agreement or disagreement with specific statements on the aspects of equity capital. The findings are as shown in Table 4.6.

Table 4.6: Descriptive Statistics on Equity Capital and Performance of Real Estate Development Projects

Statement	SD		D		N		A		SA		Mean	Std. Dev.
	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%		
There are preferred stocks offered to investors by our company to raise funds for the construction projects	41	35.0%	36	30.8%	12	10.3%	15	12.8%	13	11.1%	2.34	1.36
We keep track on interest rates to decide when to embrace preferred stocks based on pricing	30	25.6%	22	18.8%	7	6.0%	32	27.4%	26	22.2%	3.01	1.54
The preferred stocks in our company have played a significant role in increased investments	6	5.1%	22	18.8%	14	12.0%	25	21.4%	50	42.7%	3.77	1.31
Our company encourages the investors to invest in common shares to raise funds for the company's projects	12	10.3%	11	9.4%	10	8.5%	44	37.6%	40	34.2%	3.76	1.29
There is a limit to the common stocks in our company to ensure controlled investment and shareholding	8	6.8%	9	7.7%	11	9.4%	46	39.3%	43	36.8%	3.91	1.17
The focus on common stocks has enhanced the ability of our company to invest more	8	6.8%	5	4.3%	20	17.1%	58	49.6%	26	22.2%	3.76	1.06
The company has invested in treasury stocks as an investment to the company's future financial needs	33	28.5%	46	39.4%	16	13.7%	11	10.2%	10	8.2%	2.70	1.91
There are treasury stocks issued by our firm in order to raise adequate funds for the company's projects	6	5.1%	18	15.4%	13	11.1%	51	43.6%	29	24.8%	3.67	1.15
Through equity capital our company has been able to fast-track the progress of its ongoing projects for successful completion	6	5.1%	9	7.7%	11	9.4%	35	29.9%	56	47.9%	4.07	1.16

Key: SD=Strongly Disagree, D=Disagree, N=Neutral, A=Agree, SA=Strongly Agree

As the findings portray, 65.8% of the respondents disagreed that there were preferred stocks offered to investors by their respective companies to raise funds for the construction projects. Most of the respondents were of the opinion that preferred stocks had played a key role in enhancing the companies' investments (Strong Agree= 42.7%; Agree= 21.4%; mean = 3.77; Standard deviation

= 1.31). The respondents further agreed that their respective companies encouraged the investors to invest in common shares to raise funds for the companies' projects (Strong Agree= 37.6%; Agree= 34.2%; mean = 3.76; Standard deviation = 1.29).

Majority of the respondents (71.8%) agreed that through focus on common stocks, their respective companies were able to invest more while 67.9% indicated that that their respective companies had not invested in treasury stocks as an investment to the companies' future financial needs. The respondents further stated that through equity capital, their respective companies had been able to fast-track the progress of their on-going projects for successful completion (Strong Agree= 29.9%; Agree= 47.9%; mean = 4.07; Standard deviation = 1.16). The findings compare with those by Carter and Tagg (2016) who established that through equity capital, companies are able to enhance their operational capacity thus steer the performance of their projects.

4.5.2 Reinvested Earnings and Performance of Real Estate Development Projects

The second objective of the study was to assess the influence reinvested earnings on the performance or real estate development projects in Kilimani area, Westlands Sub-County. The respondents were asked to indicate their level of agreement or disagreement with specific statements on reinvested earnings in their respective organizations. The findings are as shown in Table 4.7.

Table 4.7: Descriptive Statistics on Reinvested Earnings and Performance of Real Estate Development Projects

Statement	SD		D		N		A		SA		Mean	Std. Dev.
	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq	%		
Our company has reinvested most of the net income in the ongoing projects to ensure their successful completion	13	11.1%	10	8.5%	15	12.8%	47	40.2%	32	27.4%	3.64	1.27
The net income is reinvested in other new projects to expand the operations of the firm	19	16.2%	8	6.8%	11	9.4%	53	45.3%	26	22.2%	3.50	1.34
The net income from the companies investments has been equitably invested back to the company's projects	30	25.6%	26	22.2%	31	26.5%	19	16.2%	11	9.4%	2.61	1.28
The cash from the dividends by the company are channeled to the ongoing projects to facilitate their completion	33	28.2%	22	18.8%	21	17.9%	24	20.5%	17	14.5%	2.74	1.43
Cash dividends are upheld by the management as a key source of financing the ongoing projects	22	18.8%	15	12.8%	12	10.3%	52	44.4%	16	13.7%	2.21	1.95
There is a framework for monitoring cash dividends to ensure they are channeled to the project needs of the company	18	15.4%	8	6.8%	18	15.4%	52	44.4%	21	17.9%	3.42	1.29
The stock dividends from the company's shareholders are directed to the company's ongoing projects	4	3.4%	10	8.5%	17	14.5%	60	51.3%	26	22.2%	3.80	0.99
There are ongoing projects that stock dividends can be attributed to	9	7.7%	15	12.8%	17	14.5%	49	41.9%	27	23.1%	3.59	1.19
Through the reinvestment of earnings our company is able to finance its projects to success	6	5.1%	13	11.1%	13	11.1%	57	48.7%	28	23.9%	3.75	1.09
Most of the expansion projects that have sustained the company haven been as a result of the reinvested earnings.	4	3.4%	10	8.5%	23	19.7%	56	47.9%	24	20.5%	3.73	0.99

