Band 63

Schriften zur Immobilienökonomie

Hrsg.: Prof. Dr. Karl-Werner Schulte
Prof. Dr. Stephan Bone-Winkel
Prof. Dr. Wolfgang Schäfers

Moses M. Kusiluka

Agency Conflicts in Real Estate Investment in Sub-Saharan Africa

Exploration of Selected Investors in Tanzania and the Effectiveness of Institutional Remedies

IRE|BS
International Real Estate Business School
Universität Regensburg

immobilien managerverlag
entscheidend für entscheider

Moses M. Kusiluka

Agency Conflicts in Real Estate Investment in Sub-Saharan Africa

Exploration of Selected Investors in Tanzania and the Effectiveness of Institutional Remedies

Bibliografische Information der Deutschen Nationalbibliothek
Die Deutsche Nationalbibliothek verzeichnet diese Publikation in der Deutschen Nationalbibliografie; detaillierte bibliografische Daten sind im Internet über http://dnb.d-nb.de abrufbar.

ISBN 978-3-89984-317-0

Umschlaggestaltung: Rainer Geyer, Köln
Druck: SDK Systemdruck Köln GmbH, Köln
Printed in Germany

Das vorliegende Buch wurde auf umweltfreundlichem Papier aus chlorfrei gebleichtem Zellstoff gedruckt.

I dedicate this work to a very special friend and a wonderful guardian,

my late grandmother – Tudetsiwe

Preface

Sub-Saharan Africa is one of the marginalised real estate investment markets. Investors in the Western countries consider the market to be very risky. In many cases such fear is exaggerated compared to the reality on the ground. It is worth noting that, many countries in the region have, over the last two decades, been undertaking major structural adjustments which have significantly improved the investment environment in the region. Among the positive impacts of the reforms include some significant increase in real estate investment allocations by corporate investors especially pension funds, noticeable participation of retail investors in the real estate market and gradual entry of foreign real estate investors.

Poor flow of accurate information and paucity of research and publications focusing on the region are some of the main reasons for the persistence of the distorted image of the region. This book is an attempt to address the dearth of comprehensive real estate research literature in the region and presents a research work investigating the practice of agency conflicts mitigation in real estate investment activities. The study, upon which this book is based, uses investment activities of selected corporate and foreign real estate investors in Tanzania, to investigate the practice of agency conflicts mitigation. The research involved examining various forms, catalysts and mitigating techniques of opportunistic tendencies arising in the real estate investment activities of the selected investors. The study also entailed identifying and comparing various institutional constraints of human behaviour, which were then tested for their effectiveness in constraining agents' opportunistic tendencies.

The study reveals prevalence of various forms and catalysts of agency problems in real estate investment activities, suggesting ineffectiveness of various formal institutional remedies of agency problems. The situation is noted to be largely aggravated by the nascence of the prevailing formal institutions and property market opacity. However, the study also reveals that, in the absence of strong formal institutions, informal institutions and other human behaviour drivers play a considerable role in constraining opportunistic behaviour in agency contracting. This observation reinforces the argument for inclusion of informal institution attributes in agency theory modeling and in devising society-specific remedies of agency problems.

The findings of the study further underscore the importance of blending formal and informal institutions in order to have more effective and society-specific remedies of agency problems. To address property market opacity, the book underlines the importance of strengthening corporate governance, education, research and property market institutions.

This book is one of the pioneering works testing out agency theory using real estate investment activities taking place in a market setting which is dominated by informality, market opacity and nascent corporate governance institutions. This piece of work is also unique for its significant deviation from the common focus of real estate researchers in the Sub-Saharan Africa region. Most of the existing research literature in the region has focused on issues of land rights, land conflicts, land acquisition, informal settlements, affordable housing and property taxation. It is our hope that this book will stimulate thinking, debate and research on the subject.

The author has been awarded a Doctor of Philosophy (PhD) degree by Ardhi University in Dar es Salaam, Tanzania. Apart from its academic importance, this book is also very useful to real estate investors, professionals and policy makers. Real estate investors in the Western countries should equally find this book a useful guide when contemplating the mode of market entry and in recruiting and dealing with local partners, agents, managers and employees.

Prof. Dr. Karl-Werner Schulte
Prof. Dr. Stephan Bone-Winkel
Prof. Dr. Wolfgang Schäfers

IRE|BS International Real Estate Business School
University of Regensburg

Foreword

I would like to thank each and everyone who in one way or the other contributed to the successful completion of this work. I am immensely grateful to my two supervisors, Prof. Dr. Karl-Werner Schulte and Dr. Medard Lucas Geho, whose guidance led to fruition of this piece of work. I am particularly wordless to Prof. Schulte for going beyond the role of a supervisor and introducing me to the world of real estate scholars. He encouraged and supported me to travel the world, participate in many scientific conferences, and meet many professors I needed for my study. Knowing him, both as a professor and as a person, has been quite rewarding.

I would also like to thank the Deutscher Akademischer Austausch Dienst (DAAD) for the financial support. It is also impossible for me not to specifically thank the professors, doctoral students and secretaries at IRE|BS International Real Estate Business School for their support during my more than 3 years stay at the University of Regensburg. I am similarly grateful for the support I got from my colleagues in the School of Real Estate Studies (SRES) at Ardhi University. In a special way I would like to thank Dr. Cletus Ndjovu, the Head of the Department of Land Management and Valuation, Dr. Charles Lucian, the Head of the Department of Real Estate Finance and Investment, Dr. Samwel Waigaima, the current SRES Dean, and Dr. Agnes Mwasumbi the former Dean, for their invaluable support during the different stages of my study.

I am immensely grateful to my wife, Sophia, not only for putting up with me but also for constantly checking up on me to make sure that I was always busy working on my study. I also thank her for reading, re-reading and correcting the entire book. I am similarly very grateful for the invaluable support and encouragement I got from my brothers Prof. Lughano Kusiluka and Ayoub Kusiluka and their very caring families.

Thank you.

Moses Mpogole Kusiluka
Regensburg, August 2012

Table of Contents

List of Tables

List of Figures

Abbreviations

AfRES	African Real Estate Society
AQSRB	Architects and Quantity Surveyors Registration Board
ARU	Ardhi University
BEST	Business Environment Strengthening for Tanzania
BoT	Bank of Tanzania
CAG	Controller and Auditor General
CCTV	Closed Circuit Television
CDC	Commonwealth Development Corporation
CEO	Chief Executive Officer
CMSA	Capital Markets and Securities Authority
CRB	Contractors Registration Board
CRDB	Co-operative and Rural Development Bank
DAAD	Deutscher Akademischer Austausch Dienst
DANIDA	Danish International Development Agency
DSE	Dar es Salaam Stock Exchange
EAC	East African Community
EPRA	European Public Real Estate Association
EPZ	Export Processing Zone
ERB	Engineers Registration Board
ESRF	Economic and Social Research Foundation
FDI	Foreign Direct Investment
FGDs	Focus Group Discussions
FII	Foreign Indirect Investment
GDP	Gross Domestic Product
GOEFs	German Open-Ended Real Estate Funds
ICG	Initiative Corporate Governance
ICSID	International Centre for Settlement of Investment Disputes
IEA	International Energy Agency
IFC	International Finance Corporation
INREV	Investors in Non-Listed Real Estate Vehicles
IPD	Investment Property Databank
IPO	Initial Public Offering

IREBS	International Real Estate Business School
LAPF	Local Authorities Pensions Fund
LPTs	Listed Property Trusts
MBS	Mortgage Backed Securities
MIGA	Multilateral Investment Guarantee Agency
MoLHHSD	Ministry of Lands, Housing and Human Settlements Development
MWRR	Money Weighted Rate of Return
NAREIT	National Association of Real Estate Investment Trusts
NBC	National Bank of Commerce
NCPS	National Council of Professional Surveyors
NHC	National Housing Corporation
NHIF	National Health Insurance Fund
NIC	National Insurance Corporation
NIE	New Institutional Economics
NORAD	Norwegian Agency for Development Co-operation
NPF	National Provident Fund
NSSF	National Social Security Fund
OECD	Organisation for Economic Co-operation and Development
PBZ	People's Bank of Zanzibar
PCCB	Prevention and Combating of Corruption Bureau
PHFC	Permanent Housing Finance Company
PICs	Property Investment Corporations
POAC	Public Organisations Accounts Committee
PPF	Parastatal Pensions Fund
PRRES	Pacific Rim Real Estate Society
PSPF	Public Service Pensions Fund
PTCs	Property Trading Corporations
PwC	PricewaterhouseCoopers
REITs	Real Estate Investment Trusts
RICS	Royal Institution of Chartered Surveyors
RoB	Registrar of Buildings
ROI	Return on Investment
SPVs	Special Purpose Vehicles

SOEs	State Owned Enterprises
SRES	School of Real Estate Studies
SSRA	Social Security Regulatory Authority
TDFL	Tanzania Development Finance Limited
THB	Tanzania Housing Bank
TIB	Tanzania Investment Bank
TIC	Tanzania Investment Centre
TIVEA	Tanzania Institution of Valuers and Estate Agents
TNBC	Tanzania National Business Council
TPDC	Tanzania Petroleum Development Corporation
TR	Total Returns
TUGHE	Tanzania Union of Government and Health Employees
TWRR	Time Weighted Rate of Returns
TZS	Tanzania Shilling
USA	United States of America
UK	United Kingdom
UNCTAD	United Nations Conference on Trade and Development
UPL	Ubungo Plaza Limited
URT	United Republic of Tanzania
UTT	Unit Trust of Tanzania

1 Introduction

1.1 Background to the problem

1.1.1 Real property investment

Real property investment is one of the oldest activities in history (Renaud, 2003; Naubereit and Gier, 2002). In many societies, real property ownership has traditionally been considered to be a symbol of wealth and power. It is estimated that real property forms about 50% of the global wealth (Ling and Archer, 2007; Malpezzi, 2000). The nature and form of property as an investment vehicle have however significantly evolved over time. As an investment vehicle of modern times, property takes many different forms. Following financial engineering innovations, property investment can now be pursued by either acquiring direct property or by purchasing indirect property investment vehicles. Direct property investment entails ownership of physical land and buildings whereas indirect property investment entails land and buildings through some forms of financial instruments (Ling and Archer, 2005; Hoesli and MacGregor, 2000).

However, property investment is still perceived by many to be physical or direct property investment products (Thrall, 2002; Pyhrr et al, 1989). Such a simplistic outlook focusing only on physical or space aspects disregards the far reaching implications that property investment has on the wider economy. A more comprehensive view of property investment considers both space and capital market products of property investment (Geltner et al, 2007; Eppli and Tu, 2004).

There is quite a wide range of indirect property investment vehicles. It is common however to group them into three main categories namely, indirect equity, debt instruments, and property derivatives (Hoesli and MacGregor, 2000). Some authors categorise indirect property investment into equity, debt and hybrid vehicles (Lindberg, 2002; Rowland, 1997). Indirect property investment vehicles, like all other financial instruments, can also be grouped according to the purpose they serve i.e. market broadening instruments, risk management instruments, and arbitraging instruments (Fabozzi and Modigliani, 2009). Recent observations show that many institutional investors worldwide have significantly increased indirect property investment vehicles' allocations in their investment portfolios (Cauchie and Hoesli, 2006; Bone-Winkel et al, 2005; Cieleback, 2004). It is estimated that about 40% of real estate holdings of institutional investors in Europe are in indirect investment vehicles (Bone-Winkel et al, 2005). It is important however to note that a well functioning capital market is one of the major preconditions for a market of indirect property investment.

The complexity of real property as an asset and investment product clearly suggests that pursuit of investment activity in this form of investment avenue is equally complex (Rowland, 1998). Both direct and indirect forms of property investment require the involvement of many people. Direct property investors, for instance, normally seek the services of investment analysts, architects, engineers, property managers, estate brokers etc. Similarly, indirect property investors also engage investment consultants, fund managers, and brokers. Besides, considering that the underlying real assets of indirect property investment are direct property assets, it is evident that indirect property investment process involves more people than that of direct property investment. These include people involved in the acquisition and management of the indirect investment vehicles and those involved in the acquisition and management of the underlying direct property assets (Wilson and Zurbruegg, 2003). Concisely, property investment activity entails a complex network of people working as principals or agents.

The complex relationships arising in the course of property investment activities could be analysed using the institutional theory. Over the recent years, the institutional theory has received noticeable attention from scholars amongst economists, sociologists and political scientists (Greif, 2006; Shapiro, 2005). Some renowned economists have come up with a vigorous theoretical analysis incorporating institutional theory into neoclassical economic theory thereby paving way for a new economics perspective named New Institutional Economics – NIE (e.g. Coase, 1998; Klein, 1999; North, 1990; Eggertsson, 1990; Williamson, 1975). NIE is mainly centred on three theories namely, property rights theory, transaction cost theory and agency theory (Kim and Mahoney, 2005; Junker, 2005; Cieleback, 2004). This study contextualises some aspects of the new institutional theory to the field of property investment. In particular, the study employs the agency theory in an attempt to explain the property investment process in an environment characterised by high market imperfections and weak formal institutions.

1.1.2 Agency theory and the real estate investment

Agency theory is basically concerned with the conflicts of interest arising in agency relationships and how to align them. The theory deals with the agency problem, which exists in two main categories namely, adverse selection and moral hazard. Adverse selection or pre-contractual opportunistic behaviour refers to the problem of misrepresentation of ability by the agent (Eisenhardt, 1989). The problems of this nature show up when the potential agent owns private information about something which can cause damage to the principal in the course of agency contract execution. On the other hand, moral hazard or post-contractual opportunistic behaviour refers to problems related to the agent not putting forth the agreed upon effort (Eisenhardt, 1989). Such problems show up when the agent does not undertake the agreed upon activities, and the principal cannot control the contract implementation in its entirety (Rebernik and Bradac, 2006). Instances of moral hazard include falsehood, fraud, larceny, shirking, free-riding, cost-padding, exploitation, negligence, and carelessness (Rebernik and Bradac, 2006; Popov and Simonova. 2006; Cieleback, 2004; Aubert et al, 2003).

Agency problem is a common phenomenon in many forms of associations (Jensen and Meckling, 1976), but the extent of the problem and its effects differ depending on a number of factors. Information asymmetry and opportunism are particularly the defining factors of agency problem. The problem occurs when information asymmetry exits i.e. when one party in a transaction has more or superior information compared to another. The party with information advantage should also be motivated to take advantage of the information. Whereas virtually all common forms of business activities are subject to agency conflicts, in investment activities, agency conflicts manifest themselves primarily through sub-optimal investments (Deephouse and Wiseman, 2000; La Porta et al, 1999; Bricker and Chandar, 1998).

Real estate investment, owing to its idiosyncratic characteristics and involvement of many people who in most cases execute their duties in the form of agency relationships, is more vulnerable to agency problems (Ling and Archer, 2007; Garmaise and Moskowitz, 2004; Cieleback, 2004; Rottke, 2004; Naubereit and Gier, 2002; Rowland, 1998; Graff and Webb, 1997). Theoretically, in the absence of well developed formal institutions, agency conflicts are hard to mitigate. Neo-institutionalists however insist that informal institutions are equally necessary for the effectiveness of the remedies of agency conflicts (Temel-Candemir, 2005; Casadesus-Masanell and Spulber, 2005). This argument is cognizant of the fact that agency relationships are not formed in isolation; rather they are embedded in social relationships. Accordingly, this study further investigates the effectiveness of informal institutions in mitigating the problem.

Tanzania, being one of the reforming infant markets, provides a suitable setting for the purpose of this study. Over the last two decades, property investment activities in Tanzania have recorded a noticeable growth. This is mainly a result of institutional reforms which have been taking place since the mid 1980s. During the period, many formal institutions catering for a wide range of activities have been formed. Growth in property investment activities has promoted growth of real property related professions and consultancy activities. The number of property management agents and the use of outsourced property management services have increased remarkably over the recent years. Owing to the capital intensiveness of property investment, the market is nevertheless still largely dominated by institutional investors; particularly pension funds, National Housing Corporation (NHC) and a few foreign investors. Indirect property investment vehicles are still at their infant stage of development and are mainly in the form of private equity vehicles sponsored by large investors. Besides, most of the property investments owned by private individuals or families are owner-managed, which minimises or eliminates altogether incidents of agency conflicts. For these reasons, this study is centred on property investment activities of these large investors namely, pension funds, NHC and foreign investors.

1.1.3 Pension funds' investments activities

A pension fund is basically a fund reserved to pay workers' pensions when they retire from service (Brueggeman and Fisher, 2005). The term pension fund is also normally used to refer to the organisation responsible for the management of the funds. Worldwide, pension funds are notable institutional investors. Davis and Steil (2001) define institutional investors as specialised financial institutions that manage savings collectively on behalf of small investors toward a specific objective in terms of acceptable risk, return maximisation, and maturity of claims. It is clear from this definition, that pension funds are therefore mere depositories of their members' money. Literally, members of pension funds can be compared to shareholders of public limited liability companies. Administrators of pension funds have a fiduciary responsibility to the insured persons and are expected to act prudently in carrying out their investment duties (Tamagno, 2000).

Pension funds in Tanzania operate more as defined benefits schemes. In defined benefit schemes, each member pays regular contributions into the fund and on retirement the member receives benefits that are related to the member’s salary (Beam and McFadden, 2007; Geho 1997). The plan sponsor (the government in the case of Tanzania) bears all the risks of a possible shortfall between the accumulated contributions and the final pay-out which would be required. Each of the statutes establishing the different government sponsored pension funds in Tanzania carries a provision stating government’s obligation to pay members’ dues in the event the respective pension fund is unable to meet such a liability. The success of a fund, therefore, hinges very much on the quality of the business acumen of the plan sponsors and their advisors (Geho, 1997).

Pension funds can also be classified according to their maturity status. Whereas a mature fund is the one where the existing employees’ net contributions are insufficient to meet the liabilities to retired members, an immature pension fund is the one whose contributing members’ net contributions match or exceed the payments to be made to retired members (Geho, 1997). From the liability structure of pension funds in Tanzania, which shows that assets are more than liabilities, it can be suggested that the schemes are immature. Logically, immature pension funds invest in assets which will provide future income flows to match the liabilities which will occur as the fund matures. It is thus not surprising that pension funds’ investment portfolios in Tanzania have significant real estate investment allocations.

Pension funds are known worldwide for holding substantial proportions of real estate assets in their investment portfolios. For instance, in the USA, since the 1950s allocation to property has been kept in the range of 0% to 17% (Worzala and Bajtelsmit, 1993). The situation has been more or less similar in the UK over the same period of time, although prior to the 1980s some isolated cases of UK pension funds recorded up to over 20% investment property holdings (Investment Property Forum, 1993). More recently, average real estate investment holdings by pension funds in the USA, UK, Germany, Netherlands and Australia are 3.4%, 6%, 12%, 10% and 11% respectively (Worzala et al, 2006; Geho 1997). Limited literature exists on property allocations by pension funds in Africa. Newell et al (2002) report that about 8% of the portfolios of insurance companies and pension funds in South Africa comprise of real estate assets. At times, pension funds in Tanzania have allocated up to more than 20% to direct real estate assets (Mpogole, 2006; Kongela, 2005; Geho, 2001).

Pension funds, currently considered to be property market movers in Tanzania, have been experiencing the *weight of money* problem (Mpogole, 2006; Geho, 2001). Each year, pension funds have about US $ 500 million investible funds at their disposal (Kwaku, 2007). Administrators of these Funds have been trying to diversify portfolios by investing in different avenues. Pension funds in Tanzania hold both direct and indirect property investment. Indirect property investment has been through acquisition of shares in companies (private equity) which invest in real property. Examples of the companies in which pension funds hold shares include Ubungo Plaza Ltd., International House Properties Ltd, NHC/PPF IPS Building Co. Ltd, and Hifadhi Processing Zone Ltd. National Social Security Fund (NSSF) has also shares in Serena Hotels. Parastatal Pensions Fund (PPF) and NSSF are also the majority shareholders of Azania Bank, which is one of few banks in Tanzania providing mortgage finance (Mpogole, 2006; Kongela, 2005).

Pension funds have also been participating in large real property and infrastructure government-sponsored projects. For instance, pension funds have financed the construction of the National Assembly hall in Dodoma (Mpogole, 2006). Pension funds are also currently involved in the construction of Dodoma University buildings, which upon completion, are estimated to cost about TZS 1,000 billion. Pension funds are also currently financing the construction of Mandela Institute of Science and Technology in Arusha. Some other government projects largely financed by pension funds, include the construction of 252 houses for government senior officials in Dodoma (Mwambalaswa, 2003); construction of the University of Dar es Salaam students' halls of residence at Mabibo; and construction of Dar es Salaam petty traders' market building (NSSF, 2007). NSSF is also on the verge of financing the construction of a 700 metre Kivukoni Bridge. LAPF is currently financing the construction of Hombolo

Local Government Institute buildings. LAPF also financed the construction of Msamvu bus terminal in Morogoro municipality. Other pension funds have also been constructing and selling houses to their members on hire-purchase arrangements. On a few occasions, some pension funds have also been advancing loans to private property developers (NSSF, 2008; Whitehouse, 2007; PPF, 2005).

All large pension funds in Tanzania are compulsory contributory schemes financed by both employers and employees during their working life in return for terminal and short term benefits (Dau, 2003). To protect the money of the members, the government exercises close control of the administration of pension funds. The government is involved in the appointment of members of the Boards of Trustees and the Chief Executive Officers of the pension funds.

Nevertheless, some pension funds have been widely criticised for their property investment decisions (Whitehouse, 2007; Mpogole, 2006). The problems with pension funds' investment decisions and management have led to the establishment of the Social Security Regulatory Authority (SSRA). Underscoring the importance of SSRA, The Daily News (dated 3rd August 2009) quoted the Minister responsible for the supervision of pension funds insisting that:

> … the regulatory body will also help the pension funds to operate more efficiently and ensure that investments are made in the best interests of its members, who are the main beneficiaries of their respective schemes….

The property investment process and management of pension funds involve many people starting from the government down the line through property managers or brokers. It is apparent that some of the problems associated with property investment decisions are a reflection of agency conflicts inherent in the investment process. Members of the pension funds have no direct control over the decisions of the administrators of their respective pension funds. Although the government oversees the management of the pension funds, it also plays a role of an agent (of the members), which creates a room for agency conflicts. Cases of senior government officials interfering in the investment decisions of pension funds are a good example of government's conflict of interest in pension funds administration, and thus agency conflicts (Whitehouse, 2007).

1.1.4 National Housing Corporation investment activities

Apart from pension funds, the government, through National Housing Corporation (NHC) is also a key direct player in the real estate investment market. NHC is still wholly owned by the state. The Corporation was formed in 1962, primarily to provide and facilitate the provision of housing and buildings for other uses in urban areas. Until 1989, NHC had already built 16,039 housing units (Kironde et al, 2003). In 1990 the government transferred to NHC all properties which were held by the Registrar of Buildings (RoB). Properties held by RoB were those nationalised in 1971, in the course of implementing socialist policies. In terms of stock size, NHC is the largest owner of real estate in Tanzania, but most of its stock comprises rundown and old buildings commanding low rent. Many of such properties are however located in prime areas, making them very valuable for redevelopment. Apart from managing the old stock buildings, the Corporation is also engaged in property development. Owing to the large size of its operations, NHC also engages a large number of people in its real estate investment activities, which attracts agency conflicts.

The Corporation is headed by the Board of Directors whose chairperson is appointed by the President of the United Republic of Tanzania. The management is headed by Director General. The Director General is appointed by the Minister for the ministry responsible for housing matters. Different levels of principal-agent relationship exist in NHC structure and operations. The agency levels are between the government (owner) and the Board of Directors, between the Board of Directors and the Management, between the Management and employees and external contracting parties such as property managers, estate agents, contractors, auctioneers, architects, etc. Besides, having properties scattered all over the country, further complicates the monitoring and control of the operations.

Being a public corporation, NHC has for many years been under constant pressure from dissatisfied members of the public. Lack of transparency in allocating housing units and unofficial subletting of properties by NHC officials and some tenants are some of the commonly reported problems. Non-performing assets and inefficient manpower are the other problems that have been facing NHC for years. Even the newly appointed Director General (in 2010) openly confessed that the Corporation’s public image was tarnished by the actions of some unfaithful officials and lack of transparency in the operations (Kagaruki, 2010). Similarly, being a state owned enterprise, NHC has also apparently been associated with unofficial interference from some senior government officials and politicians.

1.1.5 Foreign property investors' investment activities

Like pension funds and NHC, foreign investors also use a great deal of agents in the property investment process. Over the recent years, the property market has witnessed entry of foreign investors. Some of the foreign real estate investors currently in Tanzania include Integrated Property Investments Ltd. (IPI), CDC and Aga Khan Foundation all of the UK; Island View of Botswana; African National Congress of South Africa; and a number of small investors mainly from Middle East, India, China and some other African countries (Kusiluka, 2008a). Some of the foreign investors currently contemplating starting up their property investment activities in Tanzania include Rutley Capital's East African Real Estate Fund and African Real Estate Company (Rositer, 2007). Despite its small nominal GDP which is estimated at about US $ 18 billion (Economist Intelligence Unit, 2009), Tanzania is said to be attracting more foreign investors than actually expected (Baum, 2008). Apart from institutional reforms, the country's geographical location coupled with its natural tourist attractions, is one of the additional factors making it a suitable place for real estate investment (Broll and CBRE, 2009). Most of the foreign investors have focused on commercial properties, prime residential houses and tourist hotels.

Foreign investors have been engaging agents in market studies, feasibility studies, land acquisitions, construction management, project marketing, property management, and property selling. In the course of the use of agents, some investors have apparently encountered several problems. For instance, Mlimani City investors (Island View) had to revisit their plans to be able to continue with the project after failing to raise capital locally contrary to what had been initially envisaged. This investment project entailing development of approximately 100 acres of prime land, has suffered delays in completion. Bahari Beach Resort project is another example. The project, which is undertaken by Integrated Property Investments Limited of the UK, entails development of a beach resort consisting of more than 600 housing units and the accompanying amenities. Like Mlimani City, this project has also had problems in sticking to its original plan. Investors have had to review investment financing and capital structure. They finally resorted to inviting equity investors amongst local private and institutional investors.

1.1.6 Nature of conflicts in real estate investment activities

Owing to the nature and operations of the selected investors in Tanzania, the main real estate investment activities requiring the services of agents include land acquisition, feasibility studies, building designing, construction, property marketing and renting, estate agency, property management, and valuation. As highlighted in subsection 1.1.3 to 1.1.5 of this chapter, it is apparent that property investment activities of pension funds, NHC and foreign investors are highly vulnerable to agency conflicts. This is due to high involvement of agents in their investment decision process. Apart from their own employees, these investors have from time to time had to involve different people or parties including professional consultants, management teams, partners, and sometimes government agencies. With all these parties involved, contracts catering for the relationships between different parties are common. Loopholes in the enforcement of these contracts give a room for agents to pursue their own interests instead, or at the expense, of their principals' interests. Such agents' actions and omissions undermine investment efficiency. The extent and effects of agency conflicts are apparently worse in market settings which generally have restricted or vague owners' property rights and high market imperfections. It is thus very likely that most of the investment decisions made by agents on behalf of their principals are in the first place meant to serve agents' interests or are just made without agents' best sense of care and responsibility.

Pension funds have invariably been criticised for some of their property investment decisions (Mpogole, 2006). The common concern has been whether or not such investment decisions reflect the best management of members' funds (Daily News, 3rd August 2009). Similarly, NHC has been under pressure for failure to address housing problem and management inefficiency. Foreign investors, on the other hand, owing to their little knowledge of the local market, have also inevitably been engaging many agents in their investment activities. Apparently, agency conflicts have in some cases resulted into serious problems to investors such as delays in project completion, failure to raise finance from local sources, and major re-organisation of activities. Some foreign real estate investment project plans have been shelved or abandoned altogether. It is mainly the complexity of the real estate investment process of pension funds, NHC and foreign investors that exposes them to more agency conflicts. Theoretically, the agency problems faced by these investors is much higher owing to the fact that their investment activities are carried out in a market setting which is dominated by high market imperfections and weak institutions.

1.2 Statement of the problem

Robust conceptual literature and empirical studies on agency conflicts over the recent decades have culminated into agency theory. The theory is thus still at its early stages of development (Temel-Candemir, 2005). Despite its success in addressing some corporate governance and other agency contracting issues, the theory still suffers a number of limitations. It is mainly the limitations of the theory in addressing some real life issues, which have attracted scholars from a wide range of disciplines into a debate on various aspects of the theory. One of the widely disputed aspects of agency theory is its assumption that individuals are rational and self-interested utility maximisers prone to opportunism (Bathula, 2008; Temel-Candemir, 2005; Shapiro, 2005; Brennan, 1994). This assumption is widely considered to be one of the major limitations of the institutional theory as a whole (High et al, 2005; Frank, 2004). Agency theory is also challenged for not addressing different contexts of cultural behaviour (Johnson and Droege, 2004). The theory overlooks the role of informal institutions in constraining human behaviour (Brennan, 1994). Proponents of stewardship theory also criticise agency theory for ignoring stewardship in agency relationships (Davies et al, 1997).

Limitations of agency theory are also manifested through ineffectiveness of some of the remedies of agency conflicts in checking agents' opportunistic tendencies. Some of the common remedies of agency conflicts include performance incentives, stock options, and long term job contracts (Parkin et al, 2008). Given the complexity of a human being and the heterogeneity of the institutional environments in which agency contracting takes place, the effectiveness of some of these remedies remains to be theoretical and a subject of contention (Padilla, 2002). For instance, the economic analysis of incentives is widely criticised for disregarding the role of indirect incentives (Casadesus-Masanell and Spulber, 2005). The proponents of indirect incentives insist on the role of informal institutions in checking opportunistic behaviour in business transactions.

Besides, real estate literature focusing on agency theory is still limited. Most of the existing theoretical analysis and empirical studies testing out various aspects of agency theory are to a large extent confined to corporate finance, corporate governance and managerial economics aspects of general businesses (Gunasekarage and Reed, 2008; Junker, 2005; Kim and Mahoney, 2005; Ang et al, 2000). Real estate investment activities, despite their relative high vulnerability to agency conflicts, have until very recently not been given comprehensive treatment in the literature. Even the few existing studies have concentrated on corporate governance issues of corporate real estate investors (e.g. Kohl and Schaefers, 2009; Schulte and Kolb, 2008; Klingenberg and Brown, 2006) and some aspects of real estate management and brokerage (e.g. Rutherford et al, 2005; Gibler and Black, 2004; Zietz and Newsome, 2001; Rosenberg and Corgel, 1990). Besides, most of the studies have been carried out in the developed real estate markets i.e. Europe, USA and, more recently, Asia. Such markets have significantly different institutions from those obtaining in infant real estate market settings.

The paucity of comprehensive agency theory literature focusing on real estate investment activities taking place in market settings which are characterised by nascent formal institutions like Tanzania has left players in such markets with limited options of dealing with agency problems. The absence of comprehensive agency theory studies carried out in infant property markets has also led to a dearth of knowledge of the common forms, catalysts and mitigation techniques of agency problems in such markets. This study is an attempt to fill this gap. Apart from applying agency theory to investigate opportunistic tendencies in real estate investment activities, this study also examines the effectiveness of institutions and other human behaviour attributes in mitigating agency problems. The study uses a real life setting which is characterised by nascent formal institutions and high market imperfection to extend the discussion on the main limitations of agency theory. Apart from its contribution to knowledge, the study is important for real estate investors in less developed markets in dealing with agency conflicts. The study is also useful to policy makers, employers, and human resource managers in devising appropriate remedial institutions to address agency conflicts in real estate investment activities.

1.3 Objectives of the study

1.3.1 General objective

The general objective of this study is to investigate agency problems in real estate investment activities and to determine the effectiveness of institutional remedies and other human behaviour drivers in mitigating the problems. The study was carried out in Tanzania, which is an infant real estate investment market characterised by nascent formal institutions.

1.3.2 Specific objectives

To address the general objective, below are the specific objectives.

(i) To describe the link between real estate investment and the institutional environment

(ii) To investigate the forms, catalysts and mitigation techniques of agency problems in real estate investment activities

(iii) To examine the effectiveness of the formal and informal institutional remedies in constraining agents' opportunistic behaviour in the real estate investment activities

(iv) To examine the association between institutional attributes and other human behaviour drivers in controlling agents' opportunistic behaviour

1.4. Research questions

Below are the research questions corresponding to the specific objectives listed in subsection 1.3.2 above.

(i) How is real estate investment linked with the institutional environment?

(ii) What are the forms, catalysts and mitigation techniques of agency problems in real estate investment activities

(iii) How effective are the formal and informal institutional remedies in constraining agents' opportunistic behaviour?

(iv) What is the association between institutional attributes and other human behaviour drivers in controlling agents' behaviour?

1.5 Identification and definition of institutional parameters

Agent's behaviour, formal institutions and informal institutions are the key variables defining this study. It is thus posited in this study that the behaviour of agents involved in real estate investment activities is a function of the prevailing formal and informal institutions. Institutions are defined by North (1990) as society's rules of the games, or more precisely, the constraints that we have devised to shape human behaviour i.e. they are rules, norms and regulations by which a society functions. Institutions reduce uncertainty to social interaction by providing a structure to everyday life (Ebohon et al, 2002). They serve a number of important economic functions, such as handling situations with missing or asymmetrical information, facilitating and enforcing market and non-market transactions, substituting for missing markets, co-ordinating the formation of expectations, encouraging cooperation and collective action and reducing transaction costs (Mooya and Cloete, 2007). Institutions are developed by human activity and, therefore, reflect the power and interests within the society (Viruly, 2009).

The economists' definition of the term institution is slightly different from that of political scientists and sociologists. Acknowledging this problem, Greif (2006) crafts a more inclusive definition of the term institution which incorporates economics, political science and sociology perspectives. The author refers to institutions as:

> …rules of the game in society; as formal or informal organisations (social structures), such as parliaments, universities, tribes, families, or communities; as beliefs about others' behaviour, or about the world around us and the relationship between actions and outcomes in it; as internalised norms of behaviour, and as regularities of behaviour or social practices that are regularly and continuously repeated, including contractual regularities expressing themselves in organisations such as firms (Greif, 2006: 39).

Institutions comprise both formal and informal constraints. Formal institutions are constraints comprising norms and rules devised by the society to govern the conduct of its members and their sanctions are guaranteed through formal processes (Ebohon et al, 2002). Formal institutions are officially codified and are mostly enforceable through legal recourse or arbitration (Lauth, 2004). Informal institutions, on the other hand, are much more difficult to define. The term ‘informal’ may refer to almost anything that is not formal and appears in the context of a dizzying array of phenomena, including personal networks, clientelism, corruption, clans, civil society, traditional culture, and a variety of legislative, judicial, and bureaucratic norms (Helmke and Levitsky, 2004). It is however, common in many disciplines to define informal institutions as social norms that represent evolved practices with stable rules of behaviour that are outside the formal system (Sen, 2006). They are institutions which are not formally codified in official documents, but they reflect acceptable behaviour which is governed through a set of known sanctions or through powerful processes of internalisation without recourse to sanctions (Lauth, 2004; Sen, 2006).

The key difference between formal and informal institutions is that while the former are centrally designed and enforced the latter can remain in the private realm (Williamson, 2009). Whilst formal institutions are guaranteed by state agencies and their violation is sanctioned by the state, most of the informal institutions are based solely on their existence and effectiveness. The sanctioning possibilities they imply are largely due to social mechanisms of exclusion or are based on the condition that its non-utilisation minimises the chances of gaining access to needed goods and services (Lauth, 2004). Although informal institutions are not codified in the formal documents such as laws and constitutions, they are normally implied in such documents. This is important because the enforcement and the effectiveness of such formal institutions are dependent on the informal institutions prevailing in the society in question (Casadesus-Masanell and Spulber, 2005).

Many studies have attempted to link economic development and the level of institutional development (Williamson, 2009; Tabellini, 2008; Glaeser et al, 2004; de Soto, 2000). There is a general consensus that the existence of strong institutions is a prerequisite for economic development. Whereas some literature insists on formal institutions (de Soto, 2000), more recent studies suggest that formal institutions are not effective in the absence of strong informal institutions (Williamson, 2009; Tabellini, 2008). It is thus suggested that, in a bid to reform economies, the introduction of formal institutions should entail a process of mapping such institutions onto the existing informal institutions, and not replacing them (Boettke et al, 2008). Empirical evidence shows that countries with strong informal institutions perform better economically than those whose reforms have entailed strengthening formal institutions while ignoring informal institutions (Williamson, 2009).

A number of formal institutions are in place to address agency conflicts. These include policies, laws, rules and regulations. Agency laws, contract laws, financial markets laws, professionals' codes of conduct, professional bodies, credit institutions, agency contracts, employment contracts and policies are some of the formal institutions which, among others, regulate the conduct of agents. To assess the effectiveness of formal institutions in checking agency conflicts in real estate investment activities of pension funds, NHC and foreign investors in Tanzania, this study focuses on how such formal institutions control the actions and omissions of agents and principals in discharging their duties. Cognizant of the infancy of most of the market and corporate governance formal institutions, this study assigns equally significant weight to informal institutions as complementary institutions in regulating the actions of agents. As North (1992) suggests, formal rules and informal norms can either compensate or substitute for each other. Owing to the weakness of the formal institutions in Tanzania, informality dominates most of the human activities.

In assessing the effectiveness of informal institutions in mitigating agency conflicts in the real estate investment activities, various forms of informal institutions, as gleaned from institutional theory literature, were considered. For instance, North (1990) attributes informal institutions to social sanctions, taboos, customs, traditions and social code of conduct. In addition to customs and traditions, Pejovich (2006) further cites moral values, religious beliefs, and norms of behaviour as defining aspects of informal institutions. Brennan (1994) also adds altruism as one of the important constraints of human behaviour against opportunism. Some authors (e.g. Casadesus-Masanell and Spulber, 2005; Helmke and Levitsky, 2004) also cite social network as another important behaviour constraint. Therefore, for the purpose of this study, the following forms of informal institutions were adopted: social norms, customs, traditions, taboos, social sanctions, social code of conduct, social network, spirituality, altruism, and moral values (e.g. trustworthiness and respect).

1.6 Significance of the study

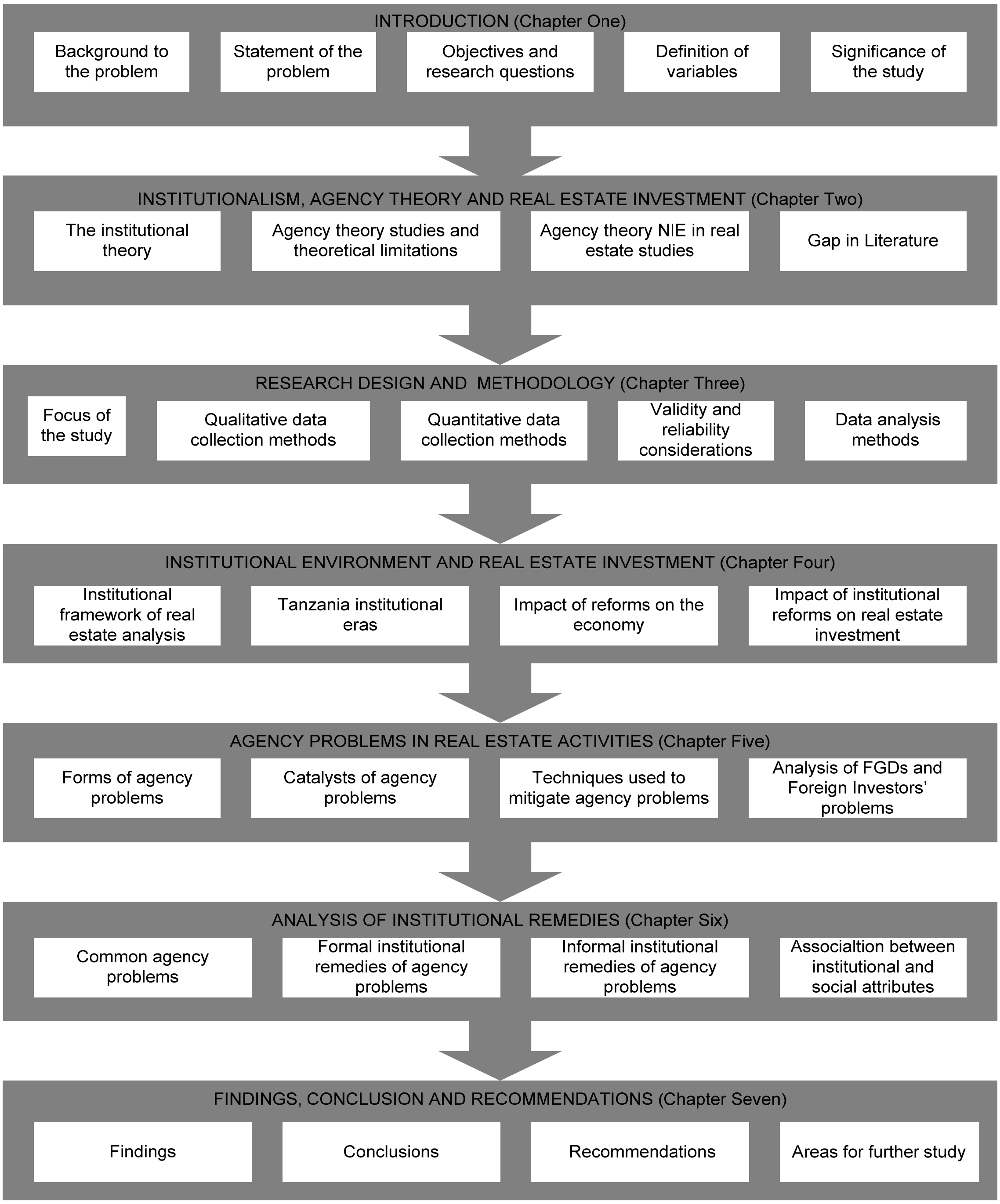
Many sub-areas of real estate investment in less developed countries are still under-researched. This has resulted into high dependence on literature meant for developed investment markets, which is in many cases inadequate to address specific needs of the less developed market settings. The paucity of literature catering for such settings has left real estate investment market players without practical tools to deal with problems arising from the weak formal institutional environment in which they operate. This study is an attempt to address some of the knowledge problems in dealing with agency conflicts arising out of relationships formed in the course of executing various real estate investment activities in the context of the developing markets. The study provides some insights on how agency conflicts can perpetuate sub-optimal real estate investments thereby undermining investors' wealth maximisation efforts, and how such a problem can be addressed using the institutional approach.

The study comes up with tailored remedies for agency conflicts based on the real life institutional environment obtaining in developing countries. Since this study generates the knowledge necessary in pursuing efficient real estate investment activities, the ultimate beneficiaries of the study are both the existing and potential real estate investors. The study is useful to policy makers and investors in devising more effective ways of mitigating agency conflicts using both formal and informal institutions. Policy makers in the government and its institutions charged with fostering economic growth through investment facilitation and promotion will also find this study useful in formulating policies related to real estate investment. The knowledge acquired from this study may equally be relevant to other emerging markets which share key similarities with Tanzania.

1.7 Book arrangement

As shown in Figure 1.1, this book is organised into seven chapters. Chapter One gives a general introduction to the study. It covers the background to the study and statement of the problem. It also presents the objectives of the study, research questions and the significance of the study. Chapter Two presents the theoretical framework underlying the study. A critical review of the pertinent conceptual and empirical literature is also presented in this chapter. Research methodology is presented in Chapter Three.

Figure 1.1 Book structure



Chapter Four gives an account of the institutional environment underpinning real estate investment activities and then shows how institutional reforms in Tanzania have promoted growth in the real estate sector. Data analysis, results and discussions are devoted to Chapter Five and Six. Whereas the nature, forms, catalysts and remedies of agency problems in real estate investment activities are covered in Chapter Five, analysis of institutional remedies is presented in Chapter Six. Chapter Seven presents the findings, conclusions, recommendations and areas for further study.

2 Institutionalism, Agency Theory and Real Estate Investment

2.1 Introduction

Both conceptual and empirical literature on institutional theory has received considerable attention following the emergence and growth in popularity of the New Institutional Economics (NIE). NIE literature has focused on explaining how institutions arise and what purpose they serve with its fundamental message being that institutions matter for economic performance (Williamson, 2009; Tabellini, 2008; Junker, 2005). The literature shows that institutions emerge to deal with frictions in the society (Eggertsson, 1990; North, 1990; Harriss et al, 1995). It also explains why inefficient institutions may persist or may be perpetuated in societies. The literature on institutional theory has mainly focused on three theories namely, property rights, transaction costs and agency (Kim and Mahoney, 2005; Cieleback, 2004, Fischer, 2004).

Many strands of literature on agency theory have focused on explaining how managers of corporations, being agents of shareholders, use the resources of the shareholders to pursue their own interests instead of those of their principals and how such behaviour of managers can be controlled (Kaymak and Bektas, 2008; Nicholson and Kiel, 2007; Danielson and Scott, 2007; Jensen and Meckling, 1979; Jensen and Meckling, 1976). This chapter examines the institutional theory literature with a particular emphasis on agency theory and its applicability in real estate investment activities. A critical analysis of the theory is presented, thereby identifying gaps which need to be filled by the current study and subsequent studies. Cognizant of the fact that the agency theory is still at its early stages of development (Temel-Candemir, 2005), this chapter sets the ground for testing the theory by contextualising the investigation of agency relationship to real estate investment activity occurring in an investment market setting which is characterised by weak formal institutions.

2.2 The institutional theory

2.2.1 Basics of New Institutional Economics

The new institutional theory insists that human behaviour cannot only be explained using formal rules and value-maximising rationality, but also by focusing on the role of norms, symbols, myths, belief systems, and informal arrangements forming the culture of the organisation or society in question. In the words of Scott (2005: 460):

> The institutional theory attends to the deeper and more resilient aspects of social structure. It considers the processes by which structures, including schemas, rules, norms, and routines, become established as authoritative guidelines for social behaviour. Different components of institutional theory explain how these elements are created, diffused, adopted, and adapted over space and time; and how they fall into decline and disuse.

A robust development and application of the institutional theory in economic analysis is widely associated with the emergence of NIE academic movement. NIE can be traced back to the work of a Nobel laureate Ronald Coase (1937), but its development into a self-conscious academic movement is largely attributed to Williamson's (1975) work. Since then, NIE has developed as a movement within the social sciences that unites theoretical and empirical research examining the role of institutions in furthering or preventing economic growth (Cieleback, 2004). NIE builds on, modifies, and extends neoclassical theory and retains, and builds on, the fundamental assumption of scarcity and hence competition. NIE developed in an effort to deal with the unrealistic assumption of neoclassical economics theory of markets, which maintains that firms operating within the market act as rational decision makers (Kim and Mahoney, 2005, Junker, 2005). To the contrary, markets are not perfect. As a result, some forms of economic organisations have been arising to compensate for market failures. Cognizant of this fact, some scholars have attempted to incorporate more realistic assumptions into the microeconomic model, thus paving way to NIE. Three theories namely, property rights, transaction cost, and agency dominate NIE literature (Kim and Mahoney, 2005; Junker, 2005; Cieleback, 2004). The sub-sections below briefly look at the three theories.

2.2.2 Transaction cost theory

Institutions evolve to minimise frictions and uncertainty, collectively regarded as transaction costs, and they change and develop over time as circumstances and experiences dictate (Harriss et al, 1995; Eggertsson, 1990; North, 1990). It is important though to acknowledge that not all emerging institutions are necessarily efficient. Inefficient institutions may persist where nobody has the knowledge or motivation to change them, and sometimes inefficient institutions exist to serve the interest of influential members of the society (Acemoglu and Robinson, 2008; North, 2003; Keogh and D'Arcy, 1999). The concept of transaction costs can be traced to Adam Smith, but the path-breaking economic analysis of transaction costs was first carried out by Coase (1937), in a bid to explain why firms carry out some activities, procedures or services internally while others are bought and sold in the market (Vitikainen, 2007; Cheung, 1983). Scholars' interest in transaction costs became more noticeable in the 1960s and 1970s. This is the time when property rights and agency theories also gained significant ground (Hobbs, 1996; Jensen and Meckling, 1976; Demsetz, 1967; Alchian, 1965). Williamson (1975; 1979) is widely acknowledged to have pioneered the development of the transaction costs theory.

Different authors have attempted to categorise transaction costs into various groups. For instance, Furubotn and Richter (1998) group transaction costs into three categories namely, search and information costs, bargaining and decision costs and, supervision and enforcement cost. Parkin et al (2008), also agree that transaction costs are costs arising from finding someone with whom to do business, of reaching an agreement about the price and other aspects of the exchange, and of ensuring that the terms of the agreement are fulfilled. Considering the idiosyncratic features of real estate investment, it is apparent that real estate business attracts many forms of institutions to deal with a multiple of transaction costs associated with it. As noted by Geltner et al (2007), transaction costs in buying and selling property are much greater than those in the security market. Contextualising transaction costs to real estate business, Mooya and Cloete (2007) provide that search and information costs relate to the cost of the process of finding the right transaction partner, bargaining and decision costs are incurred once a suitable prospective transaction partner is found and, supervision and enforcement costs arise after the transaction has been completed and relate to the need to monitor and enforce agreements. A further breakdown of transaction costs attributable to real estate business provides six categories of the costs namely, search costs, legal costs, administrative costs, adjustment costs, financial costs, and the costs of uncertainty (Stubkjaer et al, 2007; Quigley, 2002).

In all cases of practical importance, transaction costs are recognised as being greater than zero and, transaction costs economics is concerned with reduction of transaction costs to a level at which exchange is possible (Greif, 2006; Furubotn and Pejovich, 1972). However, whereas there is a general consensus that transaction costs exist, no significant empirical work has been done owing to difficulties in quantifying them. Measurement of transaction costs has not kept pace with theoretical developments (Stubkjaer et al, 2007; Buitelaar, 2004; Loader, 1997; Hobbs, 1996). Transaction costs have been treated in many texts in a heuristic sense and the texts have dwelt much on providing theoretical explanation of how these costs affect the allocation of resources (Buitelaar, 2004).

Unlike production costs, transaction costs are neither easy to separate from other managerial costs nor readily measurable. The problem of quantifying transaction costs is analogous to the difficulty accountants have in assigning costs of jointly used assets to individual enterprises in a multiple enterprise firm. Owing to the complex nature of most of the institutions, the costs of their operations are not easy to quantify and the data which one might use to measure transaction costs are not usually collected by governments or by the standard accountancy practices of firms (Hobbs, 1996). From the cited bottlenecks, quantification of transaction costs associated with real estate investment activities has largely remained a theoretical phenomenon. In studying impediments to mortgage finance in Tanzania, Mbele (2009) looks at, among other things, the transactions costs associated with mortgage finance. However, owing to difficulties in quantifying transaction costs, the author does not give a comprehensive treatment of the transaction costs involved in mortgage finance in Tanzania.

2.2.3 Property rights theory

Property rights refer to the sanctioned behavioural relations among 'men' that arise from the existence of things and pertain to their use (Furubotn and Pejovich, 1972). They are social institutions that govern the ownership, use, and disposal of anything that people value (Parkin, et al, 2008). Property rights specify the norms of behaviour with respect to things that each and every person in a society must observe in his interaction with other persons, or bear the cost of non-observance. Property rights are the fundamental foundation of market economy i.e. by establishing property rights and the legal system that enforces them, governments enable markets to function (Parkin et al, 2008). Sometimes it is possible to reduce inefficiency arising from externality by establishing a property right where one does not exist.

The term property rights has a double connotation i.e. first it essentially refers to the ability a person has to enjoy a piece of property, and secondly it is what the state assigns to a person (Barzel, 1997). The first connotation of property rights is also referred to as economic (property) rights while the second is referred to as legal (property) rights. Economic rights are actually the end i.e. what people ultimately seek, whereas legal rights are the means to achieve the end. The value of any good exchanged depends on the bundle of property rights that is conveyed in the transaction. Honore (1961) points out twelve rights of full property ownership namely, the right to possession (exclusive control), the right to use (usufruct), the right to manage, the right to income, the right to capital, the right to security, the right to transmissibility, the right to divisibility, prohibition of harmful use, absence of term, liability to execution, and residual character.

Security and clarity of property rights differ from one society to another and from one asset to another. Some societies have imposed more restrictions on property rights than others. Furubotn and Pejovich (1972) refer to such restrictions as ‘attenuation of property rights’, which implies limitations on owner’s rights to change the form, place, or substance of an asset, transfer of all rights to an asset to others at a mutually agreed upon price. With this definition of property rights, it is generally rare to find a society with absolute property rights. In contemporary economies, without the rule of law, protection of property rights is often awarded by the politically powerful to some individual members of the society who can reciprocate through their economic activity or political support (Greif, 2006). This is analogous to the argument that inefficient institutions may exist in a society in the interest of the people in power to make decisions.

Issues of property rights are paramount in real property compared to personal property. This is mainly explained by the fact that landed property is the single largest asset accounting for about 50% of global wealth (Ling and Archer, 2005). Wealth and livelihoods of many people in the world are directly attached to real property. There are different land tenure arrangements found in different parts of the world. Africa and many other developing regions are popular for embracing hostile land tenure systems inhibiting economic development (de Soto, 2000; Gough and Yankson, 2000; Besley, 1995). Ownership, use and occupation of landed property are indeed some of the main sources of conflicts amongst individuals, clans, tribes and even nations (Mpogole and Kongela, 2009). The situation is different in developed countries where property rights on landed property and other assets are relatively secure, more defined and protected.

A rich body of literature in the field of economics affirms that clearly defined and enforced property rights contribute significantly to economic development (Parkin et al, 2008; Joireman, 2006; Ebohon et al, 2002; Asiedu, 2002; de Soto, 2000; Svensson, 1998; Besley, 1995; Feder and Feeny, 1991). Property rights theory underlines the importance of institutions securing property rights for the operation of markets (Greif, 2006). Secure property rights encourage people to invest their resources and protect their investment against expropriation (Joireman, 2006; Asiedu, 2002). Ambiguity in the definition and clarity or enforcement of any of property rights leads to an increase in transaction costs in the exchange as well as residual uncertainty after any contract (Joireman, 2006). Property rights limitations largely account for the paucity of Foreign Direct Investment in African markets (Lim et al, 2006; Krugell, 2005; Ngowi, 2005; Kumssa and Mbeche, 2004; Goldstein, 2004; Asiedu, 2002). Issues of property rights limitations have featured in most of the studies on African real estate markets (e.g. Sjoestedt, 2007; Mooya and Cloete, 2007; Abdulai, 2006; de Soto, 2000; Svensson, 1998; Besley, 1995).

2.2.4 Agency theory

Agency is simply a legal relationship in which one party, the principal, authorises another, the agent, to act on behalf of the principal. Agency relationships exist in all forms of organisations. Essentially, all contractual arrangements, ranging from the one between employer and employee to that between the state and the governed, contain important elements of agency (Ross, 1973). This implies that, agency relationships exist in all organisations and in all cooperative efforts and at every level of management in firms, in universities, in mutual companies, in cooperatives, in governmental authorities and bureaus, in unions, and in relationships normally classified as agency relationships such as those common in the performing arts and the market for real estate (Jensen and Meckling, 1979).

The relationship of agency is one of the oldest and commonest codified modes of social interaction (Ross, 1973). The origin of agency relations in business activities is also associated with pre-modern international traders. Greif (2006) cites examples of the 11th century merchants namely Maghribi traders from the Muslim world and 12th century Genoese traders from the Latin world, to show the risk of using agents and how such a risk can be mitigated by introducing institutions through which an agent can commit himself *ex ante* i.e. before receiving merchant's capital, to be honest *ex post* i.e. after receiving the merchants goods. Historical cases of agency in international trade are also reported in Africa. Cohen (1969) documents agency relationship in the Hausa trade diaspora where landlords in Ibadan, Nigeria employed agents to sell cattle from dealers located elsewhere in the trade route. Being owners of immovable and illiquid real estate, the landlords were considered reliable agents, as they could not easily sell their real estate and leave after embezzling the money of traders.

Common examples of agency relationships in a corporate setting are those involving shareholders, managers and workers. The first scenario, is that in which shareholders are the principals while managers are the agents. In the other scenario, managers may be principals while workers are the agents. There is a chain of principal-agent relationship within the firm. A noticeable documentation of agency relationship and the associated conflicts in firms was done by Adam Smith (1776)[1]. Presupposing existence of an invisible hand coordinating all individual actions through the price mechanism, Adam Smith maintained that, the welfare of all will be maximised if each individual maximises his or her own welfare. The assumption was however that all individuals work within a legal structure where there is complete and accurate information. Unfortunately, in reality, markets are not always that efficient. Mindful of this reality, Adam Smith acknowledged existence of a problem in agency relationships. Commenting on the agency problem experienced by limited companies, whose management is separated from ownership, Adam Smith stated:

> The directors of such [joint stock] companies, however, being the managers rather of other people's money than of their own, it cannot well be expected that they should watch over it with the same anxious vigilance with which the partners in a private copartnery frequently watch over their own. Like the stewards of a rich man, they are apt to consider attention to small matters as not for their master's honour, and very easily give themselves a

[1] An Inquiry into the Nature and Causes of the Wealth of Nations, Edinburgh, 1776

> dispensation from having it. Negligence and profusion, therefore, must always prevail, more or less, in the management of the affairs of such a company.

The salience of Adam Smith's work on agency conflicts in business was not realised until the expansion of capitalism in the late 1880s and 1900s which led to a widespread separation of ownership and control functions of the firm (Nicholson and Kiel, 2007). In the modern business environment which is dominated by large business organisations, the use of agents in the execution of various activities has become inevitable. The work of Jensen and Meckling (1976) is widely cited as one of the pioneering works on agency conflicts which have culminated into agency theory. The theory deals with the analysis of legal contractual relationships when ownership and control are separated and market information asymmetries are present (Cieleback, 2004). In the context of New Institutional Economics, agency theory is viewed as an economic analysis of cooperation in situations where externalities, uncertainty, limited observability, or asymmetric information exclude the pure market organisation (Bamberg and Spremann, 1989). Key aspects of agency theory as applied in an organisation are summarized in Figure 2.1 (see next page).

In agency relationship, principals assign agents to perform some service on their behalf, which involves delegating some decision making authority to the agent. Agents are expected, and indeed obliged, to act in the best interest of their principals, but this is not always the case. Mindful of the world with imperfect and inaccurate information, Jensen and Meckling (1979) commenting on Adam Smith's proposition, argue that if both principal and agent are utility maximisers, there is a good reason to believe that the agent will not always act in the best interests of the principal. The agents to whom the principal delegates authority have an objective function that diverges from that of the principal (Jensen and Meckling, 1992). Agents tend to pursue their own goals, which may be conflicting with those of their principals, thereby imposing costs on the principals. In other words, when agents maximise their welfare by pursuing actions which conflict with the goals of their principals, they undermine the welfare of their principals. The costs that arise when there is a conflict of interest between principals and agents are referred to as agency costs (Berk and DeMarzo, 2007). Owing to the complexity of agency relationships, agency costs can be pecuniary or non-pecuniary.

Figure 2.1: Key aspects of agency theory

Theory Element	Description
Key Idea	Principal-agent relationships should reflect efficient organisation of information and risk-bearing costs
Unit of Analysis	Contract between principal and agent
Human Assumptions	Self interest, bounded rationality, risk aversion
Organisational Assumptions	Partial goal conflict among participants, Efficiency as the effectiveness criterion, Information asymmetry between principal and agent
Information Assumption	Information as a purchasable commodity
Contracting Problem	Agency (moral hazard and adverse selection), risk sharing
Problem Domain	Relationships in which the principal and agent have partly differing goals and risk preferences

Source: Modified from Eisenhardt, 1989

Agency theory is closely related with both transaction costs and property rights theories (Junker, 2005; Kim and Mahoney, 2005; Kowtha, 1997). This link can be illustrated using a simple scenario. Using their information asymmetry power, agents are capable of forming or perpetuating inefficient institutions for their personal interests at the expense of their principals' resources. To check such negative actions or omissions of agents, principals on the other hand, have to incur costs (agency costs) in creating complete agency contracts or applying other remedies such as incentives (van Ees et al, 2009; Casadesus-Masanell and Spulber, 2005). Since transaction costs are the opportunity costs of conducting a transaction, the agency costs incurred by principals are the transaction costs of the agency contract. On a wider scope, societies and governments strive to improve property rights in order to deal with such contracting problems i.e. to minimise transaction costs. A society whose private property rights are clearly defined and secure is likely to attract people to undertake investment activities (Parkin et al, 2008; Joireman, 2006; Ebohon et al, 2002; Barzel, 1997; de Soto, 2000; Svensson, 1998). This is because dealing with agency costs and transaction costs issues becomes relatively easy. In other words, a market setting with well developed institutions will have clearly defined and secure property rights, which are a prerequisite of low transaction costs, and hence low agency costs.

Development of agency theory has forced some scholars to reconsider the traditional economists' outlook of a firm. The traditional economists have regarded a firm as a profit maximising 'black box' that simply converts inputs into output, thereby disregarding the behavioural implication of the human beings involved in production and management process (Jensen, 1998). Mindful of the complexity of human behaviour, a firm is now widely viewed as a social sub-system of interacting individuals that process information and coordinate activities with a view to achieving some predefined objective (Kulkami and Heriot, 1999). The capacity to achieve this objective is however limited by the inherent conflicts of interest among the parties to the firm (Temel-Candemir, 2005).

Despite the negative aspects of agency relationships emanating from the opposing effects of the objective functions of the principals and those of the agents, the use of agents in modern business cannot be avoided. Apart from the large size of business activities, agents are also used because of their better skills, knowledge, information, professional qualifications and experience compared to that of their principals (Bendor et al, 2001). Various remedies have been devised to address agency conflicts. These include stock options, performance incentives and long term agency contracts (Parkin et al, 2008). Studies have shown that alignment of interests of the agents and those of the principals can be achieved by giving agents some shares (ownership), or by rewarding them for good performance and vice versa, and by improving agents' security of tenure by granting long term employment contracts. These remedies are however subject to some criticisms. Some of the main weaknesses of these remedies are discussed in the sections that follow.

2.3 Empirical studies of agency theory

Agency theory has also attracted many empirical studies especially in the fields of corporate finance and managerial economics (Gunasekarage and Reed, 2008; Junker, 2005; Kim and Mahoney, 2005; Ang et al, 2000; La Porta et al, 1999; Lang et al, 1995; Jassim et al, 1988). Most of the literature has focused on investigating how agency conflicts affect the performance of firms. It is evident from most of the literature that corporate investment decisions are fraught with agency conflicts (Kaymak and Bektas, 2008; Shin and Kim, 2002). Such agency conflicts result in suboptimal business decisions, which undermine firms' performance (Deephouse and Wiseman, 2000; Bricker and Chandar, 1998). Many studies confirm that agency conflicts have negative effects on the performance of firms (Danielson and Scott, 2007; Nicholson and Kiel, 2007; Guilding et al, 2005; Shleifer and Vishny, 1997; Rosenberg and Corgel, 1990). Some studies compare performance of corporations managed by owners with those managed by outsiders. Results confirm that corporations managed by insiders show superior performance (Fuess et al, 2011; Dolde and Knopf, 2010; Capozza and Seguin, 2003).

There are, however, some studies which do not see conclusive evidence that firms managed by owners perform better than those managed by non-owners (Bucholtz and Ribbens, 1994), or that firms managed by non-owners perform better than those managed by owners (Beatty and Zajac, 1994). However, most of the studies showing different findings are those based on firms whose members of the boards or executive management are also shareholders, but not the only owners of the firms. Such owner-managers, apart from managing the firms which are considered to be their own, also represent other shareholders who are not in the management. Such a representative role of these owner-managers turns them into agents of the remaining shareholders thereby creating agency conflicts between them. Failure of some studies to isolate other firms' performance variables, and reliance on small samples are also some of the other reasons that explain such abnormal findings (Rowland, 1998).

Some other strands of agency theory literature have focussed on corporate governance issues. Corporate governance is mainly concerned with the design of institutions that induce management in their actions to take into account the welfare of stakeholders, investors, employees, communities, suppliers, and customers (Ayogu, 2001; Shleifer and Vishny, 1997). It is simply the mechanism through which outside investors are protected against expropriation by insiders. Expropriation by managers can take many forms including outright theft of assets, transfer pricing, excessive executive compensation and diversion of funds to unsuitable projects that benefit one group of insiders (Nganga et al, 2003). To check the actions of managers, the boards of directors are put in place. The Boards are widely regarded as a monitoring device whose job is to review and evaluate the performance of management in running the firm, and is ultimately responsible for ensuring that shareholders' wealth is maximised and agency problems are minimised (Donnelly and Mulcahy, 2008). Ironically, many studies show that agency conflicts also exist between boards and shareholders, which implies that more remedies for agency problems are needed (Kaymak and Bektas, 2008; Nicholson and Kiel, 2007).

The use of incentives as a remedy for agency conflicts has been widely recommended. A large body of literature supports the effectiveness of incentives in aligning the interests of agents and those of principals (van Ees et al, 2009; Nagar et al, 2003; Aboody and Kasznik, 2000; Jensen and Kevin, 1990). Nevertheless, there are some cases which show that incentives may also have opposite effects. For instance, Coffee (2004) notes that changes in executive compensation in the 1990s in the USA, which were designed to align executives' interests with those of shareholders, provided irresistible incentives to managers to inflate reported earnings. The case of Enron is cited in most of the recent corporate governance literature to demonstrate the negative effects of incentives (Clarke, 2005; Coffee, 2004; Healey and Palepu, 2003). The generous stocks options given as incentives to Enron executives provided a powerful incentive to manipulate short term corporate earnings than to improve long term performance (Clarke, 2005).

2.4 Limitations of agency theory

Agency theory is still at its early development stage. The theory has been subject to a number of criticisms for some of its oversights. For instance, the theory is criticised for not considering the context in which the agency relationship is undertaken or the context in which the transaction takes place (Temel-Candemir, 2005). Dealing with behaviour aspects of human beings, the theory ought to have considered the differing institutional aspects shaping behaviour of a human being. Focusing investigation on the agency relationship and disregarding the institutional background, which dictates and shapes the human relationship, is a major oversight of the theory. Social, economic, legal and political factors play an important role in shaping the behaviour of the members of the society in question. As a result, the behaviour of people from different societies differs according to the institutions prevailing in their environment. This is an important consideration in the administration of incentives to agents (Johnson and Droege, 2004).

Agency theory presupposes, for instance, that people in Africa or Asia simply behave in the same way as those in the Western developed countries, or that people in highly religious societies behave similarly to those in societies where religious values are no longer effective in shaping behaviour. Some other aspects shaping human behaviour such as age, gender, level of income, and level of education have not been given due consideration in the development of the agency theory. The theory insists on a human being driven by self-interest rationality, which disregards altruism in a human being's behaviour (Casadesus-Masanell and Spulber, 2005; Temel-Candemir, 2005; Brennan, 1994). Ridley (1996) notes that, although individuals behave with self-interest foremost in mind, they also do that in ways that do not harm, and sometimes even benefit, others. To identify self-interest with rationality represents an oversimplification of an economic individual and is not descriptive of human behaviour (Brennan, 1994).

Agency theory is also criticised using stewardship theory. While agency theory assumes that principals and agents have divergent interests and that agents are essentially self-serving and self-centred, stewardship theory takes a diametrically opposite perspective (Bathula, 2008). Proponents of stewardship theory posit that stewards, referred to as agents in the agency theory, derive a greater utility from satisfying organisational goals than through self-serving behaviour (Davis et al, 1997). The main argument is that the attainment of organisational success also satisfies the personal needs of the stewards (Davies et al, 1997). Stewardship theory therefore suggests that managers should be given autonomy based on trust, which minimises the cost of monitoring and controlling behaviour (Bathula, 2008).

The economists' treatment of incentives as a remedy of agency conflicts is another main source of disagreement in the agency theory. Scholars from other fields of study, especially law, sociology, psychology and political science, have different views, especially on the types of incentives and their effectiveness. Whereas all scholars generally agree on the effectiveness of incentive in mitigating agency problems, the economist's perspective of incentives is criticised for focusing only on contractual incentives and failing to capture social, legal and market contexts of incentives. In other words, incentives are administered without due regard to social institutions prevailing in the different societies. Considering the importance of informal institutions, Casadesus-Masanell and Spulber (2005) among others, provide a broader perspective of incentives, as summarised in Table 2.1.

Table 2.1 Agency performance incentives

	Explicit and implicit incentives	
Contract	Contract terms	*Contractual incentives:* Rewards and penalties based on performance
Legal context	Legal duties	*Legal remedies:* Penalties for breach of duty and breach of trust
Social context	Social norms	*Social pressures:* Violating norms affects social status and conscience
Market context	Market standards	*Market remedies:* Penalties based on reputation, future transactions, access to market network

Source: Modified from Casadesus-Masanell and Spulber, 2005

Apart from classifying them as explicit or implicit categories, incentives can also be grouped into four main categories i.e. contract terms, social norms, legal duties and market standards. Contractual incentives are those provided in the agency contract or agreement. These are mainly in the form of rewards or penalties based on performance. Social norms are customary rules of behaviour that coordinate interactions in the society. Social norms reduce the transaction costs of forming agency relationships by specifying standards of behaviour. Examples of social norms include loyalty, reciprocating favours and gifts, and abiding by the terms of unwritten agreements (Casadesus-Masanell, 2004).

Legal duties, on the other hand, refer to the rules of the law of agency. By specifying the duties of service, loyalty and remedies for breach, agency law reduces the transaction costs that stem from moral hazard and adverse selection. Market standards on the other hand, refer to established specific market norms to which individual agents are expected to conform. Market incentives are valuable when monitoring actions require industry knowledge and where remedies that affect future business dealings are more effective than legal remedies. Agents are expected to uphold honesty in order to earn reputation in the market, which could yield greater returns to future business relationships as well as greater numbers of business referrals. Penalties for failure to conform to market standards can be exclusion from the market or blacklisting.

A close look at most of the incentives, especially the implicit incentives suggests that their effectiveness is a function of the level of institutional development of the society in question. In the absence of well established institutions, most of the incentives are hard to implement. For instance, social norms which condone corruption and disrespect for law undermine the effectiveness of both explicit and implicit incentives. An oversight of implicit incentives in the development of the agency theory is one of the major limitations of the theory. Institutions dominating the environment in which agency relation or transaction takes place are paramount to the extent and effect of agency conflicts and the effectiveness of incentives in mitigating the problem. Less developed countries, owing to their lack of institutional remedies and oversight coupled with business traditions that enable managers to follow diffuse and vague goals, are more vulnerable to agency problems (Kaymak and Bektas, 2008).

Most of the African markets are typical settings characterised by the existence of a large number of state-owned enterprises, the culture of graft or the pursuit of easy wealth, the weak nature of institutions, the lack of transparency in the business environment, and low financial intermediation (Okeahalam, 2004; Mensah, 2003; Yakasai, 2002). Over the recent years, many African countries have introduced a number of corporate government institutions, but many of such institutions are still at their embryonic stage. Besides, the effectiveness of corporate governance institutions also depends on the interaction of many other institutions, both formal and informal. Investors still face many problems which are not very common in markets with well developed formal institutions (Amoako, 2003; Nganga et al, 2003; Mensah, 2003). A survey conducted by McKinsey & Company[2] in 2002 shows that 85% of foreign investors in Africa considered corporate governance to be as important as financial factors.

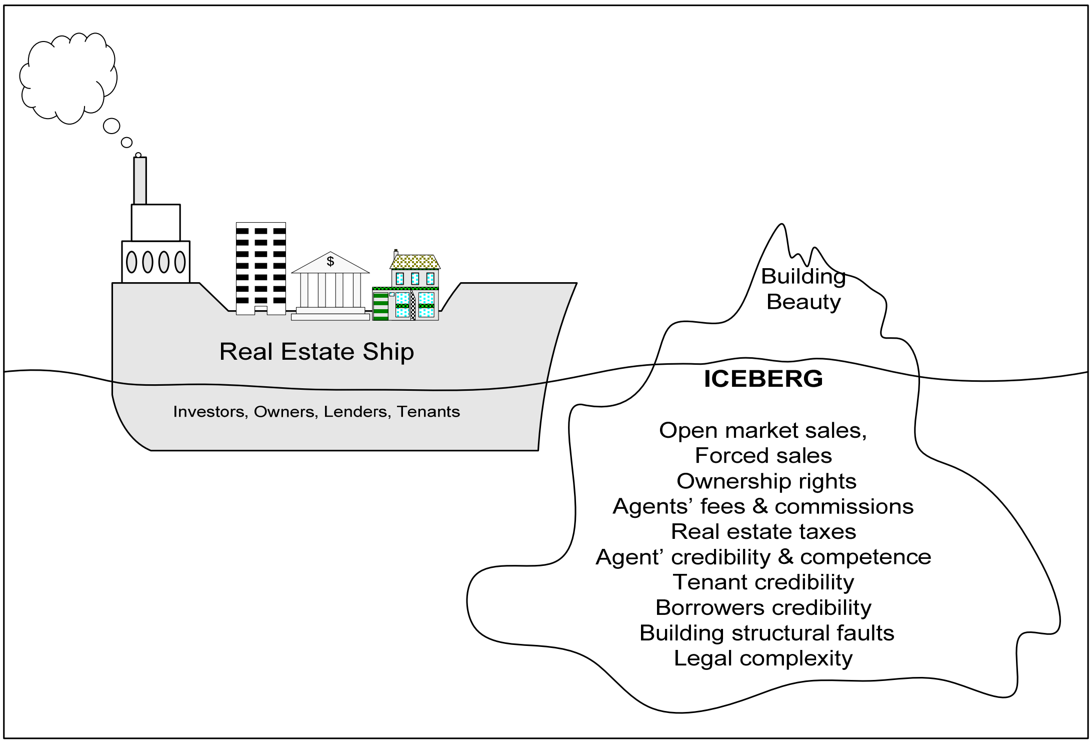
[2] McKinsey & Company is one of the leading global management consulting firms mainly specialising on issues of strategy, organisation, technology, and operations.

2.5 Agency theory in the context of real estate investment

2.5.1 Complexity of real estate investment

Real estate is in many aspects a complex investment vehicle. Real estate as an investment vehicle has some unique features. Some of these features include immobility, illiquidity, lumpiness, high government control, localised market, lack of transaction information, lack of central trading, management requirements, specialist valuation requirement and existence of few buyers and sellers (Hoesli and MacGregor, 2000). These features of real estate investment which are also considered to be its main weakness as an investment vehicle are mainly associated with the direct form of real estate investment. Some of these weaknesses have been significantly reduced by the introduction of indirect investment vehicles. Today, there is a long list of indirect investment vehicles investors can choose from. It is still however common in both forms of real estate investment to engage a number of people in the investment process, which attracts agency problems. Figure 2.2 (see next page) captures some hidden information associated with real estate investment prompting agency conflicts.

Figure 2.2 Real estate investment information iceberg



Source: Author's modification of Schulte and Schaefers (2004) concept

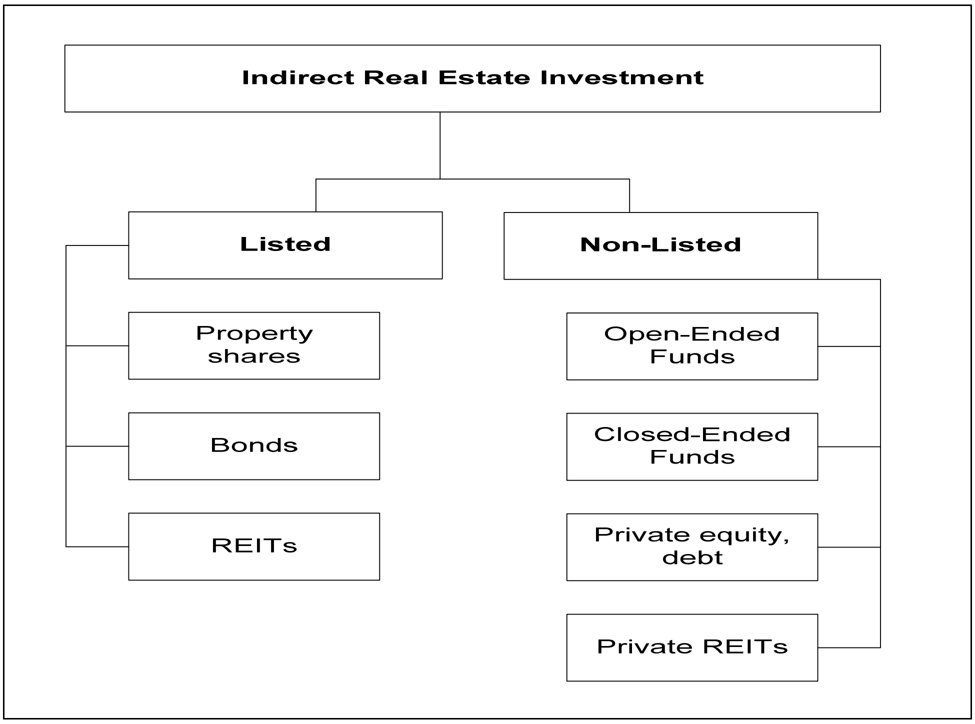
Both direct and indirect real estate investment vehicles suffer from the hidden information problem shown in Figure 2.2. The problem is however more pronounced with direct real estate investment. Direct real estate investment is the traditional and more common form of investment in real estate. This entails the holding of physical land and buildings in the form of residential, commercial, industrial and other types of properties. Pursuit of direct real estate investment activities attracts the use of agents who perform various functions incidental to real estate investment process. One of the main reasons of hiring agents is their knowledge of the hidden information and their expertise in dealing with technical issues. It is ironic though that, agents may use this information power to their benefit and at the expense of their principals.

2.5.2 Indirect real estate investment vehicles and agency problem

Indirect real estate investment vehicles are basically financial assets. The difference between real estate financial assets and other financial assets is that the underlying real asset for the former is real estate. Indirect real estate investment vehicles fall under two broad categories namely, equity investment and debt instruments (Hoesli and MacGregor, 2000). Property derivatives and a hybrid of debt and equity instruments, arising from recent financial innovations form a new category (Brueggemann and Fisher, 2005; Hoesli and MacGregor, 2000).

Although all forms of financial instruments whose underlying real assets comprise real estate may be referred to as indirect real estate vehicles, there are some forms which are more common than others. Similarly, different real estate financial instruments have different exposure to agency conflicts. The financial instruments with equity nature are more vulnerable to agency problems. Debt financial instruments are less fraught with agency problems because their claims are predetermined. The popularity of the different indirect real estate investment vehicles differs from one market to another. Some of the major indirect real estate investment vehicles depicted in Figure 2.3 are discussed below.

Figure 2.3: Main types of indirect real estate investment vehicle



Source: Author's compilation, 2011

2.5.2.1 Equity Investment Vehicles

Real Estate Investment Trusts (REITs)

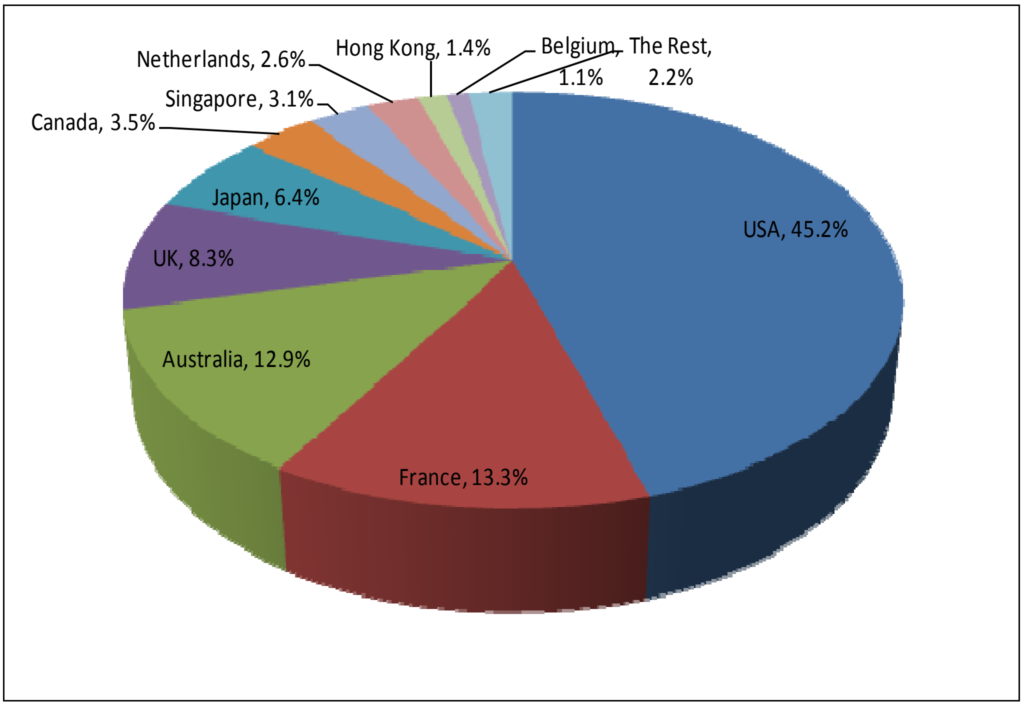
A REIT is simply a tax conduit company dedicated to owning, managing, and operating income producing real estate (Imperiale, 2006). Some REITs also engage in financing real estate construction. Unlike other corporations, which tend to retain most of their earnings and pay tax at the corporate level, the income tax burden for REITs is substantially shifted to the shareholder level. The structure of REITs may differ slightly between countries. For instance, whereas in the USA REITs may either be private or public companies, in Germany all REITs must be listed companies (Sotelo, 2008b). In many countries, REITs are required by law to hold at least 75% of their total assets in real estate assets and to derive 75% of their gross income from rental income, capital gain, or interest on mortgages (Pfeffer, 2009; Schulte, 2007; Brueggeman and Fisher, 2005).

REITs have their origin in the USA where in the mid 19th century business trusts were formed (Imperiale, 2006). Investors could avoid taxation because trusts were not taxed at the corporate level if income was distributed to the trust beneficiaries. The trusts were formed to enable the wealth accumulated as a result of industrial revolution to be invested in real estate. At that time, the law prevented companies from owning real estate unless the property was an integral part of the business, as such it was not possible to use companies as vehicles for investing and dealing exclusively in real estate (Chan et al, 2003). With time the trusts lost popularity until 1960 when they were revived, but with some amendments. The main reason for their re-establishment was to make investments in large-scale income producing real estate accessible to smaller investors (NAREIT, 2004). Some similar REITs structures were later introduced in other countries such as the Netherlands (1969), Australia (1971), Luxemburg (1988), and later in Belgium (1995), Japan (2000), France (2003), Great Britain and Germany (2007) (Bone-Winkel et al, 2008).

There are three main types of REITs namely, Equity, Mortgage and Hybrid (NAREIT, 2004). Equity REITs are those which own and operate income-producing real estate while Mortgage REITs are those whose main business is lending money to real estate owners and operators or extending credit through the acquisition of loans or mortgage backed securities (MBS). On the other hand, Hybrid REITs are the ones that own properties and issue loans to real estate owners and operators. REITs' ability to allow small scale investors to access real estate investment which has been unavailable without significant capital outlays or tax inefficiency and their potential to improve housing market are some of the main reasons why the UK has recently introduced them (HM TREASURY, 2005). UK also introduced REITs in order to provide corporate bodies with more options to release property assets from their balance sheets into professionally managed companies. More or less similar reasons apply to Germany and other countries.

REITs form one of the largest indirect investment vehicles class in terms of market capitalisation. In 2008, out of about $1.9 trillion of real estate securities worldwide, about $661 billion were in REIT securities (AME Capital, 2008; Parker, 2010). USA accounts for more than 45% of the global REIT market (Investment Property Forum, 2008; Parker, 2010). By 2010, USA REITs owned approximately $500 billion of commercial real estate assets, and Equity REIT market capitalisation stood at $359 billion (NAREIT, 2011). Figure 2.4 shows a global REIT market share distribution in 2010.

Figure 2.4: Global REIT market share distribution



Source: Parker, 2010.

Real Estate Funds

Real estate funds exist in two major forms namely, Open-Ended funds (also known as mutual funds) and Closed-Ended funds. Open-Ended funds and Closed-Ended funds, whose origin is arguably in the 19th century in the US, are also commonly known as investment companies (Anderson and Born, 1992). These collective investment schemes mobilise resources from investors and undertake investment on behalf of investors (Schulz-Gebeltzig et al, 2002). Real estate funds are very popular in Germany (Suarez and Vassallo, 2005). German Open-Ended Real Estate Funds (GOEFs) are an exception internationally to have been very successful for almost 50 years.

Like other indirect investment vehicles, these schemes also offer investors the advantages of diversification and professional management. Members or investors in these schemes unlike in companies, hold units instead of equity shares. Units of these schemes are normally not traded in the secondary capital market. However, Open-Ended Real Estate Funds remain open for investors to cash-in their units and new investors to buy units, and for this reason they are very liquid (Bodie et al, 2005). It is however now getting common to put some restrictions on the frequency of cashing-in of units. This is done to deal with the risk of ‘run on’ the Funds. A detailed discussion on GOEFs is deferred to subsection 2.6.2 of this chapter.