Key: SD=Strongly Disagree, D=Disagree, N=Neutral, A=Agree, SA=Strongly Agree

The results revealed that most of the respondents agreed that their respective firms had reinvested most of the net income in the on-going projects to ensure their successful completion (Agree = 40.2%; Strongly Agree = 27.4%; Mean = 3.64; Standard deviation = 1.27). They also indicated that their net income was reinvested in other new projects to expand the operations of the companies (Mean = 3.50; standard deviation = 1.27). The findings further revealed that cash from the dividends by most of the surveyed companies were not channelled to the on-going projects to facilitate their completion (Strongly Disagree = 28.2%; Agree = 29.8%; Mean = 2.74; mean = 1.43).

The management in most of the companies did not uphold the cash dividends as one of the important sources of financing the on-going projects as evidenced by a mean of 2.21 and a standard deviation of 1.95 (Disagree = 12.8%; Strongly Disagree = 48.8%). The respondents indicated that there was a framework for monitoring cash dividends to ensure they are channelled to the project needs of the company while declined that the stock dividends from the companies' shareholders were directed to the companies' on-going projects (Strong Disagree = 53.4%; Disagree = 8.5%). The respondents further indicated that most of the expansion projects that had sustained their respective companies had been as a result of the reinvested earnings. The findings are in line with those by Jangili and Sharad (2011) who established that through continued focus on the internal funding such as reinvested earnings enables the organization to run smoothly thus achieving the expected results.

4.5.3 Intra-company Loans and Performance of Real Estate Development Projects

The third objective of the study was to find out the influence of intra-company loans on the performance of real estate development projects in Kilimani Area, Westlands Sub-County. The respondents were asked to indicate their level of agreement with specific statements on intra-company loans. The findings are as shown in Table 4.8.

Table 4.8: Descriptive Statistics on Intra-company Loans and Performance of Real Estate Development Projects

Statement	SD		D		N		A		SA		Mean	Std. Dev.
	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%		
There are internal notes payable on short term in our company	6	5.1%	14	12.0%	14	12.0%	52	44.4%	31	26.5%	3.75	1.12
The internal notes payable are significant in running the projects of our company into success	6	5.1%	13	11.1%	15	12.8%	51	43.6%	32	27.4%	3.76	1.12
The company has a framework for providing short-term loans to the sister companies to develop their projects	43	38.5%	36	23.7%	14	12.0%	7	5.9%	11	19.9%	2.64	1.97
Our company has existing internal long-term debts which have been used to run the operations of the company	11	9.4%	14	12.0%	24	20.5%	47	40.2%	21	17.9%	3.45	1.19
The current portion of long-term internal debt is adequate for settling the needs of the company's projects	54	49.4%	37	24.5%	14	12.0%	11	5.3%	9	8.8%	2.49	1.92
There are projects by our company that are financed by the long-term internal debt	12	10.3%	11	9.4%	24	20.5%	45	38.5%	25	21.4%	3.51	1.22
We have bonds and mortgages from internal investors to fund the company's projects	7	6.0%	14	12.0%	16	13.7%	48	41.0%	32	27.4%	3.71	1.16
The company has customers who enroll through mortgage plans to finance projects to be handed over to them upon completion	22	18.8%	16	13.7%	7	6.0%	47	40.2%	25	21.4%	3.31	1.43
Through intra-company loans our company has been able to run its projects into success	12	10.3%	11	9.4%	18	15.4%	48	41.0%	28	23.9%	3.58	1.23

Key: SD=Strongly Disagree, D=Disagree, N=Neutral, A=Agree, SA=Strongly Agree

As the findings portray, majority of the respondents (70.9%) agreed that there were internal notes payable on short term in their respective companies. They further indicated that the internal notes payable were significant in running their companies' projects (Agree = 43.6%; Strongly agree = 27.4%; Mean = 3.76; standard deviation = 1.12). The respondents indicated that their respective companies had no framework for providing shot-term loans to sister companies to develop their projects (Strongly Disagree = 38.5%; Disagree = 23.7%; Mean = 2.64; standard deviation = 1.97).

Majority of the respondents (68.1%) however agreed that their respective companies had existing long-term debts which were used to run the operations of the companies while disagreed that the available long-term internal debts were adequate in running the projects of the companies (Strongly Disagree = 49.4%; Disagree = 24.5%; Mean = 2.49; standard deviation = 1.92). Most of the companies had bonds and mortgages from internal investors to fund the companies' projects (68.4%) while there were customers who enrolled through mortgage plans to finance projects to be handed over to them upon completion (61.6%). The findings compare with those by Starnawska (2015) who established that through intra-company loans, most of the FDIs were able to successfully establish themselves in foreign countries and deliver key projects.

4.5.4 Off-Plan Sales and Purchases and Performance of Real Estate Development Projects

The fourth objective of the study was to examine the influence of off-plan sales and purchases on the performance of real estate development projects in Kilimani area, Westlands Sub-county. The respondents were asked to indicated their levels of agreement or disagreement with specific statements on off-plan sales and purchases based on a 5-point Likert's scale. The findings are as shown in Table 4.9.