Real Estate Corporations

Equity investment is also possible through property corporations. These corporations are more common in Europe, particularly in the UK (Ooi, 2001). Unlike REITs, common property companies are not tax efficient (Lindberg, 2002). Two main categories of real estate corporations exist. These are Property Trading Corporations (PTCs) and Property Investment Corporations (PICs). While the former include firms that buy and develop real estate with a view to selling them in the short term; the latter include firms that acquire and develop real estate for rental income and long term capital growth (Ratcliffe and Stubbs, 2001).

2.5.2.2 Debt investment vehicles

Using debt instruments, property investors can invest through debt owed by real estate companies or non-real estate companies, but for the real estate services (Hu and Pennington-Cross, 2001). In raising capital, real estate corporations, instead of issuing equity shares, may issue corporate bonds (Brown, 1991) which are typical debt financial instruments. Bonds can be listed in stock exchanges and can thus be traded in such secondary markets.

Another way through which indirect real estate investment can be effected is Mortgage Backed Securities (MBS). These are bank originated securities that are backed by a pool of mortgage loans (Brueggemann and Fisher, 2005). These securities therefore represent payment claims against Special Purpose Vehicles (SPVs) that are backed by a pool of secured loans. These securities represent derivative real estate cash flows (Breidenbach, 2005). Most of them take the form of a mortgage backed bond, mortgage pass through security, and collateralised mortgage obligation (Breidenbach, 2003). These securities facilitate the existence and operation of a secondary mortgage market. About 50% of residential mortgage loans in the USA are sold in the secondary mortgage market (NAREIT, 2004). Conversion of primary mortgages into secondary mortgages is possible through a process known as securitisation.

2.5.2.3 Hybrid investment vehicles

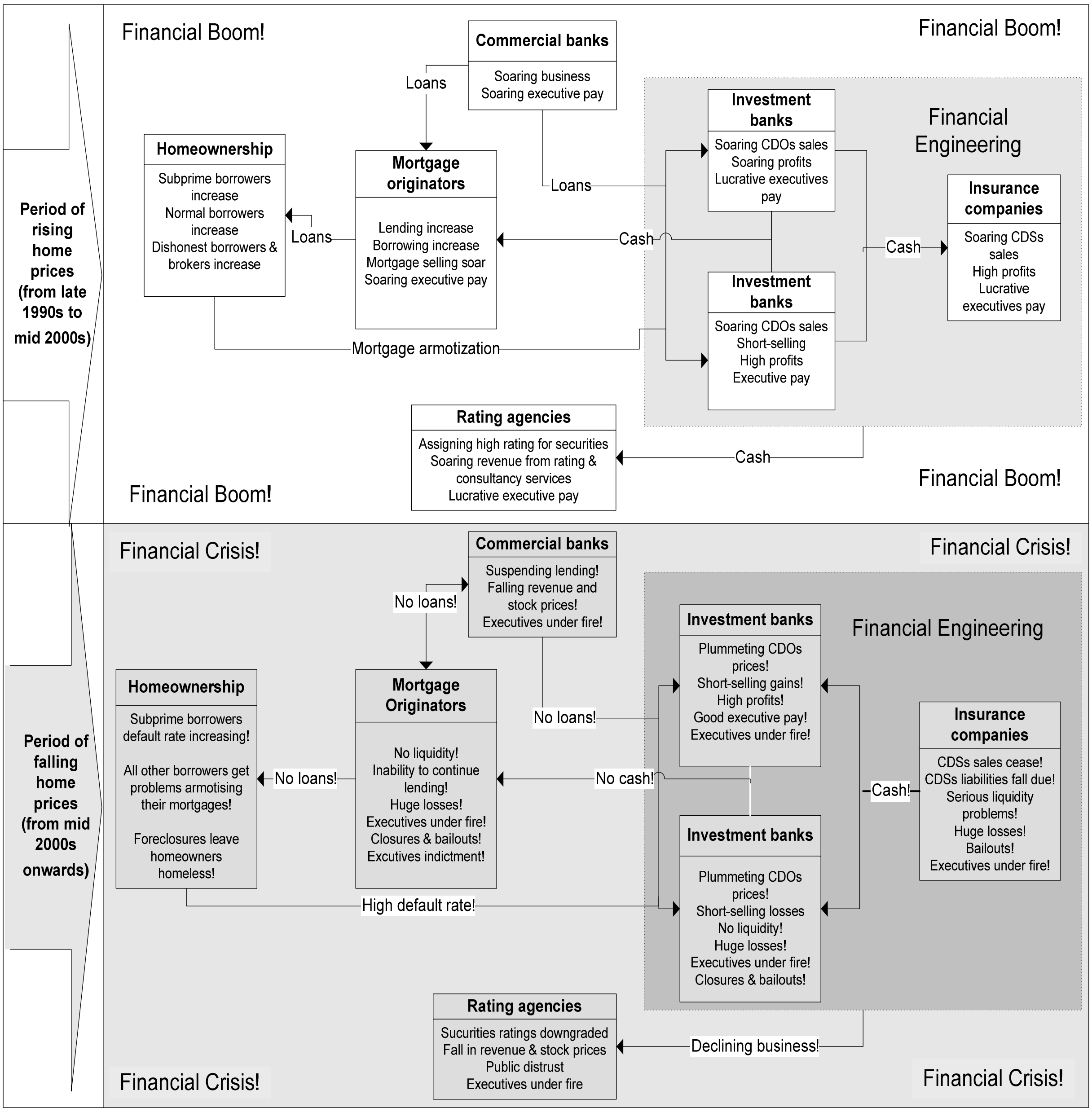
Some mortgage arrangements take a hybrid form. In such cases, the underlying real estate financial instruments have both debt and equity elements. According to Ratcliffe and Stubbs (2001), the investments taking the hybrid form are convertible mortgages, participating mortgages and mezzanine financing. In a convertible mortgage arrangement, a lender is given an option to convert the loan into a predetermined percentage of the value of the property after a certain period, usually between five to ten years (Rowland, 1998). With participating mortgages the lender gets an interest plus a percentage of the equity cash flow or the capital gain. In some countries participating loans may be listed on stock exchanges (Lindberg, 2002). On the other hand, mezzanine financing entails a second or subsequent loan to property developers granted at a higher rate of interest than the first mortgages requiring the developer to surrender a share of the profits. This arrangement enables investors to borrow almost all of the cost of a property or development by offering some of the equity to an individual or institution.

2.6 Popular cases of agency conflicts in real estate investment

2.6.1 The global financial crisis

Both direct real estate investment vehicles and indirect real estate investment vehicles are equally vulnerable to agency conflicts. As seen in the previous section, indirect real estate investment is mainly pursued through corporate bodies or quasi corporate bodies, both of which entail investors using outsiders to undertake investment activities, thereby exposing themselves to the principal-agent problem. The most recent and global-scale case of agency problem directly linked to real estate investment can be demonstrated using the global financial crisis whose effects started being felt in 2007. Events and actions that led to the financial crisis are summarised in Figure 2.5.

Figure 2.5: Real estate link to the global financial crisis



Source: Author's compilation, 2011

Concisely, the financial crisis had its origin in the stock market crash in 2000. Responding to the stock market crash, the USA Federal Reserve lowered interest rates to zero (Fligstein and Goldstein, 2010). Many other central banks around the world followed suit. The aim was to increase credit in the economy to encourage lending. Among other effects, the lower interest rates attracted a housing bubble. Banking and non-banking mortgage originators could borrow money at about 1% and lend it at approximately 5%-7% (Murdock, 2010). Real estate assets, opportunistic agents, and failed institutions were at the centre of the financial crisis. The long and steep increase in housing prices coupled with low interest rates resulted in aggressive lending on the expectation that future price increases would act as quasi-collateral and that even if the homeowners defaulted on their mortgages, lenders' losses would be recovered from the appreciating collateral property (Rona-Tas and Hiss, 2010).

As a result of such price increase optimism, mortgage lending was extended to subprime borrowers (see Smith, 2010; McLean and Nocera, 2010). Borrowers with poor creditworthiness became even more attractive because they were categorised as high risk, which meant a relatively higher interest rate charge (Mizruchi, 2010). As a result, in only four years, mortgage origination had risen by 400% (Fligstein and Goldstein, 2010). Between 2000 and 2007, the business of Mortgage Backed Securities (MBS) increased from US $3.2 trillion to US $7.4 trillion (Murdock, 2010). To avoid being forced to make provisions for bad debt in the balance sheets and to collect as much in lending fees as possible, mortgage originators institutions were selling the mortgages to Special Purpose Vehicles (SPVs) which in turn repackaged the mortgage through securitisation and sold them to investors globally. Knowing that they would be selling the mortgages to investment banks, mortgage originators become even less concerned about the creditworthiness of the borrowers (Mizruchi, 2010). The proceeds obtained from the sale of mortgages to SPVs enabled the primary mortgage institutions to increase their subprime lending. The volume of subprime mortgages increased from US $100 billion in 2000 to US $600 billion in 2006, a 500% increase (Murdock, 2010).

Opportunistic actions of a number of key players who were performing their roles as agents of some kind contributed to the formation of the financial crisis. The main players include mortgage brokers, lenders' employees and, the executives of the mortgage lending institutions, investment banks, rating agents and insurance companies. Some mortgage brokers and lenders' employees, for instance, falsified documentation attesting to homebuyers' eligibility for loans, which injected more questionable credit-worthy homebuyers into the system (Palmer and Maher, 2010). The actions of these individuals were motivated by the commission they got for each mortgage deal concluded. Investment banks were busy buying mortgages from mortgage originators, repackaging and selling them to investors globally as bonds

(MBS). Investment banks and commercial banks also provided credit to mortgage originators, which guaranteed the flow of loans to homeowners including subprime borrowers. Owing to their liquidity, the MBS were also accepted by commercial banks as collateral for loans.

The bonus and stock option incentives to which the executives of the financial institutions and rating agencies were entitled, motivated them to come up with riskier investment products (Perrow, 2010). Some executives of some of the financial institutions were involved in inside dealing. For instance, Angelo Mozilo, the CEO of Countrywide Financial (which was the largest mortgage originator), after knowing that his firm was to experience heavy losses as a result of the downturn in the housing market, decided to sell his stocks in the firm to avoid personal losses, while projecting an optimistic outlook for the firm to bolster shareholders confidence (Palmer and Maher, 2010). In 2007, Mozilo sold over US $130 million worth of his shares in Countrywide Financial before the market of the stocks plummeted (Murdock, 2010). Similarly, even the Government Sponsored Entities (GSEs) Fannie Mae and Freddie Mac took huge risks on subprime mortgages that fueled their high profits and profligate executives' compensation.

Rating agencies, mainly Moody's, Fitch and Standard & Poor's, also had their portion of blame in the financial crisis. Owing to the complexity of the innovative financial instruments in the financial markets, many investors around the world did not have expertise or time to analyse them. Instead, they trusted rating agencies whose job was to assign ratings to the various securities. Such institutions were meant to protect the public, and in fact they enjoyed the trust of the investors. They thus had a duty (agency role) to protect the interests of the public. Evidence however shows that the rating agencies got carried away by the lucrative business opportunity in the financial markets which resulted from the surge in subprime lending. Eager to make fortunes, the rating agencies conducted lucrative business with the underwriters, which placed them in a conflict of interest. The agencies were paid by securities issuers for their rating services (Rona-Tas and Hiss, 2010). Besides, the agencies also offered lucrative consulting business to issuers on how to design securities that would have high rating scores (Murdock, 2010).

Insurance companies, like AIG (the world's largest insurance company then), were also part of the problem. AIG, for instance, was engaged in selling of Credit Defaults Swaps (CDSs), which covered the issuers of Collateralised Debt Obligations (CDOs) against default risk. The transparency of such financial instruments was however low because they were privately traded (Murdock, 2010). This made their rating exercise more complicated, thus rendering their rating scores less realistic. Such a CDSs business was unimaginably too risky to be undertaken by an insurance company, mainly because of information asymmetry that existed between the issuers and the insurers. The issuers were actually better informed about the riskiness of their debtors (homeowners) than the insurers. However, due to the high potential cash inflows from such financial instruments, AIG decided to insure the issuers against default by borrowers. Both conjecturally and with the support of theoretical financial modeling, AIG executives were somehow convinced that a danger of massive credit default was not imminent. Such a risk taking nerve was motivated by the cash and stock incentives to which the executives were entitled (see Dobbin and Jung, 2010; Perrow, 2010; McLean and Nocera, 2010).

The financial crisis ensued when mortgage defaults reverberated through the financial system. High rates of early payment default (EPD) among subprime mortgages, which is when a borrower defaults in the first year of mortgage origination, triggered large financial losses among many subprime lenders and contributed to the largest financial crisis since the Great Depression (Mayer et al, 2009). Decline in home prices is main cause of mortgage defaults (Sanders, 2008). Mortgage defaults triggered a fall in MBS prices. As the prices and liquidity of MBS dropped, banks that had taken loans to buy them had to either pay off those loans or put up more collateral to keep the loans (Fligstein and Goldstein, 2010). As many banks were highly leveraged, it was impossible to raise enough capital to cover their loans. As a result, many banks were under threat to collapse and the growing panic translated into plummeting prices of securities in stock markets. Many of the top subprime lenders became insolvent or were bought out at distressed prices. Of the top 25 subprime lenders in 2006-2007, only 5 were until 2010 still in the lending business (Murdock, 2010). As a result of such debt exposure, AIG was during the onset of the crisis taken over by the US government. Investment banks are still stuck with foreclosed homes and have to try to sell them in an economy where house values have dropped (Smith, 2010). It is estimated that the value of homes which are under foreclosure has gone down by 63% (Murdock, 2010).

Although the proponents of agency theory argue that bonuses and stock options are capable of checking agency conflicts, reality shows that such incentives also have a fatal flaw in that they do not take into account the different risk profiles of shareholders and that of members of the management. Shareholders have a sunk economic stake in their investment in stock and a risk profile that is more conservative than managers (Murdock, 2010). Events and actions behind the global financial crisis provide compelling evidence suggesting that the way incentives (bonuses and stock options) were structured, created a short-term focus for management and did not align management's interests with those of the shareholders (Dobbin and Jung, 2010). It is clear from the actions that preceded the financial crisis that although incentives are important, it is also important to ensure that incentives properly align the interests of shareholders or the public with those of the executives or public officials. Amongst many authors, Schulte and Kolb (2004) warn that although incentive fees can reduce agency conflicts, the technique cannot eliminate the problem completely, calling for application of multiple techniques.

2.6.2 The crisis of German Open-Ended Real Estate Funds

Another example of real estate crisis can be drawn from Germany. With an estimated net asset value of about €8 trillion (Schulte, 2012), Germany has the largest real estate stock amongst European countries. Quoting IFO study carried out in 2005, Sotelo (2008b) reports that real estate accounts for about 88% of the total capital stock in Germany. By 2006, more than €378 billion worth of real estate investment in Germany was held by institutional investors (Schulte, 2007). Out of this amount, closed-ended real estate funds held 34%, real estate leasing companies held 23%, foreign investors held 21%, open-ended real estate funds held 9.5%, insurance companies and pension funds held 9.5% and public real estate corporations held 3%. Most of institutional real estate investment is held in direct investment vehicles. For instance, in 2006 insurance companies and pension funds were respectively holding 74% and 58% of their real estate investment in direct investment vehicles (Worzala et al, 2006).

Indirect real estate investment in Germany is mainly in private markets, which is different from other developed markets such as the USA and the UK markets whose indirect real estate investment vehicles are publicly traded (Sotelo, 2008b). In Germany, indirect investment is done through closed-ended real estate funds, open-ended real estate funds, real estate corporations and more recently (in 2007) REITs (G-REITs). The number and size of G-REITs have not been convincingly growing. By the beginning of 2011, there were only three REITs in Germany, with a combined market value of their real estate assets estimated at €2.5 billion (Sebastian, 2011). Unlike the USA REITs, G-REITs operate under some restrictions. For instance, all REITs in Germany are required by law to operate as listed companies. They are also not allowed to invest in residential properties which were constructed before 2007. Only foreign residential property or German residential property built after January 2007 may be transferred into a G-REIT (Fritsch et al, 2010). Unless some restrictions are removed, REITs are likely to remain a marginal real estate investment vehicle in Germany (Sotelo, 2008b). Like all other REITs, G-REITS are prone to several agency problems (see Schaefers et al, 2008; Becker, 2008)

Of all the indirect investment vehicles listed above, Germany Open-Ended Real Estate Funds (GOEFs) have attracted the interest of many researchers the most. GOEFs are very popular indirect real estate investment vehicles in Germany. Just as REITs are identified with the USA, Open-Ended Real Estate Funds are globally indentified with Germany. These funds have been in existence since 1959, but their number and asset size grew noticeably starting from the 1990s (Kurzroc et al, 2009; Worzala et al, 2006; Focke, 2006). Some of the main reasons for the introduction of GOEF are similar to those that led to the establishment of REITs in the USA in the 1960s. One of the main reasons for the establishment of GOEF was to enable both institutional and retail investors to take part in the real estate investment. Accordingly, GOEF are divided into two groups i.e. those meant for retail investors (Publikumsfonds) and those meant for institutional investors (Spezialfonds). Between 1992 and 2001 the funds became increasingly popular due to the German reunification in 1989, which had widened the pool of potential investors as well as the domestic property investment market (Kurzrock et al, 2009).

GOEFs became even more popular amongst private investors in the early 2000s when many private investors sought an alternative safe haven following a downturn of stock markets (Focke, 2006). Besides, amendment of the Investment Act (Finanzmarktfoerderungsgesetz) in 2001, allowed asset management companies to take on currency risks, which fundamentally altered the investment spectrum for these funds (Kurzrock et al, 2009). Between 2002 and 2004, there was a boom of GOEFs which resulted into 40 new funds (Kurzrock et al, 2009). By the beginning of 2011, the value of real estate assets held by these funds was estimated at €96 billion (Sebastian, 2011). Since their inception in 1959 until 2008, no single GOEF had recorded negative nominal annual returns (Glaesner, 2010). Compared to other indirect real estate investment vehicles, GOEFs have survived many financial downturns including the most recent global financial crisis (Benk et al, 2008). Such a success story of GOEFs has been used to explain the delayed introduction of REITs in Germany. During the debate to introduce REITs in Germany, some argued that Germany should export GOEF rather than import a REIT set up (Sotelo, 2008b).

GOEFs are regulated by German Investment Companies Act (InvG), and managed by asset management companies (Kapitalanlagegesellschaften). Their share certificates cannot be traded on secondary markets. However, being open-ended funds, redemption and issue of shares can be done daily. The shares could be redeemed without prior notification which makes the investment as liquid as publicly traded stocks and bonds (Focke, 2006), but following reforms some exceptions have been recently introduced (in 2011). One of the major threats to the survival of these funds is the danger of a run on the Capital Investment Companies (CICs). This may happen when investors believe that fund’s assets are overvalued or a danger of the Net Asset Value (NAV) of the fund plummeting is imminent. To address the problem of a run on the Funds, GOEFs can put up a moratorium to stop the re-purchase of shares certificates for some time when running out of cash reserves. Investors also have to pay a premium of 5% when purchasing the shares, which should discourage them from redeeming the shares over the short-run period. The liquidity threat has been discouraging managers of the funds from engaging in some forms of opportunistic tendencies.

However, over the recent years, many of the funds have experienced severe liquidity problems following huge cash withdrawals by investors. Doubts over the accuracy of the valuations and the corresponding fear of value adjustments is one of the main reasons that sparked off withdrawal of substantial amounts of money from the funds (Sebastian, 2011; Fecht and Wedow, 2010). No comprehensive study has so far been conducted to clearly establish that managers' opportunistic actions have been behind the liquidity problems faced by the funds over the recent years. However, overvaluation or undervaluation of the funds' assets could either be caused by weaknesses in the valuation methods or expertise. It could also be motivated by opportunistic tendencies of the people involved such as the valuers or CICs' executives and staff. In 2006, the Bundesanstalt fuer Finanzdienstleistungsaufsicht (BaFin), which is the authority responsible for overseeing GOEFs, opened an enquiry on the charge that property developers, architects and construction companies systematically used bribes to persuade CICs to acquire their buildings. Some reports have also suggested that bribe deals were struck between fund companies to influence the outcome and price of property acquisition bids (Financial Times, 2006). Popular cases of huge cash withdrawal which were apparently motivated by credibility issues in the valuation of assets of funds set off in 2004. Two of the oldest and largest funds, namely Deka-Immobilien Fonds and Grundbesitz Invest, were the early funds to suffer the effect of valuation credibility.

In 2004, the whole GOEFs sector was hit by a valuation scandal, when properties of Deka-ImmobilienFonds, one of the largest funds with assets worth €4.7 billion as of January 2004 were reported to be significantly overvalued (Schulte and Becker, 2006; Sebastian and Tyrell, 2006). This triggered panic amongst investors. In only a few weeks, the fund lost more than €500 million in redemptions (Sebastian and Tyrell, 2006). DEKA Bank, the owner of the funds' management company, decided to buy back large amount of shares in order to rescue the Fund from the threat of a run. In a similar case, unscheduled revaluation of the assets of Grundbesitz Invest which was announced in December 2005 resulted in investors' fear of fall in redemption price of units (Fecht and Wedow, 2010). In such a state of panic, Grundbesitz Invest investors withdrew €300 million in a single day (EPRA, 2011). Unlike Deka Bank, Deutsche Bank, the owner of the fund's management company (DB Real Estate), did not pump liquidity into Grundbesitz Invest as a measure to deal with the run. Instead, between

December 2005 and March 2006 share redemption was suspended. The closure of share redemption by Grundbesitz Invest accelerated the rush for share redemption for the entire sector, reaching €7.3 billion for only between December 2005 and January 2006 (Schulte and Becker, 2006). In January 2006, two funds managed by KanAm were also closed for redemption (Sebastian and Tyrell, 2006).

Although the performance of German open-ended real estate funds was relatively not severely affected by the global financial crisis, a 'dash on cash', especially by institutional investors was experienced in 2008 following the collapse of Lehman's Brothers and government's guarantee of cash deposits (Pylypchuk, 2010). In October, 2008 GOEFs reported over €5 billion net outflows, and consequently 12 funds had to suspend share redemptions. The situation persisted until January 2009 when two of the funds, namely DEGI International and Catella Nordic Cities re-opened redemptions. By mid 2009, the funds had in total suffered net outflow of more than €7.4 billion (List, 2009). Starting from April 2009, more funds started considering re-opening redemptions. As of the end of January 2010, seven funds were however still closed for redemption. By early February 2011, three funds were in liquidation and other ten funds had suspended redemption (Credit Suisse, 2011). About €25 billion worth of assets under management were in the funds which had suspended share redemptions (EPRA, 2011).

Concerns over liquidity crises which have been facing the German open-ended real estate funds over the recent years culminated into a debate about the necessity of regulatory changes to improve transparency in the operations of those funds. In a bid to address the problem of liquidity threatening the funds, new regulations were in the process of being introduced in 2011. The new regulations would mainly affect share redemption, liquidity management, frequency of asset valuation, and limits on permitted leverage (Freshfields Bruckhaus Deringer, 2011). The new regulations for GOEFs introduce a 12-month notice period for redemptions and a two-year minimum holding period within which only redemptions not exceeding €30,000 for every six months will be permitted for each investor. There are further restrictions on the amount of and periodicity that money can be withdrawn. However withdrawals of up to €5,000 per month will be exempt from the restrictions on liquidity, implying that GOEFs can still be used as a source of regular pension income for individual investors (Pylypchuk, 2010). Under the new regulations, the funds are required to provide more information publicly and to investors. Some of the key facts that would have to be included in their valuation reporting would be current market values, incidental acquisition expenses, and the official valuations of an advisory committee (Pylypchuk, 2008).

Like all other corporate forms of real estate investment vehicles, GOEFs are also subject to agency conflicts in that CICs serve as agents in managing a pool of investments for less informed investors who are the principals. Such arrangement makes information and control issues to be of paramount importance, especially from the investor perspective (Kurzrock et al, 2009). The ease with which investors can redeem GOEFs shares may have in a way been mitigating some agency problems. The argument is that liquidity threat has been forcing GOEFs managers to credibly refrain from opportunistic actions for fear that investors will withdraw their money as soon as they perceive any managers' misconduct that may have negative impact on their funds. The liquidity problems that have been facing the GOEFs sector over the recent years may partly suggest a feeling by investors that their funds are somehow being mismanaged. The delicate nature of GOEFs, in terms of the constant liquidity threat, also serves as a mechanism of dealing with agency problems in indirect real estate investment. This investment vehicle is however more ideal for real estate markets which have high liquidity.

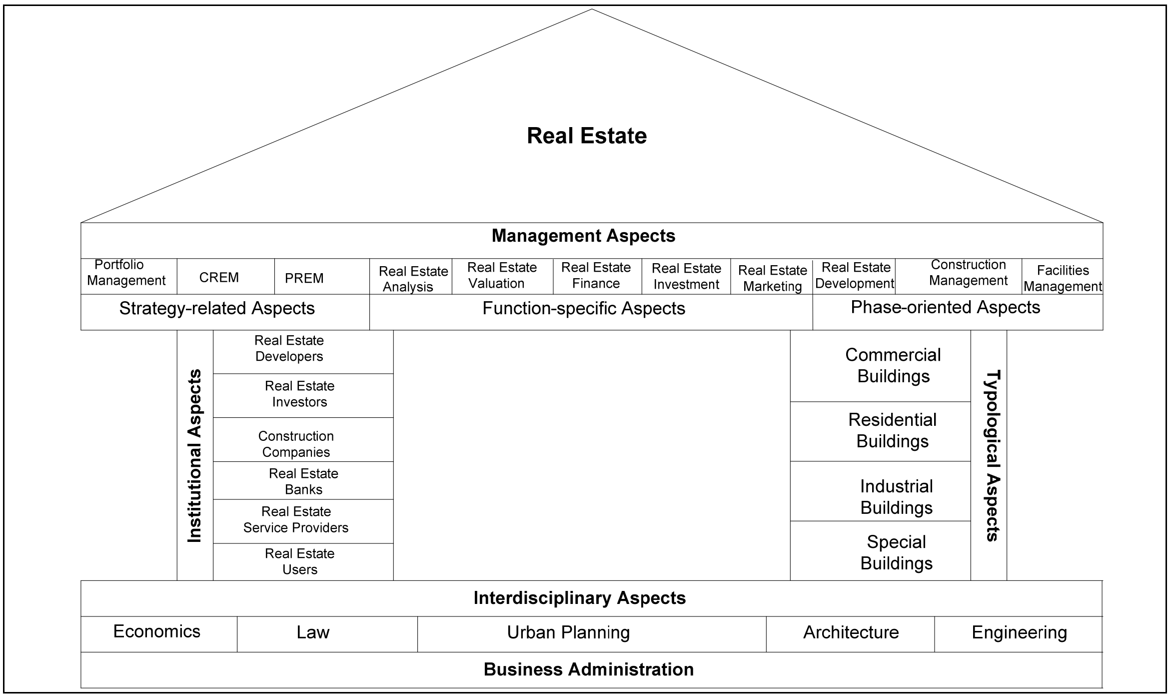
2.7 Agency problem and NIE literature in real estate studies

2.7.1 The focus of analysis of agency problem in real estate studies

The complexity of real estate discipline and the relevance of agency problem in real estate business can be summarised using the 'House of Real Estate' framework (in Figure 2.6). The framework, which was developed in 1993 by Karl-Werner Schulte, captures the multi-disciplinarity of real estate studies as a scientific discipline (Schulte, 2002). Although the present study mainly focuses on the left column of the House of Real Estate i.e. institutional aspects, it also inevitably touches on many more sections of the house. Real estate investors, developers, and service providers are the main contracting parties in the agency relationships investigated in this study. These people are mainly investors and professionals i.e. economists, lawyers, architects, engineers, spatial planners, real estate agents, real estate analysts and other service providers.

Another interdisciplinary dimension of this study is based on its application of the new institutional economics and corporate governance concepts in the field of real estate.

Figure 2.6: Interdisciplinary approach to real estate studies



Source: Schulte, 2008

Some of the unique features which differentiate real estate from other forms of investment include lack of market transparency, specialist management requirement, large number of parties involved in concluding a transaction, high investment value, fixity, and long investment cycles (Brueggerman and Fisher, 2005; Brown, and Matysiak, 2000*;* Hoesli and MacGregor, 2000). For this reason, property investment decision process is lengthy and in many cases involves many people who work as agents or principals, or both. Rowland (1998) identifies the following common agents in property investment: managers of institutional property funds, managing agents, brokers, developers, co-occupiers or co-owners, debt and equity holders, and tenants. Such idiosyncratic features of property, coupled with the multiplicity of agency relationships, make property investment activity more vulnerable to agency conflicts. As studies show, agency conflicts in the investment decision process are a source of suboptimal investment decisions (Shin and Kim, 2002; Deephouse and Wiseman, 2000; Bricker and Chandar, 1998). The large number of agency relationships created in the property investment process increases the chances of suboptimal investment decisions.

Substantial developments in the new institutional economics over the last few decades have spurred a surge in both theoretical and empirical studies on agency theory and other aspects of institutional theory. Most of agency theory studies have mainly focused on corporate finance, corporate governance and managerial economics. There is a dearth of robust literature on the application of institutional theory, particularly agency theory, in the field of property investment. Few studies have focused on agent conflicts in property management (Klingenberg and Brown, 2006; Guilding et al, 2005; Gibler and Black, 2004; Rosenberg and Corgel, 1990), sales of properties (Lee and Lee, 2005; Rutherford et al, 2005; Zietz and Newsome, 2001), and real estate market inefficiency (Graff and Webb, 1997). Some authors have looked into the problem from ethical point of view (Pheng and Tan, 1995). Others investigate agency problems in some forms of investment vehicles, such as securitized real estate vehicles (Naubereit and Gier, 2002), real estate opportunity funds (Rottke, 2004), non-listed indirect real estate investment (Cieleback, 2004). A detailed discussion of some strands of literature cited above is deferred to section 2.8 of this chapter.

2.7.2 NIE in real estate studies

A notable body of real estate literature entrenched in the new institutional economics has focused on the analysis of property market maturities. Market maturity is a term used both frequently and loosely by participants in the property market to describe a stage of development or evolution achieved by a market (Armitage and Keogh, 1996). These studies have focused on understanding how property markets emerge, mature and perform (Lee, 2001). Knowledge of property market evolution and maturity level has also been important in determining appropriate types of real estate products to be offered to the market (Chin et al, 2006; Seek, 1996). Owing to their robustness, studies focusing on evolution and determining the level of maturity have culminated into a property market maturity paradigm. This paradigm gives a useful framework for understanding the evolution process of property markets, which is useful in interpreting current market behaviour for investment decisions and assists with the prediction of future likely pattern of activity.

Studies advocating the new institutional economics approaches appreciate the complexity of property market analysis and thus offer a holistic view instead of simply explaining the market using a price mechanism which presupposes many conditions to be constant (Keogh and D’Arcy, 1999). This approach avoids a simplistic explanation of the property market process adopted in the mainstream economics and Neo-Marxist approaches. The institutional economics perspective considers property market as an institution which can be explained alongside other institutions (Keogh and D’Arcy, 1994). It is important however to bear in mind that by considering property markets or some other markets to be institutions, it does not imply that they are unified and cohesive entities like companies or government agencies. It is rather the network of rules, conventions and relationships which collectively represent the system through which commodities are determined and traded.

The institutional framework of property market analysis has been widely applied in property market studies in the emerging economies, mainly Eastern European and Asian cities (Chin et al, 2006; Sim et al, 2003; McGreal et al, 2002; Walters, 2002; Armitage and Keogh, 1996). Studies covering some segments of African real estate markets have also favoured the institutional approach (Viruly, 2009; Mooya and Cloete, 2007; Lim et al, 2006; Ebohon et al, 2002; Gough and Yankson, 2000; Besley, 1995). Application of the new institutional economics approach to research in the field of real estate took a noticeable leap after a pioneering work of Keogh and D’Arcy (1994), which applied the approach to compare market maturity and property market behaviour of three cities namely, London, Barcelona and Milan. In a series of their subsequent papers, Keogh and D’Arcy further extended the discussion and application of the institutional approach in the analysis of real estate investment markets (Keogh, 1996; D’Arcy and Keogh, 1997; D’Arcy and Keogh, 1998; Keogh and D’Arcy, 1999; D’Arcy and Keogh, 2002; D’Arcy, 2006).

It is clear from the cases cited above that most of the empirical studies applying the institutional theory to the field of real estate have focused on developed countries settings. Such settings differ remarkably from those in the less developed countries, particularly African countries. Literature catering for Africa is almost non-existent. The little literature available has mainly focussed on corporate governance issues of listed companies (Okeahalam, 2004; Nganga et al, 2003; Amoako, 2003; Mensah, 2003). Most of real estate research activities in less developed markets have focused on property rights issues, especially in informal settlements and rural lands (Mooya and Cloete, 2007; Abdulai, 2006; Joireman, 2006; Gough and Yankson, 2000; de Soto, 2000; Svensson, 1998; Besley, 1995; Feder and Feeny, 1991). The studies carried out in the developing countries are thus very useful in this study, as it draws much of its theoretical and methodological base from them.

2.8 Real estate literature focusing on agency theory aspects

2.8.1 An overview

As already pointed out previously, agency theory has over the recent years been used by scholars from different disciplines attempting to explain some of the recent corporate scandals. In the field of real estate, agency theory is similarly increasingly receiving the attention of corporate governance researchers. The focus has been the difference in the goals between real estate firms' managers and shareholders, the need and ways to align those goals. REITs, listed real estate corporations, and real estate mutual funds dominate such literature. On the other hand, traditional studies focus on testing out agency theory by investigating the behaviour of real estate professionals when discharging their duties such as real estate brokerage, property management, and valuation. Over the recent years, agency theory has also been used to explain why some property owners are hesitant to incur extra costs to add sustainability features in their rented buildings. One of the reasons is that immediate benefits of sustainability would be enjoyed by tenants.

2.8.2 Corporate governance in mitigating agency conflicts

2.8.2.1 Nature of agency conflicts in a corporate environment

The nature and forms of agency conflicts in the corporate real estate investment activities have been documented by, among many authors, Kohl and Schaefers (2009), Kurzrock et al (2009), Kohl (2009), Schaefers et al (2008), Schulte and Kolb (2008); Sotelo (2008a); Kolb (2007), Sebastian and Tyrell (2006), Schulte et al (2005), Schulte and Kolb (2004), Cieleback (2004) and Rottke (2004). These authors, all of whom focus on the German real estate investment market, reiterate the existence of agency conflicts in real estate investment activities of the various corporate investors. Investigating a REIT organisational set up, Schaefers et al (2008), for instance, acknowledge existence of goal difference between shareholders (principals) and managers (agents). They argue that whereas REIT shareholders' goal is to increase investment value, the goal of the managers is to enhance their own power, prestige and wealth using shareholders' assets. On the other hand, Kurzrock et al (2009) and Sebastian and Tyrell (2006) also acknowledge the existence of agency problems in the German Open-Ended Real Estate Funds (GOEFs), but they note that the problem is much less pronounced compared with other corporate set-ups of real estate investment. They attribute the low incidents of agency problems in GOEFs to their high liquidity requirements. They argue that the constant run threat on GOEFs keep their managers under pressure not to engage in undesirable activities which may trigger investors' skepticism, and thus a run on the funds.

Many authors (e.g. Kohl and Schaefers 2009; Schaefers et al, 2008; Schulte and Kolb, 2008; Sotelo, 2008a; Kolb, 2007; Schulte et al 2005; Schulte and Kolb, 2004; Cieleback, 2004) underscore the importance of corporate governance in dealing with agency problems. The authors argue that corporate governance improves transparency and by so doing asymmetrical information between principals and agents is reduced thereby minimising principal's exposure to agent's opportunistic tendencies. Schulte et al (2005) define corporate governance as a set of rules that ensures not only efficient management and leadership but also corporate control, so that the agent (management) is called accountable for corporate performance and the return on the invested capital paid to the principal (investor). Corporate governance issues include how major policy decisions are made in business corporations, how various stakeholders can influence the process, who is held accountable for performance and what performance standards are applicable (Schulte and Kolb, 2004). Concisely, corporate governance is a mechanism of dealing with agency problems between managers and shareholders or creditors in a firm (Chau et al, 2010). Corporate governance has become a crucial success factor for companies that are dependent on external finance (Kohl, 2009).

2.8.2.2 Corporate governance and enhancement of firm's value

There are some empirical studies which demonstrate how corporate governance techniques are useful in enhancing the value of the firm by addressing some agency problems in the corporate environment. For instance, Kohl and Schaefers (2009) use Tobin's Q to show how corporate governance enhances firm's value of listed real estate companies. To capture corporate governance structure, they adopt the following variables: board size, board independence, insider ownership, block ownership and institutional ownership. After addressing some econometric shortcomings such as omitted variable bias, endogeneity and reverse causality, they examine the market valuation of selected listed real estate companies in the UK, France, the Netherlands and Germany. Among others, the findings of the study show that capital market participants investing in listed property companies seem to appreciate smaller boards of directors, higher levels of managerial ownership and greater transparency of real estate-specific disclosure. They recommend that, in order to increase shareholder's value, unentrenched managers of listed property companies should support any efforts to reduce board size, to implement long-term equity-based compensation packages or to increase their equity stake in the company and to improve transparency of real estate-specific disclosure by complying with EPRA's Best Practice Policy Recommendations.

Some similar empirical studies investigate some issues of corporate governance in enhancing the value of REITs. Han (2006), for instance, notes that some of the special regulations under which REITs operate weaken alternative mechanisms to control agency problems. The author reports an empirically significant and robust nonlinear relation between Tobin's Q and REIT insider ownership that is consistent with the trade-off between the incentive alignment and the entrenchment effect of insider ownership. Hsieh and Sirmans (1991) also report that some REITs are created as captive-financing affiliates to their sponsor, which creates additional agency problems and hence agency costs that potentially reduce the value of the REIT. Many other studies also report that agency problems are more severe in REITs than in other forms of indirect real estate investment vehicles because of the high dividend payout (e.g. Ghosh and Sirmans, 2006; Chaudhry et al, 2004; Gyourko and Keim, 1992).

Some other authors however report that insider holding is a good incentive in aligning interests of managers and owners in REITs. For instance, Capozza and Seguin (2003) apply agency theory to investigate the effect of insider holding in REITs valuation. They report that REITs with greater insider holdings tend to invest in assets with lower systematic risk and use less debt in their capital structure. They also note that as insider ownership increases managerial expenses are reduced. They thus conclude that higher relative valuation is associated with higher levels of insider ownership.

Fuess et al (2011) also report similar findings. Dolde and Knopf (2010) further report that incentives alignment as indicated by REIT risk-taking, is achieved when insider ownership is above 20%.

2.8.2.3 The need for corporate governance in the real estate industry

Schulte and Kolb (2004) cite idiosyncratic features of real estate which make it very different from other asset classes, as one of the main reasons for having specific corporate governance institutions to cater for the real estate industry. The argument is cognizant of the fact that many countries already have general corporate governance codes which have not been effective in dealing with some issues in the real estate industry. Immobility and long value chain, the multitude of parties involved, high investment stakes, long-term investment cycles and mostly lack of market transparency and market data are some of the special features that underline the complexity of real estate. Investors are increasingly demanding similar transparency and professionalism as in stock and bond markets to be convinced to put and keep their money in real estate assets.

A property market lacking transparency suffers a problem of information asymmetry between market participants. Real estate markets can be described as transparent when it becomes clear how the market mechanisms and the variables behind these mechanisms work, i.e. when there is as much information as possible available at any point in time (Schulte et al, 2005). The ease with which one can obtain reliable data about a particular real estate market is what defines transparency of the respective market. According to Schulte et al (2005), in a transparent market it should, for instance, be possible to obtain reliable data related to sub markets such as rental market (e.g. average and top rents, lease rents, demand and supply of space); investment market (e.g. property rents and yields, purchase and selling prices); property and construction market (e.g. building costs); and capital markets (e.g. lending conditions). Availability of all such information should discourage some opportunistic tendencies common in agency relationships. Agency contracting in transparent market environments is much easier and effective.

Schaefers et al (2008) bring up further reasons for the importance of embracing corporate governance in real estate investment. The three reasons are the growing trend of institutionalisation of real estate investment ownership through capital markets, the integration of international capital markets and competition for international capital, and the increase in financial scandals caused by the misconduct of executives of large corporations such as Enron, Worldcom, Tyco and Parmalat.

2.8.2.4 Techniques of improving transparency of real estate markets

Attaining transparency in national real estate markets has been a daunting task even for some developed countries like Germany. Despite being the third world’s largest economy and the second largest real estate investment markets in Europe after the UK, Germany has until recently been criticised for its real estate market lacking adequate transparency (Becker and Breidenbach, 2006). The USA and the UK real estate markets are widely regarded as beacons of market transparency (Schulte and Kolb, 2004). Transparency of the German real estate market has however over the recent years significantly improved. Schulte et al (2005) attribute the recent positive developments in the German real estate market transparency to the introduction of academic institutions and courses focusing on real estate education, formation of research organisations, increase in the number of real estate brokers and consultants, significant role played by banks and the increased application of internet. It is noteworthy that until recently in Germany, real estate was not regarded as a separate professional and educational discipline (Schulte and Schulte-Daxboek, 2008; Schulte and Schaefers, 2008; Sotelo, 2008b). Other institutions which are credited for improving transparency in the German real estate market include RICS, INREV, EPRA, ICG and BVI (Schulte and Kolb, 2008; Cieleback, 2004). The roles of some of these institutions are briefly discussed below.

Initiative Corporate Governance of the German real estate industry

ICG (Initiative Corporate Governance der deutschen Immobilienwirtschaft) is another example of successful corporate governance institutions. This is a German institution which was established in 2002 aiming at promoting good and responsible corporate management by putting in place principles for transparent and professional corporate management in the real estate business. The institution was formed by a group of more than 50 renowned companies in the German real estate industry by tailoring the German Corporate Governance Code (also known as the Cromme Code) to the needs of the real estate industry. The member institutions include listed property companies, open-ended real estate funds, consulting companies and private real estate companies.

Since its inception, ICG has been able to produce a code for real estate business in Germany. ICG has also put in place principles of Proper and Fair Management for Real Estate Business, requiring members of the sector to comply with values such as professionalism and transparency. The principles also insist on avoidance of conflicts of interest or at least the need for the disclosure of such conflicts. The principles also place an obligation on enterprises to ensure that they select their auditors and members of their executive organs based on some criteria such as professional knowledge and independence. The principles also insist that managers and other professional staff members of real estate firms should possess appropriate real estate education and constantly keep abreast of events by participating in continuing education programmes. Emphasis is also on the use of appropriate valuation methods and independent experts.

Royal Institution of Chartered Surveyors (RICS)

RICS is a leading international organisation which brings together professionals in the real estate sector. The organisation has a global reputation for maintaining high educational and professional standards for its members. To become a member, one has to undergo a rigorous education and professional assessment. Even after getting membership, members are obliged to keep abreast of the latest developments in the industry by participating in compulsory continuing education programmes. In discharging the professional duties, members are similarly under constant obligation to keep high professional and ethical standards. Owing to RICS international reputation, its members also enjoy international recognition and can offer professional services in many countries without having to register with local professional bodies of the respective countries. However, RICS members normally have to apply for a waiver from the local professional body to be able to practice in those countries. By 2010, RICS had more than 100,000 qualified members and over 50,000 student and trainee members in over 140 countries around the world.

RICS also gives accreditation to real estate related degree programmes which are offered by reputable institutions of higher learning around the world. To have their courses accredited, the higher learning institutions must meet some strict standards. Likewise, institutions whose courses are accredited are obliged to maintain high educational standards. To ensure the standards are kept, accreditation status is regularly reviewed. Graduates of the accredited degree programmes stand higher chances of being employed internationally. To enhance their reputation, real estate professional firms may also voluntarily choose to be regulated by RICS. Such firms have to abide by a strict code of ethics and at least half of their directors or principals need to be RICS members. Besides, each year RICS publishes more than 500 industry research and policy papers. Members enjoy access to most of the literature published or collected by RICS. The industry research and policy paper publication also enhance transparency in the market.

The strict and high education and professional standards imposed on members and accredited higher learning institutions guarantee highly qualified and disciplined professionals. The problem of bounded rationality amongst agents is reduced by having professionals with high educational qualifications, who constantly keep themselves current with industry developments and knowledge. Similarly, such professionals are less likely to get involved in some other deliberate forms of agency problems, which may jeorpadise their membership with RICS and consequently their professional career. The high standards upheld by RICS are useful in protecting clients and consumers against opportunistic behaviour of providers of professional services in the real estate industry.

INREV and EPRA

INREV, standing for the European Association for Investors in Non-listed Real Estate Vehicles, was established in 2002 with the aim of improving accessibility of non-listed real estate funds by promoting transparency, accessibility, professionalism, and standards of best practice (INREV, 2011). INREV also promotes performance measurement, research and corporate governance in real estate in European countries (Schulte et al 2005). Until early 2011, INREV had more than 300 members. Among other achievements, INREV produces an index for non-listed property funds. On the other hand, the European Public Real Estate Association (EPRA) is a similar institution catering for listed real estate corporations in Europe. The institution was formed in 1999. Among its core activities include developing policies concerning standards of reporting disclosure, ethics and industry practices. It also sponsors and publishes research projects. It is also involved in the production of a global real estate index, namely FTSE EPRA/NAREIT Global Real Estate Index Series. By early 2011, it had about 200 members.

2.8.3 Literature on agency conflicts in the direct discharge of real estate services

2.8.3.1 Real estate brokerage

Real estate brokerage is perhaps one of the clear forms of agency relationship and for that reason it has attracted many studies. Rutherford et al (2005) for instance, apply agency theory to test opportunistic behaviour of real estate brokers in the USA. Their findings show that agent-owned houses sell no faster than client-owned houses, but they sell at a price premium of approximately 4.5%. Similarly, based on the USA commercial real estate market, Garmaise and Moskowitz (2004) investigate how market participants deal with information asymmetries. They report that market participants resolve information asymmetries by purchasing nearby properties or properties with long history and avoid transactions with informed professional brokers. Hughes et al (2005) also apply agency theory to investigate whether professionalism override opportunistic tendencies of real estate brokers in the UK market. They find out that the reverse is true i.e. that opportunism overrides professionalism when professional brokers' carry out their duties. Bajtelsmit and Worzala (1997), on the other hand, investigate the agency problem arising from co-operating estate brokers in the USA. They find out that when a buyer relies on the cooperating broker there is a potential for informational gain to the seller. To rectify the problem, the use of buyer broker is recommended. From all these studies, theoretical predictions of agency theory that agents behave opportunistically are reinforced. There are many other studies confirming agency problems in real estate brokerage activities (e.g. Clauretie and Daneshvary, 2008; William, 1998; Arnold, 1992; Marsh and Zumpano 1988).

2.8.3.2 Property management

Some studies have focused on agency problems arising in corporate real estate and property management activities. Gibler and Black (2004) for instance, look into agency conflicts in outsourcing corporate real estate services in the USA. The authors emphasise on the need to balance between in-house and outsourced services in order to tap the advantages of outsourcing but at the same time minimise the effects of agency conflicts associated with outsourcing. The authors however do not consider the effect of inner-firm (employer-employees) opportunism. They focus on agency conflicts existing between companies and external contracting parties. In the absence of effective institutional remedies, inner-firm opportunism can even be more serious than outsourcing. On the other hand, Rosenberg and Corgel (1990) investigate the extent of agency costs arising from the practice of basing property management fees on gross rental collection rather than on net operating income because the former motivates property managers' to act opportunistically. They report high agency costs associated with property management, and thus propose change of practice in order to align the interests of managers and owners.

Somehow different findings are reported by Guilding et al (2005) who investigate agency conflicts arising between tourist-based condominiums owners and property managers in Australia. Findings show potential for moral hazard problems due to contracts that provide disincentive to owners to take any actions that may adversely affect their managers. These findings underscore the weakness of agency theory in presupposing a self-centred opportunistic human being. The strength of this study is its consideration of some institutional aspects in constraining the behaviour of parties to agency relationship. Institutional aspects in agency theory are also well articulated by Johnson and Droege (2004). The authors dwell on the limitations of agency theory in settings which have different culture than Western countries where the theory was developed and most widely applied. Despite being theoretical, the paper brings out a cultural dimension which largely defines the differences between societies. Culture defines informal institutions of the society. The paper augments the theoretical background of the present study which focuses on institutional remedies of agency problems in the context of real estate and a developing country cultural setting.

2.8.3.3 Property valuation, taxation and lending

Other researchers have applied agency theory to real estate valuation, taxation and bank lending. Dalbor and Andrew (2000) use agency theory, for instance, to explain valuation accuracy in the hotel appraisal process. They report that information asymmetry and moral hazard have significant effects on appraised hotel values. They also note that appraised values were lower than sale prices during the period of tax reforms implying that values are lowered for taxation purpose. Conversely, the study also reveals that appraised values were higher than sale prices during the commercial lending booms, implying that values were inflated for borrowing purposes. The problem of agency conflicts in bank lending is also reported by LaCour-Little (2009), who notes opportunism in mortgage brokers providing the service of matching borrowers and lenders. A similar situation is also reported by LaCour-Little and Chun (1999). Many authors (e.g. Levitin and Twomey, 2011; Belsky and Wachter, 2010; Lind, 2008; Cole and Eisenbeis, 1996) have also cited agency problems while discussing the causes of credit scandals and sub-prime mortgage crises.

2.8.3.4 Adoption of sustainable technologies in buildings

More recently, agency theory has also been used in some studies to explain slow pace of adopting sustainable building technologies. Nelson et al (2010) report, for instance, that the agency problem arising from misalignment of building owner costs and tenant benefits limits investors' interest in adopting sustainable technologies. They argue that, landlords are hesitant to incur extra capital costs for sustainable improvements because many of the benefits of the improvements accrue to the users of the property. As a result, they note that the majority of green buildings are owned by governments and corporate owner-occupiers compared to those occupied by third-party tenants. Misalignment of incentives between building owners and users is also reported by OECD/IEA (2007) to be a significant barrier in achieving energy efficiency in buildings in various countries such as France, the Netherlands, Japan, Australia, and the USA. Levine et al (2007) similarly cite agency conflicts as one of the barriers to adopting sustainable technologies in real estate. The authors note that incentives to the intermediaries involved in decisions to purchase energy-saving technologies or agents responsible for investment decisions are different from those benefiting from the energy savings. There are many other authors who report agency conflicts as a stumbling block in the adoption of sustainable construction practice (e.g. Pivo, 2010; Helgeson, 2009; Peretz, 2009).

2.8.4 Gap in the literature

Despite being useful in setting out the theoretical background of the present study which is necessary for exploring the envisaged developing market setting, it is evident from the studies presented above that none of them focuses on agency problems in infant real estate markets. Some of this literature dwelling on developed real estate markets, which have relatively many effective institutional remedies of agency conflicts, is less relevant to infant real estate markets whose environments are dominated by informal arrangements and ineffective formal laws, rules and regulations. Besides, there are cultural differences between developed and developing countries, making it less realistic for infant markets to transplant human behaviour models developed from research carried out in developed markets. Confining agency theory studies to developed real estate market settings, leaves a gap of knowledge on behavioural real estate aspects occurring in different institutional environments. Many authors acknowledge failure of agency theory to address cultural differences (e.g. Bathula, 2008; Guilding et al, 2005; Johnson and Doege, 2004; Brennan, 1994).

It is also evident from the reviewed literature that the focus of researchers has mainly been on agency problems in real estate brokerage, property management and investment, and more recently on sustainability. Although the literature comprehensively addresses issues of corporate governance, it is mainly confined to the relationships between managers and shareholders thereby leaving out other forms of inner-firm opportunism. The chain of sub-agency relationships created between senior officers and their subordinates within firms is not given much attention. Similarly, owing to the differences in the levels of development and sophistication, some of the real estate phenomena such as indirect real estate investment vehicles and sustainability which are common in developed markets are absent or insignificant in infant markets. This renders most of the literature on agency theory application to such phenomena less relevant in infant markets. One of the reasons for many agency theory studies concentrating only on some aspects of real estate could be that some forms of agency problems which are still prevalent in the developing countries are extinct or quite insignificant in the developed countries due to the presence and effectiveness of various institutional and technological remedies of agency problems. All these facts explain the paucity of agency theory literature in addressing issues which are relevant to real estate markets in the developing countries. However, the literature based on developed markets is still very useful in understanding universal forms and remedies of agency problems.

In a bid to fill the gap in the literature, one comprehensive study (a doctoral research) was recently carried out in Tanzania by Ntiyakunze (2011). The study identifies sources, causes and management of conflicts in building projects in Tanzania. The study shows that delayed payments to contractors, issuing of payments certificates to contractors, evaluation of contractors' claims, design changes, poor communication, errors and mistakes in designs, multiple and different meanings of specifications, and incompatibility between contractors and subcontractors are the main sources of conflicts. Apart from other types of conflicts, the study also reports conflicts related to opportunism which is motivated by unclear and ambiguous contracts. The study indicates that the existing mechanisms and approaches of conflicts management in building projects in Tanzania are sufficient.

Although this study was carried out in Tanzania, it is not particularly focused on agency conflicts. The study covers different kinds of conflicts arising in building projects. As a result, it does not comprehensively address many forms, causes, catalysts and remedies of agency conflicts. The study also does not give a comprehensive treatment of institutional remedies of the conflicts. Besides, the study is confined to construction, which is only one activity of real estate development cycle. It also does not look at construction activity from an investment perspective. By not taking a broad institutional outlook, and confining itself to only one activity of real estate development cycle, the study does not address many issues of agency conflicts in real estate investment activities in Tanzania.

Another comprehensive study (also a doctoral research) focusing on Tanzania real estate investment market was carried out by Rothenberger (2010). The study uses Tanzania as a showcase to investigate the rationale for foreign real estate investors' stigma against sub-Saharan Africa. Despite acknowledging the existence of many hurdles to investors, the study also finds out that foreign investors are overly skeptical about the market, suggesting that such fears may not necessarily be based on real facts prevailing in those markets, but rather lack of correct information. Although the study does not focus on agency problems, its findings and recommendations are useful in dealing with wider aspects of agency problems. The study advocates for more transparency to the real estate market, which will in turn attract foreign investors.

The study recommends that the governments and other real estate investment stakeholders in sub-Saharan African countries should put some efforts to increase market transparency and launch more effective awareness programmes to try to disseminate correct information about their markets to investors around the world. The study also recommends the use of national and regional real estate professional bodies such as TIVEA and AfRES to address some of the market transparency and publicity issues. The author also sees some foreign institutions such as IPD South Africa, IREBS Foundation for African Real Estate Research of Germany and RICS of the UK among others, as potentially important players in enhancing African countries' image to investors in developed countries. This could be achieved through African property index production, market reports and research and publications.

The two recent studies briefly discussed above similarly do not address many specific issues of agency relationship in real estate investment activities. The present study therefore fills the gap by exploring all forms of agency problems in real estate investment activities of some selected core investors in Tanzania. The selected investors are the common categories of investors in many developing countries. Owing to structural adjustment programmes, pension funds, for instance, are becoming key players in many African investment markets. Many African governments are however still directly engaged in the provision of housing. Through NHC, the government of Tanzania is still one of the main players in the housing market. Globalisation policies, on the other hand, have opened up developing countries' markets to international capital. Many African countries are gradually attracting foreign investors. Accordingly, this study explores the agency problems experienced by the selected investors, considering the nascence of most of the formal institutions.

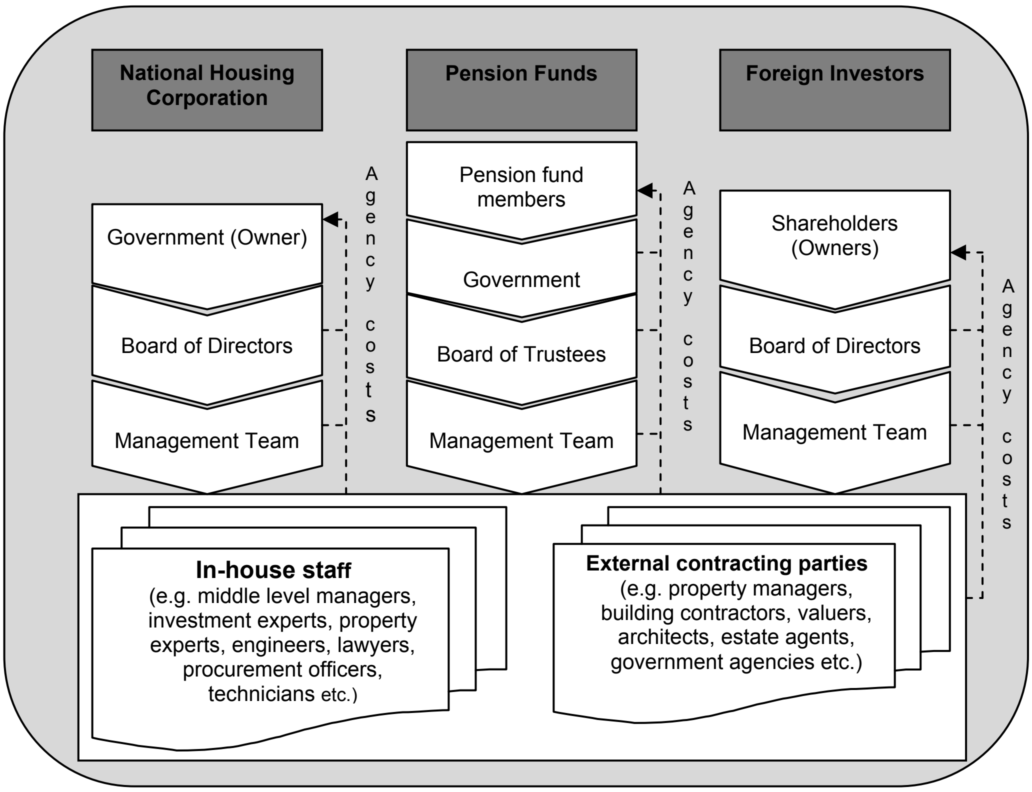
3 Research Design and Methodology

3.1 Introduction

This chapter outlines the focus of study and sets out the methodology of the study. The chapter begins with an overview of the nature and levels of agency conflicts in the set-ups of the three real estate investors earmarked for this study i.e. pension funds, National Housing Corporation, and foreign investors. A brief account of real estate investment activities and corporate issues of these investors is presented before the summary of the research issue. The research methodology section forms another core part of this chapter. The methodology section documents the research design, data collection methods, validity and ethical considerations, and data analysis methods. Challenges encountered in the course of the study are presented in the last section of this chapter.

3.2 Focus of the study

Figure 3.1: Agency relationship levels for selected investors



Source: Author's conceptualisation, 2011

3.2.1 An overview of agency conflict levels

Although agency conflicts are pervasive in all forms of association, their extent and effect differ from one economic setting to another and from one activity to another. In a corporate set up, three generic agency problems arise as reflected in potential conflicts between owners and managers, trustees and beneficiaries, majority and minority owners, and between the firm itself and contracting parties such as creditors, employees and customers (Casadesus-Masanell and Spulber, 2005). The focus of this study is on agency conflicts arising in the course of real estate investment activities of pension funds, NHC and foreign investors in Tanzania. These investors use agents in most of their property investment activities. For each activity involving agents there is a potential for agency conflicts. Figure 3.1 captures the scenario under which investment decisions take place and the ensuing agency relationships, and thus the potential areas for agency conflicts.

Figure 3.1 shows the main agency levels involved in the real estate investment process of the three selected investors namely, National Housing Corporation (NHC), pension funds (for this case, NSSF, PPF; PSPF and LAPF), and corporate foreign investors. Description of the agency levels for each of the three real estate investor categories is given in subsections 3.2.2 – 3.2.4 below.

3.2.2 Pension funds' property investment activities

Pension funds in the context of this study are corporate institutions responsible for collection, management and payment of money mainly meant for pension and other related benefits. The major sources of funds for the pension funds are monthly members' contributions and investment income. In Tanzania, all major pension funds are state-sponsored and each one was established by an Act of Parliament. Membership to pension funds is mandatory for all people with formal employment. Each member must contribute 20% of his or her monthly salary. The burden of the contribution is shared between the employee and the employer, either by each one contributing 10% or by the employer contributing 15% and the employee 5%. Some employers pay the whole 20% for their employees. Employers are therefore also main stakeholders of pension funds. Owing to the importance of pension funds to the nation's social security system, the government closely monitors their activities.

Each pension fund has a Board of Trustees which is similar to a Board of Directors in a limited liability company. Members of the Boards of Trustees represent the key stakeholders mainly, employees, employers, government and the Management of the respective pension fund. The chairpersons of the Boards of Trustees are appointed by the President of the United Republic of Tanzania, and other members are appointed by the minister of the ministry under which the respective pension fund falls. The Management team of each pension fund is headed by a Director General, who is also appointed by the President of the United Republic of Tanzania. Other senior members of the Management are appointed by the respective Boards of Trustees. Just like the Board of Trustees, the management of a pension fund operates more or less like that of a limited liability company. The management executes all day-to-day activities of the pension fund, including investment activities.

Pension funds are among the largest institutional investors in Tanzania. Unlike in the past, when pension funds were forced to invest most of their investible funds in government securities, pension funds can now diversify their investment portfolios across a broader spectrum of investment vehicles. This follows the enactment of Public Corporations Act No. 2 of 1992, which among others enhanced flexibility in the investment activities of parastatal organisations. As a consequence, real estate has become one of the popular investment vehicles held by pension funds. Pension funds invest in both direct and indirect property investment vehicles. The indirect property investment common amongst pension funds in Tanzania include private equity companies, loans to property developers, hire-purchase housing for members, and government bonds financing institutional property and infrastructure development. Over the last decade, their average portfolio allocation to direct property alone has been above 20% (Kusiluka, 2009). Pension funds are widely acknowledged in Tanzania for their role in the face uplifting of many large urban centres with their modern and expensive properties.

More than 80% of the pension funds' investible funds which are not invested in real estate are invested in government securities, public equities and debt instruments. Due to this fact, coupled with the inactiveness of capital markets and Dar es Salaam Stock Exchange (DSE) in terms of daily trading volumes, and thus less volatility of securities (Fumbuka, 2008; Kibola, 2008), pension fund managers have not been so much preoccupied with the money invested in equity and debt instruments. Instead, they are more involved with investment in real estate. Apart from the Boards and Managements of pension funds, many more other people (agents) are involved in the investment decision making process. Such other people include property managers, lawyers, investment analysts and other consultants. As such, pension funds' property investment activities have attracted the attention of many people including researchers (e.g. Mpogole, 2006; Kongela, 2005; Geho, 2004; Mwamoto, 2003; Geho, 2001).

The network of relationships created in the property investment activities of the pension funds is of the principal-agent nature. Besides, the close involvement of the government in the affairs of pension funds adds another dimension of agency conflicts. Closeness of the government in the management of pension funds has led to a wide confusion that pension funds are state-owned organisations. As widely reported in corporate governance literature (Gupta, 2005; Liu and Sun, 2005; Shen and Lin, 2009), state ownership or even partial state ownership and corporate performance are negatively correlated. The main argument is that corporate governance practice within state owned corporations is not effective, because even non-performing top managers are kept (Shen and Lin, 2009).

Multiplicity of agents in the real estate investment activities of pension funds coupled with the involvement of the government in key decisions increase exposure to agency problems. Incidents of laxity of people assuming the role of principals in the monitoring of agents are apparent in all levels of agency relationship, from the boards of trustees to property managers. As Donnelly and Mulcahy (2008) underscore, in the absence of a proper mechanism to control the actions of agents and credible performance benchmarks, corporate managements can easily produce less credible performance reports or conceal the real economic performance of the firm from its owners. Administrators of pension funds in Tanzania have often been criticised for questionable property investment decisions, despite the seemingly good performance reports released by the managements (Matotola, 2009; Kusiluka, 2008b; Mpogole, 2006).

The focus of the investigation in this study is on the main agency relationships existing in the real estate investment activities. These include those between members and government, members and Boards of Trustees, government and Boards of Trustees, Boards of Trustees and Management, Management and other contracting parties including in-house property investment experts and external property investment consultants. The multiple agency relationships and the underlying institutional environment typical with property investment activities of foreign investors have been illustrated in Figure 3.1.

3.2.3 NHC investment activities

The operational structure of NHC is very similar to that of pension funds. The main difference is in the ownership. Whereas pension funds are primarily owned by members, NHC is 100% state owned. A more critical analysis would however suggest that Tanzania citizens are the ultimate owners of NHC. The government is merely an agent of the people. However, this complex link falls out of the scope of this study. It is still important though to acknowledge that governments are also agents of the people.

The Corporation was established in 1962, with the principal aim of providing and facilitating the provision of housing and buildings for other uses in urban areas. In 1990, all properties under the Registrar of Buildings (RoB) were transferred to NHC. In terms of property stock size, NHC is by far the largest owner of real estate in Tanzania. The Corporation owns 2,310 properties, comprising 16,457 residential and commercial units (MoLHHSD, 2011)[3]. However, most of its stock comprises rundown and old buildings commanding low rent. Most of the rundown properties are however located in prime areas, commanding high redevelopment value.

For many years, NHC like other landlords was operating within the confines of the rent control legislation (Rent Restriction Act of 1962 and later Rent Restriction Act No. 17 of 1984). The legislation stipulated the ceiling rent or standard rent above which landlords were not allowed to charge. The standard rent was 14% and 18% of property value for residential and commercial properties respectively. The legislation also had many loopholes for tenants not to pay rent on time. This resulted into many civil suits between landlords and tenants. In the process of institutional reforms, rent control legislation was seen to be an impediment to the smooth functioning of market economy principles, and was thus in 2005 repealed paving way for market forces to

[3] One property may have many residential or commercial units.

determine rent. Despites the reforms, NHC has for many years continued to perform poorly.

The main source of investible funds for NHC is rental income and capital gain from sales from its real estate development projects. Considering the infancy of financial institutions in the country and the large scale nature of NHC operations, finance has been one of the main stumbling blocks for redeveloping NHC properties. In 2010 major changes to the management and organisation structure occurred. The new management came with an ambitious plan to turn around the performance of the Corporation. A five year plan aiming at redevelopment of some properties located in prime areas was rolled out. In this plan, the management has stated its commitment to build 15,000 housing units over a five year period starting from 2010 (NHC, 2010).

Unlike pension funds, real estate is the only significant investment vehicle held by NHC. Accordingly, most of the NHC employees are real estate specialists or somehow engaged in real estate related activities. The Corporation has real estate investment in all large urban centres in Tanzania, which has necessitated having branch or regional offices. Despite employing many real estate professionals, in some activities NHC also engages external professionals. This is done to supplement the in-house expert capacity. Some real estate activities such as valuation are normally required by law to be done by independent external professionals. In such activities, the Corporation must engage external professionals. Sometimes, the Corporation uses external experts to have a second opinion prior to making decisions.

The Corporation is under the Board of Directors. The President of the United Republic of Tanzania appoints the chairperson of the Board of Directors. The Director General of the Corporation and other members of the Board are appointed by the Minister of Lands, Housing and Human Settlements Development. Other members of the top management team are hired by the Board. As shown in Figure 3.1, there are many levels of agency relationship within the set up of NHC. The main levels are those between the government and the Board of Directors, the Board of Directors and the Management, the Management and other employees, the Management and the external contracting parties. Some of the external contracting parties commonly engaged by NHC include real estate valuers, real estate markets and investment analysts, auctioneers, real estate brokers, property managers, architects, building contractors, and management consultants.

3.2.4 Foreign investors' property investment activities

Apart from pension funds and some state owned corporations, private investors are also increasingly entering the property market in Tanzania. Owing to the capital intensiveness of property investment and shortage of local sources of funds, the property market still has few participants from local private investors (Kusiluka, 2009). Large private property investments are largely owned by foreign investors. Besides, a majority of properties owned by local investors are owner-managed or involve agents whose roles are very limited and intervention by owners in the agents' duties is very common. Besides, most of property investments owned by local investors take the form of family businesses. Separation of ownership and management in such family businesses is minimal, which minimises chances of agency conflicts. To the contrary, property investments owned by foreign investors use a great deal of agents for various activities ranging from market studies to property management.

Agency relations are very common in international investment (Greif, 2006; Cohen, 1969). Like the pre-modern merchants, international real estate investors also use local agents starting from the investment decision making stage to investment management. One of main reasons for using agents is that international real estate investors need someone who is well versed with the local market. A typical case of agency relationships is given by Rottke (2004) who demonstrates the nature of agency problem arising out of actions of private equity opportunity funds investing in foreign markets. These emerging institutions are popular investment vehicles for institutional and large private investors. Having less expertise in the respective foreign markets, the opportunity funds prefer using local transaction partners; thereby creating a two-level principal-agent relationship i.e. the one between original investors and managers of the opportunity fund, and the other one between opportunity funds managers and local transaction partners.

As noted by Williamson (1985), incompleteness in (ownership) contracts means that there are non–contractible elements due to difficulties in contemplating in advance all possible future contingencies and measuring performance under each contingency.

Hart (1988) refers to this cause of incomplete contract as bounded rationality. Although agency theory provides tools to help principals deal with agency costs, such tools are not always, or rather universally, effective. As pointed out by Junker (2005), agency problem grows with the size of the company or number of shareholders. Along the same lines of argument, it can be added that the extent of agency problem differs between local and foreign investors. Unlike local investors, foreign investors' powers to create institutions to minimise agency costs in foreign countries may be limited. The situation worsens when less developed investment markets are involved. Institutions to address concerns of foreign investors are less developed in developing markets and much less developed in African countries (Abdulai, 2006; Asiedu, 2002; Feder and Feeny, 1991). Shrouded with property rights problems, such investment markets pose many problems in implementing contracts.

Despite assertions that globalisation has removed institutional barriers to international investors, many regions including Africa are yet to realise substantial benefits of globalisation. As noted by Hamilton and Webster (2009), although globalisation has increased the flow of both Foreign Indirect Investment (FII) and Foreign Direct Investment (FDI), this flow has mainly been within and between a few economic blocks namely, Western Europe, USA, Canada, and Japan. To attract more foreign investment, less developed countries have embarked on institutional reform programmes aimed at improving investment environment for private investors. For instance, to attract foreign investment, many less developed countries have established investment agencies, mainly to provide investors with information and assist them set up investment activities in the respective countries (Ebohon et al, 2002). Tanzania Investment Centre (TIC) is the agency (agent) catering for this service in Tanzania.

Owing to the complexity of land ownership procedures for foreigners, foreign property investors normally find themselves in need of services of some government agencies, especially the Tanzania Investment Centre (TIC). As such, the foreign investors somehow have to accept the advice given by TIC and consider it while making their investment decisions. However, TIC was established to fulfil its own interests, which may not always be in line with those of investors. With its main objective being to attract investors, TIC may not always act in the best interest of the investors. Some foreign investors also prefer owning investments jointly with local partners. In most cases local partners also perform some agency roles such as making decisions on behalf of their foreign partners, taking active role in investment management, attending emergency cases etc.

TIC and all other agents engaged by foreign investors, such as consultants for market studies, feasibility studies, construction, marketing, selling, and property management, expose investors to agency problems. For the purpose of this study only some principal-agent relationships are considered. These include those between investors and government agencies, investors and local market consultants, investors and managers, investors and local partners, managers and in-house property investment and management experts, managers and a multiple of external property investment and management experts such as property management and sales agents and other property consultants. Figure 3.1 illustrates the multiplicity of agency relationships and the underlying institutional environment typical with property investment activities of foreign investors.

3.2.5 Summary of research issue

Broadly, this study is an application of institutional theory to the analysis of an investment activity taking place in a setting which is characterised by nascent formal institutions. The study particularly employs agency theory to explain sub-optimal real estate investment activities. The study also looks into the various institutions constraining the behaviour of agents involved in the real estate investment activities in such an environment. As noted by the neo-institutionalists that some undesirable institutions are created and perpetuated in the society by people with power to serve their own interests, it is similarly posited in this study that people acting as agents may use their powers (of information) to pursue their own interests at the expense of their principals' resources. In line with the institutional theory it is further posited that, in the absence of, or with weak, formal institutions, informal institutions play a decisive role in controlling agency relationships. The present study therefore examines whether informal institutions are effective in mitigating agency conflicts in a setting where formal institutions are still at their embryonic stage of development. This study is therefore based on the following propositions:

(i) Owing to the differences in the institutional environment, some of the agency conflicts remedies applicable in developed real estate market settings are less effective in infant real estate market settings.

(ii) The agency problems in real estate investment activities resulting into sub-optimal investment activities in Tanzania are exacerbated by weak formal institutions prevailing in the market setting.

(iii) In the absence of effective formal institutions, informal institutions play an important role in mitigating agency conflicts in real estate investment activities in Tanzania.

3.3 Research Methodology

3.3.1 Introduction

A research methodology is the way to systematically solve the research problem (Silverman, 2008; Alasuutari, 1995). The research methodology entails various steps adopted by the researcher in studying the problem along with the logic behind them. It is implied from this broad view of research methodology concept that research methods are sub-sets of the research methodology. Accordingly, this chapter presents the research methodology adopted by this study. Details of research strategy, design and methods are presented, and the rationale for their selection is given.

3.3.2 Research strategy

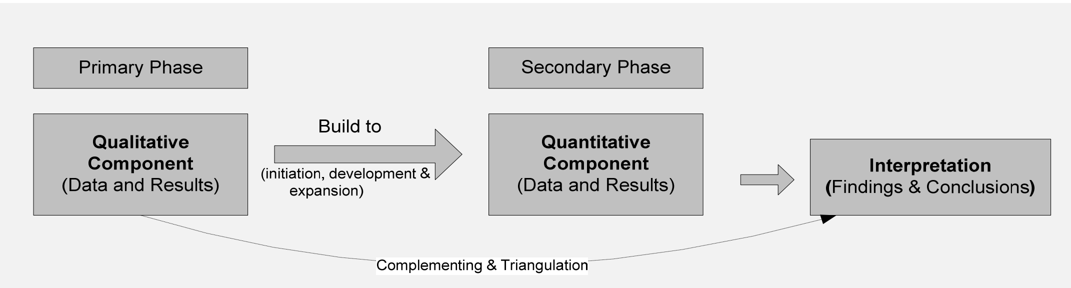
This study employs a mixed methods research strategy. Mixed methods research is an approach to inquiry that combines or associates both qualitative and quantitative forms of research (Creswel, 2009). The weaknesses of each of the mono strategy research have widely been used to advocate for a mixed methods strategy (Creswel, 2009; Bergman, 2008; Creswel, 2007; Johnson and Turner, 2003). Nonetheless, there is still a dissension between the purists of a qualitative research strategy and those of a quantitative research strategy (Alastalo, 2008; Bryman, 2008; Brannen, 2008). One of the striking arguments of contention is that the two methods cannot be combined because they arise from different paradigms (Smith and Heshusius, 1986; Burrell and Morgan, 1979; Kuhn, 1970). Despite the war between the purists of each of the two research strategies, practice shows that studies employing both qualitative and quantitative methods are very common to find.

The mixed methods design is increasingly considered to be a hybrid design which takes the best of qualitative and quantitative methods and combines them (Bergman, 2008; Tashakkori and Teddlie, 2008; Bryman, 2008). The philosophical orientation most often associated with mixed methods research is pragmatism (Teddlie and Tashakori, 2009). Mixed methods research strategy encourages thinking 'outside the boxes' of mono research strategies, which have been the source of paradigmatic war between researchers for many years (Brannen, 2008). DeCuir-Gunby (2008) identifies five purposes of mixed research, which are: triangulation, complementarity, development, initiation, and expansion. Three scenarios are common with studies employing a mixed research strategy i.e. quantitative component dominating and preceding the qualitative or qualitative component dominating and preceding the quantitative or qualitative component preceding the quantitative (Brannen, 2008; Creswel, 2008; Creswel, 2009).

Mixed methods design is also emphasised in the field of real estate. For instance, Amaratunga et al (2002) insist that, owing to cognitive, affective and behaviour components of built environment research, the use of single method often fails to explore these components. The authors therefore recommend the use of mixed methods. Adoption of a mixed methods strategy in this study is further necessitated by paucity of research in the subject matter being investigated, particularly in the institutional setting obtaining in Tanzania and some similar settings. Although various aspects of agency theory have been widely studied over the recent past, very little has been done to cover the social settings with weak formal institutions. Besides, relatively little attention has been directed to real estate investment activities. Qualitative research strategy is widely recommended as a forerunner to quantitative research for areas of research which have not been previously investigated (Nganga et al, 2003). Accordingly, some of the qualitative methods used in this study were meant to facilitate the mapping exercise carried out to inform the research design and serve as a prologue to a quantitative phase.

Quantitative research is generally said to be directed at theory verification, while qualitative study research has typically been more concerned with theory generation (Punch, 2008). Although in this study the qualitative component is aimed at being a forerunner to the quantitative component, some of the results of the quantitative research are compared and contrasted with the results obtained from the qualitative analysis to enhance the conclusions of the study. Such a comparison of information from qualitative and quantitative analyses is referred to as triangulation (Hammersley, 2008). The qualitative component also entirely answers some of the research questions. Figure 3.2 captures the general research design of the study.

Figure 3.2: Research design



Source: Author's Compilation, 2011

3.3.3 Data collection

3.3.3.1 The qualitative component

The qualitative phase of this study uses the strategy of phenomenological research strategy. By this strategy, the researcher identifies human experiences about a phenomenon (mitigation of agency conflict in this particular case) as described by participants (Creswel, 2009). This strategy normally involves studying a small number of subjects, and the researcher sets aside his or her own experiences in order to understand those of the participants in the study (Moustakas, 1994; Creswel, 2007). The qualitative methods used are semi-structured interviews, focus group discussions, and review of documentary evidence.

Semi-structured interviews

Semi-structured interviews were conducted with key informants amongst officials of pension funds, National Housing Corporation, foreign property investment firms, real estate consultancy firms, Tanzania Investment Centre and other government agencies and departments, and researchers. Most of the interviewed informants were either principals or agents. On the virtue of their positions, some interviewees served as both principals and agents. This was particularly common with some senior officials of pension funds, who in the course of their duties also engaged other people such as their in-house sub-ordinates and external contracting parties such as investment consultants, property management agents, sales agents, engineers, architects, lawyers etc. Interviews with principals were meant to capture their knowledge of the extent and nature of agency problems and the techniques they used to mitigate the problems. The interviews also sought to capture the main practical problems which they encountered in their bid to address agency problems given the market environment characterised with nascent formal market and corporate governance institutions, shortage of experts, absence of property investment performance benchmarks, etc.

Table 3.1: Summary of Interviewees

Respondents' employer	Category	Number of interviewees
National Social Security Fund	Investor	3
Parastatal Pensions Fund	Investor	3
Local Authorities Pension Funds	Investor	3
Public Service Pension Fund	Investor	2
National Housing Corporation	Investor	4
Intergraded Property Investments (T) Ltd	Investor	3
Mlimani City	Investor	1
CDC	Investor	1
Tanzania Investment Centre	Investment facilitator	1
MoLHHSD	Land Administrator	2
Municipal Councils	Land administrator	3
Firms providing real estate services	Consultants	12
Real estate researchers	Researchers	2
Total		**40**

On the other hand, interviews with agents focused on the role of formal and informal institutions in checking agents' behaviour and actions. The interviews further sought to establish agents' specific roles in property investment activities, their motivation to work for their principals, the degree of discretion they have in investment decisions, the degree of satisfaction with the type of incentives provided to them. For agents amongst real estate consultants, interviews in particular sought to find out whether agents' interests were aligned with those of their principals. Interviews with the other key informants such as government officials, TIC officials, and researchers aimed at gaining more insights on real estate investment activities in Tanzania in terms of regulation, facilitation, and transparency. The list of interviewees is presented in Table 3.1.

Focus group discussions

Focus Group Discussions (FGDs) were used to glean data from members of pension funds. One of the advantages of focus group discussion method is that it enables a researcher to observe a large amount of interactions on a specific topic in a short time (Bryman and Bell, 2003). Focus groups are also preferred for their group dynamics and hence their ability to generate a wide range of data through the social interaction. Although the method is criticised for its focus on the availability of group members, rather than their representativeness, this problem had little relevance to this study because the participants were easily available in many places of work and they existed in all possible categories such as gender, age, level of education etc. Drawing representative samples was thus easy.

According to some stands of literature, the optimum number of participants in a focus group may vary, but many authors recommend groups of between 6-12 participants (e.g. Smithson, 2008; Marshall and Rossman, 2006; Cozby, 2007; Krueger and Casey, 2000). For this study, 4 focus group discussion sessions were conducted. Each session consisted of 6 participants. All sessions were moderated by the author. The participants were drawn out of members of various pension funds amongst employees of Ardhi University, Ministry of Lands, Housing and Human Settlements Development, Kinondoni Municipal Council, and some real estate investment firms. The information generated from focus group discussions was useful in partly addressing some research questions and in setting the ground for the survey. Some results of focus group discussions analysis were compared with survey analysis results.

Review of documentary evidence
The range of documents common in social science research include diaries, letters, essays, personal notes, biographies, institutional memoranda and reports, and government pronouncements as in Green Papers, White Papers, Acts of Parliament (Jupp, 1996). To address some aspects of the research objective, both published and grey literature was used. The question of how real estate investment in Tanzania was linked with the country's institutional environment was mainly addressed using documentary evidence. Some of the documents reviewed include management reports and annual reports of the investors covered in the study, research papers, dissertations, and presentations on real estate investment in Tanzania. Various statutes directly or indirectly affecting property investment activities were also reviewed. Some of the statutes reviewed include all Acts of Parliament providing for the establishment of the pension funds covered in this study, Tanzania Investment Act of 1997, Capital Markets and Securities Act of 1994, Public Corporations Act of 1992, and Land Act of 1999.

Review of documentary evidence was also aimed at supplementing interviews and focus group discussions. Data on the general property market trends and financing was obtained through a review of various publications and reports issued by the Bank of Tanzania, National Bureau of Statistics, Tanzania Investment Centre, Controller and Auditor General (CAG) reports and other government publications and reports. Relevant research reports, newspapers and newsletters were also used as a source of secondary data. The author was sometime compelled to use telephone conversation to cross check the accuracy of some data gleaned from various reports. Some of the officials called include investment managers and officers of some pension funds, NHC and property management firms.

3.3.3.2 The quantitative component

Survey was the main strategy of enquiry adopted. As Creswel (2009) points out, survey research provides a quantitative or numeric description of trends, attitudes or opinions of a population by studying a sample of the population. The survey was cross-sectional, in that data was collected at one point in time i.e. between August and December 2010. Since this study test a theory and attempts to expound the limitations of applying a theory in some social settings, it is clear that the findings of this study will be relevant for all settings which share similarities with a setting obtaining in Tanzania.

The quantitative component of this study therefore forms a strong basis for generalisation of the results.

Self-administered questionnaire

Primary data collection was carried out using self-administered questionnaires. The distribution of the questionnaires and response is summarised in Table 3.2.

Table 3.2: Summary of survey respondents and response rate

Respondents' details	Number of questionnaires	Response	Response Rate (%)
Agents' questionnaire:			
• Pension funds real estate/investment officials	60	41	68.3
• National Housing Corporation real estate/investment officials	60	40	66.7
• Real estate consultancy firms' owners and employees	130	98	75.4
• Foreign real estate investors' employees	20	12	60.0
• TIC officials and government officials (land officers and valuers)	15	14	93.3
Total	**285**	**205**	**71.9**
Principals' questionnaire:			
• Pension funds senior management officials	24	11	45.8
• National Housing Corporation real estate/investment officials	10	6	60.0
• Real estate consultancy firms' owners	25	11	44.0
• Foreign real estate investors' senior officials/representatives	8	4	50.0
Total	**67**	**32**	**47.8**

The strength of this method is that the interviewer is able to convince reluctant respondents, motivate respondent and provide additional instructions or explanation when needed (de Leeuw, 2008). This method was chosen to ensure high response rate and to minimise cases of missing data i.e. unanswered questions. The use of self-administered questionnaire technique was also aimed at ensuring rapid completion of the questionnaires by respondents. The questionnaires were also pretested with a few potential respondents from all the categories to eliminate any ambiguities in the questions. There were two sets of questionnaires, one served to respondents identified to serve as principals, and the other served to a sample of people identified to serve as agents.

It should be noted that despite self-administering the questionnaire, still some respondents kept postponing filling out the questionnaire apparently due to lack of time, hence less than 100% response rate. As shown in Table 3.2, the problem was much more pronounced with principals than agents. Most of the people serving as principals were senior officials, and thus were busier attending meetings and other responsibilities.

Sample and sampling technique

Whereas probabilistic sampling techniques are not given much attention in qualitative studies (Teddlie and Tashakkori, 2009; Creswel, 2009), sampling models remain to be the basis of statistical inference, which is a key decision tool in quantitative research (King et al, 1994). However, statistical sampling is sometimes hindered by lack of uniformity in populations and problems with access to data (Punch, 2008). Cognizant of the importance of statistical sampling, this study notwithstanding the research environment whose people are not used to dealing with researchers drew its sample using statistical methods. Owing to difficulties in establishing the exact population size of the various groups of respondents, a multistage sampling design was used. Multistage sampling design is used when the population size cannot be determined (Cozby, 2007; McBurney, 1998). The different categories of people serving as principals or agents formed the clusters. Then, random samples were drawn for each cluster. The sample size for each cluster was determined by estimating the population of the cluster in question.