Table 4.9: Descriptive Statistics on Off-plan Sales and Purchases and Performance of Real Estate Development Projects

Statement	SD		D		N		A		SA		Mean	Std. Dev.
	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%		
The company has set prices of new units where the customers are asked to pay upon completion	5	4.3%	15	12.8%	4	3.4%	50	42.7%	43	36.8%	3.94	1.14
The interests rates set when pricing the new units are competitive and significant for raising adequate profits	11	9.4%	9	7.7%	7	6.0%	42	35.9%	48	41.0%	3.91	1.27
Our company carries out market analysis to ensure the prices of the new units are competitive	9	7.7%	9	7.7%	9	7.7%	53	45.3%	37	31.6%	3.85	1.17
Our completed projects take a reasonable time before they are completely sold out	1	0.9%	11	9.4%	12	10.3%	58	49.6%	35	29.9%	3.98	0.92
There are strategies taken in place such as early marketing to speed the sale of the completed units and reduce the time taken in market	4	3.4%	18	15.4%	23	19.7%	54	46.2%	18	15.4%	3.54	1.03
There is adequate risk assessment by the company’s management before getting into off-plan sales and purchases to minimize losses	3	2.6%	9	7.7%	16	13.7%	71	60.7%	18	15.4%	3.78	0.88
The completion duration of the projects has been a key factor in setting prices and investing in off-plan sales and purchases	3	2.6%	14	12.0%	18	15.4%	65	55.6%	17	14.5%	3.67	0.95
The management considers the price of the ongoing projects when entering into off-plan sale and purchases agreements	1	0.9%	11	9.4%	14	12.0%	55	47.0%	36	30.8%	3.97	0.94
The time taken by the competed units on the market before they are soled is reasonable and manageable	4	3.4%	21	17.9%	17	14.5%	55	47.0%	20	17.1%	3.56	1.07
Through off-plan sales and purchases, our company has been able to enhance the success of its projects	1	0.9%	15	12.8%	18	15.4%	62	53.0%	21	17.9%	3.74	0.92

Key: SD=Strongly Disagree, D=Disagree, N=Neutral, A=Agree, SA=Strongly Agree

The findings revealed that most of the surveyed companies had set prices for new units where customers were asked to pay upon completion as evidenced by 79.5% who agreed. Most of the respondents also indicated that the interests rates set when pricing the new units were competitive and significant in raising adequate profits (Strongly Disagree = 35.9%; Disagree = 41.0%; Mean = 3.91; standard deviation = 1.27). Setting the competitive prices for the companies' completed projects was enabled by prior analysis of the market to establishes the prices of other similar units. Most of the companies came up with strategies that enhanced their early sales such as early marketing (61.6%) and that adequate risk assessment was carried out before getting into off-plan sales and purchases to minimize losses (76.1%).

The findings further revealed that the completion duration of the projects in most of the surveyed companies had been a key factor in setting prices and investing in off-plan sales and purchases (Strongly agree =29.9% ; Agree = 49.6%; Mean = 3.67; Standard Deviation = 0.95). Majority of the respondents agreed that the management of their respective companies considered the price of the on-going projects when entering into off-plan sales and purchases agreements as evidenced by 77.8% who agreed. The findings further revealed that through off-plan sales and purchases, most of the companies surveyed had been able to enhance the success of their projects. The findings concur with those by Kioleoglou (2015) who found out that though off-plan sales and purchases, the companies are able to finance their projects effectively and through cheaper means thus enhancing their success.

4.5.5 Government Policy and Performance of Real Estate Development Projects

The fifth objective of the study was to establish the moderating effect of government policy on the relationship between Foreign Direct Investment and the performance of real estate development in Kilimani area, Westlands Sub-County. The findings are as shown in Table 4.10.

Table 4.10: Descriptive Statistics on Government Policy and Performance of Real Estate Development Projects

Statement	SD		D		N		Agree		SA			
	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Mean	Std. Dev.
The restrictions by the government on FDIs have enhanced the contribution and availability of foreign investors in the real estate sector	2	1.7%	11	9.4%	10	8.5%	63	53.8%	31	26.5%	3.94	0.94
There are fewer restrictions for new entrants into FDIs to encourage their investments	3	2.6%	11	9.4%	9	7.7%	72	61.5%	22	18.8%	3.84	0.92
Most of the foreign investors in our company have complied with the government regulations and policies	5	4.3%	18	15.4%	25	21.4%	60	51.3%	9	7.7%	3.42	0.98
The multilateral agreements between the government and other governments is friendly and has led to increase in FDIs	4	3.4%	10	8.5%	8	6.8%	66	56.4%	29	24.8%	3.90	0.98
The foreign investors in our company are majorly as a results of multilateral agreement between the Kenyan government and their respective governments	2	1.7%	10	8.5%	3	2.6%	96	82.1%	6	5.1%	3.80	0.73
The foreign investors in our company have received incentives from the government which have influenced their continued investment in real estate	1	0.9%	7	6.0%	8	6.8%	67	57.3%	34	29.1%	4.07	0.82
The government policy has played a significant role in determining the extent of FDIs and their contribution to the real estate projects	3	2.6%	17	14.5%	17	14.5%	57	48.7%	23	19.7%	3.68	1.03
The time taken to obtain building plan approvals from county governments affects the completion of the projects	4	3.4%	18	15.4%	14	12.0%	60	51.3%	21	17.9%	3.64	1.05
Time taken to obtain completion and occupation certificates affects the success of the real estate projects	0	0.0%	10	8.5%	4	3.4%	66	56.4%	37	31.6%	4.11	0.82

Key: SD=Strongly Disagree, D=Disagree, N=Neutral, A=Agree, SA=Strongly Agree

The findings revealed that majority of the respondents (80.3%) felt that the minimization of the restrictions by the government on FDIs had enhanced the contribution and availability of foreign investors in the real estate sector and the most of the foreign investors had complied with the government regulations and policies (Agree = 51.3%; Strongly agree = 7.7%).