3.3.4 Reliability and validity

3.3.4.1 Reliability

Reliability refers to the replicability of research findings if another study, using the same or similar method, was undertaken (Lewis and Ritchie, 2008). In qualitative research, reliability has been a subject of debate, with many authors disapproving the notion of research replication (Marshall and Rossman, 2006; Holstein and Gubrium, 2004). Instead, it is common to find in qualitative research literature alternative words being used to refer to reliability and sometimes to validity. Some of such words include confirmability, trustworthiness, consistency, and dependability (Teddlie and

Tashakkori, 2009; Lewis and Ritchie, 2008; DeCuir-Gunby, 2008; Robson, 2002; Kvale, 1996).

To ensure reliability, this study observed a number of steps. A random sampling technique was used to eliminate biasness in the selection of survey respondents. Respondents were given enough time in both interviews and surveys. Data collection was conducted for four months. This was done to ensure that time was sufficient to allow the respondents to respond to the questions without stress or hurry. Besides, all interviews and focus group discussions were personally administered by the author i.e. no research assistants were involved. This was to maintain uniformity. Methods of data analysis are clearly documented. In some cases, multiple methods were employed to check results. Interpretation of results was only based on evidence. To ensure validity, some more steps were considered.

3.3.4.2 Validity

Validity, on the other hand, is concerned with the extent to which a measurement actually measures those features the investigator wishes to measure, and provides information which is relevant to the questions being asked i.e. relationship between a variable and what it is supposed to measure or predict about the world (Martin and Bateson, 1986). There are three common types of validity associated with research namely, construct validity, internal validity and external validity (Cozby, 2007). Construct validity refers to the adequacy of the operational definition of variables and the degree to which data collection procedure truly captures the intended construct that is being studied (Teddlie and Tashakkori, 2009). Whereas internal validity refers to the ability to draw conclusions about causal relationships from the data, external validity is concerned with the extent to which the results can be generalised to other populations and settings (Cozby, 2007).

All the three components of validity mentioned above are relevant in this study. Accordingly, various steps were devised to ensure validity is attained. The sampling technique employed (multistage) ensures representativeness and unbiasness in the sample. The phenomenon being investigated and the setting of the investigation are well defined. Respondents were given sufficient time to fill out the self-administered questionnaires and the author was available to give clarifications whenever needed.

The findings of the study are based on clear methods of analysis and the findings are only based on the original data. Besides, this study draws on a rich theoretical and empirical knowledge base, and the research methods employed are those common with the existing literature on the subject matter.

Studies on agency theory are mainly divided into two, namely those which approach the contracting problem in algebraic but non-empirical manner and those which are more descriptive but more amenable to empirical testing (Rowland, 1998). With increasing availability of more reliable secondary data statistical proofs have become common in testing various agency theory aspects in property investment activities (Graff and Webb, 1997; Glascock et al, 1993; Solt and Miller, 1985). Rowland (1998) encourages the use of survey in studies of agency conflicts. Studies using algebraic models are criticised for their limiting assumptions some of which are necessary to draw meaningful assumptions. Besides, some algebraic models are criticised for being unrealistic or overly prescriptive. This argument is further supported by the proponents of New Institutional Economics who criticise neo-classical economists for their models which presuppose the non-existent perfect market. As neo-institutionalism is increasingly gaining ground in addressing the shortcomings of the mainstream economics approaches, pragmatism in the choice of research methods has similarly increased (Chin et al et al, 2006; McGreal et al, 2002).

3.3.5 Ethical considerations

This study involves people and business activities. The interpersonal nature of this study and the sensitive business information that might have been accessed in the course of this research, imply an ethical dimension to be taken into account. Ethical considerations aim at ensuring that people participate voluntarily, making people's comments and behaviour confidential, protecting people from harm and ensuring mutual trust between researcher and people studied (Silverman, 2008). In summary, consent, confidentiality and consequences of the research are the key ethical issues a researcher must consider (Kvale, 1996). This study placed equal importance on all ethical considerations. Access to all data used in this study was by consent from the relevant authorities. Formal requests were made for all data and information which were not public. A written assurance on information privacy and confidentiality was provided to all respondents who took part in the survey. The covering letter for the questionnaires also clearly stated that the data would only be used for academic purposes and that no real names of persons or firms would be disclosed without prior consent of the concerned persons or authorised officers.

Practically, it is relatively difficult to conduct research activities which involve asking people questions in Tanzania due to people not being so much used to research activities. Owing to many incidents of corruption and dishonesty, sometimes people are hesitant cooperating with researchers for fear that they may be journalists or government secret service agents, or even undercover officers from the Prevention and Combating of Corruption Bureau (PCCB). The author, being an academic member of staff in the School of Real Estate Studies (SRES) at Ardhi University (ARU), enjoyed the already established rapport with a large section of the respondents following a working relationship network which had developed in the course of discharging consultancy assignments and research activities. Due to the fact that ARU is the only institution of higher learning offering real estate courses in Tanzania, most of the respondents were ARU graduates. Some useful contacts were also established by the author when conducting his Masters research which was on real estate allocations by pension funds in Tanzania. This rapport eased access to data and to senior officials of the various firms. Besides, the nature of the enquiry and type of information sought generally in this study were not considered to be very sensitive by the respondents, which reduced respondents' resistance from taking part in the survey.

3.3.6 Data analysis

3.3.6.1 Thematic analysis

Thematic analysis was employed in the analysis of qualitative data which was collected by interviews and focus groups. A summary of the thematic analysis process adopted in this study is illustrated in Figure 3.3. Thematic analysis method is widely used for analysis of qualitative data. It involves identifying, analysing and reporting patterns or themes within data (Braun and Clarke, 2006). In the present study, thematic analysis entailed reading all the text documented during focus group discussions and interviews with key informants. The exercise was aimed at identifying repeated patterns of meaning. In this process, various themes capturing important aspects about the data in relation to research questions and representing some level of patterned response or meaning within the data set were identified. The various themes were then presented and discussed separately before a generalised pattern was drawn.

Figure 3.3: Thematic analysis process

Step and Activity	Activity Details
Step 1: Familiarising with data	Reading and re-reading the data (from interviews and FGDs), and noting down initial ideas
Step 2: Generating intial codes	Systematically coding interesting features of the data across the entire data set and collating data relevant to each code
Step 3: Searching for themes	Collating codes into potential themes and gathering all data relevant to each potential theme
Step 4: Reviewing themes	Checking if the themes work in relation to the coded extracts and the entire data set, generating a thematic map of the analysis
Step 5: Naming themes	Refining the specifics of each theme and the overall story the analysis tells, and generating clear names and definitions for each theme
Step 6: Writing	Selecting compelling extract examples, final analysis of selected extracts, and relating the analysis to the research questions and literature

Source: Author's conceptualization from various literature sources, 2011

3.3.6.2 Descriptive and inferential statistics

In the analysis of quantitative data, some descriptive and inferential statistical methods were used. Mean and standard deviation scores were used to rank all Likert scale answers. The answers showed respondents' degree of agreement or satisfaction with some statements testing various aspects of agency conflicts. To test association of independence of some selected parameters, Chi-square (χ^2) was used. Chi-square decision rule is that, at given level of significance (α) the null hypothesis is rejected if the calculated χ^2 meets or exceeds the tabled critical χ^2 (Field, 2005). Phi (φ) was used to determine the strength of the established associations whose categories were defined by a 2 x 2 matrix. For categories with different matrices, Cramer's V was used. Cramer's V values of less than 0.30 reflect small effect size, otherwise those between 0.30 and 0.50 reflect medium effect size, and those more than 0.5 reflect large size effect (Steinberg, 2008). The larger the effect size value the more meaningful is the Chi-square derived conclusion.

3.4 Challenges of the study

In the course of undertaking this study some challenges were faced. The challenges which may have weakened the robustness and wider applicability of some of the findings of the study are outlined below:

(i) Some difficulties were encountered in identifying, separating and defining informal institutions' attributes. Some of the variables were differently defined by different authors. Other attributes were, in their common usage, used loosely and interchangeably, which potentially caused some difficulties in distinguishing them. To be able to give clarification in case of any confusion, personal administration of the questionnaires was necessary.

(ii) Low response rate of principals' questionnaire was contributed by most of the respondents occupying important positions, which made them too busy to have spare time for interviews or filling out a questionnaire. Due to lack of time, some senior officials assigned their subordinates to attend the questionnaire. Other senior officials were apparently not comfortable being interviewed for fear of being quoted or misquoted. Sensitivity of the research topic (i.e. enquiring about one's opportunistic behaviour) coupled with infrequency of research activities in the industry, also contributed to making some respondents more hesitant to cooperate with the researcher. Despite the low response rate, a lot of time was spent by the researcher calling the officials to remind them of the request to have an interview with them or to remind them to fill out the questionnaire.

(iii) Some respondents amongst senior officials had multiple roles i.e. principal and agent roles. Such respondents were requested to fill out both principals' and agents' questionnaire. This may have somehow affected the type of answers given by some of the respondents. Additionally, filling out two questionnaires required more time, of which such respondents did not have. This resulted into further delays returning the completed questionnaire.

(iv) About 92% of the respondents in the survey were either graduates or possessed postgraduate qualifications. This sample may not be a good representative sample for the population of Tanzania whose level of education is generally low. However, the sample was quite representative of the education level of the people in the formal real estate sector. Most of the employees and agents working in the formal real estate sector were university graduates. The large number of educated people in the sector reflects the professional and specialised nature of the real estate investment activities.

(v) This is a pioneering study on the agency problem in real estate investment in Tanzania, and perhaps the whole of Africa. As a result, respondents were not quite aware of the agency problem when answering the questionnaires. Most of them confused the term agency problem with the problems associated with real estate agency activities.

4 Institutional Environment and Real Estate Investment

4.1 Introduction

This chapter uses the setting obtaining in Tanzania to demonstrate how a property investment process is linked with the institutional environment. The link is established by drawing on the evidence from the three main different historical periods through which Tanzania has passed. Specifically, the discussion is centred on the colonial period, the period after independence but prior to institutional reforms, and the period of institutional reforms. The three periods are significantly different in terms of the nature of the political, legal, economic and social institutions that prevailed in each of them. The discussion, which is mainly based on published and grey literature shows how the property investment market has evolved with, and mirrored, the prevailing institutions.

4.2 Approaches to property market analysis

There are different market analysis approaches used by researchers of property markets. Some of the popular approaches include the traditional or mainstream economics, the Neo-Marxist and, the institutional economics (Arvanitidis, 2006; van der Krabben and Lambooy, 1993).

The traditional approaches, using neoclassical urban rent theory, are generally based on the assertion that a property market is structured by supply and demand of its products and that in the absence of information problems, competition will always lead to an equilibrium on the property market (Arvanitidis, 1999). The main criticism of these approaches is that not only do they fail to incorporate the property market mechanisms into their theoretical frameworks, but they also misinterpret the relationship between the property market and urban economy (Arvanitidis, 1999). The mainstream economics approaches are based on the neo-classical perfect market which presupposes many buyers, many sellers, homogeneous product, full information etc, which in reality do not exist (Evans, 1995).

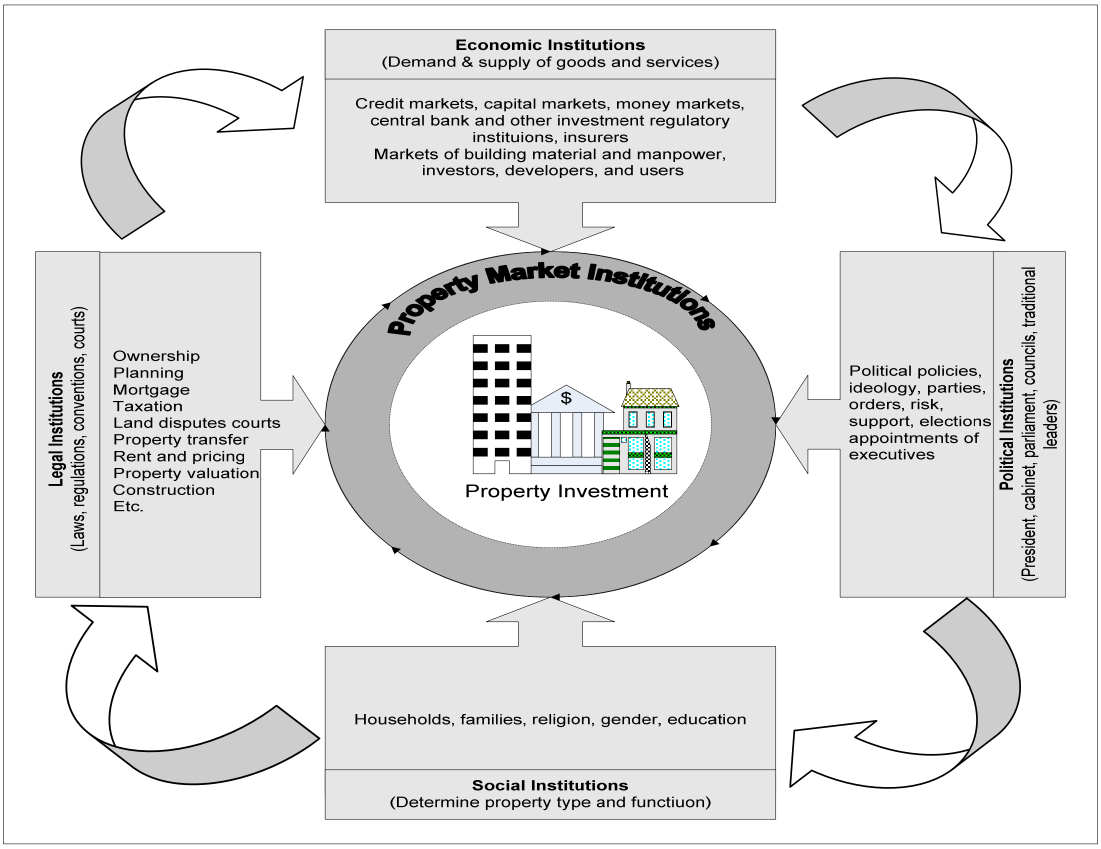
Neo-Marxist approaches, on the other hand, are based on the contention that urban settings are socially determined in their forms and processes through a dialectical interaction that opposes social contradictions and conflicts as trends fighting each other in an endless suppression (Castells, 1993). The main argument is that the urban built up environment is a product of capital accumulation. The focus is on the traditional urban rent theory, which is explained as a struggle between landowners and other capitalists for a part of the surplus value that is generated in the production process (van der Krabben and Lambooy, 1993). Proponents of Neo-Marxist approaches are also more interested in how capital flows into the built environment. Neo-Marxist approaches are criticised in many ways, but the most recurring criticism is their deterministic closed system of explanation and their lack of a cultural perspective (D'Arcy and Keogh, 1997). Another widely cited weakness of the Neo-Marxist approaches is that they regard the built environment as a framework around which other social processes take place rather than an integral element of them (Ball, 1986). Neo-Maxist and mainstream economics approaches are both criticised for their lack of institutional or behavioural content and their tendency to ignore many of the idiosyncratic characteristics of property (D'Arcy and Keogh, 1998).

The institutional economics approach, on the other hand, avoids the simplistic explanation of the property investment market adopted in the mainstream economics and Neo-Marxist approaches by regarding the property market as an institution which can be explained alongside other institutions (Keogh and D'Arcy, 1999; Keogh and D'Arcy, 1994). Apart from a series of papers by Keogh and D'Arcy (i.e. Keogh and D'Arcy, 1994; Keogh, 1996; D'Arcy and Keogh, 1997; D'Arcy and Keogh, 1998; Keogh and D'Arcy, 1999; D'Arcy and Keogh, 2002; and D'Arcy, 2006), there are many other recent property investment market studies which have preferred institutional approaches to the other approaches (e.g. Viruly, 2009; Mooya and Cloete, 2007; Chin et al, 2006; Sim et al, 2003; Ebohon et al, 2002; McGreal et al, 2002; Walters, 2002; Armitage and Keogh, 1996). Considering the strength of the institutional approaches over the other approaches, the discussion of the Tanzania real estate investment market adopts the perspective of the institutional approaches.

4.3 Institutional framework of real estate investment market

Institutional environment refers to the system of formal laws, regulations and procedures, and informal conventions, customs and norms that broaden, mould, and restrain social-economic activity and behaviour (Becchetti and Kobeissi, 2009). The institutional environment prevailing in a particular society defines the activities and actions of the members of the society in question. As Keogh and D'Arcy (1999) point out, the property market exists within an institutional framework defined by political, social, economic and legal rules and conventions by which the society in question is organised. The broad institutional climate frames the perceptions and expectations of actors in the property market. Figure 4.1 shows the connection of property investment with the various institutions and how those institutions are also connected to form a broad institutional environment.

Figure 4.1: The institutional framework of real estate investment



Source: Author's conceptualisation, 2011

Political institutions influence performance of property market through the level of perceived political risk, political support, and political policies. Social institutions determine the type and function of property. Economic institutions determine supply and demand, expected growth, risk and return, inflation, cost of capital etc. Legal institutions are linked to property market in terms of planning laws and regulations, property rights, enforceable contracts, taxation laws, mortgage laws etc.

There is a rich body of literature showing how institutions, and thus institutional environment, affect investment performance and economic development at large (e.g. Williamson, 2009; Tabellini, 2008; Junker, 2005; Ebohon et al, 2002; Asiedu, 2002; Henisz, 2000; de Soto, 2000). There are also many strands of property industry specific literature demonstrating how institutional factors influence property performance (Tu and Bao, 2009; Zhu, 1999). For instance, political stability and economic efficiency and freedom have a positive effect on property investment (Tu and Bao, 2009; Lim et at, 2006; Liao and Mei, 1999).

4.4 Institutions related to property ownership in Tanzania

The history of formal investment in landed property in Tanzania can be traced back to colonial times when formal land ownership was introduced. The formal land ownership was introduced during the German rule, prior to which land was owned according to different institutional arrangements of different tribes (Ngeregere, 2008; Josefsson and Aberg, 2005). By the Imperial Decree of 1895, the Germans declared all lands in Tanzania (then Tanganyika), whether occupied or not, to be crown land. However, there were some exceptions to the declaration. Private individuals who could provide documentary evidence that they owned land prior to the declaration were allowed to continue to own land. For chiefs and native communities, proof of ownership of land was through use and occupation of the subject land (Olenasha, 2005). Private individuals who formally owned land at that time were mainly foreigners who were engaged in plantation agriculture.

After the end of World War I, Tanganyika became a Trust Territory under British Administration. In 1923, the British came up with Land Ordinance, which provided that all land was public land under the control of the Governor, and that no title to the occupation and use of any such lands was valid without the consent of the Governor (Shivji, 1998). The legislation further introduced a new system of land ownership known as Right of Occupancy (Larsson, 2006). Titles and interests which were created prior to the enactment of the Ordinance were not affected by the provisions of the Ordinance. The freeholds and other interests created during the German rule were not abolished by the British. As German settlers were leaving following the change of administration, they sold their freeholds to British and other foreign settlers (James, 1971). In 1928, Land Ordinance was amended to give legal recognition to customary ownership and a title of a native or a native community lawfully using or occupying land in accordance with native laws and customs (Ngeregere, 2008).

When Tanzania achieved its independence from the British in 1961, there were four titles or interests in land namely, freeholds, leaseholds, granted Right of Occupancy and deemed Right of Occupancy. Most of the freeholds and leaseholds were issued during the German rule. In 1962, Government Paper No. 2 was issued to abolish freeholds. This left Tanzania mainly with three titles to land i.e. leaseholds, granted Right of Occupancy and deemed Right of Occupancy. In 1969, Government Leaseholds (Conversion to Rights of Occupancy) Act No. 44 was enacted. The Act provided for the conversion of leaseholds to Right of Occupancy. Since then, land ownership in Tanzania has been in the form of granted and deemed Right of Occupancy. It is also possible, especially for foreigners, to own land through derivative rights (Geho, 2009).

Some colonial institutions, structures and influences could still be observed in the early years of independence. To get rid of such colonial elements, the government came up with a variety of new policies and legislation. In 1967, through Arusha Declaration, a major ideological shift towards socialist policies was announced. This was a monumental decision which had major impact on the institutional environment. The implementation of socialist policies inhibited private sector growth. Real property sector was adversely affected by the promulgation of Arusha Declaration. Enactment of Acquisition of Buildings Act in 1971 further paralysed growth of the property sector. The Act provided for, among others, the nationalisation of all private rental properties whose market value was above TZS 100,000 (then equivalent to US $14,000) or its rental value was above TZS 833.3 per month (Meredith, 2006; Okpala, 1986). Through Arusha Declaration, the government also prohibited public servants from, among other things, owning more than one house.

4.5 Property sector prior to institutional reforms

During the colonial period, property development and investment was minimal. Most of the land was used for sisal, tea and coffee plantations. Besides, the level of urbanization was very low. In 1961, the level of urbanization was only 4.8% compared to 25% in 2008 (Kironde, 2008; Bigsten and Danielsson, 1999). Involvement of government in the housing market can also be traced back to the colonial period. For instance, in 1953 the British colonial government launched the African Urban Housing Loan Scheme which was meant to assist Africans to acquire houses in urban areas. Each individual was allowed to borrow up to £ 500, and the maximum repayment period was 20 years (Kironde, 2007; Kironde et al, 2003). In 1960, the maximum borrowing amount was increased to £1,000. In the same year, the British Colonial Government also introduced the Urban Roof Loan Scheme. The Scheme aimed at enabling owners of thatch-roofed houses in urban areas to replace the roof covers with corrugated iron sheets. All these colonial government initiatives were short-lived and covered only a very small section of the population.

Similarly, no significant progress was made in the property sector during the post independence period prior to institutional reforms. The political and economic system during that time undermined private property rights, which discouraged private investors from participating in the property investment market. State owned enterprises (SOEs) were the only key property market players. The government, through parastatal organisations was, apart from direct ownership of rental houses, also engaged in the provision of property development finance. Most of the government's initiatives were however more focused on the housing sector.

Among the first major government initiatives which had significant positive impact on the property sector was the establishment of the National Housing Corporation (NHC) in 1962. One of the main functions of the Corporation was to lend, guarantee or provide finance to local authorities and individuals, for the construction and improvement of buildings and approved housing schemes (Kironde et al, 2003). NHC was involved in a number of housing provision schemes including Tenant Purchase and Slum Clearance. Under Tenant Purchase arrangement, which resulted into 2,130 houses by 1969, NHC built and sold houses to the tenants on a hire purchase arrangement. Under this arrangement, tenants were required to repay the cost plus a 5% annual interest over a period of between 15 and 25 years. Slum Clearance Scheme, on the other hand, intended to replace slums with modest houses. Tanzania spent about 3.5% of the national investment on slum clearance schemes, but the schemes were only able to add an average of only 400 housing units per annum

(Okpala, 1986). In total, only 3,667 houses were built under the schemes (Kironde et al, 2003).

Another notable government initiative was the establishment of Tanzania Housing Bank (THB). This bank was established by an Act of the Parliament No. 34 of 1972 and became operational in 1973. Among the bank's main objectives were mobilisation of savings and resources for housing development, promotion of housing development, provision of technical and financial assistance for owner-occupied housing, and provision of finance for the development of commercial and industrial buildings. This bank, whose shareholders were the government (46.5%), National Insurance Corporation (30.2%) and National Provident Fund (23.3%), went through a period of persistent operational problems and it eventually collapsed in 1995. The number of housing units built using THB loans before it collapsed is approximated at 36,000 (Kironde at al, 2003). In 1963 the government also introduced the Revolving Housing Loan Fund for senior civil servants, mainly to enable them to renovate, construct or buy houses. Borrowers of this Fund were later transferred to Tanzania Housing Bank (THB). Following bankruptcy of THB, the government re-introduced the Revolving Fund in 1995.

In the early 1960s, urban housing finance in Tanzania was also provided by First Permanent Building Society of Zambia (then known as North Rhodesia). Although based in Zambia, the Society also operated in East African countries. In the wake of independence of East African countries, the Society stopped issuing housing finance which in 1963 forced East African countries in collaboration with the Commonwealth Development Corporation (CDC) to come up with the First Permanent East Africa Ltd, whose headquarters were in Nairobi. In 1968, the Permanent Housing Finance Company (PHFC) was formed to take over the business of First Permanent East Africa Ltd in Tanzania, with the government of Tanzania and CDC being the shareholders. In 1972, PHFC was nationalised on the grounds that it mainly served foreigners.

The role of banks in the property sector prior to reforms

Although commercial banks have existed since the colonial period, their contribution to the property market has been insignificant. The first bank was introduced in Tanzania in 1905. The bank, namely Deutsche-Ostafrikanische Bank, was introduced by the

Germans. In 1911 another German bank, namely Handelsbank fuer Ostafrika, was established. During the British colonial rule, three British banks, namely National & Grindlay Bank, Barclays Bank D.C.O. and Standard Bank, started their operations in the country (Mittelman, 1978). In the 1950s, other commercial banks from Pakistan, India and the Netherlands also came into being (Lwiza and Nwankwo, 2002; Mittelman, 1978). However, these banks mainly served a small group of people, particularly the Whites and the Indians. After independence, the government established more banks to serve a larger section of the population. In 1962 and 1965, the government established the National Co-operatives Bank and the Tanzania Bank of Commerce respectively. All private banks did not last long after independence. They were all nationalised in the wake of the Arusha Declaration.

The implementation of Arusha Declaration stagnated development of the private commercial banking sector. From 1967, the financial sector was dominated by state owned banks. There were only three commercial banks namely, the National Bank of Commerce (NBC), the Co-operative and Rural Development Bank (CRDB) and the People's Bank of Zanzibar (PBZ) (Lwiza and Nwankwo, 2002). Two development banks namely, Tanzania Investment Bank (TIB) and Tanzania Development Finance Limited (TDFL), and an assortment of small special purpose banking and non-banking financial institutions like Tanzania Post Savings Bank, Tanzania Housing Bank (THB), National Insurance Corporation (NIC), National Provident Fund (NPF), Parastatal Pensions Fund (PPF) and a hire purchase company known as Diamond Jubilee Investment Trust were also established during the socialist regime (IDA and URT, 1995).

4.6 Institutional reforms

Between the 1970s and the early 1980s, Tanzania persistently experienced serious economic problems. The Annual GDP growth rate declined from 5.19% in the 1970s to 1.2% in the early 1980s (Kumssa and Mbeche, 2004). During the economic hardship, socialist policies became very unpopular. By early 1980s, Tanzania was the world's second poorest country (in GDP per capita terms) and it was clear that its problems were largely related to poor policies and structural weaknesses (ESRF, 2003). Tanzania-Uganda war (1978-1979) also contributed significantly to the economic hardship. In the mid 1980s, political leadership was left with no more options except to start building market economy institutions (Goran, 1999). Tanzania needed to reform its institutions to respond to the prevailing investors' needs and social, political, and economical realities of the time (Ngowi, 2005).

Since the mid 1980s, Tanzania has been implementing institutional reform programmes. Legislation has been the main instrument of the reforms. For instance, reforms of political institutions involved changing rules and regulations governing political institutions. Political institutions consist of government and non-government organisations, as well as rules and norms which govern the political system (Offe, 2006). Changing the rules and regulations governing political institutions may therefore entail changing constitutions, statutes, customs, administrative regulations, or even international agreements (Bagce, 2002). Political reforms in Tanzania entailed, among other things, adopting a multi-party democracy system. Political reforms also entailed significantly changing most of the institutions which were established during the socialist regime.

During the reforms many pieces of legislation have been enacted and others significantly amended. Even the Constitution of the United Republic of Tanzania has been amended. This process was necessary to pave way for the formation and smooth operation of market economy institutions. It is unarguable that an environment with stable legal institutions is an essential prerequisite for sustainable economic development (Berkowitz et al, 2005; Decker et al, 2005; Beck and Levine, 2004). A legal system of any given society underpins the institutions that govern both market and non-market interactions. It determines the distribution of economic, social and political rights and obligations affecting both economic and non-economic relationships (Decker et al, 2005).

Legal institutions shape the regulation of market practices and the delivery of public services, and hence the opportunities people have to take part in economic activity. The law and finance theory holds that, in countries where legal systems enforce private property rights, support private contractual arrangements, and protect the legal right of investors, savers are more willing to finance firms and financial markets flourish (Beck and Levine, 2004). These institutions also provide mechanisms to mediate conflicts, resolve disputes, and sustain peace and order. High quality institutions also assure foreign investors that they can enforce contracts using legal institutions in the subject country (Berkowitz et al, 2005). In contrast, legal institutions that neither support private property rights nor facilitate private contracting inhibit corporate finance and stunt financial development.

In the course of reforming legal institutions, some sections of courts of law were introduced. For instance, a Land Division of the High Court was established to expedite determination of land related disputes. Similarly, in order to expedite resolution of business deputes, a Commercial Court Division of the High Court was also established (PwC, 2008a; Bwana, 2006). As Berkowitz et al (2005) note, globalisation and increasing international flow of goods and capital have created a sense that the importance of individual nation's law and law enforcement institutions is declining. In Tanzania it has now become common to find national legal institutions being supplemented or sometimes even substituted by international legal institutions. For instance, some foreign investment activities are partly regulated by international institutions and conventions. Over the last two decades, Tanzania has ratified many international conventions (Nyanduga and Manning, 2006). Tanzania Investment Act No. 26, which was enacted in 1997, provides a guarantee against investment nationalisation and expropriation. Section 23 and 24 of the Act also provides for settlement of disputes using the International Centre for Settlement of Investment Disputes (ICSID) which is a World Bank affiliated body of which Tanzania is a member. Tanzania is also a member of the World Bank Foreign Investment Insurance wing i.e. Multilateral Investment Guarantees Agency (MIGA).

The Tanzania Investment Act of 1997 also culminated in the establishment of the Tanzania Investment Centre (TIC). According to section 6(a) of the Act, some of the main functions of TIC include promoting, coordinating and facilitating investment process in the country. TIC is a one-stop investment facilitation agency in the sense that it is designed to provide all the necessary services for investors without having to go through the normal bureaucratic procedures (PwC, 2008a). TIC serves both local and foreign investors and performs all liaison work for the investor from enquiries to project start up. The presence of TIC has significantly reduced the time required to formalise business entities. Besides, businesses having Certificates of Incentives from TIC are entitled to special benefits. One of these benefits is a 0% import duty on project capital goods, computers and computer accessories (Mnali, 2008). However, TIC deals only with all enterprises whose minimum capital investment is US $ 300,000 for foreign investors and US $ 100,000 for local investors.

In the process of reforms, a number of other institutions have also been established to promote private sector investment activities. For instance, in 2001 the Tanzania National Business Council (TNBC) was established. The Council provides a forum for public-private sector dialogue to improve business environment in the country (Sitta, 2005). Its membership is 50% public and 50% private with the President of the United Republic of Tanzania being the chairperson. TNBC vice chairperson is also a chairperson of Tanzania Private Sector Foundation. The Council addresses investment issues affecting domestic and foreign investors through respective round table meetings. In these meetings which are also attended by cabinet ministers, service delivery by the government is called to account. In 2002, another institution namely Business Environment Strengthening for Tanzania (BEST) was established. One of the main functions of BEST is to reduce unnecessary burden on businesses by eliminating as many procedural and administrative barriers as possible and to improve the quality of services provided by the government in the private sector including commercial disputes resolution (Sitta, 2005). BEST programme has also facilitated the preparation of the Valuation and Valuers Registration Bill and the Real Estate Agents Bill. The Valuation and Valuers Registration Bill was expected to be tabled before Parliament during the 2011/2012 financial year.

Establishment of capital market institutions is another important outcome of the institutional reforms. In an effort towards promoting capital markets, the Capital Markets and Securities Act was enacted in 1994. The Act led to the establishment of Capital Markets and Securities Authority (CMSA), which is responsible for overseeing the operation of capital markets in the country. CMSA oversaw the establishment of Dar es Salaam Stock Exchange (DSE) in 1996. By 31 December 2010, 15 companies with a total market capitalisation of US $ 3.37 billion, 76 treasury bonds with an outstanding amount of US $ 957.4 million and six corporate bonds with an outstanding amount of $ 64.9 million were listed. Of the listed 15 companies, five were in the banking and investment sector, three were in the commercial services sector while the remaining seven were in the industrial and allied services sector (World Finance, 2011).

Prior to the establishment of CMSA and DSE, Tanzania had no financial markets, other than the market of government bonds and treasury bills which were primarily issued to one state owned insurance company (i.e. NIC), two pension funds (i.e. NPF and PPF) and savings banks (IDA and URT, 1995). A number of companies have already benefited from these capital markets reforms by either going public or getting listed at DSE. All reputable companies have enjoyed oversubscription in their Initial Public Offerings (IPOs). Similarly, all of the DSE-listed corporate bonds have enjoyed oversubscription at the time of their listing (Fumbuka, 2008; Kibola, 2008; CMSA, 2006). Through these capital market institutions, the government has also been able to transfer ownership of some key state owned enterprises to the general members of the public (World Finance, 2011).

The existence of capital market institutions, coupled with the enactment of the Public Corporations Act No. 2 of 1992 which liberalised investment policies for parastatal organisations, broadened the investment spectrum for both small and institutional investors. Pension funds and other institutional investors who formerly used to invest largely in government securities are now able to venture into many other investment media (Mpogole, 2006). Under-subscription of treasury bonds over the recent years is due to the growing interest by institutional investors in real property (Ndissi, 2003). The real property sector has however not significantly capitalised on these capital markets institutions, in terms of using them to raise capital through IPOs and bond issues. Currently, there are no public real property companies in Tanzania nor are there any open-ended or closed-ended property funds. A plan by the Unit Trust of Tanzania (UTT) to establish a public Real Estate Investment Trust (REIT) has been temporarily shelved.

The enactment of the Banking and Financial Institutions Act in 1991 was monumental towards the liberalisation of the banking sector in Tanzania. The Act provided a legal framework which permitted major changes in the financial and banking sector, notably, the entry of private banks into the market (Wangwe and Lwakatare, 2004). As a result of this legislation, private banks were established and since then the number of banking institutions and banking activities have increased significantly. By February 2010, there were already more than 40 banking institutions with more than 400 branches all over the country (BoT, 2010). The effect of financial sector reform can also be seen in the growing number of micro-credit institutions which mainly serve people with limited access to large commercial banks.

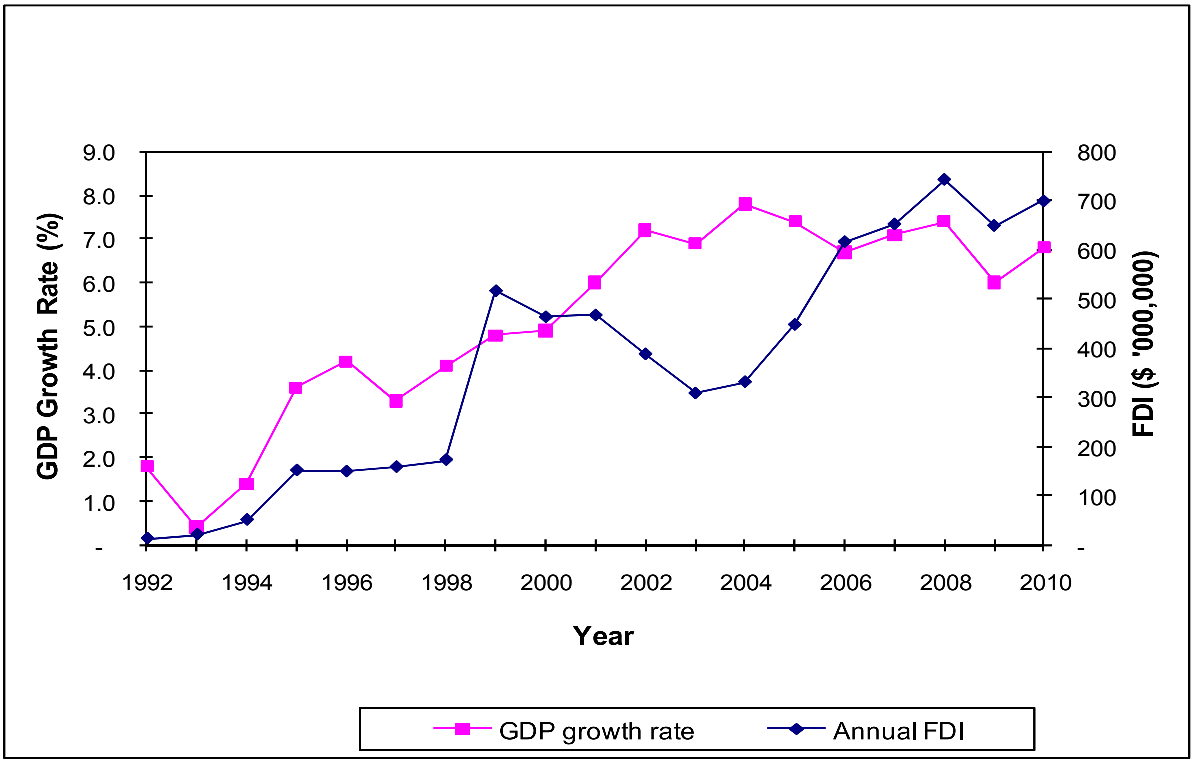
In the wake of the reforms, state owned banks have also been restructured. For instance, the National Bank of Commerce (NBC) was split into three entities namely, NBC (1997) Limited, National Microfinance Bank (NMB) and NBC Holding Corporation. The government sold 55% of its shares in NBC (1997) Limited to ABSA Group Ltd. of South Africa and 15% to the International Finance Corporation (IFC). In 2005 the government sold 49% of its shares in NMB to a consortium of investors led by Rabbo Bank of the Netherlands. The government in 2008 further sold 21% of its shares in NMB to the general public which thus made NMB a public company. During the initial public offering (IPO), NMB shares were oversubscribed by more than 200% (Daily News, dated 17 October 2008). The government also in 1996 restructured the Co-operative and Rural Development Bank (CRDB) and came up with CDRB Bank Limited. Currently, the Danish International Development Agency (DANIDA) holds 30% of CRDB Bank shares, 37% shares are held by members of the general public and the remaining 33% shares are shared amongst institutional investors. NMB and CRDB Bank are both listed at DSE.

4.7 Impact of institutional reforms on the general economy

Reform of political and legal institutions, which have mainly been effected by introducing new policies and legislation or amending the existing ones, has spurred changes in other institutions. Over the reform period, many private business organisations comprising both production and service firms have been established. Similarly, many policies, laws, regulations have been introduced to manage social and economic relations arising in the course of doing business. Social institutions have also been changing with the change in the political, economic and legal environment. Most of the laws enacted have been tailored to reflect the prevailing social institutions. As many authors (e.g. Williamson, 2009; Casadesus-Masanell and Spulber, 2005; Axelrod, 1997; North, 1994) insist, laws which take into account the good social and moral norms, traditions and conventions of the society in question are more successful in their implementation.

Institutional reforms have significantly improved governance, democracy and the economy. According to UNCTAD (2007), Tanzania is one of the countries whose economic reform programme has been very successful. The World Bank also acknowledges that Tanzania is one of the exemplary countries in Africa which have achieved relative success with the reform programmes (Lwiza and Nwankwo, 2002). Many institutions have been established and others significantly reformed to promote private sector investment activities. Many private businesses across all sectors of the economy have been established. The broader results of the reforms can be clearly seen in the changing trends of economic indicators, emergence and growth of different firms and markets. Some of the positive economic indicators recorded during the reforms period include steady GDP growth and FDI flow, declining inflation rate, increasing bank lending, and declining interest rate. (See Fig. 4.2)

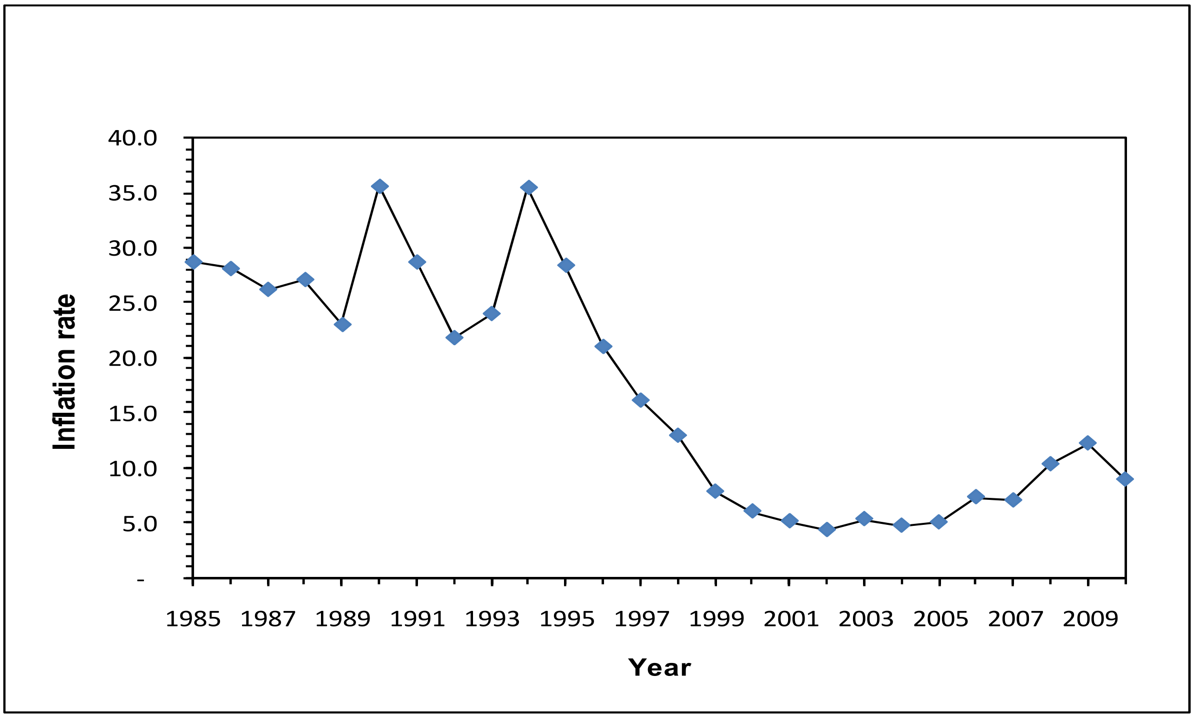
Figure 4.2: Trend of GDP growth and FDI flow from 1992 to 2010



Source: Author's compilation using various reports, 2011

As shown in Figure 4.2, the period of institutional reforms has witnessed steady trends in both GDP and FDI flow. Over the last 10 years Tanzania's GDP has been growing at an average annual rate of about 6% (MFEA, 2008). Over the same period FDIs have also increased by an average annual rate of about 20%. Between 1989 and 1998 Tanzania recorded a 1,610% net increase in FDI, a rate which was one of the highest in Africa (Asiedu, 2002). The mining sector and privatisation of state owned enterprises are some of the areas that have attracted most of the FDIs (TIC, 2006). Similarly, during the early years of economic reforms, the annual inflation rate was very high, averaging 25%. As institutional reforms gained ground in the mid 1990s, inflation was significantly reduced until it stabilised at below 5% for some years before rising again in the late 2000s, mainly due to the global financial crisis and the hiking oil prices. The inflation trend is summarised in Figure 4.3.

Figure 4.3: Trend of inflation from 1985 to 2010

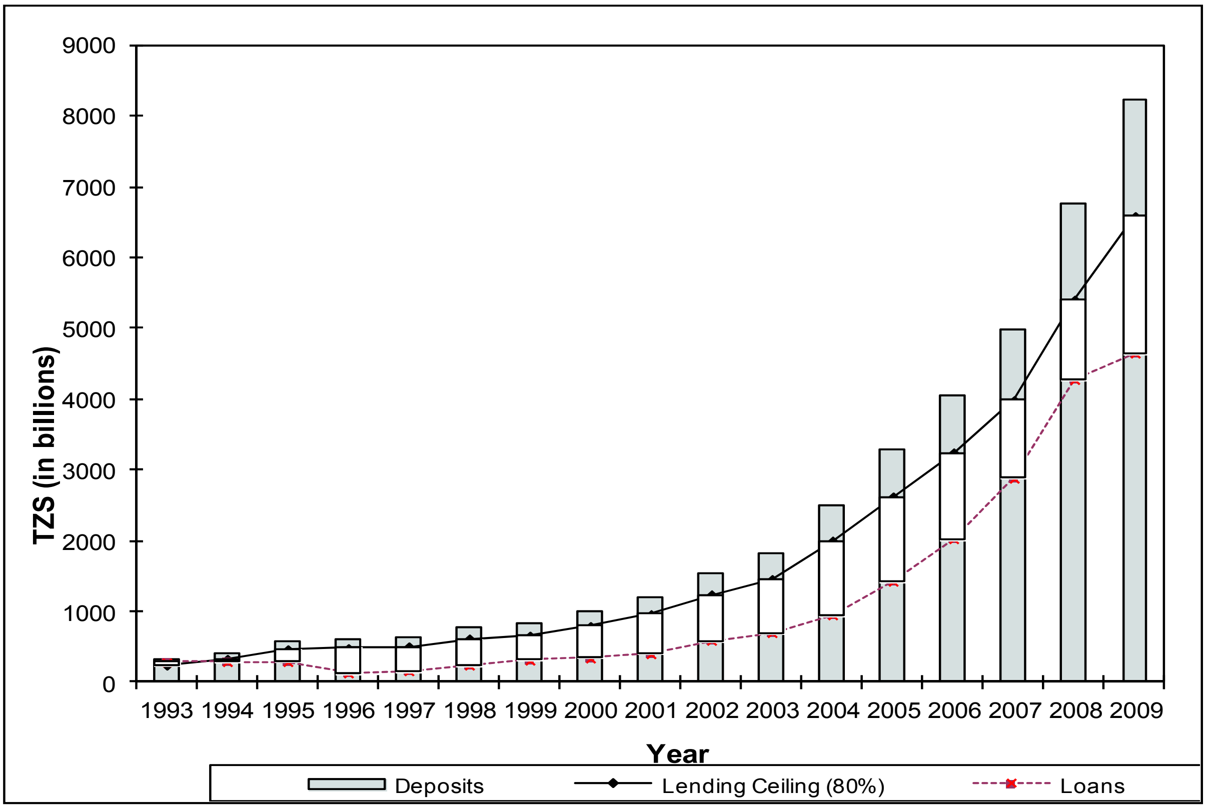


Source: Author's compilation using various Bank of Tanzania Economic Bulletins, 2011

Many commercial banks have until very recently, been heavily investing in risk-free government securities which commanded high yield. The yield for treasury securities has most of the time exceeded the prevailing inflation rate, which made investment in such securities indeed risk free (Mpogole, 2006; Kongela, 2005). Such a lucrative business in treasury securities curtailed bank credit to private sector borrowers.

Besides, owing to a small number of lending institutions and the existence of high loan non-payment risk, lending rates in Tanzania have generally been very high (see Figure 4.5). Cognizant of this problem, the government has from time to time reviewed its monetary policy to motivate commercial banks to increase their lending to the private sector (See Fig. 4.4).

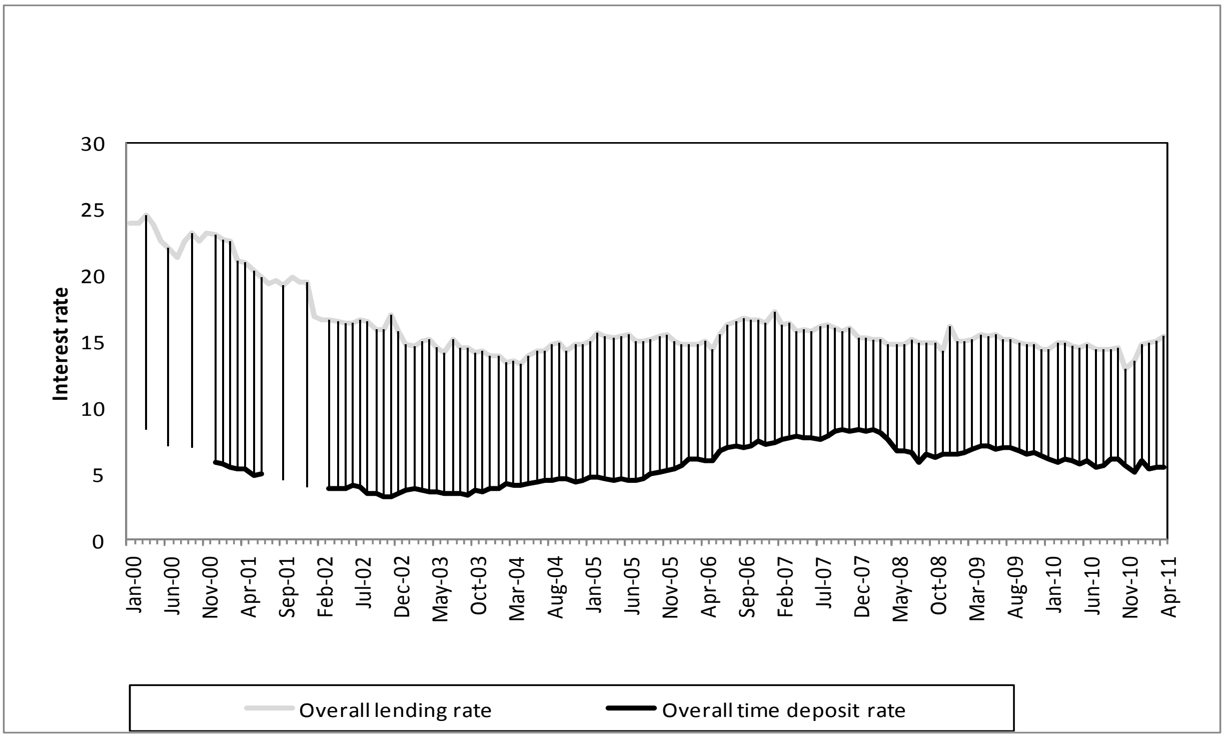
Figure 4.4: Trend of banks' deposit and lending from 1993 to 2009



Source: Author's compilation using various reports from the Bank of Tanzania, 2011

As shown in Figure 4.4, bank lending between 1993 and 2009 increased markedly. It is however also clear that, banks kept a significant amount of money without lending. Banks in Tanzania are allowed to lend up to 80% of the deposits, but over the period they only lent about 46%. This may suggest their assessment of lending risk. The lending rates have been very high, which has kept many potential borrowers out. High lending rates may have also increased incidents of defaulters. In the wake of growing commercial banking operations and improving business environment coupled with monetary policy controls, lending rates have slightly been decreasing (see Fig 4.5 next page).

Figure 4.5: Trend of bank lending-deposit rates spread from 2000 to 2011



Source: Author's compilation using various reports from the Bank of Tanzania, 2011

Figure 4.5 shows a slightly falling trend of both lending and deposit rates between January 2000 and April 2011. Availability of credit and the declining trend of lending rates is one of the positive outcomes of institutional reforms. Although the lending-deposit rate spread has not significantly changed, it is likely that with time and more reforms, the spread will finally significantly decrease. The high spread has been maintained to compensate for the perceived risks associated with bank lending in Tanzania (Mchechu, 2007). Another positive sign is that the trend of lending and deposit rates has over the same period largely mirrored that of inflation rate (compare Figure 4.3 and Figure 4.5).

4.8 Impact of institutional reforms on the real estate sector

4.8.1 Increase in the property stock and performance

Institutional reforms have had significant impact on the property investment sector. One of the positive impacts of the reforms on the property sector can easily be seen in the increase in the stock of modern buildings. In the wake of institutional reforms, demand for property across all sectors has increased significantly. This is mainly due to growth in economic and administrative activity, urbanisation, and changing consumers' taste in favour of modern residential and commercial accommodation (Kusiluka, 2008a). Similarly, the growing number of foreign investors and foreigners' activities in the country has increased demand for prime office, residential and recreational properties. The yield of prime properties across all sectors has been relatively high over the recent years. For instance between 2007 and 2010, average returns for prime office, retail, industrial and residential properties was 10.8%, 11.8%, 13.3% and 10.3% respectively (Knight Frank, 2011, 2009, & 2007).

4.8.2 Legislation change and other initiatives

Many investment opportunities have been created, property rights have been significantly improved and real property has become one of the attractive business sectors (Ndissi, 2003). The environment for international investors has been greatly improved through tax incentives, investment guarantees against nationalisation, expropriation and sudden changes in tax rates. During the reform period, property investment and ownership legislation has been significantly changed to respond to investors' needs.

Apart from the enactment of Tanzania Investment Act which addresses matters related to investment in general, there are many other pieces of legislation which have been particularly enacted to address real property related issues. Land Act and Village Land Act, both of 1999, are the two core pieces of legislation governing land ownership in Tanzania. Some of the important developments brought about by the two pieces of land legislation include the legal recognition of the monetary value of land. Prior to the enactment of these pieces of legislation, land in Tanzania was officially regarded to have no monetary value unless it had some improvements on it.

Unit Titles Act, Mortgage Finance (Special Provisions) Act, and Financial Leasing Act, all enacted in 2008 are other key statutes which are paramount in promoting the real property investment sector. The Unit Titles Act has made it possible for people to have separate title deeds for different units in multiple-unit buildings such as blocks of flats, housing estates etc. It is now possible for one to buy, lease or mortgage a flat within a block of flats or a house within a plot with many housing units. Under this arrangement, developers can much more easily sell properties. The Financial Leasing Act, on the other hand, has paved way for developers to obtain plant and equipment which are always needed during the construction phase of property development business. The new mortgage legislation has allayed fears amongst lenders, especially commercial banks which had reservations with the previous mortgage related legislation, especially on foreclosure issues (Sanga, 2004; Kironde et al, 2003). With the Mortgage Finance (Special Provisions) Act in place, more banks are likely to open windows for mortgage lending. Valuation and Valuers Registration Act and Real Estate Agents Act are other new pieces of legislation which are in the final stages of enactment.

All these real property related pieces of legislation are mainly meant to improve performance in the real property sector in terms of increasing the number of transactions in landed property, controlling professional practice, creation and administration of multiple interests in property, increasing security to investors and consumers, and simplifying access into the property market by investors (Kusiluka, 2008b). Apart from enacting new laws, some laws which were considered to be impediment to investment in real property have been repealed altogether. The Rent Restriction Act of 1984 and Land Ordinance Cap. 113 of 1923 are some of the laws which have been repealed. Repealing of the rent control legislation was another key decision. Landlords have now regained powers over their property, and observations show that tenants have now fewer excuses for delaying or defaulting rent payment (Kusiluka, 2009).

There are many other completed and ongoing reform activities aimed at improving property rights, increasing efficiency in land delivery and administration process, and resolving land related conflicts. For instance, cognizant of the drawbacks associated with ill-defined property rights, the government came up with Property and Business Formalisation Programme, popularly known in Swahili as Mpango wa Kurasimisha Rasilimali na Biashara Tanzania (MKURABITA). The main purpose of the programme is to empower the poor majority of the population by improving access to formal financial markets and other services through formalisation of property rights and businesses (Pedersen, 2010). Out of the estimated 400,000 unregistered properties in Dar es Salaam, 220,000 properties were identified and documented during Phase I of MKURABITA (MoLHHSD, 2008). Completion of Phase I of MKURABITA enabled owners of the identified properties to apply for residential licences from their local authorities.

During this study, the government was also in the process of developing a comprehensive legislation on compensation. Issues of compensation, which mainly result from compulsory land acquisition carried out by the government, have for many years been among the main sources of land disputes in Tanzania (Kusiluka et al, 2011). A move towards a comprehensive compensation piece of legislation is therefore aimed at minimising disputes which are prevalent in land acquisition incidents. During this study, reforms of systems in the office of the Commissioner for Lands were also underway. The reforms are aimed at addressing inefficiency, bureaucracy and corruption which are the problems that have for a long time been associated with land delivery and administration in Tanzania. One of the steps is to delegate and decentralise some of the Commissioner’s functions. In the process, Assistant Commissioners for different zonal offices were appointed.

Reforms in the land sector also entailed strengthening of land dispute settlement machinery. In 2002, the Courts (Land Disputes Settlements) Act No. 2, which is the main legislation dealing with resolution of land disputes was enacted. According to Section 3(2) of the Act, courts that have jurisdiction to determine land disputes include: Village Council, Ward Tribunal, District Land and Housing Tribunal, High Court (Land Division) and, the Court of Appeal of Tanzania. Despite being overwhelmed with pending cases, these courts have already resolved many land disputes (Kusiluka et al, 2011).

4.8.3 Improved access to finance

Liberalisation of the business of banking institutions has increased availability of credit to property investors, among others (Mchechu, 2007; Sanga, 2004). Over the past few years, some banks have started issuing mortgage finance products. Commercial Bank of Africa, Azania Bank, Stanbic Bank and the International Commercial Bank are some of the banks offering mortgages. These are however very small banks and are unable to fulfil the demand for mortgage. Shortage of housing units is estimated at about 3 million, which requires US $200 billion (Mchechu, 2008). Following the amendment of mortgage provisions of the Land Act and the enactment of Mortgage Finance (Special

Provisions) Act, more commercial banks are contemplating introducing mortgage products. Many commercial banks have now started lending money to people with permanent employment. Such loans are amortised through employees' monthly salary deductions. This form of lending is also increasingly becoming a source of finance for homes. The reforms, which have enjoyed the support of international financial institutions, have also opened up possibilities for credit from international lenders (Kongela, 2005).

During the final stages of this study, a mortgage finance institution namely, Tanzania Mortgage Refinance Company Limited (TMRC) was formed. The purpose of this institution is to support banks in mortgage lending by refinancing their mortgage portfolios. TMRC would operate as a private institution drawing a majority of its shareholders from commercial banks. CRDB Bank, National Microfinance Bank (NMB), Exim Bank, Tanzania Investment Bank (TIB), Dar es Salaam Community Bank (DCB), and Azania Bank were the first shareholders. The initial lending by TMRC would come from a US $30 million loan from the World Bank. TMRC is expected to attract more banks into mortgage origination.

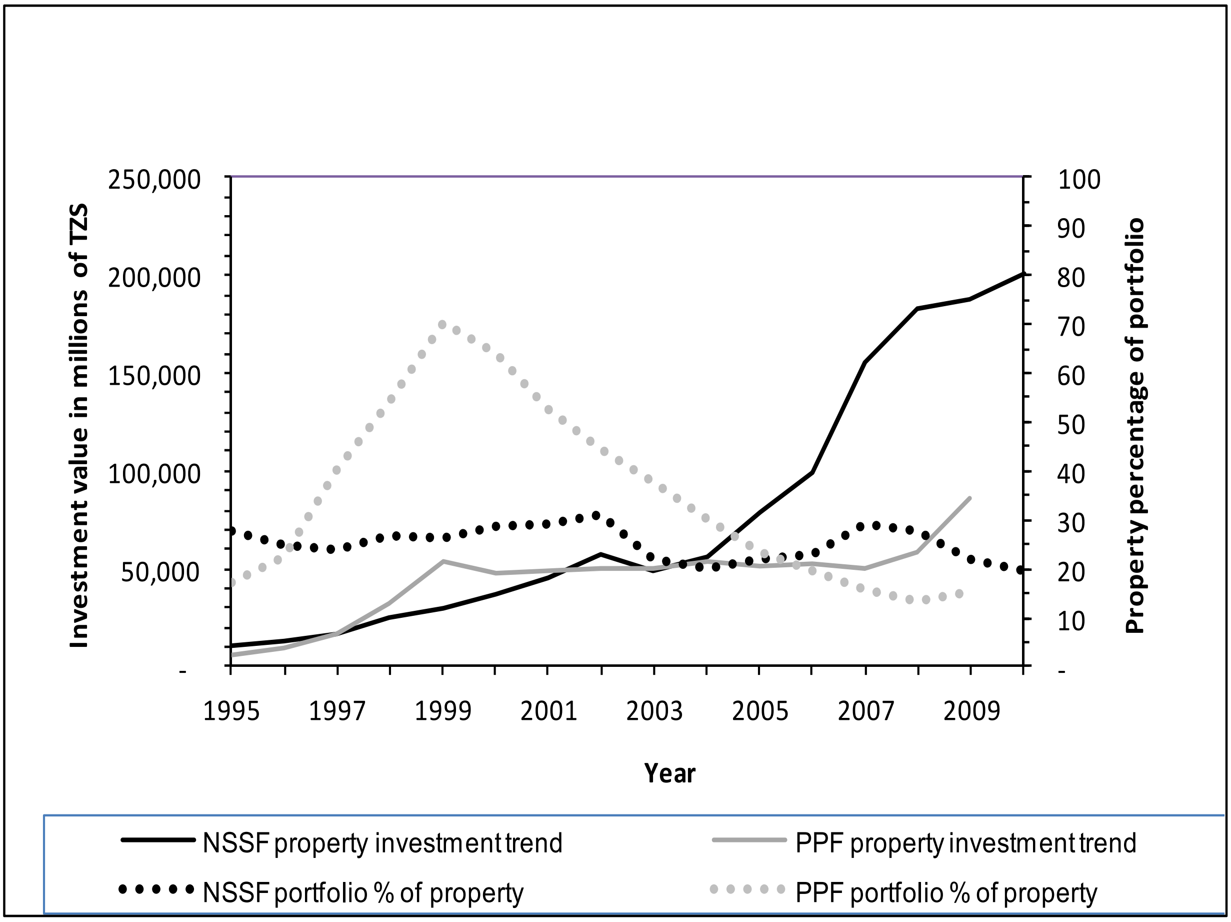
4.8.4 Entry of new investors

Another monumental decision, which has had major impact on property investment market, was the enactment of Public Corporations Act No. 2 of 1992. The legislation gave the administrators of parastatal organisations powers and freedom to make investment decisions for their respective organisations. As a consequence of this Act, parastatal organisations which formerly used to invest heavily in government securities have significantly increased their portfolio allocations to real property (Mpogole, 2006; Kongela, 2005; Geho, 2001). Pension funds have assumed a leading role in the property investment market. Other investors comprising both local and foreign companies are also fast emerging in the market. Even the National Housing Corporation (NHC), which is still a state owned enterprise, has increased its commercial operations. In recent years, faces and skylines of some large urban centres have noticeably changed with mushrooming modern buildings.

4.8.5 Pension funds

As a result of institutional reforms, assets of pension funds have over the recent years been steadily increasing. International Monetary Fund (2010) notes that pension fund assets grew exponentially over the last 3 years and accounted for 10% of GDP or 20% of total financial sector assets. The last two decades of reforms have witnessed pension funds make noticeable impact on the property market in Tanzania (Mpogole, 2006; Kongela, 2005). These institutional investors are now regarded as prime ‘property market movers’ (Geho, 2001). Following the enactment of the Public Corporations Act in 1992, pension funds massively embarked on property investment (Mpogole, 2006; Geho 2001). Over the past 15 years, pension funds’ portfolio allocations to real property have averaged above 20% (Kusiluka, 2008b; Kongela, 2005). NSSF and PPF started investing in property much earlier than the other pension funds. Figure 4.6 summarises property allocations of the two pension funds.

Figure 4.6: Trend of NSSF and PPF property investment between 1995 and 2010



Source: Author’s compilation using NSSF and PPF Audited Financial statements, 2011

NSSF real estate investment

Currently, NSSF owns the largest share of real estate investments held by pension funds in Tanzania. By June 2010, the Fund's total investment in real estate was estimated at TZS 200 billion. Some of the major real estate investments held by NSSF by June 2010 include Benjamin William Mkapa Tower with an estimated investment value of TZS 37.4 billion, Waterfront Building with estimated value of TZS 23.1 billion, and Mwanza Commercial Complex with an estimated value of TZS 14.6 billion. During this study, NSSF was also in the process of constructing affordable houses at Mtoni Kijichi in Dar es Salaam. By June 2010, the project was estimated to cost about TZS 6 billion. NSSF also holds some indirect real estate investment through some private equities. As shown in Table 4.2, NSSF wholly owns Hifadhi-EPZ Properties valued at TZS 47.3 billion, 35% shares in Ubungo Plaza Ltd, 35% in Pension Properties Ltd, and 35% in Azania Bancorp Ltd.

Table 4.1: Selected real estate projects undertaken by NSSF

Project description	Amount invested (TZS billion)	Year of completion
Mandela Institute of Science and Technology (PPL)	38.72	2011*
University of Dodoma Phase II	177.00	2011*
University of Dodoma Phase II	100.90	2008
Business Park for small traders (for 5,000 traders)	12.14	2008
Police Houses (for 240 families)	20.00	2008
TPDF Houses (for 248 families)	21.54	2008
Government Houses Kijitonyama (for 200 families)	13.70	2006
Kinyerezi low cost housing	2,110	2006
Bunge Hall (PPL)	10.70	2005
EX-Tazara Hospital (THI)	2.00	2005
Mabibo Hostels (for 4,000 UDSM students)	16.40	2002
252 Government Houses (CDA Dodoma)	2.40	1992

Source: www.nssf.or.tz/index.php?option=com_content&view=article&id=140&Itemid=225, Accessed 22 March 2011

*2011 is only expected completion date

Until June 2010, NSSF had spent about TZS 178.8 billion to finance the construction of buildings of the University of Dodoma. This was treated as a loan to the government to which the University belongs. Besides, during this study NSSF was, through Pension

Properties Ltd, on the verge of spending TZS 38.7 billion to finance the construction of some of Mandela Institute of Science and Technology buildings in Arusha. The Fund also had advanced debt securities to Azania Bank Ltd. NSSF financial statements for the years ending June 2008/09 and June 2007/08 show balances of TZS 8.1 billion and TZS 5 billion debt securities advanced to Azania Bank for the respective years. The Fund also advanced TZS 10.2 billion to Pension Properties Ltd in debt securities. Table 4.1 summarises a selection of major real estate projects undertaken by NSSF.

PPF real estate investment

PPF started significant investment in real estate in 1995. This is mainly accounted for by the investible fund size and liberalisation of public corporations' investment policies. As depicted in Figure 4.6, real estate allocations in the Fund's portfolio grew sharply since 1995 and peaked at 70% in 1999. This was mainly due to the capitalisation of large real estate projects namely, PPF House, PPF Tower and Kijenge Residential Estate. The real estate percentage of the Fund's portfolio started declining from 2000 as there was no large single project commissioned since then. Over the years, the Fund has been constantly monitoring the size of real estate investment portfolio. From about TZS 6 billion in 1995, the Fund's direct real estate investment portfolio had grown to about TZS 86 billion in 2009. Most of the Fund's property investments are located in Dar es Salaam, Arusha and Mwanza cities. PPF has mainly invested in commercial and residential sectors, with little investment in hotels.

PPF also holds indirect property investment through its shares in some private companies. The Fund holds 25% of the common shares of Pension Properties Ltd, 46% of International House Properties Ltd, and 50% of PPF/NHC IPS Building Co. Ltd. PPF, along with NSSF and PSPF, also holds 35% shares in Azania Bank Ltd which is one of the few banks in Tanzania issuing mortgages. Like the other pension funds, PPF was during this study also involved in the financing of the construction of various buildings for the University of Dodoma.

PSPF real estate investment

PSPF, unlike NSSF and PPF, started investing in real estate relatively late. The first remarkable real estate investment was acquired when the pension fund purchased 35% shares in Ubungo Plaza Ltd (UPL) by paying TZS 9.8 billion. PSPF also purchased 36% of shares in International House Properties Ltd, in which TZS 4.9 billion were paid. In 2005, the Fund purchased all shares of Quality Plaza Ltd by paying TZS 36 billion. PSPF also holds 30% shares in Pension Properties Ltd, which is the company that financed the construction of the modern parliament hall in Dodoma. Until June 2010, these were the main equity indirect real estate investments held by PSPF. The 2010 and 2009 Fund's financial statements, show that all unlisted equities held by the Fund were in real estate private equities. Investment in unlisted equities accounted for 9.2%, 7.4% and 7.6% of the Fund's investment portfolio for the years 2008, 2009 and 2010 respectively. Besides, the Fund had until June 2010 spent about TZS 107 billion financing the construction of buildings for the University of Dodoma. This amount accounted for 40.7% of the Fund's total investment in loans.

During the time of this study, PSPF was also in the final stages of the completion of one the largest commercial properties in Dar es Salaam City. At the same time, the Fund was also contemplating constructing another large commercial property also in Dar es Salaam City. Plans were also underway to embark on a large affordable housing project which would see such houses constructed in Dar es Salaam, and other urban centres. These would be the first large direct real property investment to be owned by the Fund.

LAPF real estate investment

Like PSPF, LAPF started investing in real estate relatively late. Prior to 2006, the Fund operated as provident fund. Compared to the other three pension funds, LAPF is the smallest in terms of the size of its investment portfolio. Millennium Towers is the largest real estate investment owned by the Fund. This investment, then valued at TZS 21.2 billion, was capitalised in 2005. LAPF also owns a number of residential properties in Dodoma Municipality but their values are insignificant compared to Fund's investment portfolio. During this study, the construction of Millennium Towers Phase II was underway. Upon completion, the property will have significant effect on the Fund's real estate investment portfolio holding. At the same period, the Fund was also engaged in the financing of the construction of Mwanza Shopping Complex in Mwanza City and modernisation of Msamvu Bus Terminal in Morogoro Municipality. LAPF also holds 10% shares in Pension Properties Ltd. Similarly, during this study LAPF was like other pension funds also engaged in the financing of the construction of buildings for the University of Dodoma. During the same time, the Fund was also financing a TZS 39.8 billion building project for Hombolo Local Government Institute. Apart from having shares in Pension Properties Ltd, LAPF also advanced debt instrument to the company.

Table 4.2: Pension funds' real estate related private equity holdings

	NSSF	PPF	PSPF	LAPF
International House Properties Ltd.	-	46%	36%	-
Ubungo Plaza Ltd.	35%	-	35%	-
Pension Properties Ltd.	35%	25%	30%	10%
PPF/NHC IPS Building Co Ltd.	-	50%	-	-
Azania Bank Ltd.*	40%	35%	14%	-
Quality Plaza Ltd.	-	-	100%	-
Hifadhi-EPZ Properties Ltd.	100%	-	-	-

Source: Compiled using various reports, 2011

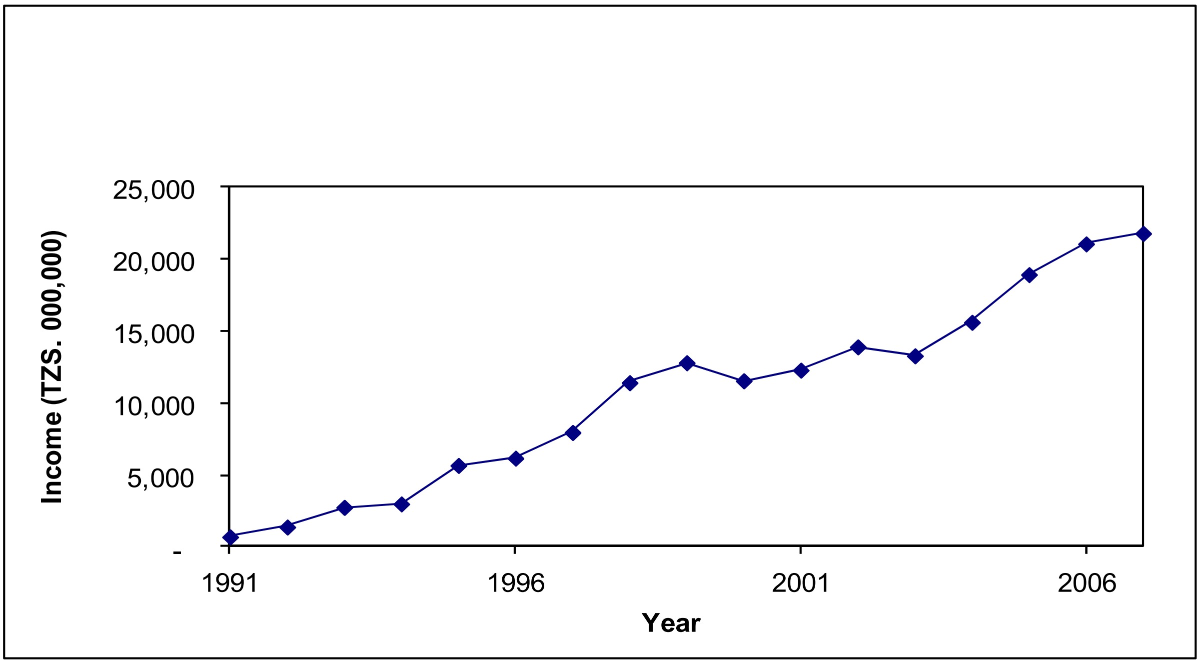
*Apart from other banking operations, Azania Bank is one of the few banks in Tanzania issuing mortgages.

It is evident from Table 4.2 that all pension funds have invested in some forms of indirect real estate investment vehicles. The table only shows equity investment. As seen in the foregoing discussion, all pension funds also have debt instruments linked to real estate projects. Most of the debt instruments are associated with government borrowing.

4.8.6 National Housing Corporation

Apart from pension funds, National Housing Corporation (NHC) is another large real estate investor in Tanzania. From its establishment in 1962 until 1989, NHC managed to build 16,039 housing units (Bamanyisa, 2007; Kironde et al, 2003). In 1990 the government transferred to NHC all properties which were held by the Registrar of Buildings (RoB). Properties held by RoB were those nationalised in 1971 in the course of implementing socialist policies.

Figure 4.7: Trend of NHC investment income from 1991 to 2007



Source: Compiled from Various NHC Annual Reports, 2011

As shown in Figure 4.7, despite rent control, NHC has been able to maintain a positive trend of its income over the reform period. It is also evident that over the same period annual income from its real estate investment has grown remarkably. The rental income has generally been rising by an annual average of more than 20% since 1992. Despite the steady rental income growth in absolute terms, this average annual rise i.e. TZS 1.4 billion, is small for funding new meaningful investment operations. Under the new management which came in 2010, NHC had become more aggressive in collecting rent and starting up new projects. According to the interviews with one of NHC senior officials, the plan in 2010 was to collect more than TZS 40 billion.

4.8.7 Foreign investors

Similarly, over the recent years Tanzania has witnessed the entry of foreign property investors and prospects for more foreign investors are high. Some of the large foreign real estate investors currently in Tanzania include Integrated Property Investments Limited (UK), CDC (UK), Island View (Botswana), African National Congress (South Africa), Aga Khan Foundation (UK) and a number of small investors from Middle East, India and China and some African countries (Kusiluka, 2008a). Some foreign investors who are contemplating setting up their investment in Tanzania include Rutley Capital's

East African Real Estate Fund and African Real Estate Company (Schulte and Rothenberger, 2010; Rossiter, 2007).

It is clear from the foregoing discussion that the three categories of investors i.e. pension funds, NHC and some foreign investors are the current real estate market drivers in Tanzania. Table 4.3 shows value estimate of direct real estate investment held by some of these investors.

Table 4.3: Direct real estate investment holding by selected investors

Investor Name	Direct real estate allocation (TZS. million)	Percentage of direct real estate allocation of the entire portfolio
National Housing Corporation	1,500,000*	100%
National Social Security Fund	200,441	19.5%
Parastatal Pensions Fund	85,915	16.5%
Public Service Pensions Fund	16,510**	2.4%
Local Authorities Pension Fund	21,390**	10.3%
Mlimani City	37,500***	100%
Integrated Property Investments Ltd. (IPI)	7,500***	100%

Source: Various Reports, 2011

Note:

*This is only a value estimate given during the interview in 2010. NHC books of accounts for the year ending June 2007 show a different value i.e. TZS. 211 billion.

** At the time of this study, PSPF and LAPF had large real estate construction work-in-progress projects. After commissioning of these projects, the amount invested in real estate will significantly increase.

***Value estimates reported are only for the capitalised projects. Mlimani City and IPI had during this study some real estate work-in-progress. IPI plan was to invest US $ 500 million. During the finalisation of this study, Mlimani City was in the final process of being sold to another investor at an estimated price of US$ 77 million.

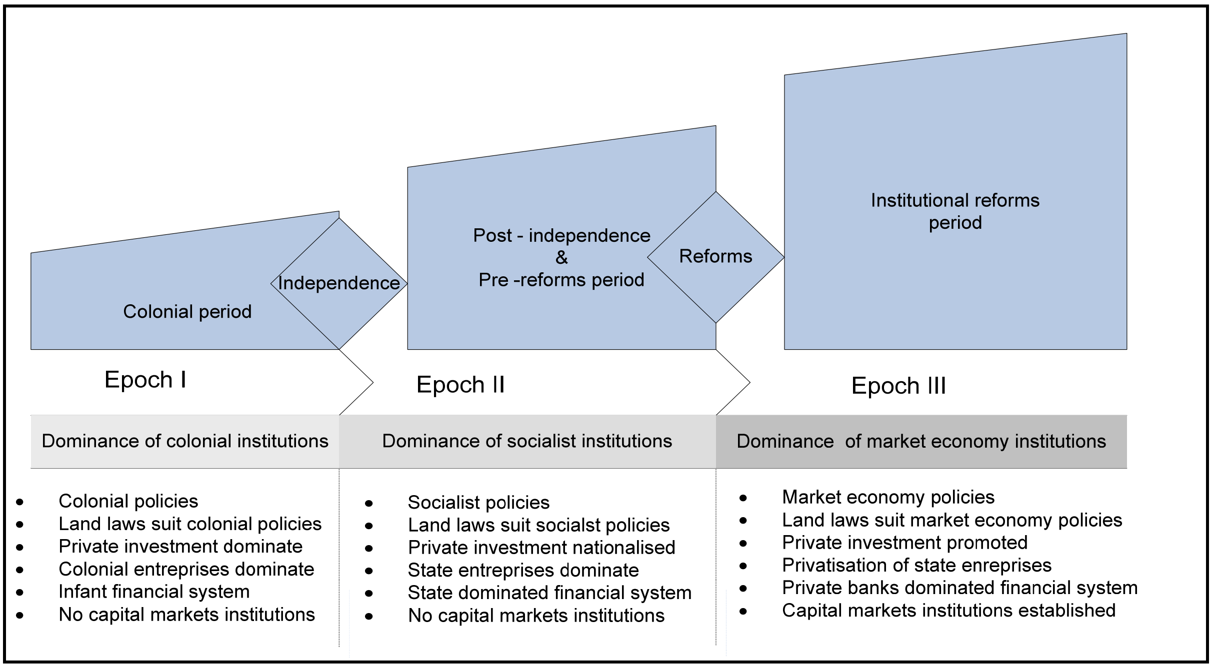
As shown in Table 4.3, whereas NHC had almost everything allocated to direct real estate investment, the average allocation to direct real estate by pension funds was 12.2% with NSSF recording the highest allocation i.e. 19.5% and PSPF the lowest i.e. 2.4%. It is also clear that pension funds' involvement in real estate market was far more than the direct allocations shown in Table 4.3. PSPF had, for instance, about more than TZS 50 billion invested in equities in private real estate equity companies.

Pension funds were also noted to be heavily involved in financing government projects such as construction of government employees' housing and buildings for institutional uses. The four pension funds had, for instance, between 2006 and 2011 spent billions of money financing the construction of Dodoma University buildings, Hombolo Local Government Institute, and Mandela Institute of Science and Technology. NHC, on the other hand, had also embarked on a very ambitious housing construction programme, which was aimed at constructing about 3,000 housing units each year for the next five years, commencing 2010. Foreign investors were also during this study engaged in large projects whose completion would see such investors play a key role in the country's market.

4.9 Institutional phases and the property sector in Tanzania

The preceding sections have provided an account of the Tanzania institutional environment over the three different periods. The sections have shown how the property investment sector has evolved over time. Figure 4.8 below briefly illustrates the three main epochs through which the property investment sector has evolved.

Figure 4.8: Evolution of the Tanzania real estate investment market



Source: Author's conceptualisation, 2011

Figure 4.8 provides a contextualised version of Figure 4.1. It is a brief summary of how institutional environment of the time dictated the growth of the property sector. It is clear from the illustration that little growth was recorded during the colonial period. Prior to the colonial time, urban life was insignificant. Land was mainly used for subsistence agriculture, animal grazing and other livelihood activities. Land ownership was mainly along chiefdom, tribal or clan lines. Formalisation of land ownership started during the colonial period when the formal law according to which people started owning land was introduced. Similarly, during the colonial period, urbanisation was still very low and land was mainly used for plantation agriculture and other traditional uses that were in place prior to colonialism. However, it was during the colonial period when many modern large urban centres were established. Property development in urban centres during the colonial period was minimal and was mainly dominated by government properties and foreigners' residences. The institutional framework during the colonial period was meant to serve the interests of colonial masters. The government did not support property investment ownership by the natives. Besides, Tanzania (then Tanganyika) being a trust territory after the Word War I discouraged the British and other foreigners from establishing long term investments for fear of losing them after the country attained independence. Development of urban property was one of the sectors that were negatively affected by this attitude.

After achieving independence in 1961, new institutions providing opportunities to all people including the natives, were introduced. Market economy policies and structures were kept for only a few years after independence before a major ideological shift towards socialism was announced in 1967. All major means of the economy were placed under the direct control of the state. Most of the urban private properties were nationalised. The political and legal system during that period discouraged private property ownership. Foreign investors fled the country and local investors kept a low profile. The state became the only key player in the real property sector, which significantly retarded growth of the property sector. The property sector was dominated by government buildings and buildings belonging to state owned enterprises. Although the growth of the private property investment sector retarded during the socialist regime, the government initiatives had a significant impact on the overall growth of the property sector compared to the period prior to independence. The growth of the property sector recorded during the socialist regime can therefore mainly be attributed to the direct government's initiatives towards property supply, especially in the housing sector.

It was not until the institutional reform period that property investment regained ground. The institutional reforms, which mainly entailed introducing market economy institutions and structures, have created a better investment environment for private investors. Over this period, growth of private investment sector has been remarkable. Many economic indicators have changed favourably, implying positive results of the reforms. Real property sector has also substantially benefited from the reforms. The reforms have attracted a wide range of property investors ranging from large institutional investors to foreign investors. The level of activity in the property sector has significantly increased. Firms providing professional services such as property agency, management and valuation have also increased markedly over the reform period owing to the increase in property development and investment activities. Reforms are still ongoing, more institutions (laws, regulations, rules etc.) are needed to realise the full potential of the market. Some of the areas requiring attention of the institutional reforms in order to improve the real property investment sector are outlined in the next section.

4.10 Aspects requiring further institutional reforms

4.10.1 Indirect property investment vehicles

In order to realise the full potential of the property investment market, more institutions are required. So far the reforms have not been able to adequately address the problem of limited access by a large majority of common members of the public to property investment market. The property investment sector is still primarily dominated by large institutional investors and foreign investors. Capital intensiveness of real estate investment coupled with the absence of securitised investment vehicles market exclude small investors. Legislation, regulations and organisations to cater for indirect property investment vehicles such as REITs and mutual property funds are required. Existence of an active indirect property investment market would enable many investors ranging from small private investors to institutional investors, both local and foreign, to participate in real estate investment. Increasing the number of participants in the property market by introducing more affordable and inclusive forms of property investment will significantly address the problem of large capital sum associated with direct property investment. Oversubscription to IPOs is an indication of the presence of a large pool of funds that could be tapped.

4.10.2 Databank and property investment performance measures

In the absence of some important property market institutions such as investment property databank, the property market is still shrouded in secrecy and market imperfections. Many property transactions go unrecorded, which makes it difficult for investors and other stakeholders to make informed decisions about the property investment market. In the absence of an investment property data bank and investment analysis regulations, the credibility and reliability of various investment reports produced by investors, professionals and consultants is low. Furthermore, in the absence of credible investment performance benchmarks and robust performance measurement techniques, observations show that institutional property investors in Tanzania mainly use return on investment (ROI) to measure property investment performance (Mpogole, 2006). ROI is only a partial measure of returns and is rather rudimentary. The measure is thus widely considered not to be suitable for property investment. Total returns (TR) measures are instead regarded to be more ideal.

4.10.3 Dollarisation of the prime property investment market

During the institutional reforms period, the local currency (TZS) has depreciated alarmingly against major foreign currencies. When the reforms were introduced, the local currency was relatively very strong. For instance, in 1985 the exchange rate between TZS and US $ was about TZS 18 for US $ 1, but in 2010 the exchange had shot to about TZS 1,500 for US $ 1, implying a 8,233% depreciation over only 25 years. Depreciation in the local currency has resulted in the dollarisation of the prime property market sector. Rents and prices in the sector are normally quoted in US Dollars, although actual payment may be done in local currency based on the ruling exchange rate on the date of payment. Rental contracts based on US Dollar rent have adverse effect on tenants whose income streams are normally in the local currency. Local currency depreciation has always meant rising rent for such tenants. Dollarisation has also affected other sectors of the economy. International Monetary Fund (2010) also reports that Tanzania remains relatively highly dollarised country, with 30 percent of deposits and 30 percent of loans denominated in foreign currency. It is thus clear that new institutions (laws, regulations, rules etc.) are required to ensure that pricing in the property investment market sector is based on the local currency.

4.10.4 Corruption and property rights issues

Despite the accomplishments recorded over the reform period, corruption is still rife in Tanzania. According to the 2009 Corruption Index released by Transparency International, Tanzania ranks 126 out of 180 countries with a score of 2.6. Real property is one of the sectors which are very vulnerable to corruption. The formal process of acquiring land is still time consuming, highly bureaucratic and sometimes attracts corruption. According to IFC (2009) one needs 328 days to complete 22 necessary procedural stages involved in starting up a construction project in Tanzania. There are also issues of private property rights that still require further action. Investors, especially foreign investors still perceive Tanzania and Africa as a whole as a risky investment destination owing to insecurity of property rights (Rothenberger, 2010; Lim et al, 2006).