The findings further revealed that the multilateral agreements between the government and other governments was friendly and led to increase in FDIs (Strongly agree =56.4%; Agree = 24.8%; Mean = 3.90; Standard Deviation = 0.98) and that the time taken to obtain building plan approvals from county governments affected the completion of the projects (Strongly agree =17.9% ; Agree = 51.3%; Mean = 3.64; Standard Deviation = 1.05). Majority of the respondents indicated that the time taken to obtain completion and occupation certificates affected the success of the real estate projects as evidenced by a mean of 4.11 and a standard deviation of 0.82. According to Golub (2003), government policies influence the way of doing business such as the duration of approvals, easy of obtaining licenses and other operational requirements.

4.5.6 Performance of Real Estate Development Projects

The study sought to assess the performance of real estate development projects in Kilimani area, Westlands Sub-county. The respondents were asked to indicate their level of agreement on specific statements on project performance based on Likert's scale. Table 4.11 shows the findings.

Table 4.11: Descriptive Statistics on Performance of Real Estate Projects

Statement	SD		D		N		A		SA		Mean	Std. Dev.
	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%		
Most of the real estate projects in our company have been completed within the set timelines	2	1.7%	11	9.4%	4	3.4%	67	57.3%	33	28.2%	4.00	0.92
There has been an increase in the number of projects completed by our company over the last five years	0	0.0%	14	12.0%	9	7.7%	64	54.7%	30	25.6%	3.94	0.90
The company has more recorded an increase in the sold units over the last five years	1	0.9%	11	9.4%	10	8.5%	68	58.1%	27	23.1%	3.93	0.87
Majority of the real estate projects by our company have been completed with the set budget	2	1.7%	11	9.4%	11	9.4%	41	35.0%	52	44.4%	4.11	1.03
The real estate projects completed by our company meets the quality expectations of our customers	1	0.9%	7	6.0%	9	7.7%	47	40.2%	53	45.3%	4.23	0.89
There are more investors willing to enroll in our company due to the outstanding performance record	3	2.6%	13	11.1%	15	12.8%	43	36.8%	43	36.8%	3.94	1.08

Key: SD=Strongly Disagree, D=Disagree, N=Neutral, A=Agree, SA=Strongly Agree

As the findings portray, majority of the respondents agreed that most of the projects in their respective companies had been completed within the set timelines (85.5%). Most of the respondents further stated that the number of projects completed by their respective companies had increased over time (80.3%). The respondents further stated that majority of the projects in their respective companies had been completed within the set budget (79.4%) and that the projects completed met the quality expectations of the customers.

4.6 Inferential Analysis of the Model

The study sought to establish the statistical relationship between the aspects of Foreign Direct Investment (equity capital, reinvested earnings, intra-company loans and off-plan sales and purchases) and the performance of real estate development projects. To achieve this, a regression model was used. The main items used to explain the relationship between the variables were model summary (R-Square), Analysis of Variance (ANOVA) and regression coefficients.

4.6.1 Model Summary

The model summary was used to establish the R-Squared (R^2) which is the coefficient of determination (proportion of variance in the dependent variable that is predicted by the independent variable). The results are as show in Table 4.12.

Table 4.12: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.843[a]	.711	.700	3.76426

a. Predictors: (Constant), Reinvested Earnings, Off Plan Sales and Purchases, Equity Capital, Intra-company Loans

As the findings portray, the R-square for the model was 0.711. This implies that 71.1% variation of performance of the real estate development projects is explained by the combined effect of equity capital, reinvested earnings, intra-company loans and off-plan sales and purchases. This is an indication that Foreign Direct Investment (FDIs) through equity capital, reinvested earnings, intra-company loans and off-plan sales and purchases significantly influences the performance of real estate development projects.

4.6.2 Analysis of Variance (ANOVA)

An ANOVA tests the relationship between a categorical and a numeric variable by testing the differences between two or more means. This test produces a p-value to determine whether the relationship is significant or not. The ANOVA results for the model are as shown in Table 4.13.

Table 4.13: ANOVA Results

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	3896.691	4	974.173	68.751	.000[b]
	Residual	1587.001	112	14.170		
	Total	5483.692	116			

a. Dependent Variable: Performance of Real Estate Development Projects
b. Predictors: (Constant), Reinvested Earnings, Off Plan Sales and Purchases, Equity Capital, Intra-company Loans

As the results portray, the F-value for the model was 68.751 at a significant level of 0.000<0.05. This implies that the aspects of FDIs (Reinvested Earnings, Off Plan Sales and Purchases, Equity Capital, Intra-company Loans) are statistically significant to the performance of the real estate development projects.

4.6.3 Regression Coefficients

The regression coefficients of the model are as shown in Table 4.14.

Table 4.14: Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-2.064	2.574		-.802	.424
	Equity Capital	.233	.072	.197	3.223	.002
	Off Plan Sales and Purchases	.215	.104	.156	2.062	.006
	Intracompany Loans	.605	.095	.523	6.403	.000
	Reinvested Earnings	.167	.063	.176	2.653	.009

a. Dependent Variable: Performance of Real Estate Development Projects

The findings revealed that the Beta (β) coefficient for equity capital was 0.233 which implies that a unit change in equity capital leads up to 23.3% increase in the performance of real estate development projects. The Beta (β) coefficient for off-plan sales and purchases was 0.215. This implies that a unit change off-plan sales and purchases leads to 21.5% increase in the performance of real estate development projects.

The intra-company loans had a Beta (β) coefficient of 0.605. This is an indication that a unit change in the intra-company loans leads up to 60.5% increase in performance of real estate development projects. The P-value for the intra-company loans was 0.000 which confirms that indeed, intra-company loans significantly influences the performance of real estate development projects. Lastly, reinvested earnings had a Beta (β) coefficient of 0.167 an indication that a unit change in the reinvested earnings would lead up to 16.7% increase in the performance of real estate development projects. The P-value for the variable was 0.009 which is less than the standard p-value of 0.05. This implies that reinvested earning significantly and positively influences the performance of real estate development projects.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter covers the summary of findings on the influence of Foreign Direct Investment on the performance of real estate development projects in Kilimani area, Westlands Sub-County. The chapter also covers the conclusion of the study the recommendations based on the findings. These are presented systematically as per the main variables of the study which are equity capital, reinvested earnings, intra-company loans, and off-plan sales and purchase.

5.2 Summary of Findings

The study obtained a response rate 81.3% which was considered adequate for analysis. The demographic results revealed that most of the respondents had at least undergraduate degree an indication that they had the required technical skills to run their firms. Most of the firms had operated for less than 10 years while directors, finance officers, heads of departments and investment officers took part in the study. The demographic findings revealed that the study obtained a diverse response based on the diversity of the respondents' characteristics.

5.2.1 Equity Capital

The first objective of the study was to establish the influence of equity capital on the performance of real estate development projects in Kilmani area, Westlands Sub-County. The findings revealed that most of the companies had preferred stocks offered to the investors to raise funds for the implementations of the companies' projects. The companies encouraged the investors to invest in common stocks as a strategy to raise funds for the real estate projects and invested in treasury stocks as an investment to the companies' future financial needs. The findings further revealed that as a result of equity capital, the companies were able to fast-track the progress of the companies' projects. The inferential results of the study revealed that equity capital had a significant and positive influence on the performance of construction projects in Kilimani area, Westlands Sub-County.

5.2.2 Reinvested Earnings

The second objective of the study was to establish the influence of reinvested earnings on the performance of real estate development projects in Kilimani area, Westlands Sub-County. The study established that most of the companies reinvested their net income in on-going projects to ensure their successful completion. The companies did not channel their dividends to the on-going projects to facilitate their completion and the management did not uphold cash dividends as a key source of financing their projects. Moreover, the findings revealed that the stock dividends from the companies' shareholders were not directed to the company's projects. The respondents however stated that most of the expansion projects sustained by the surveyed companies were as a result of reinvested earnings. The inferential analysis of the study model revealed that reinvested earnings had a significant and positive influence on the performance real estate development projects in Kilimani area, Westlands Sub-County.

5.2.3 Intra-Company Loans

The study sought to establish the influence of intra-company loans on the performance of real estate development projects in Kilimani area, Westlands Sub-County. The findings of the study revealed that the internal notes payable on short-term basis were available in most of the companies and that the internal notes payable were significant in running the completion of the projects by the respective companies. The findings revealed that the companies had existing internal long-term debts which played a key role in enhancing the success of the companies' projects. The respondents however disagreed that the available long-term debts used to run the operations of the projects was adequate but agreed that there were projects in their respective companies that were run by the long-term internal debts. The inferential analysis of the regression model for the study revealed that indeed intra-company loans had a significant and positive influence on the performance of real estate development projects in Kilimani area, Westlands Sub-County.

5.2.4 Off-plan Sales and Purchases

The fourth objective of the study was to assess the influence of off-plan sales and purchases on the performance of real estate development projects in Kilimani area, Westlands Sub-County. The descriptive results revealed that most of the companies surveyed had set prices for new units where customers were asked to make payments for occupancy upon completion. It was further established that majority of the companies came up with strategies to market their units early so as to speed the process of selling when the units were complete. To enhance the sale of the completed units, most of the companies ensured that the prices of the units were competitive through assessing the market price from the competitors. The respondents indicated that through off-plan sales and purchases, their respective companies were able to complete more projects successfully. The analysis of the regression model on the other hand revealed that off-plan sales and purchases had positive and significant influence on the performance of real estate development projects in Kilimani area, Westlands Sub-County.

5.2.5 Government Policy

The fifth objective of the study was to establish the moderating effect of government policy on the relationship between Foreign Direct Investments and the performance of real estate development projects. The study established that as a result of multilateral agreements between the Kenyan government and other governments, there was flux of foreign entrepreneurs in the real estate industry. It was however established that the long period of time taken to approve building plans for new projects affected the implementation and timely completion of real estate development projects. Moreover, the findings revealed that delay in issuance of completion certificates affected the success of the real estate projects.