4.11 Chapter summary

The three institutional phases experienced by Tanzania have clearly demonstrated how the property investment process is dependently connected to the prevailing institutional environment of the market setting in question. The level of property sector development in Tanzania over the three periods reflected and mirrored the prevailing institutional environment. The period prior to independence was characterised by colonial institutions and structures which did not support the majority of people, especially the natives, to take part in the investment activities. During that period, most of the formal institutions including the government sector were at their infant stages of development and the level of urbanisation was also still very low.

The period after independence, prior to institutional reforms, was predominantly characterised by socialist institutions. The state controlled all major means of the economy thereby sidelining the private sector. Besides, during the socialist regime, a large number of private urban rental properties were nationalised. The state was the only key player in the property market sector. Most of the government initiatives in the property sector during this period were however mainly aimed at addressing the housing problem. Socialist policies significantly inhibited private property rights, which paralysed property sector growth. Persistent economic hardship experienced during the socialist period forced the government to switch back to market economy policies.

In the mid 1980s, the government started implementing institutional reforms, which marked the new institutional phase. During the period, many policies, laws, regulations and rules were changed to support market economy structures. The reforms have attracted many private investors including foreign investors. The government has significantly withdrawn itself from commercial activities by privatising more than 300 of its state-owned enterprises, which has significantly reduced government's active role in commercial activities. Such a move has further catalysed growth in the private investment sector. The property sector has substantially benefited from the reforms which have attracted pension funds and other institutional investors into the property sector. Foreign property investors are also gradually entering the property market. Some commercial banks have started issuing finance for property development. Institutional reforms are still underway; there are still many aspects requiring the attention of the reforms. More institutions, in terms of policies, laws, rules and regulations are required in order to address such issues as corruption, poorly developed indirect property investment vehicles market, use of rudimentary investment performance measures and dollarisation of the prime property market etc.

5 Forms, Catalysts and Mitigation of Agency Problems

5.1 Introduction

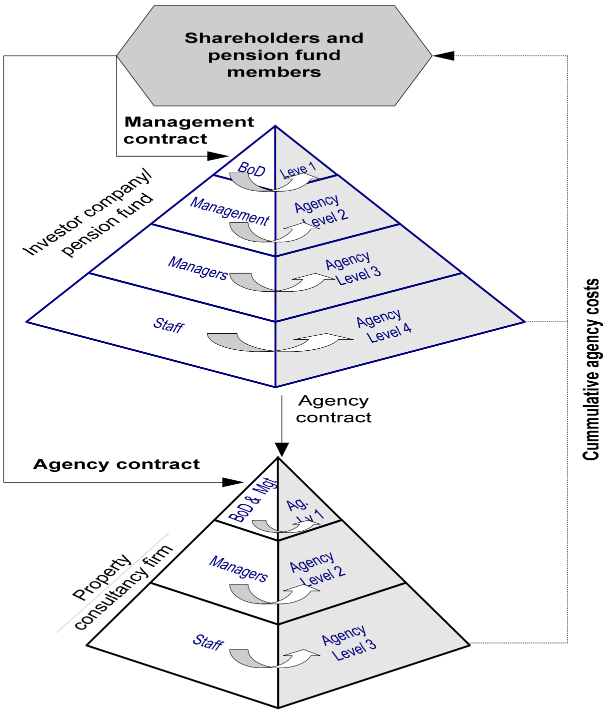
This chapter presents a discussion of agency conflicts in real estate investment activities in Tanzania. The discussion demonstrates how agency conflicts arise in the real estate investment process and how investors deal with the conflicts. This chapter also partly shows how the prevailing informal institutions discourage the opportunistic behaviour of agents. The discussion is based on data elicited from semi-structured interviews and Focus Group Discussions (FGDs). The semi-structured interviews were held with key informants selected from firms and institutions which play a key role in real estate investment in Tanzania. FGDs participants were selected amongst members of pension funds which are engaged in real estate investment. The data gleaned from the interviews is presented and discussed separately from that collected from FGDs. Agency problems faced by foreign investors in addition to those faced by all investors are presented and discussed last in the chapter. Matters requiring further treatment are identified and given further consideration along with survey results in chapter 6.

5.2 Complexity of agency relationships network

The central issue in the principal-agent relationship is how to get the agent to act in the best interest of the principal when the agent has informational advantage over the principal and has different interests than the principal (Rebernik and Bradac, 2006). Whereas employers, contractors and owners are the typical principals in many business undertakings, employees, sub-contractors and managers are the typical agents. For the purpose of this study, agents are divided into two categories, namely employees in the real estate investment activities and external contracting parties such as property managers, estate agents, building contractors, government agencies, etc. Figure 5.1 captures the scenario of this study.

This study covers employees of both real estate investors and real estate service contractors. Investors (company shareholders and pension funds' members) form the first category of principals. Depending on their roles, some investors' employees, especially senior officials, also serve as principals of their subordinates and the external contracting parties. External contracting parties' and their employees are naturally agents of investors, although they also could have multiple levels of agency relationships. Agency contracting with external contracting parties in Tanzania is governed by the provisions of Part X (sections 134 to 189) of the Law of Contract Act of 1961.

Figure 5.1: Different levels of agency relationship



Source: Author's conceptualisation, 2011

A network of agency relationships also exists within the external contracting parties' set-ups. Most of these contracting parties usually exist as firms, mainly in the form of limited liability companies or partnerships, having owners and employees. The owners of the firms are automatically the principals and the employees are agents. Depending on the size of the firm, just like in any other organisation, a network of agency relationship exists between seniority ranks. Figure 5.1 shows the various levels of agency relationship and the resulting agency cost implication. The identified agency levels show the potential sources of agency problems and the cumulative effect of the problems.

All the principals shown in the diagram have to apply some remedies of agency conflicts to deal with the problem. Unfortunately such remedies, namely incentives, up-front communication, evaluation and monitoring, cannot control for all possible slippage between the goals of the principal and agent. The ultimate agency costs i.e. monitoring by the principal, absent bonding by the agent, and residual loss arising out of a network of agency relationships in real estate are ultimately borne by the investor (Gibler and Black, 2004; Cieleback, 2004).

5.3 Selection and composition of interviewees

Several semi-structured interviews were held with key informants in the real estate industry in Tanzania. The aim was to understand the forms and catalysts of agency problems in the real estate investment activities. The interviews also sought to understand the mechanism used by the real estate investors in dealing with agency conflicts. Using the interviews, it was also possible to assess the effectiveness of institutional approaches in mitigating agency problems. A total of 40 key informants from various firms and institutions which play a key role in the real estate investment sector in Tanzania were interviewed. Most of the interviewees were drawn from amongst officials of pension funds, NHC and real estate consultancy firms.

Interviewees from the four pension funds and NHC comprised both members of the management and the ordinary members of staff. All of these investors used both in-house staff and outsourced experts to execute their real estate investment activities. Outsourcing of experts was necessitated by lack of qualified or sufficient number of in-house staff. It was noted that, despite heavily investing in real estate, all pension funds had a very small number of employees with specialised[4] training in real estate investment. NHC on the other hand was, apart from the central and local government, the single largest employer of real estate graduates in Tanzania. However, the Corporation still outsourced experts for some of its investment activities.

Mlimani City, Integrated Property Investments (Tanzania) Ltd, CDC (formerly known as Commonwealth Development Corporation), and African National Congress (ANC) were the foreign real estate investors whose officials were interviewed. CDC was the owner of Aman Place Building and Barclays House, and ANC was the owners of 50

[4] Staff with specialised real estate training refers to employees who at the time of this study possessed at least a university degree in real estate investment related fields

Mirambo building. Whereas Mlimani City and Integrated Property Investments (Tanzania) Ltd. mostly used in-house staff to carry out most of their investment activities, CDC and ANC outsourced experts for most of the investment activities. For instance, all CDC and ANC investment properties in Tanzania were managed by Knight Frank (T) Ltd.

Owing to the fact that all real estate investors covered in this study engaged private consultancy firms and individuals in executing some of their investment activities, this study also entailed interviewing real estate consultant firms' officials. Other people who were considered to be key informants for the purpose of this study were also interviewed. Such people comprised a TIC official, land officers, government valuers, and researchers. The analysis of the interviews is presented and discussed under thematic sections 5.4 to 5.6 below.

5.4 Forms of agency problems

During the interviews, various forms of agency problems were mentioned by the various interviewees. The interviewees were asked to describe the forms of agency problems which were common at their workplaces or in the agency relationship in which they were involved. Table 5.1 summarises the different forms of agency problems described by the interviewees.

Table 5.1: Forms of agency problems in real estate investment

Form of agency problem	No. of interviewees who cited the form of agency problem	Percentage of the total (28 interviewees)
Imperfect commitment	12	42.9
Graft	10	35.7
Diverting clients to competitors	7	25.0
Unreported short period lettings	5	17.9
Late banking or submission of cash receipts	10	35.7
Currency exchange rate manipulation	5	17.9
Conflict of interest	5	17.9
Abuse or misuse of discretionary powers	10	35.7
Theft	15	53.6
Cheating	21	75.0
Disclosure of confidential information	13	46.4
Shirking	26	92.9
Carelessness	20	71.4
Overpricing of goods and services	22	78.6

Source: Field interviews, 2011

A total of 28 individuals comprising real estate investors and consultants answered this question. A discussion of each of the forms of agency problems as recorded during the interviews which are presented in Table 5.1 is presented in sub-sections 5.4.1 to 5.4.14 below.

5.4.1 Imperfect commitment

Imperfect commitment on the part of the principals was noted to be one of the common problems in many agency relationships. The problem entailed the principals reneging on their contractual duties and obligations. This tendency was more common in aspects which were not expressly provided for in the contracts. The problem was further aggravated by agency contracts being silent on remedies for interference from principals. It was noted from the interviews that some employers did not always fulfil their obligations to their employees, which resulted into frustration of employees. Some of the problems which were mentioned by the interviewees include late payment of agency fee or salaries, paying agents less amounts than the amounts previously agreed on, and delaying and sometimes rejecting reimbursing agents the money which they spent attending to some emergency cases related to their contractual activities.

It was also reported that it was normal for some principals to interfere with their agents' duties. For instance, all property managers interviewed complained that the tenant selection process was prone to principals' or employers' interference. They reported that, it was common for landlords or their official representatives to recommend some tenants to property managers and when the property managers expressed doubts about the credibility of some of such tenants, the landlords or senior officers would insist that they take them. During the interviews it was also reported that some senior officials of some of the parastatals covered in this study forced property managers to allocate rental space for their private firms or friends. To some extent, such actions of the senior officials undermined their moral authority to question the performance of property managers.

5.4.2 Graft

Some employees were reported to be deceptive to their employers and in some occasions they demanded bribes from sub-contractors. For instance, in an interview with a property manager who was then in-charge of one of the largest commercial buildings owned by some pension funds, two cases involving unfaithful building caretakers were reported. In the first incident, the building caretaker grossly overstated the quantity of water supplied daily to the building. This was only possible because it was difficult to cross-check owing to the fact that water was constantly being consumed in the building. In the other incident, another building caretaker was secretly recorded in a telephone conversation threatening a service provider that unless he was given some money (bribe) he would not authorise service provider’s payment which was already due. According to the property manager, the service provider could no longer tolerate such frequent caretaker’s demands. He decided to report the matter to the property manager.

Cases of corrupt employees were also frequently mentioned in the interviews with NHC officials. It was apparent that some NHC officials took bribes from tenants and prospective tenants prior to processing their various requests. Such a practice seemed to be common knowledge, but no significant actions were taken by NHC management. Even some senior government officials were reported complaining about malpractices within NHC. For instance, the Permanent Secretary of MoLHHSD was quoted by Daily News (dated 24 June 2010) acknowledging pervasiveness of corruption within NHC by saying that:

> …this is the leading corrupt institution…. workers take advantage to either sell or use the property of the public for their own interests …the public obviously knows that when it comes to NHC houses, it is all about corruption.

Commenting on the statement made by the Permanent Secretary, The Guardian (dated 27 June 2010) in its editorial also added that:

> We are aware that in some places like Mwanza, Dar es Salaam and Arusha, tenants pay between TZS 10 million and TZS 100 million just to acquire a three-bedroom house for rent or business premises. The billions generated from these dubious transactions are pocketed by the unscrupulous tenants and their counterparts in the NHC. These dubious transactions have been going on, amongst whose notorious perpetrators are tenants of Asian origin who have converted the NHC into their personal property. Today, renting a National Housing Corporation house is a daunting task especially if you choose to go the right way, but for those who pursue the bribery route, the mission is accomplished in a blink of an eye.

5.4.3 Diverting clients to competitors or their own firms

The problem of diverting clients to competitors seemed to be a common practice by some agents. This was frequently mentioned by the interviewees amongst property managers and investors. The problem involved unfaithful employees who referred company's clients to other companies from which they apparently received secret payments. This problem was reported to occur when clients were looking for office space to rent and houses to buy. Existence of this problem was a clear indication that some employees did not abide by their job contracts nor did they observe the code of conduct.

5.4.4 Unreported short-period lettings

Some agents were reported to have secretly rented properties without reporting to their principals. Such cases were reported to be more likely to happen with residential properties in which the agents or employees let houses or office space to short-time tenants, typically one month, without reporting to their head offices. The money collected from such term lettings was pocketed by the unfaithful agents or employees. In these arrangements, the agents or employees involved required such tenants to pay them only in cash. This problem was reported in the interviews with both real estate investors and real estate managing firms.

5.4.5 Late banking or submission of cash receipts

Incidents of delaying the banking of cash collected from tenants by the officials in charge of the task were mentioned by the property managers and investors interviewed. It was revealed that some unfaithful officials held for some time the money collected and used it for private purposes or deposited it in their private bank accounts in order to earn some interest. This was only possible because some tenants paid their rent in cash. Cases of non-submission or late submission of cash were also reported to be common in valuation jobs. In such cases, some unfaithful valuers working for private firms did not submit or submitted late the money collected from their clients. This resulted into such valuers being terminated from service or their valuation firms being suspended from carrying out contracted services with some reputable clients, especially banks. One of the interviewees reported that his firms had sacked 3 valuers for such behaviour. The same interviewee also reported that Barclays Bank had suspended some valuation firms on similar grounds and on property value inflation allegations.

5.4.6 Currency exchange rate manipulation

In many prime commercial buildings rent was quoted in US Dollars but tenants were not obliged to make actual payment in Dollars. It was acceptable for tenants to pay an equivalent amount of shillings based on the exchange rate prevailing on the payment date. It was revealed in the interviews with property managers and investors that some unfaithful officials in charge of rent collection played with exchange rates. Such officials kept the cash collected for some days until the exchange rate was favourable to them so that they could change the money received in US Dollars to Tanzania Shillings or vice versa. They kept the exchange gain and remitted the balance. In their reports to their principals or employers, they altered the dates the money was collected from tenants. This problem was not only limited to rent; it was also reported to exist in property sale transactions.

5.4.7 Conflict of interest by employees

It was reported during the interviews that some property employees involved in property management and agency were secretly running their own businesses which were similar to those of their employers. This resulted into conflicts of interest since it was possible for the employees to compete for clients with their employers. It was clear that the employees involved in such conflicts of interest were aware that they breached their employment contracts. It was therefore very difficult to notice them because they tried to hide their ownership of such firms. Interviewees amongst property managers cited poor compensation and lack of job security to be some of the main reasons for this problem.

5.4.8 Abuse and misuse of discretionary powers

Some officials entrusted with powers to make decisions on behalf of their principals or employers sometimes apparently abused their powers. This was reported to be common with senior officials of public institutions. Capitalising on the difficulty in detecting some of their malicious actions or omissions, some unfaithful employees apparently made decisions which they would not have made if the business had been their own. Exemplifying the problem, some interviewees cited some actions of senior officials of pension funds and NHC. All the in-house real estate professionals employed by pension funds who were interviewed, complained that they were marginalised or sidelined in the real estate investment decision making process. Despite not having adequate expertise in real estate investment, members of the top management of those pension funds were reported not to be very keen in utilising the in-house experts for key real estate investment decisions. The in-house real estate staff members of pension funds also complained that even when consulted, their advice was rarely taken seriously by the top management. Failure to fully utilise the in-house real estate experts in investment decisions apparently resulted into sub-optimal investment decisions.

It was however also reported by some of the interviewees that, sometimes members of the management of pension funds did not involve the in-house real estate staff because they were also apparently under pressure to take investment ideas imposed by those above them e.g. Board of Trustees, the government and politicians. Investment ideas imposed from higher authorities were unlikely to undergo a rigorous investment appraisal process. Members of the top management teams only ratified those decisions. Real estate investment resulting from investment ideas imposed from higher authorities only by sheer luck ended up as good investments. Pension funds and NHC managements were frequently cited by some interviewees to be more prone to orders from politicians.

5.4.9 Theft

Cases of agents stealing assets of their principals were common in many activities. In real estate activities theft was reportedly more common with money, building materials and other tangible assets. Control of money theft was however much easier compared to that of building materials and other tangible assets. It was common for officials involved in the building construction projects to steal some building materials especially those materials whose quantity could not be easily ascertained by simply looking at the completed building. It was revealed from the interviews with investors and property managers that, the building materials which were highly susceptible to this kind of theft were cement, gravel, bricks/blocks, and reinforcing steel. With these materials, it was practically difficult to establish the exact amount actually used when the building was handed over to the owner. Theft was also noted to be common with equipment and equipment parts. Theft of such items was reported to be mostly done by building caretakers and technicians.

5.4.10 Cheating

Cheating was reported to be common when employees (of both consultancy firms and investors) were required to produce evidence showing how money advanced to them was spent. From the interviews with property managers and investors, several cheating were reported. For instance, it was reportedly normal for officials to present forged receipts and invoices. Sometimes, officials lied to have spent money for some activity or that they had spent their own money to perform some activities while they actually had not. Owing to the nature of the responsibilities, engineers, foremen, building caretakers and building managers were the ones most associated with these problems. For instance, it was reported that it was common for building caretakers or managers to exaggerate facts while reporting on defects in buildings or equipment (power generators, water pumps, vehicles, air conditioners, fire extinguishers etc.) so that they could be advanced more money to correct the defects. Sometimes building caretakers, managers or procurement personnel asked suppliers to overstate the amount of money in their invoices.

5.4.11 Disclosure of confidential information

Some employees and agents purposely used employer's or principal's confidential information for personal gains or just carelessly. From the interviews with both investors' officials and senior officials from consultancy firms, this problem was reported to be particularly common with officials involved in tender preparation and evaluation. Such officials normally gave inside information to the bidders of their choice. These officials in return were paid for the information. Sometimes such officials gave insider information to their relatives who were among the bidders. It was also possible for some officials to award jobs to firms in which they had undisclosed (conflict of) interests. Sometimes employees or agents disclosed confidential information to friends in normal conversations by giving the 'don't quote me' disclaimer. Such problems in tender management in parastatal organisations were also reported by the Controller and Auditor General (CAG, 2011).

5.4.12 Shirking

Shirking was noted to be the most common form of agency problem in real estate investment activities. Every interviewee amongst people who executed their duties as principals complained about some of their agents, employees or subordinates being lazy or not showing full commitment to their duties (shirking). This problem mainly took the form of spending unnecessarily long time to perform simple tasks, late coming to places of work and early leaving from places of work, taking unnecessarily long time for lunches and other breaks, applying of unnecessary leaves of absence or exemption from duties (EDs). The problem was however reported to be more common with employees and was particularly a serious problem with junior staff members.

5.4.13 Carelessness

Carelessness was one of the problems mentioned by all interviewees amongst investors and consultants. This problem was noted to be mainly observable in the misuse of principal's assets and unprofessional treatment of customers/clients. This problem was noted to be very common with employees or agents whose job contracts were for a short term or approaching expiry. Knowing that after a short time they would no longer benefit from the job, they apparently did not care much about their principal's or employer's assets or clients. Vehicles, furniture and equipment were some of the assets that were subject to misuse and abuse by agents. It was also reported that some property managing agents whose non-renewable contracts were about to expire, did not care about any events (problems or benefits) occurring subsequent to their contracts. For instance, some of such agents were not interested in negotiating for long term leases with tenants. Other agents postponed solving tenants' problems, buying time for their contracts to expire. Some agents were reported to make unrealistic promises to tenants knowing that at the time of their fulfilment they would no longer be in charge.

5.4.14 Overpricing of goods and services

From the interviews with both investors and consultants, it was noted that overpricing of purchases was also very common. The problem also accompanied the purchase of poor quality goods and services. These problems were reported to be common with both investors' employees and external contracting parties such as property managing agents and building contractors and their employees. Some unfaithful employees who were somehow involved in the procurement process made secret agreements with suppliers of goods and services to overprice their goods and services. The excess money was either all taken by these officials or was shared with the suppliers. A replica of the problem was also reported to be common with unfaithful employees of the property managing agents and building contractors.

5.5 Catalysts of agency problems

Whereas the cause of agency conflicts is information asymmetry that exists between the principal and agent, the extent of the problem differs from one place to another or from one time to another depending on the prevailing circumstances and measures in place to mitigate the problem. During the interviews, each interviewee was asked to identify catalysts of agency problems which were common at their workplaces or in other agency relationships in which they were involved. Table 5.2 summarises the identified catalysts of agency problems.

Table 5.2: Catalysts of agency problems in real estate investment

Catalyst of agency problem	No. of interviewees who cited the catalyst of agency problems	Percentage of the total (32 interviewees)
Loopholes in some laws	14	43.8
Society condoning illegally acquired wealth	15	46.9
Competition with peers	22	68.8
Financial pressure	17	53.1
Greed	25	78.1
Weak controls and monitoring difficulties	13	40.6
Ineffectiveness of the existing formal institutions	12	37.5
Compliance with workplace norms and culture	12	37.5
Stiff competition for jobs	11	34.4
Feeling of unfair treatment	9	28.1
Bounded rationality	9	28.1
Uncertainty in the social security system	9	28.1
Weak agent monitoring systems	8	25.0
Exclusion of agents in decision making	8	25.0
Low or absence of salaries	8	25.0
Agent selection process	7	21.9
Agency contracts being prepared by agents	6	18.8
Mode of agent remuneration	6	18.8
Multi-phase projects	5	15.6

Source: Field Interviews, 2011

A total of 32 individuals comprising real estate investors, consultants and employees answered this question. A discussion of each of the catalysts of agency problems as recorded during the interviews which are presented in the Table 5.2 is presented in sub-sections 5.5.1 to 5.5.19 below.

5.5.1 Loopholes in some laws

Some agency problems were reported to be mainly motivated by both implicit and explicit provisions in the various laws, creating a room for agents to pursue opportunism. This was particularly common with parastatal organisations, whose statutes gave a lot of powers to the government officials and politicians or gave their executives discretionary powers on some sensitive matters. About 44% of the interviewees cited weaknesses in the provisions of various statutes to be one of the catalysts of agency problems. The author also made a detailed review of some of the statutes. Several loopholes were identified. Table 5.3 summarises the main loopholes for opportunism observable in the various pieces of legislation of the parastatal organisations relevant to this study.

Table 5.3: Loopholes for agency conflicts in parastatals' legislation

Name of organisation	Legislation and loopholes for agency conflicts
National Social Security Fund (NSSF)	NSSF was established by the National Social Security Fund Act No. 28 of 1997. The extracts below highlight some of the provisions touching on agency relationship and loopholes for agency conflicts. • One of the duties of the Board of Trustees is to protect, safeguard and promote the interest of the insured persons (Section 56b). This shows the agency role of the Board. • The Chairman of the Board shall be appointed by the President of the United Republic of Tanzania and other Board members shall be appointed by the Minister responsible for social security affairs. The Permanent Secretary in the Ministry responsible for social security shall also be a Board member (Section 53, First Schedule 1). This shows the immense powers the government enjoys over pension funds, and thus the potential for pursuit of opportunism by politicians. • The Director General shall be appointed by the President of the United Republic of Tanzania (Section 4(2)). This practice has a potential of attenuating Board's supervisory effectiveness as the Board is not the one appointing the Chief Executive Officer. • Benefits rates shall be reviewed from time to time and adjusted in line with actuarial valuation of the Fund (Section 48). This provision gives a room for the government to manipulate benefits. It also creates uncertainty in the actual amount of benefits a member should expect upon retirement. • The Minister shall give the Board various directions (Section 60). This shows immense powers vested in the Minister and government, which creates a room for pursuit of opportunism. It also allows the Minister to interfere in Board's decisions such as Board's decisions (as per section 62) to invest the money in economically

<table>
<tr><th>Name of organisation</th><th>Legislation and loopholes for agency conflicts</th></tr>
<tr><td></td><td>and commercially viable ventures.
The Minister shall have powers to make regulations on various aspects of the Act (Section 89). The provision shows immense powers vested in the Minister and government, which creates a room for pursuit of opportunism.
In case of Fund’s inability to meet its liability, the benefits are to be paid from the Consolidated Fund (Section 64). This shows government’s commitment to members of pension funds, which is however doubted by some members following reneging tendencies of the government.</td></tr>
<tr><td>Parastatal Pensions Fund (PPF)</td><td>PPF was established by Parastatal Pensions Act No. 14 of 1978, and Parastatal Pensions (Amendments) Act No. 25 of 2001. The extracts below highlight some of the provisions touching on agency relationship and loopholes for agency conflicts.
The Board of Trustees shall hold assets of the Fund as trustees of the insured persons i.e. members of the Fund (Section 12). One of the duties of the Board shall be to protect, safeguard and promote the interest of the member (Section 19b). This shows the agency role of the Board.
Permanent Secretary in the Ministry for Finance shall be the chairperson of the Board of Trustees and other members (between 4 and 8 members) shall be appointed by the Minister (Section 17, First Schedule). This shows the immense powers the government enjoys over pension funds, and thus the potential for pursuit of opportunism by politicians.
The Board shall have powers to employ consultants, agents and contractors (Section 13(d)). The Board shall also have powers to delegate some of its duties (Section 21). This shows powers of the Board to create sub-agents, resulting into a complex agency relationship network.
The Minister shall have powers to amend, vary or replace all or any provisions of the First Schedule of the Act (Section 17(4)) and to make regulations (Section 51). This shows immense powers vested in the Minister and government, which creates a room for pursuit of opportunism.
Subject to the approval of the Minister, the Board shall invest surplus money in viable venture (Section13). Such a provision creates a room for politically motivated decisions.
The Minister may give the Board various directions (Section 23). This provision also shows immense powers vested in the Minister and government, which creates a room for pursuit of opportunism.
In case of Fund’s inability to meet its liability, the benefits are to be paid from the Consolidated Fund (Section 52 as per Amendment Act No. 25 of 2001). The provision shows government’s</td></tr>
</table>

Name of organisation	Legislation and loopholes for agency conflicts
	commitment to members of pension funds, which is however doubted by some members following reneging tendencies of the government.
Public Service Pensions Fund (PSPF)	PSPF was established by the Public Service Retirement Benefits Act No. 2 of 1999. The extracts below highlight some of the provisions touching on agency relationship and loopholes for agency conflicts. • The Board of Trustees shall hold assets of the Fund as trustees of the members of the Fund (Section 35). This shows the agency role of the Board. • The Permanent Secretary in the Ministry for Finance shall be the Chairperson of the Board of Trustees and other Board members shall be: Permanent Secretary in the Ministry responsible for civil service, Attorney General, Governor of the Central Bank of Tanzania, Treasury Registrar, Secretary General of Tanzania Union of Government and Health Employees (TUGHE) and other 3 members shall be appointed by the Minister (Section 52). This shows the immense powers the government enjoys over pension funds. The provision also shows heavy presence of government officials in the Board to ensure that government's interests are protected. • The Director General shall be appointed by the President of the United Republic of Tanzania (Section 34(1)). This has a potential of attenuating Board's supervisory effectiveness as it is not the one appointing the Chief Executive Officer. • The Board meeting quorum shall be chairperson and any other four members. The presence of more than four government officials in the Board creates a possibility for government representatives alone to make key decisions. • The Board shall have powers to appoint its officer and employees (Section 34(2)). The Board shall have powers to delegate some of its duties (Section 55). This shows powers of the Board to create sub-agents, resulting into a complex agency relationship network. • Board members allowances shall be determined by the Minister upon recommendation of the Board (Section 53(3)). This gives room for Board members to overpay themselves. • The Minister shall have powers to make regulations on various aspects of the Act (Section 36). This shows immense powers vested in the Minister and government, which creates room for pursuit of opportunism. • The Minister may give the Board various directions (Section 62). Similarly, this shows immense powers vested in the Minister and government, which creates room for pursuit of opportunism. • In case of Fund's inability to meet its liability, the benefits are to be paid from the Consolidated Fund (Section 46). This shows government's commitment to members of pension funds, which is

Name of organisation	Legislation and loopholes for agency conflicts
	however doubted by some members following reneging tendencies of the government.
Local Authorities Pension Fund (LAPF)	LAPF was established by the Local Authorities Pensions Funds Act No. 9 of 2006. The extracts below highlight some of the provisions touching on agency relationship and loopholes for agency conflicts. • The Board of Trustees shall hold assets of the Fund as trustees of the insured persons i.e. members of the Fund (Section 12). One of the Board's functions shall be to protect, safeguard and promote the affairs of the members of the Fund (Section 11b). These provisions assign the Board an agency role. • Permanent Secretary in the Ministry responsible for Local Government shall be the Chairperson of the Board of Trustees. Other Board members shall be: Permanent Secretary in the Ministry of Finance, Attorney General and 7 other members appointed by the Minister responsible for local governments (Section 10, First Schedule). • The Director General shall be appointed by the President of the United Republic of Tanzania (Section 8). This has a potential of attenuating Board's supervisory effectiveness as it is not the one appointing the Chief Executive Officer. • Board allowances shall be determined by the Minister upon recommendation of the Board (First Schedule 1(2)). This gives room for the Board members to overpay themselves. • The Board shall have powers to employ consultants, agents and contractors (Section 13(d)). The Board shall have powers to delegate some of its duties (Section 14). This shows powers of the Board to create sub-agents, resulting into a complex agency relationship network. • If the Board is unable to meet its liability to its members, the benefits shall be paid from the Consolidated Fund (Section 53). This shows government's commitment to members of pension funds, which is however doubted by some members following reneging tendencies of the government. • Subject to the approval of the Minister, the Board shall invest the money in any economically and commercially viable venture (Section 48). Such a provision deprives the Board of its powers to make decisions, and creates room for politically motivated decisions. • The Minister shall make regulations related to the Act (Section 81). This shows immense powers vested in the Minister and government, which creates room for pursuit of opportunism
Social Security Regulatory Authority (SSRA)	SSRA was established by the Social Security (Regulatory Authority) Act No. 8 of 2008. The extracts below highlight some of the provisions touching on agency relationship and loopholes for agency conflicts.

Name of organisation	Legislation and loopholes for agency conflicts
	• In 2010 SSRA was established by the President of the United Republic of Tanzania by appointing the Chairperson of the Board and the Chief Executive Officer and the Minister appointing other Board members. SSRA is meant to supervise pension funds. Viewed differently, SSRA adds another agency level which has the potential for agency problems, and hence more agency costs to be borne by pension funds' members. • The Chairman of the Board shall be appointed by the President of the United Republic of Tanzania (Section 7). Other Board members shall be: Treasury Registrar, Labour Commissioner, and other five members who shall be appointed by the Minister responsible for social security affairs (Section 7). This shows additional government powers over pension funds. • The Director General shall be appointed by the President of the United Republic of Tanzania (Section 7). This potentially presents a problem to the Board supervisory role as it is not responsible for the appointment of the Chief Executive Officer. • There shall be a Social Security Tribunal whose members shall be appointed by the Minister responsible for social security affairs (Section 43). This provision yet shows immense government powers over pension funds. • There is overlapping of functions of SSRA and those of the Central Bank of Tanzania (BoT). For instance, section 48 of SSRA Act provides that BoT shall have powers in issuing investment guidelines and monitoring to ensure compliance with the guidelines. Under the same section, the Act also provides that BoT shall prevail on all financial matters. The Act, however, in Section 59, provides that in case of conflict in the laws, SSRA shall prevail. As a result of such conflicts, International Monetary Fund (2010) recommends amendment of SSRA Act to clarify the roles and functions of the different institutions.
National Housing Corporation (NHC)	NHC was established by the National Housing Corporation Act No. 2 of 1990. The provision below shows loopholes for agency conflicts. • The Chairperson of the Board shall be appointed by the President of the United Republic of Tanzania (Section 5(2)). Other Board members are appointed by Minister responsible for housing matters (Section 5(2)). The Director General shall also be appointed by the Minister (Section 18). This has a potential of attenuating Board's supervisory effectiveness as it is not the one appointing the Chief Executive Officer.

It is evident from the highlights in Table 5.3 that the government and politicians have immense powers to dictate terms in the decisions made by pension funds managers. The law gives the government excessive powers to interfere in the operations of pension funds. Despite having the exclusive right of enacting laws, the government also has powers to appoint almost all key executives of pension funds and other parastatal organisations. For instance, the President of the United Republic of Tanzania appoints both Chairpersons of Board of Trustees and the Chief Executive Officers of pension funds. This practice undermines the effectiveness of Boards of Trustees in supervising the CEOs because they are not appointed by the respective Boards. This situation was also noted by the Controller and Auditor General, who advised that all members of the management of parastatal organisations should be appointed by the Boards of Trustees (CAG, 2011). The CAG also noted delays in appointing executives whenever their positions for some reasons fell vacant. Their positions are for a long time occupied by acting officials. This may be due to many duties being concentrated in the President.

Another major problem noted was imperfect commitment by the government. Although it is expressly provided in every pension fund statute that the government shall take the responsibility of paying members dues in case their respective pension funds are unable to meet the liability, fresh memories from how the government had handled the issue[5] of employees of the former East African Community (EAC) cast doubts as to whether the government would really honour its commitment with the local pension funds should they become unable to pay their members' dues. Cases of reneging by the government are also reported by the Controller and Auditor General (CAG). The 2009/2010 CAG Report on the Audit of Public Authorities and other Bodies, for instance, shows how the government had been delaying paying PSPF debt amounting to TZS 58 billion (CAG, 2011). Government reneging tendency was also noted in the delayed disbursement of funds to PSPF to pay for Fund's current in-service members' benefits accruing prior to 1 July 1999 for the Fund's, which were to be funded by the government. Such government's behaviour jeopardised the solvency of the Fund.

The highlighted weaknesses in the existing laws also serve as evidence of weaknesses in corporate governance institutions. For a detailed discussion on corporate governance refer to subsection 2.8.2 of chapter 2. Many of the agency

[5] Since 1977, the Government of Tanzania has been in a dispute with the former employees of the former East African Community regarding their terminal benefits. During this study, there was a civil case at the High Court of Tanzania with respect to the matter. Several times, the former employees have used demonstrations to increase pressure on the Government and the Court to yield to their demands.

conflicts existing in the investment activities of pension funds and NHC could be addressed by applying corporate governance principles.

5.5.2 Society condoning illegally acquired wealth

About 47% of the interviewees expressed their concern that moral decay was increasingly becoming a serious problem in Tanzania. The interviewees cited several examples suggesting an upsurge in immorality in the society. For instance, they noticed that unlike during the socialist era, the society had become less strict on illicit ways through which some members of the society obtained wealth. Following liberalisation of the economy, some individuals have been acquiring wealth quickly through less transparent means. Some evils such as corruption, embezzlement of employers' funds, forgery, theft (especially of public assets) and tax evasion were gradually being institutionalised and implicitly being condoned by the society. Rich people, no matter how they obtained their wealth, were increasingly being considered as icons of the society and worthy of emulation by others. Some interviewees argued that, the respect the people with wealth received from the society motivated some poor members of the society to pursue immoral means of acquiring wealth. Such a situation suggests failure of informal institutions in addressing vices. In such a society it is likely to find people with opportunistic behaviour. Many authors (e.g. URT and PCCB, 2009; PwC, 2008b; Sitta, 2005; Heilman and Ndumbaro, 2002; The Report of the Presidential Commission of Inquiry against Corruption, 1996) report on the institutionalisation of corruption and other social vices in Tanzania. It was clear from the interviews that what was happening in the society had also apparently affected people in the real estate sector.

5.5.3 Competition with peers

Competition for wealth and material possessions was cited by 68.8% of the interviewees to be one of the main reasons for opportunistic habits. It was reported that some employees found themselves in competition for wealth or material possessions with peers within the organisation or those in other organisations. Desire to own cars, houses and other valuable items just like their former school or university mates was cited to be the main reason for such employees getting involved in opportunistic behaviour at their places of work. This problem was more commonly associated with relatively new employees, especially young employees, whose salaries were relatively low. A comparatively high standard of living compared to ones salary is reported by Niehoff and Paul (2000) as one of the signs indicating that the employee may be involved in embezzlement. Some interviewees amongst real estate investors and consultants wondered how some of their junior employees these days were able to own and run cars given their modest salaries. Some pointed out that some of such employees were overburdened with debts from banks, employers and colleagues.

5.5.4 Financial pressure

About 53% of the interviewees mentioned financial pressure to be one of the factors that force employees or agents into undesirable behaviour. This problem was reportedly common with people of all age and gender, although it was noted to be more common with lowly paid employees. This observation concurs with the one reported by Niehoff and Paul (2000) who note that employees prone to engage in theft are generally young and face economic pressure. Some of the common causes of financial pressure reported during the interviews include extended families demands, indebtedness, premarital/extramarital relationships, lump sum annual rent bills etc. Normally, all employed members of poor families in Tanzania are expected, apart from providing for their own families, to take care of their parents, pay school fees for their brothers, sisters, nephews, nieces and sometimes also give financial support to their grandparents, uncles and aunts.

This placed heavy responsibility on such family members and sometimes enticed some employees into dishonesty at their workplaces. In trying to fulfil some of these responsibilities, some employees were forced to borrow from banks, micro-credit institutions, friends etc. This resulted into indebtedness, which consequently enticed some of the employees into opportunistic tendencies. Demands associated with premarital or extramarital relationships were also cited as one of the causes of financial pressure to some employees or agents. Lump sum annual housing rent demand notes were also reported to be one of the causes for frustration, especially for the young and lowly paid employees.

5.5.5 Greed

It was pointed out by 78.1% of the interviewees that some agents or employees were involved in opportunistic tendencies because of greed. Such people were not in financial difficulties but their desire was to see that they accumulated more wealth regardless of whether or not their actions meant pursuit of dishonest means of acquiring of wealth. The problem of greed could not be associated with one group of employees or agents; it was reportedly observable in people of all age groups, gender, education, income status, and marital status. However, greed is more associated with highly paid individuals. Greed is also cited in URT and PCCB (2009) and Warioba Commission Report (1996)[6] to be the main cause of grand corruption in the public sector in Tanzania.

5.5.6 Weak controls and difficulties in monitoring

While some companies had weak controls for some activities, other activities were also difficult to monitor, which tempted some employees or agents to engage in some undesirable activities. Such cases were reported to be common with agents or employees who were in charge of purchases, renting, and property sales. In case of purchases, agents or employees were reported to collude with suppliers to overprice their goods or services. For the case of renting, agents or employees rented houses but delayed reporting to their principals or employers. This was purposely done and entailed a secret arrangement between the agent or employee and the tenant. The tenant in turn paid the agent or employee some money (less than normal rent) for the unreported period. This was noted to be common with small office space and short term residential renting.

5.5.7 Ineffectiveness of the existing formal institutions

Despite the on-going institutional reforms in Tanzania, the effectiveness of many of the newly introduced institutions is still a question of debate. It was agreeable by 37.5% of the interviewees amongst investors, consultants and employees that respect for, and compliance with, state enforced laws was still a problem in the society. This was observable in people from all social classes and status. Politically and economically influential people in the society were apparently regarded to be above the law. This has sometimes rendered law enforcement less effective. Under this situation, the use

[6] Warioba Commission Report refers to the Report of the Presidential Commission of Enquiry against Corruption which was released in December, 1996.

of formal institutions such as legislation and corporate governance institutions in mitigating agency problems in real estate investment activities has equally not always been effective. Although many laws, rules and regulations addressing agency conflicts were in place, the problem was still pervasive. This experience observed in Tanzania is supported by observations made by Williamson (2009) and Tabellini (2008), who affirm that newly introduced formal institutions take time to be internalised in the society.

Another situation involved tenants illegally creating sub-leases. In some cases, this also was reported to involve employees or agents of the landlords. This practice was more pronounced with NHC properties. Most of NHC properties were located in prime areas but their rent was very low compared to market rent. For that reason, it was very difficult to get accommodation in those properties because no tenant was willing to release a space even when they no longer needed the space. Instead, some NHC tenants who were no longer in need of space, or those who wanted to make ‘profit rent’, decided to sub-let the space without following stipulated procedures. Owing to the mutual benefit nature of the subleases, both tenants and sub-tenants were not motivated to share such information with the main landlord i.e. NHC. It was noted during the interview with one NHC official that in some cases, NHC officials who became aware of such arrangements were bribed by the tenants so that they would not report the matter to the higher authorities, or take appropriate actions.

Weakness in controls has widely been reported to be one of the main causes of losses in business entities. Poor internal control systems often provide employees with opportunity to steal. Many theorists believe that most people will steal if given a chance (Niehoff and Paul, 2000). Approximately 75% of all employees in USA, for instance, have reportedly stolen from their employers on at least one occasion, and that many engage in theft as a regular part of their workplace behaviour (Niehoff and Paul, 2000). NHC, like many other parastatal organisations, has for a long time been known to have relatively weak internal controls. This might partly explain why an organisation with assets worth about TZS 1,500 billion only collects less than TZS 40 billion (i.e. 3% of the value) rent annually.

It was also evident from the interviews with NHC officials that some of the Corporation's external contracting parties showed opportunistic behaviour. NHC Director General was also quoted by The Daily News (dated 29 March 2011) reporting to the Parliamentary committee that one company that had signed a contract to manage some NHC housing units in upscale Masaki and Oysterbay suburbs in Dar es Salaam profiteered from tenants instead. He revealed that the company would charge a tenant US $ 52,000 per month and remit to NHC only US $ 15,000, thereby making US $ 624,000 per annum and remitting to NHC only US $ 180,000.

Government institutions were some of the major rent defaulters in NHC properties, which apparently made the rent arrears recovery exercise much more complicated. For instance, out of TZS 5.7 billion rent arrears balance in February 2011, TZS 1.4 billion (about 25%) was due from tenants amongst various government institutions (Daily News, 29 March 2011). Such a huge rent arrears balance from the government institutions suggests difficulties in dealing with some government institutions some of whose officials may be seniors or appointing authorities of the NHC executives. This case and many other cases show that government is one the opportunistic agents in NHC operations.