5.3 Conclusion of the Study

The study sought to establish the influence of Foreign Direct Investment on the performance of real estate development projects in Kilimani area, Westlands Sub-County. The study concluded that as a results of the aspects of FDIs (off-plan sales and purchases, intra-company loans, reinvested earning and equity capital), the real estate development projects are completed at the set budget, timely and meet the expected quality.

The study concluded that equity capital was a key aspect that determined the performance or real estate development projects. By focusing on preferred stocks, common stocks and treasury stocks, the companies were able to effectively finance their projects thus enhancing the success of the projects.

It was concluded that reinvested earnings were integral in steering the performance of real estate development projects. Reinvesting the earning trough investing back the net income, cash dividends and stock dividends to the companies' projects enabled the projects to proceed smoothly and meet the expected output.

The study further concluded that intra-company loans played a critical role in enhancing the performance or real estate development projects. These are the loans offered by the company to other sister companies or to other independent projects attached to the companies. Through the short-term notes payable and long-term internal debts, the companies are able to secure the financial needs of their projects thus enhancing their performance.

Finally, the study concluded that off-plan sales and purchases had a significant influence on the performance of the real estate development projects. Through setting competitive and effective process on the new units as well as those of the on-going projects, off-plan sales is enhanced thus availing funds for the companies to complete the on-going projects and start new projects.

5.4 Recommendations of the Study

The study draws key recommendations based on the findings. The study recommends that the management of the real estate development companies in Kilimani area ought to focus on equity capital as a form of financing their projects for timely completion and delivery of the expected quality. The management ought to embrace foreign investors as partners and have them contribute to funding of the projects in form of equity. This is much easier, accessible, reliable and cheaper as compared to bank loans.

The real estate companies through their management can ensure the performance of their projects by reinvesting the earnings to the ongoing projects. Rather than diversifying the revenues to other unknown risks, the companies can reinvest the revenues to the ongoing projects so as to steer their performance.

The management of the real estate companies can utilize intra-company loans to finance their construction projects. Instead of their sister companies seeking funding from other external sources, they can allocate them loans which could even be interest-free as a way of enhancing the success of the projects without involving external funding which is more costly.

The real estate companies through their management can enhance the performance of their development projects through maximizing on off-plan sales and purchases. The management ought to set prices on completed units and those of the ongoing prices. This will encourage customers to participate in off-plan sales and purchases thus providing funding for the companies to complete their projects effectively and timely.

The government ought to speed the process of licensing the real estate companies and offering compliance and completion certificates as a move towards enhancing the ability of these companies to implement their projects timely as well as enhancing the timely sales of the completed units. The government should be supportive to these companies since they also play a critical role in economic growth and development.

5.5 Suggestions of Areas for further Studies

The study focused on real estate development projects in Kilimani area, Westlands Sub-County. It is therefore recommended that a similar study be carried out on real estate development projects in other areas in the country to establish whether the geographic location of the projects could be a factor in the performance.

The study was confined to Foreign Direct Investment. It is therefore suggested that a similar study be carried out to establish other aspects apart from the off-plan sales and purchases, reinvested earnings, intra-company loans and equity capital that affect the performance of real estate development projects.

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APPENDICES

Appendix I: Introduction Letter

Dear respondent,

My name is Sammy Mwaita, a Masters Student from University of Nairobi. I'm conducting an academic research to establish the **Influence of Foreign Direct Investment on Performance of Real Estate Development Projects in Kilimani, Westland Sub County, Nairobi County, Kenya**. I have specifically selected this institution to participate in this study for academic purposes. I therefore humbly request you to respond to the questions under the questionnaire herein attached with the best of your knowledge. The information obtained during this study will be treated with utmost confidentiality and neither your name nor the institution's will be used in any document based on this study.

Thanks in advance for your willingness to generously contribute to this research.

Yours truly,

Sammy, S. K. Mwaita

Research Student

Appendix II: Questionnaire

Section A: Demographic Information

1. Please indicate your highest level of academic qualification

   Diploma/Certificate [ ]

   Undergraduate [ ]

   Masters [ ]

   PhD [ ]

   Other (specify) ……………………………

2. For how long has your organization been in operation?

   Less than 5 years [ ]

   5-10 Years [ ]

   11-15 Years [ ]

   16-20 Years [ ]

   Above 20 Years [ ]

3. What is your current position in your organization?

   Director [ ]

   Finance officer [ ]

Head of Department [ ]

Section B: Equity Capital

4. Please indicate your level of agreement or disagreement with the following statements on equity capital. Use Likert's scale of 1 to 5 where 1 is strongly disagree, 2 is disagree, 3 is neutral, 4 is agree and 5 is strongly agree.

Statement	**1**	**2**	**3**	**4**	**5**
Preferred Stock					
There are preferred stocks offered to investors by our company to raise funds for the construction projects					
We keep track on interest rates to decide when to embrace preferred stocks based on pricing					
The preferred stocks in our company have played a significant role in increased investments					
Common Stock					
Our company encourages the investors to invest in common shares to raise funds for the company's projects					
There is a limit to the common stocks in our company to ensure controlled investment and shareholding					
The focus on common stocks has enhanced the ability of our company to invest more					
Treasury Stock					

The company has invested in treasury stocks as an investment to the company's future financial needs					
There are treasury stocks issued by our firm in order to raise adequate funds for the company's projects					
Through equity capital our company has been able to fast-track the progress of its ongoing projects for successful completion					

5. In your opinion, do you think the equity capital available in your firm is adequate in running the operations of the projects successfully? …………… Please explain

……………………………………………………………………………………………………

……………………………………………………………………………………………………

……………………………………………………………………………………………….

Section C: Reinvested Earning

6. Please indicate your level of agreement or disagreement with the following statements on reinvested earnings and performance of real estate projects. Use Likert's scale of 1 to 5 where 1 is strongly disagree, 2 is disagree, 3 is neutral, 4 is agree and 5 is strongly agree.

Statement	**1**	**2**	**3**	**4**	**5**
Net Income					
Our company has reinvested most of the net income in the ongoing projects to ensure their successful completion					

The net income is reinvested in other new projects to expand the operations of the firm					
The net income from the companies investments has been equitably invested back to the company's projects					
Cash Dividends					
The cash from the dividends by the company are channeled to the ongoing projects to facilitate their completion					
Cash dividends are upheld by the management as a key source of financing the ongoing projects					
There is a framework for monitoring cash dividends to ensure they are channeled to the project needs of the company					
Stock Dividends					
The stock dividends from the company's shareholders are directed to the company's ongoing projects					
There are ongoing projects that can be attributed to stock dividends					
Through the reinvestment of earnings our company is able to finance its projects to success					
Most of the expansion projects that have sustained the company haven been as a result of the reinvested earnings.					

7. In your opinion, do you think the earnings reinvested by your firm are adequate to run the operations of the projects successfully? …………… Please explain …………………………………………………………………………………………………… …………………………………………………………………………………………………… ……………………………………………………………………………………………………

Section D: Intra-Company Loans

8. Please indicate your level of agreement or disagreement with the following statements on Intra-company loans and performance of real estate projects. Use Likert's scale of 1 to 5 where 1 is strongly disagree, 2 is disagree, 3 is neutral, 4 is agree and 5 is strongly agree.

Statement	1	2	3	4	5
Notes Payable on Short-term debts					
There are internal notes payable on short term in our company					
The internal notes payable are significant in running the projects of our company into success					
The company has a framework for providing short-term loans to the sister companies to develop their projects					
Current Portion of Long-term Internal debt					
Our company has existing internal long-term debts which have been used to run the operations of the company					
The current portion of long-term internal debt is adequate for settling the needs of the company's projects					

There are projects by our company that are financed by the long-term internal debt					
Bonds and Mortgages					
We have bonds and mortgages from internal investors to fund the company's projects					
The company has customers who enroll through mortgage plans to finance projects to be handed over to them upon completion					
Through intra-company loans our company has been able to run its projects into success					

9. In your opinion, do you think the intra-company loans available in your firm have played a significant role in enhancing the success of the company's real estate projects? …………… Please explain ……………………………..

…………………………………………………………………………………………………

…………………………………………………………………………………………………

……………………………………………………………………………………………….

Section E: Off-plan Sales and Purchases

10. Please indicate your level of agreement or disagreement with the following statements on off-plan sales and purchases and performance of real estate projects. Use Likert's scale of 1 to 5 where 1 is strongly disagree, 2 is disagree, 3 is neutral, 4 is agree and 5 is strongly agree.

Statement	1	2	3	4	5

Prices of new Units					
The company has set prices of new units where the customers are asked to pay upon completion					
The interests rates set when pricing the new units are competitive and significant for raising adequate profits					
Our company carries out market analysis to ensure the prices of the new units are competitive					
Time Taken in Market					
Our completed projects take a reasonable time before they are completely sold out					
There are strategies taken in place such as early marketing to speed the sale of the completed units and reduce the time taken in market					
There is adequate risk assessment by the company's management before getting into off-plan sales and purchases to minimize losses					
The completion duration of the projects has been a key factor in setting prices and investing in off-plan sales and purchases					
Prices of On-going Units					
The management considers the price of the ongoing projects when entering into off-plan sale and purchases agreements					
The time taken by the completed units on the market before they are soled is reasonable and manageable					
Through off-plan sales and purchases, our company has been able to enhance the success of its projects					

11. How would explain the role of off-plan sales and purchases in promoting the performance of your company's projects? ………………………………………………………………………

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……………………………………………………………………………………………………….

Section F: Government Policy

12. Please indicate your level of agreement or disagreement with the following statements on government policies on FDIs and performance of real estate projects. Use Likert's scale of 1 to 5 where 1 is strongly disagree, 2 is disagree, 3 is neutral, 4 is agree and 5 is strongly agree.

Statement	1	2	3	4	5
Restrictions to FDIs					
The restrictions by the government on FDIs have enhanced the contribution and availability of foreign investors in the real estate sector					
There are fewer restrictions for new entrants into FDIs to encourage their investments					
Most of the foreign investors in our company have complied with the government regulations and policies					
Multilateral Agreements					

The multilateral agreements between the government and other governments is friendly and has led to increase in FDIs					
The foreign investors in our company are majorly as a results of multilateral agreement between the Kenyan government and their respective governments					
Incentives to FDIs					
The foreign investors in our company have received incentives from the government which have influenced their continued investment in real estate					
The government policy has played a significant role in determining the extent of FDIs and their contribution to the real estate projects					
The time taken to obtain building plan approvals from county governments affects the completion of the projects					
Time taken to obtain completion and occupation certificates affects the success of the real estate projects					

13. In your opinion, do you think the flow of FDIs in the country is determined by the government policies? ……. Please explain ……………………………..

…………………………………………………………………………………………………

…………………………………………………………………………………………………

……………………………………………………………………………………………….

Section G: Performance of Real Estate Development Projects

14. Please indicate your level of agreement or disagreement with the following statements on performance of real estate projects. Use Likert's scale of 1 to 5 where 1 is strongly disagree, 2 is disagree, 3 is neutral, 4 is agree and 5 is strongly agree.

Statement	1	2	3	4	5
Timely Completion					
Most of the real estate projects in our company have been completed within the set timelines					
There has been an increase in the number of projects completed by our company over the last five years					
The company has more recorded an increase in the sold units over the last five years					
Completion within the Budget					
Majority of the real estate projects by our company have been completed with the set budget					
The real estate projects completed by our company meets the quality expectations of our customers					
There are more investors willing to enroll in our company due to the outstanding performance record					

15. In your opinion, do you think the performance of real estate projects by your organization has been satisfactory? …………… Please explain ……………………………..

……………………………………………………………………………………………………

……………………………………………………………………………………………………

…………………………………………………………………………………………………..

The End!

Thank You for taking your time to fill the questionnaire.

Appendix III: Introduction Letter from the University

UNIVERSITY OF NAIROBI
OPEN, DISTANCE AND e-LEARNING CAMPUS
SCHOOL OF OPEN AND DISTANCE LEARNING
DEPARTMENT OF OPEN LEARNING
NAIROBI LEARNING CENTRE

Your Ref:

Our Ref:

Telephone: 318262 Ext. 120

REF: UON/ODeL/NLC/32/222

Main Campus
Gandhi Wing, Ground Floor
P.O. Box 30197
N A I R O B I

13th August, 2020

TO WHOM IT MAY CONCERN

RE: SAMMY MWAITA S - REG.NO. L 50/18467/2019

The above named is a student at the University of Nairobi, Open Distance and e-Learning Campus, School of Open and Distance Learning, Department of Open Learning pursuing a Masters course in Project Planning and Management.

He is proceeding for research entitled ***"Influence of Foreign Direct Investment on Performance of Real Estate Development Projects: A Case of Kilimani, Westland Sub County, Nairobi County, Kenya."***

Any assistance accorded to him will be appreciated.

CAREN AWILLY
CENTRE ORGANIZER
NAIROBI LEARNING CENTRE

Appendix IV: NACOSTI Research Permit

REPUBLIC OF KENYA

NATIONAL COMMISSION FOR SCIENCE,TECHNOLOGY & INNOVATION

Ref No: 397504

Date of Issue: 02/September/2020

RESEARCH LICENSE

This is to Certify that Mr.. MWAITA SILAS SAMMY of University of Nairobi, has been licensed to conduct research in Nairobi on the topic: INFLUENCE OF FOREIGN DIRECT INVESTMENT ON PERFORMANCE OF REAL ESTATE DEVELOPMENT PROJECTS IN KILIMANI, WESTLAND SUB COUNTY, NAIROBI COUNTY, KENYA for the period ending : 02/September/2021.

License No: **NACOSTI/P/20/6470**

397504

Applicant Identification Number

Director General
NATIONAL COMMISSION FOR SCIENCE,TECHNOLOGY & INNOVATION

Verification QR Code

NOTE: This is a computer generated License. To verify the authenticity of this document, Scan the QR Code using QR scanner application.

Appendix V: List of Registered Real Estate Companies in Kilimani Area

1. Danco Limited
2. Vaal Real Estate
3. Azizi Realtors
4. Liko Limited
5. Vector Afriq Properties Limited
6. Roundclock Properties
7. Diamond Homes
8. Gold Ridge Ltd
9. Geoscape Global
10. Prudential Greenville
11. Goldstone Properties
12. Apex Homes
13. Xcellent Properties Ltd
14. Pronto Realtors
15. El-Shaddai Home
16. Bassi Gate Investments
17. Lighthouse Home Ltd
18. Detland Company Ltd
19. Pamakars Properties
20. Durian Property Consult Ltd
21. Spacetech Enterprises
22. Origin Home Properties
23. Elmak Shelters
24. Paradigm Homes
25. Westside Real Estate
26. Mideya Gardens Company Limited
27. Daltons Realtors
28. Cytonn Investments
29. Marcus Gardens
30. Axis Real Estate
31. Ralis Properties
32. New Heights Real Estate
33. Wealthlink Realtors Ltd
34. Ace Realtors
35. Commercial Property Kenya Ltd
36. Coral Property International Ltd
37. Gimco Limited
38. Halifax Estate Agency Ltd
39. Lloyd Masika Limited
40. Pam Golding Properties
41. Mackb International
42. Talma Homes Ltd

43. Primeland Properties Limited
44. Cliffhause Consult Ltd
45. Landmark Top Solutions
46. Pershall International Ltd
47. Version Company Limited
48. Delta Properties