5.5.8 Compliance with workplace norms and culture

It was reported by 37.5% of the interviewees that some employees learnt bad habits from their peers or even from experienced co-workers. Such groups at place of work had long established norms which condoned undesirable behaviour such as forgery, cheating, theft etc. Sometimes, such undesirable informal institutions were reported to be so powerful that they could even threaten the wellbeing of good employees. Earlier research has also revealed that group enforced sanctions on employees who stray from norms are seen as more influential than any threat of sanctions from management (Hollinger and Clark, 1983). The perpetrators may sabotage the work of good employees so that they can be fired or rated as poor performers by employers.

Many other authors have reported the influence of norms on employees' behaviour. For instance, Greenberg (1997) notes that one of the main factors influencing theft at workplace is group norms that condone, encourage, or fail to discourage such behaviour. Informal norms have a stronger influence on employee theft than formal rules and regulations (Giacalone and Greenberg, 1997). Niehoff and Paul (2000) also note that, depending on the strength of the group norms, new employees may not only feel encouraged to, but compelled to steal.

5.5.9 Stiff competition for jobs and desperation

Jobs for real estate consultants and employment vacancies for real estate graduates and professionals were still relatively scarce and competitive in Tanzania, which stiffened competition for the jobs. In order to increase their chances of winning the jobs, it was reported in the interviews with real estate investors and consultants that during job tendering or job interviews some agents or job applicants overstated their qualifications or capacity to perform the job. Some interviewees also pointed out that job applications were normally accompanied with very cosmetic curricula vitae of the applicants. It was also learnt that some agents or job applicants were so desperate for jobs and were willing to risk lying about their real qualifications and suitability for the jobs when applying for them. The agency problems experienced in this situation were mainly those of *adverse selection* nature.

5.5.10 Feeling of unfair treatment

Perception of unfair treatment was mentioned to be one of the reasons for employees or agents getting involved in actions that resulted into agency problems. Many interviewees amongst employees cited low remuneration in lucrative projects to be one of sources of employees' discontent. For instance, an employee of one of the consultancy firms, whose employment contract was one of those unwritten (refer to subsection 5.5.15), was quoted during the interview complaining that:

> I was involved in a key role in a project which earned my employer more than TZS 400 million but I was only paid TZS 2.4 million. This has been very demoralising and has catalysed my hatred towards him.

Preferential treatment of employees or agents was also mentioned to be another reason for involvement in behaviour that led to agency problems. Inequitable treatment of employees has been previously reported as one of the major causes of employees' deviant behaviour. Greenberg (1997) comments that, when a resource allocation decision is implemented inconsistently across employees or is based on inaccurate or biased information, an employee's sense of procedural injustice is stirred. In coping with such frustrations and to compensate for the unfairness, an employee may strike back at the organisation (employer) by engaging in theft at workplace (Giacalone and Greenberg, 1997).

5.5.11 Bounded rationality

Analysis of interviews also shows that 28.1% of the interviewees acknowledged the fact that sometimes agents or employees were inevitably placed in some circumstances which led them to make sub-optimal decisions. This situation can be best explained using the bounded rationality concept. Bounded rationality is a school of thought about decision making that developed from dissatisfaction with the "comprehensively rational" economic and decision theory models of choice (Gigerenzer and Selten, 2002). Bounded rationality, as opposed to perfect rationality, asserts that decision makers are intendedly rational; that is, they are goal-oriented and adaptive, but because of human cognitive and emotional architecture, they sometimes fail, occasionally in important decisions (Jones, 1999). The concept takes into consideration that decision makers have to work under three unavoidable constraints namely, limited and often unreliable information regarding possible alternatives and their consequences, limited capacity of human mind to evaluate and process the information that is available, and limited amount of time to make a decision. Under such circumstances, even individuals who intend to make rational choices are, in complex situations, bound to make only satisfying, rather than maximising or optimising choices.

5.5.12 Uncertainty in the social security system

Lack of a comprehensive social security system was frequently mentioned during the interviews to be one of the reasons for people engaging in opportunistic activities. Although all employees in the formal sector in Tanzania were compelled by the law to be members of pension funds, it was noted that not all employers remitted pension contributions for their employees. Besides, some employees did not even have formal employment contracts, which gave room for employers not to remit monthly contributions to pension funds for such employees. Above all, despite the pension funds receiving 20% of employee's gross salary every month, the employee was not guaranteed certainty of proportional income upon retirement or any eventuality that would result into one losing a job. During this study, NSSF was the pension fund that was paying the highest minimum monthly pension annuity, which was TZS. 85,000. Given the constantly rising cost of living, this amount was too low to support a pensioner's life.

Members of pension funds in Tanzania had been in a constant struggle to ensure that the pension sum they are paid or entitled to, reflects their salaries and price levels. The current social security system in Tanzania does not provide any guarantee of secure life after retirement or loss of job for some reasons. Laws governing pension funds are subject to change any time at the wish of the government in power. Such uncertainties associated with social security system, force employees to resort to other alternatives of securing their future.

It was also noted that many small employers (real estate consultants) did not have health insurance cover for their employees. Such employees were under pressure to ensure that they always had some money to be able to pay for medical services whenever they (or their dependants) were sick or needed medical attention. This problem was exacerbated by lack of a comprehensive health insurance system in the country. The National Health Insurance Fund (NHIF) covered only a small section of the population and was still not very popular amongst employees in the emerging private sector. Under such circumstances, one could rule out the possibility of employees getting involved in incidents that led to agency problems.

5.5.13 Weak agent monitoring systems

Some employers, especially those in the public sector were noted to have a weak agents or employees monitoring system. Employees were loosely supervised, which allowed some of their undesirable behaviour to go unnoticed. Besides, most of the interviewed employers in this category admitted not having objective performance evaluation system for their employees, which resulted into employees' shirking behaviour (laziness), carelessness and underperformance. Lack of strict monitoring and performance evaluation in the public organisations can be associated with less emphasis on performance requirement imposed on the managers of those organisations. This can be supported by the assertion made by participants of focus group discussions (for analysis of FGDs, see section 5.7) that the appointment and monitoring system of senior pension funds' officials was fraught with the problem of favouritism. The monitoring weakness in these organisations had originated from the topmost level and infiltrated the levels of the organisation structure through the lowest level.

5.5.14 Exclusion of agents in decision making

Cases of principals or employers not consulting agents or employees when making some decisions were also reported to be common. Interviewees amongst agents and employees showed that sometimes employees felt that they were being marginalised by their principals or employers or bosses. One of the scenarios cited was that of some pension funds' top managements not consulting in-house real estate specialists when making key decisions or sometimes ignoring their professional advice.

A similar scenario was reported by the interviewees amongst property managers that some landlords interfered with agents' duties. This was particularly common in the selection of sub-agents, mainly service providers. Such landlords instructed their agents to engage certain service providers. According to the interviewees, most of the sub-agents selected by landlords were arrogant and did not regard the main agents (property managing agents) as their principals. Such an attitude undermined the role of the main agents and rendered the supervision of sub-agents ineffective. The two scenarios reported above are likely to demoralise agents or employees, and could attract laziness (shirking), carelessness and lack of maximum commitment for the job. Such actions by principals or employers may even motivate agents or employees to be involved in sabotage.

5.5.15 Low or absence of salaries

Low salaries and sometimes lack of salaries at all were reported to be some of the main reasons for employees' involvement in opportunistic tendencies and other undesirable behaviour. Low salaries were also cited by Mbele (2009) to be one of the main reasons for some employees in the real estate sector in Tanzania to engage in corrupt practices. Like in many other employment sectors, employees in the real estate sector were paid salaries which were not index-adjusted. It was clear from the survey (see chapter 6 for detailed discussion) that the amount of salary they received was not even enough to cover basic needs such as decent accommodation, food, transport, medical services, utilities, providing for extended families etc. From the enquiry of 12

real estate consultancy firms based in Dar es Salaam, it was established that the average net salary paid to a graduate employee was about TZS 300,000. This amount was generally considered by the interviewees to be inadequate to finance all basic needs.
It was also reported that some employers did not pay their employees regular salaries. This was noted to be common with employers amongst small real estate consultancy firms. Normally, such employers did not have written employment contracts with their employees, instead there was an oral agreement or promise that payments would be job-based. Even with such oral terms, it was not always easy to ascertain the exact amount one would receive. Such employees were uncertain regarding the amount, regularity and security of income. It was also revealed that some consultancy firms paid their staff, especially valuers, on job basis. It was established from the interviews with some consultancy firms' officials that for small jobs, valuers were normally paid about 20% of the valuation fee. It was however noted that, clients normally paid their fees in instalments and sometimes very late, which kept the valuers in income uncertainty.

It was noted to be common practice for most landlords in Tanzania to demand lump sum payment of annual rent in advance. It was established from some interviewees and from author's further enquiries that annual expenditure on accommodation for a normal employee in Dar es Salaam was relatively high (ranging from TZS. 2,400,000 to 3,600,000). Quite a significant portion of one's income was thus spent on housing. Rents tended to decline towards the suburbs but commuting or fuel costs and traffic congestion seemed to offset the difference. Another common complaint from the interviewees was the high inflation rate which constantly eroded the purchasing power. It was noted that although some employers reviewed salaries on annual basis, the salary increase did not mirror the inflation rate. Under such circumstances, chances of employees getting involved in incidents that led to agency problems were increased.

5.5.16 Agent selection process

Due to high competition for jobs, some agents were sometimes tempted to cheat. It was pointed out in the interviews that often job bid proposals were written to impress tender evaluators. With such proposals it was sometimes possible to get tender evaluators deceived and end up selecting incompetent consultants, while rejecting competent consultants. Real estate investors (principals) sometimes engaged consultants (agents) to select agents. This was common with jobs that required specialised expertise. This automatically increased investors' exposure to agency problem. It was pointed out in the interviews that having incompetent tender evaluation personnel often resulted into rejecting good agents and awarding jobs to less competent agents. It was also mentioned that selection of less competent agents was sometimes motivated by corrupt behaviour of members of tender evaluation teams.

Agency fee was noted to be a tricky subject when selecting suppliers of real estate services amongst bidders. Some bidders quoted very low fees, tempting principals to pick them. Agents selected on very low fee basis were reported to have difficulties delivering quality services or goods. During this study, property management fee for commercial properties ranged between 1.8% and 3.5% of the rent collected. Some interviewees who had considerable experience in property management warned that a fee of below 2% was too low for profitable and efficient discharge of property management duties. This concern was raised in connection with their observations regarding some 'desperate' agents who would quote very low fees just to win jobs, without considering the impact on service delivery. It was also noted that whereas some agents charged letting and re-letting fees, others did not. Letting and re-letting fees were based on a percentage of annual rent. Other agents demanded to be paid a fee equivalent to one month rent. It was also established from the interviewees that, management fee for residential properties was slightly higher and would go as high as 7% of the rent collected. Lack of uniformity in the activities of property managing agents was apparently caused by the absence of a special institution to regulate the business.

Fees charged by other professionals providing some real estate services are regulated by some institutions. For instance, fees for professional architects and quantity surveyors are stipulated in the Architects and Quantity Surveyors (Registration) Act, 2010. Section 51(1) of the Act provides that:

> Every architect, quantity surveyor and every firm shall be bound by the scale of fee, prescribed by the Board notwithstanding any provision in any other law, regulations or by-laws of the authority, association, institute, society or organization to which he is a member.

Engineers Registration Board (ERB) also stipulates and regulates professional fees charged by individual engineers and firms. Fees charged by other contractors in the real estate sector were often determined by market forces, contractors' reputation, quality of services, etc. Foreign consultancy firms normally charged higher fees than local firms. Large and well established firms or individual consultants also normally charged higher fees than firms or individuals with less experience.

5.5.17 Agency contracts being prepared by agents

It was revealed in the interviews with property managing agents that agents were sometimes requested by their principals (investors or their representatives) to prepare agency contracts. This was especially reported to be common with some pension funds. The main reason for this was that some principals did not have adequate knowledge of property management related activities. Besides, owing to the infancy of the real estate investment market, there were no many lawyers in the market specialising in real estate management issues. Leaving the duty of agency contract drafting to the agent, apparently provided an opportunity for agents to create loopholes in the contracts.

Defending the practice of requesting agents to prepare agency contracts, the Director General of one of the pension funds stated that:

> ''I do not see any risk in letting the agent prepare the agency contract as long as the principal had opportunity to read the contract before signing it.''

This defence given by the Director General did not however allay all the fears in the practice because it remained doubtful as to whether such principals (investors) possessed the necessary expertise in real estate management matters to ensure completeness of the agency contracts in addressing agency problems.

5.5.18 Mode of agent remuneration

The fee charged by agents in real estate activities in Tanzania were either predetermined fixed amount commissions or percentages of rent collected or capital value (in case of property sale agency). Both modes of agent remuneration potentially attracted agency problems. It was reported (though by only 18.8% of the interviewees) that the problem with some agents whose fees were fixed amounts was that they apparently did not put maximum effort in discharging their duties apparently because they would not be rewarded for additional efforts, at least in the short run.

On the other hand, some of the agents whose fees were pegged on the amount of rent collected were reported to have sometimes used unprofessional methods of collecting rent. Incidents of use of excessive force in collecting rent from defaulters or evicting the defaulters were also reported, especially with auctioneers. Some landlords, e.g. NHC and NSSF, sometimes engaged auctioneers to collect rent from rent defaulters. The auctioneers were sometimes also instructed to evict tenants who failed to pay due rent. Some of the auctioneers were reported to have behaved unprofessionally or used excessive force, which sometimes culminated into civil or criminal matters. It was noted from the interviews with real estate investors' officials that some of the employees of the investors were also reported to mishandle tenant eviction exercises. Incidents of employees being personally prosecuted or sued for unprofessional handling of tenants' eviction or rent collection exercises were noted with some NHC employees.

5.5.19 Multi-phase projects

It was noted to be common in Tanzania for real estate investors to engage the same agent(s) in different phases of the same project. For instance, there were high chances for the agent who carried out the feasibility study of the project to later on be engaged in the marketing or management of the same project. Although the agents would be the same, each phase of the project constituted a different engagement. Such a practice was reported to have sometimes motivated opportunistic agents to give investors advice that would likely create another opportunity for them in future, without paying maximum attention to the investor's interest. One of the interviewees representing a foreign real estate investor blamed one local consultant for having assured the investor of the possibilities of raising finance from local institutional investors, which motivated the investor to embark on one project. To the contrary, due to difficulties in raising funds from the earlier on proposed local institutional investors, the project ended up stalling for a long time.

Such opportunistic behaviour by consultants was also cited (though by only 15.6% of the interviewees) to be one of the reasons for some large real estate projects stalling or late completion. Some of the projects which were cited by the interviewees to have been adversely affected by such actions of agents include Mlimani City (a US $ 80 million project) and Bahari Beach (a US $ 500 million project). Two of the interviewees also blamed consultants for delays in the completion of the 23-storey Benjamin Mkapa Tower whose construction cost was estimated to be more than TZS 35 billion. After spending TZS 15.7 billion, the building project stalled for some years until it was politically (by then Prime Minister) rescued by forcing the project owners (NHC and TPDC) to hand it over to NSSF (Mpogole, 2006). The problem of dishonesty and incompetence of agents and other facilitators in the real estate business in Tanzania has also previously been reported by Miller III and Shlman (1999).

5.6 Techniques of mitigating agency problems

During the interviews, all individuals who were performing their duties as principals or employers were asked to name and explain the techniques they used in dealing with various agency problems. A total of 28 individuals comprising real estate investors and consultants answered this question. As summarised in Table 5.4, the interviewees revealed several techniques which they apply to mitigate agency problems.

Table 5.4: Techniques of mitigating agency problems

Technique of mitigating agency problems	No. of interviewees using the technique	Percentage of the total (28 interviewees)
Career goal assessment	14	50.0
Salary needs assessment	21	75.0
Use of referees' reports	23	82.1
Use of training institutions to identify potential employees	17	60.7
Verification of documents	12	42.9
Use of probationary periods	19	67.9
Use of term job contract	8	28.6
Assessment of other attributes	28	100
Salaries and other incentives	20	71.4
Professional treatment of employees	8	28.6
Use of code of conduct	13	46.4
Regular reporting of work progress	17	60.7
Surprise visits and checks	15	53.6
Use of measuring and surveillance equipment	6	21.4
Use of financial management software	1	3.6
Regular communication with sub-contractors	4	14.3
Making payments through banks	22	78.6
Regular shifting of staff between working stations	19	67.9

Source: Field interviews, 2011

Dealing with agency problems in the real estate investment activities of the selected firms entailed two stages. The first stage was during the recruitment of employees or agents. The problems at this stage were those of *adverse selection* nature. The second stage was during job execution. This stage involved mainly dealing with *moral hazard* problems. A discussion of each of the techniques used to mitigate the agency problems as recorded during the interviews which are presented in the table above is presented in sub-sections 5.6.1 and 5.6.2 below.

5.6.1 Techniques applied during recruitment

As aforementioned, steps taken at this stage were aimed at checking adverse selection problems. The steps outlined below are those which were noted to be normally applied by principals or employers, as elicited from the interviews with investors and consultants. It is important to note however that not all the techniques were applied by each principal.

5.6.1.1 Career goal assessment

Applicants for different jobs in real estate related activities were normally asked to provide a brief statement of their career goals. The employer or the recruitment officer normally assessed the career goals of every applicant to see whether or not the applicant would be able to achieve the goals without causing any harm to the employer. Assessment of careers goal was also done when interviewing the employee. This technique was noted to be mostly applied by private investors and some consultancy firms. The technique was also noted to be applied by private staff recruitment firms such as Deloitte and Touché, PricewaterhouseCoopers, Ernst and Young, KPMG and some local human resource consultancy firms. These firms were increasingly being engaged by parastatal organisations when recruiting staff for senior positions.

5.6.1.2 Salary needs assessment

Employers also normally required job applicants to indicate their salary expectations. Job applicants were sometimes also required to state the salary they were getting in their current jobs. The employer then compared the job applicant's salary expectations with the market salary for the job in question and the qualifications of the applicant. The job applicant's salary expectations were also compared with employer's ability to pay. Such an assessment enabled employers to determine whether or not and how the job applicant's expectations would be met.

5.6.1.3 Use of referee's reports

When applying for jobs, applicants were normally required to give names and contact details of their referees. Employers or recruitment officers then asked the referees to give their reports (oral or written) regarding the suitability of the applicants for the jobs applied. Sometimes referees were also asked questions about applicant's general behaviour and personal conduct. In some cases, employers sought advice or professional opinion from other people who had good knowledge of the applicants. Such people were normally not those recommended by the applicants. This was done to eliminate the risk associated with relying on recommendations from referees picked by the applicants, most of whom would be individuals having good relationship with the job applicants and thus unlikely to comment negatively on the applicants.

Referees reports and other enquiries about job applicants made by employers prior to awarding job contracts were meant to find out whether the job applicants had outstanding formal and informal qualities suitable for the jobs. Interviewees amongst employers indicated to be mainly interested in social and intellectual qualities of the job applicants. The criteria used by principals in real estate investment activities in Tanzania are similar to those suggested in some literature. Greaver (1998), for instance, points out that the information principals normally collect during recruitment include agent's financial situation, reputation, strengths, cooperation with clients, superior performance, management capabilities, and commitment to continuous improvement, transition experience, trust, security and confidentiality, positive attitude, good cultural fit, flexibility, cost-consciousness, willingness to share cutting edge knowledge, and shared approach to problem solving. This list captures both formal and informal aspects of the agent.

5.6.1.4 Use of training institutions to identify potential employees

Some employers normally requested university departments' heads or individual academic staff members to identify or recommend good final year students for job interviews. In their requests, the employers normally described to the university departments' heads or to individual academic staff members the nature of the job and the kind of people they liked to employ. The practice of contacting university academicians to recommend job candidates was reported to be common with employers in the private sectors i.e. private real estate investors and consultant firms in this respect. Pension funds and NHC were forced to strictly abide by public procurement procedures, which insisted transparency in, among others, the recruitment exercise of all public institutions.

5.6.1.5 Verification of documents

Cheating, by job applicants, was reported to be a serious problem. This was especially very common with applicants for junior job positions. Several forms of cheating were reported. For instance, some applicants indicated to have completed their studies while they had actually not. This case was reported to be common with final year university students who got supplementary examinations in their final examinations. Some of such students would not disclose to their employers that they did not complete their studies. Other jobs' applicants submitted forged transcripts of results and certificates. It was also reported to be common for job applicant among fresh real estate graduates to write in their CVs that they were members of several professional bodies such as TIVEA, NCPS and AfRES, while they were not. To address the problem, all third party documents submitted by job applicants were verified by contacting the issuing authorities. For instance, to cross-check the authenticity of academic certificates and results transcripts, copies of such documents were normally faxed to the respective learning institutions. A similar procedure applied for certificates issued by professional bodies.

5.6.1.6 Use of probationary period

Many employers normally gave a probationary period to their new employees. The length of the probation normally depended on the sensitivity or seniority of the job position in question. It was generally noted that senior job positions had longer periods of probation compared to junior job positions. If the employee did not satisfy the employer during probation, the employment contract was terminated immediately or upon expiry of probationary period. From employers' experience as noted during interviews, employees were very keen not to show their weaknesses when they were on probation, but after they confirmed some of them changed significantly. Employers who were interviewed also complained that under the current labour laws, it was very difficult to terminate employment contracts.

5.6.1.7 Use of term job contract

It was also noted during the interviews that two opposing approaches seemed to be adopted by different employers. Some employers were in favour of permanent employment contracts for their employees while others preferred using short-term renewable employment contracts. Those who used permanent contracts argued that such contracts gave job security to employees, which motivated them to have long term work plans which were good for the continuity of the company. On the other hand, those who were in favour of short-term renewable employment contracts argued that such contracts motivated employees to work hard to increase their chances of their contracts being renewed upon expiry of their current contracts. Observations among large real estate investors indicated that contractual employment was gaining popularity. Most of the senior job positions were offered on contract basis. Contracts varied from two to four years for many employers. All management positions in pension funds and NHC were on contract basis. The Controller and Auditor General (CAG) also recommends the use performance contracts for employees of Public Authorities (CAG, 2011).

5.6.1.8 Assessment of other attributes

Employers also considered some attributes while assessing job applicants. Such attributes were those widely associated with the shaping of the behaviour of human beings. The main attributes covered during the interviews were age, gender, marital status and education. Another attribute which unexpectedly came up during interviews was spirituality or religiousness. Interviewees amongst investors and consultants had different opinions regarding the importance of each of the attributes in constraining the behaviour of employees or agents. The difference in opinions implied that not all employers applied all the attributes listed when recruiting employees. The attributes and details of interviewees’ responses are presented in Table 5.5. The five social attributes presented in the table are also given further treatment in chapter 6.

Table 5.5: Importance of social attributes when selecting agents

Social attribute	Interviewees' opinion			
	Important		Not important	
Age	23	82%	5	18%
Gender	8	29%	20	71%
Marital status	13	46%	15	54%
Level of education	10	36%	18	64%
Spirituality	24	86%	4	14%

Source: Field interviews, 2011

A total of 28 employers interviewed amongst real estate investors and consultants were requested to indicate the degree of importance they placed on each of the five attributes in dealing with employees' opportunistic behaviour. As can be seen in Table 5.5, it was generally agreeable amongst interviewees that age was an important factor in determining employee's behaviour. 82% of the 28 interviewees considered employee's age to be important in dealing with agency problems, while 5 interviewees thought it was not important. The five interviewees who stated that age was 'not important' in determining agent's opportunistic behaviour insisted that they had experienced opportunistic behaviour in people of different age groups. One interviewee amongst employers had this to say about aged employees:

> Aged employees, especially those approaching retirement are generally less motivated to engage in opportunistic tendencies. Such employees are risk averse ... they are much more worried about the certainty of their retirement benefits and reputation, and thus tend to be more loyal to employers. We have been using such aged employees in sensitive activities such as petty cash management and confidential document keeping.

71% of the interviewees however considered one's gender to be 'not important' in mitigating agency problems. It was established during the interviews that employers did not particularly place much weight on the gender of the agent or job applicant for professional jobs. They insisted that one's gender did not determine his or her job performance. Even those who thought gender was important when recruiting new employees or agents also indicated that the gender consideration was only applicable to very specific jobs which were traditionally known to be done by people of one sex such as secretarial work for female staff and security for male staff.

Employers were almost equally divided on the importance of marital status. Whereas some interviewees considered one's marital status to be an important factor in shaping one's behaviour, others were opposed. The main argument for those who considered marital status to be not important was based on real life experience of cases of opportunistic behaviour involving both married and not married individuals. On education, 64% of the interviewees indicated that one's level of education was not important in determining his or her behaviour with respect to involvement in agency problems. However, there were other interviewees who thought that education was important in dealing with opportunistic tendencies, although they were divided on whether the level of education had a direct or inverse relationship with one's opportunistic behaviour.

86% of the interviewees considered one's spirituality to be important in dealing with agency problems. The importance of this attribute may have been contributed to by the fact that religion is still one of the important and active cultural aspects of the society in Tanzania. Spirituality in this context did not refer to one's religion such as Christianity, Islam etc, rather it referred to one's level of devotion and commitment to his or her religion teachings. Many cited spirituality to be a key factor when looking for trustworthy people. The few respondents who considered one's religiousness to be 'not important' were concerned about difficulties in certainly determining one's religiousness and having a guarantee that the person would remain as such all the time. They also cited cases of people who pretended to be religious only to pursue some hidden agendas.

5.6.2 Techniques applied during job execution

Most of the agency problems encountered during job execution were of moral hazard or post-contract nature. In addressing the problems of this nature, employers and other principals used several different techniques, as outlined below. Similarly, different principals applied different techniques depending on the circumstances.

5.6.2.1 Salary and incentives

Salary and other monetary incentives comprised a key component of employment contracts. Salary and other incentives were widely regarded by employers as the most important determinants of employees' performance. The general belief amongst interviewees was that to a great extent employees' performance varied directly with the amount of salary. 77% of the employers interviewed indicated to be keen to ensure that they paid their employees competitive salaries and other incentives. The type of incentives varied from performance bonuses to other forms of allowances. Some employers also covered transport, housing, training, medical, communication and other expenses for some or all of their employees. The amount of salary and other monetary incentives was however dependent on the volume of business transacted by the respective company. Large companies had better pay packages for their employee compared to small consultancy firms some of which did not even guarantee monthly pay to their employees. 23% of the employers interviewed admitted not to pay their employees competitive salaries, citing small size and poor performance of their firms. NHC and pension funds also accepted paid leaves of absence for their employees to enable them pursue further studies. In some cases these employers also paid tuition fees and other costs related to their employees' studies. Employees were also financially supported to attend professional conferences, seminars, workshops and other training events. Other employers paid for their employees all membership fees to professional bodies such as TIVEA, AfRES, NCPS, AQSRB, ERB, etc.

5.6.2.2 Professional treatment of employees

To ensure that employees were always highly motivated and felt that they were respected, employers indicated that they observed professional treatment of their employees. It seemed to be a common belief amongst many interviewees that motivated and respected employees had a feeling of owing their employers equal respect. Such a feeling apparently translated into employee's better performance. Employers tried to refrain from actions that would demoralise their employees. Some interviewees acknowledged though that success in this aspect was mainly a function of the behaviour and attitude of the firms' top management. This argument was based on the belief that the behaviour and attitude of a company's CEO towards employees set a tone for other senior managers in the firm. Some exceptions were also reported. Some interviewees revealed that some employers mistreated their employees, especially junior employees. Female employees were also cited to be more prone to abuse by some unprofessional male employers.

5.6.2.3 Use of codes of conduct

46.4% of the interviewees mentioned codes of conduct as one of the tools used to deal with agency problems. Employees were normally required to conduct themselves in accordance with the codes of conduct and ethics. Issues related to agency conflicts were among many issues covered in companies' codes of conduct. It was however noted that some employers, especially small local real estate consultancy firms, did not have codes of conduct for their employees. Even in such cases employees expected to conduct themselves ethically and professionally. Interviewees believed that companies had established social norms with which employees were identified. Despite acknowledging the effectiveness of norms in shaping people behaviour, interviewees also clearly indicated that enforcement of organisations' norms was rather arbitrary.

5.6.2.4 Regular reporting

It was noted from the interviews that most employers and principals demanded that all employees in real estate related activities regularly submit (normally daily) job reports to their immediate supervisors. Such reports were then reviewed to check for any abnormalities. In case exceptions were noted, further inquiries or investigations were immediately made. This practice was noted to be more common with private property management and estate agency firms. Interviewees from the pension funds and NHC seemed to be less keen on this aspect, especially on daily reporting schedules and follow ups.

5.6.2.5 Surprise visits and checks

Some interviewees also reported that for some activities employers or supervisors sometimes made surprise visits to sites or offices of their subordinates. The purpose of this was twofold, i.e. first, to ensure that the employees were at their places of work all the time they were expected to do so, and second to create fear in the employees that if they acted contrary to what was expected of them, chances of being noticed were high. Surprise verification of assets was another common techniques used. This was common for matters involving cash and assets that could easily be misused or moved from one place to another. This technique was mainly applied to staff keeping petty cash, those collecting cash rent from tenants, and those responsible for stores.

5.6.2.6 Use of measuring and surveillance equipment

To protect equipment and materials from theft, abuse and vandalism, water and fuel metres and CCTVs were installed in some buildings. For instance, following the earlier reported cheating by building caretakers in one of the buildings, meters were installed in the water reservoirs. The use of CCTV was becoming more and more common in many modern commercial buildings. The cameras were placed in all areas that were considered to be sensitive. Large initial capital requirement and technical demands associated with the use of sophisticated equipment were noted to be a stumbling block for many employers. Besides, some investors owned a large number of buildings, which made it difficult to use advanced technology in many of the buildings.

5.6.2.7 Use of financial management software

It was noted that, in the course of improving monitoring of agents' activities, some investors used some special computer software to perform some activities. A case of use of software was reported in property management activities involving some foreign investors and property managers. According to one of the property managers interviewed, the software used by his company was provided by the investor who was based abroad. With that software, the investor was able to track many entries done by the property manager. With the use of such software, noticing of unusual entries was easier.

5.6.2.8 Regular communication with sub-contractors

It was also reported during the interviews with investors and property managers that, in order to ensure that sub-contracted service providers were professionally treated by the employees who work with them on daily basis, head offices maintained regular contacts with sub-contractors. Sub-contractors were also encouraged to report all of their problems with employer's staff to the headquarters. This addressed the problem of building managers or caretakers demanding bribes from service providers or colluding with them to provide low-priced sub-standard services.

5.6.2.9 Making all payments through bank

To avoid the behaviour of some unfaithful employees delaying to bank the money collected from tenants or property buyers in order to make some gain out of the money (through interest income, exchange rate gain or some other transactions), tenants or property buyers were required to make their payments through employers' bank account. However, this requirement was not always fully complied with by small tenants and bad tenants. It was still necessary for property managers to frequently follow up, which sometimes entailed physically calling such tenants' offices to collect rent.

5.6.2.10 Frequent shifting of staff between different working stations

Employers sometimes made sudden changes of work stations for their employees. This was to ensure that staff did not have long established relationship with clients or sub-contractors. Such relationship sometimes resulted into cheating and forgery. Shifting of staff between work stations also helped to discover problems before they got worse. Knowing that one may at any time be replaced by another employee, one would not be motivated to engage in undesirable habits for fear that one's successor would notice and report the matter to the higher authorities. This technique also minimised incidents of unreported property lettings or rent collections. During this study, NHC transferred many of its staff members to new work stations. Other staff members were given new responsibilities altogether.

During the interviews, 4 interviewees amongst real estate investors also reported incidents of some of their employees hesitating or even declining to take their annual leaves for fear that in their absence, some of their unknown weaknesses or evils would be uncovered. Employee's tendency to refuse taking vacations, rejecting promotion, and working overtime voluntarily are reported by Niehoff and Paul (2000) as signals of employee's involvement in embezzlement at their places of work.

5.7 Analysis of Focus Group Discussions

5.7.1 Details of participants

A total of 24 individuals participated in FGDs. The participants were drawn amongst members of four pension funds, namely NSSF, PPF, PSPF and LAPF. Four different FGD sessions were held with each session having six participants. Gender and age were given important consideration when selecting the participants. 29% of the participants were female, the rest were male. This reflected gender (im)balance in the formal employment in Tanzania. It is estimated that 4% of women and 10% of men are in the formal employment in Tanzania (IFC, 2007). Agewise, 12.5% of the participants were aged 30 years or less, 55% were aged between 31 and 40 years, 20% were aged between 41 and 50 years and 12.5% were aged 51 years or above. All participants had real estate educational or practical background. The participants were therefore well knowledgeable of the Tanzania real estate market. For the purpose of this discussion, the four different groups which participated in FGDs are referred to as Group I, Group II, Group III and Group IV.

5.7.2 Participants' view on general pension funds' operations

There was a clear direct relationship between age and awareness of pension funds activities. It was noticeable from FGDs that the lower the age of the participant the less was his/her interest in the activities of pension funds. Young participants generally indicated that they were less interested in what pension funds were doing. To the contrary, participants approaching retirement age were more aware of pension funds activities and strongly disapproved most of the types of investments activities undertaken by pension funds.

It was however clear many FGDs participants, regardless of their age, had little comprehension of what pension funds were and how they were supposed to operate. This was noted through direct confession by some of the participants. Little knowledge of pension funds was also observed through the type of answers and suggestions that were given by some participants. Some participants even regarded their monthly contributions to pension fund as similar to payroll taxes and charges. Others were more interested in the supplementary benefits that some pension funds were offering than the final pension package.

Unpredictability of the final pension package was another reason for the little interest in pension funds' matters shown by FGDs participants. Legislation risk was stated to be one of the main reasons why participants did not see pension savings in Tanzania as money to be relied upon. The participants complained that the government enjoyed the discretion of changing any piece of legislation, including those of pension funds. In a country like Tanzania, which has weak trade unions and infant political and democratic institutions, some changes in such legislation may not always be in the interest of the majority. Participants referred to past changes in the pension formula as an example of little control that they (members) had on their funds. Participants in Group I and Group II cited a dispute (which was on-going during this study) between public universities' employees and PPF as one example of pension funds in Tanzania not serving the interest of their members. In this dispute, employees of public universities were mainly demanding a change in the PPF pension formula to improve the pension package so that it would be at least equal to what was offered by other pension funds.

Some participants in Group I and Group II insisted that they were only members of pension funds because it is mandatory for all employees in the formal sector in Tanzania to be members of one of the public pension funds. They expressed their dissatisfaction with the current set-up of pension funds. Some of the participants said that they preferred a 'life insurance like pension scheme' which gives the insured person greater certainty of the final sum of money or other benefits one gets on a due date. All participants also wondered why pension funds used different pension formula despite all of them being under the government. The use of different pension formula resulted into different pension packages for people having similar jobs. This resulted into many conflicts between members and administrators of pension funds and the government. Some participants said that they did not see the logic of having many pension funds which were all under the government instead of having only one scheme. The feelings of the FGD participants were similar to those of the Chairperson of Social Security Regulatory Authority (SSRA), who was quoted by one of local daily newspapers (The Guardian, 17 February, 2011) also wondering why pension funds used different formulae:

> …two people of the same profession get employment on the same date, but because circumstances may make them join different social security funds, they end up getting different packages because their respective pension funds report to different ministries…… We will work extra hard to see that all Tanzanians benefit from the funds by, among other things, advising the respective ministers correctly on all policies and operations of the social security sector.

From the general FGDs participants' view of pension funds and their operations, it was clear that there were agency conflicts between members of pension funds and the government. The government's role in pension funds' supervision was basically meant to protect the interest of pension funds' members from abuse of their savings by managers of pension funds. In performing its role, the government was inevitably taking the role of an agent. In some occasions the government, through politicians, abused its powers and pursued its own or politicians' interests. One of the examples of questionable priorities set by pension funds cited by FGDs participants was the involvement of pension funds in the multi-billion shilling Dodoma University project. About 92% of the participants regarded the project as an example of the (mis)use of pension funds in pursuing political interests. The participants were of the opinion that the billions spent for the construction of Dodoma University would have been used to construct affordable housing for members.

Many problems in the administration of pension funds in Tanzania have already been reported by other observers. Assad and Selemani (2003) report for instance, that NSSF and PPF did not comply significantly with their own asset allocation and investment policies and their portfolios of assets were heavily biased towards government securities and real estate. They also noted that the levels of administration costs for the two pension funds were significantly high in comparison with international benchmarks. Concerns over high administrative costs of pension funds were also mentioned by the President of the United Republic of Tanzania, who was quoted by The Guardian (dated 24 March 2011) pointing out that the average of 12% management cost within the social security organs in Tanzania was more than twice the recommended 5% standard in the world. Such observations may also suggest existence of agency problems in the operations of pension funds.

5.7.3 Specific views on real estate investment activities

Apart from getting a general view over pension funds from FGDs participants, further questions specifically focusing on agency problems in the real estate investment activities of pension funds were asked to the participants. Although most of the answers given by the participants in the different groups were identical, there were some minor differences in some aspects which are worthy reporting.

5.7.3.1 Satisfaction with investment decisions

As members of the various pension funds, FGD participants were requested to indicate their level of satisfaction with the way investment decisions were made by their respective pension funds. There was some consistency in the reaction to this question across all the four groups. Participants aged 51 years and above were much more interested in this question and were of the opinion that investment decisions made by administrators of pension funds did not reflect the needs of the members. All participants in this age group unanimously agreed that they were extremely dissatisfied with most of the investment decisions taken by pension funds. The answers for all age groups are summarised in Table 5.6.

Table 5.6: Members satisfaction with investment decisions

Level of Satisfaction	Percentage of Respondents	Age Group
Very satisfied	0%	-
Satisfied	12.5%	30 years or less
Not satisfied	25%	Between 41 and 50 years
Extremely dissatisfied	12.5%	51 years and above
No opinion	50%	Between 31 and 40 years

Source: Focus Group Discussions, 2011

Some participants also complained that the government and politicians had too much influence on the investment decisions taken by pension funds. This particular concern raised by the FGD participants was shared by the Chairman of the Board of Social Security Regulatory Authority (SSRA), who also cited politicians' interference in pension funds' investment decisions as one of the challenges that pension funds face. The SSRA Board Chairman noted that, interference by politicians at times did not take into consideration the viability of the proposed investment projects (The Guardian, 24 March 2011; Daily News, 23 March 2011). This problem was also reported by the Chairman of the Parliamentary Public Corporations Accounts Committee (POAC) to be a common problem in many parastatal organisations. The POAC Chairman was quoted by The Guardian (dated 25 March 2011) complaining that many parastatals work on instructions from ministers instead of laid down guidelines and procedures, ending in avoidable financial and other losses.

Some of the FGD participants also complained that the government treated pension funds' money as money meant to be used to finance projects with wider public and political interest, thereby disregarding the direct interest of the owners of the money i.e. pension fund members. The participants expressed their concern about the general misconception by majority of the members of the public that pension funds were state owned enterprises. Principally, pension funds in Tanzania entirely existed on members' contributions and investment income. Apart from contributing as employer, the government did not make any other financial contribution to pension funds. The government though acted as members' guarantor, by carrying a responsibility to pay members' terminal benefits in case their resective pension funds became insolvent. FGD participants were doubtful as to whether the government would indeed honour such a commitment, citing long outstanding similar claims by the former East Africa Community employees. The first East African Community (EAC) collapsed in 1977, but its Tanzanian employees had until the time of writing this book not been paid some of their terminal benefits.

5.7.3.2 Representation in the investment decisions

Considering the fact that pension funds were organisations responsible for taking care of their members' wealth, FGDs participants who were also members of pension funds were asked to give their opinion on their level of satisfaction with the way they were represented in the decisions regarding the investment of their money in their respective pension funds. Participants were required to debate and agree on one answer out of five possible answers i.e. *not satisfied at all, not satisfied, satisfied, very satisfied, extremely satisfied*. 17% of the participants indicated to be 'not satisfied at all', 9% said that they were 'satisfied', and the remaining 74% indicated that they were 'not satisfied'. However, after further debate, they all reached consensus that there were 'not satisfied' with their representation in the decisions made by pension funds. Despite the Boards of Trustees of the pension funds having members representing employees, all participants of FGDs were not aware of their representatives.

All participants also complained that they were not involved in the appointment of their representatives. Apart from the chairpersons of pension funds' Boards of Trustees who were appointed by the President of the United Republic of Tanzania, other Board members were appointed by the Ministers of the ministries under which the respective pension funds operated. Participants challenged this appointment system arguing that Ministers, also being agents and politicians, were not free from opportunistic behaviour of other human beings. They noted that, the problem was even worsened by the prevalence of weak good governance institutions in Tanzania. Participants were of the general view that favouritism was common in most of the appointments. Participants' worries may also be supported by the observations made by the Warioba Commission about parastatal organisations, which stated that:

> … They offer chairmanships of Boards of parastatals through favouritism and without considering professional knowledge, ability and national interest and they have interfered in executive decisions…

Recently the government established a Social Security Regulatory Authority, (SSRA) which is meant to regulate the operations of pension funds to ensure that members' interests are safeguarded. In the course of appointing SSRA Board members, an interesting incident was reported by a local newspaper (The Citizen, 20 January, 2011) which quoted some source complaining that:

> …the newly formed board of directors of the Social Security Regulatory Authority (SSRA) has been appointed in violation of the legal requirements and procedures as stipulated in the SSRA Act and its regulations. Some members of the board, according to reliable sources, were reportedly handpicked by the minister for Labour, Employment and Youth Development without following the due process of appointment…..the then minister for Labour, Employment and Youth Development did manipulate the whole process of appointment to serve his personal interest by appointing those people...

FGD participants also considered Board membership to be a lucrative opportunity, regarding the good allowances and other benefits to which Board members are entitled. They also complained that there was no clear arrangement in place to ensure that members give their ideas to, and get feedback from, their representatives.

5.7.3.3 Satisfaction with real estate investment decisions

Focusing on real estate investment activities, FGD participants were required to indicate the level of their satisfaction on how real estate investment decisions were taken. Whereas 25% of the participants said that they were 'not satisfied at all', 75% of the participants said that they were just 'not satisfied'. After some debate, all participants reached a consensus that they were 'not satisfied' with the real estate investment decision process. Again, the age factor echoed in this discussion, with the younger participants not being very keen on the details of how pension funds made investment decisions. However, the consensus of all participants was that they were not satisfied with how real estate investment decisions were made. The participants were particularly suspicious that some real estate investment projects were undertaken because pension funds’ officials or politicians had personal interest in them. Some examples of suspicious real estate investment projects cited by participants were EPZ Industrial Park and Quality Plaza which were controversially acquired from Quality Group by NSSF and PSPF respectively. The controversy in the acquisition of the cited projects was also widely covered by some sections of the local media. The main allegation behind the acquisitions was that the value of the properties was grossly overstated compared to their construction cost (Mpogole, 2006).

It also emerged from the FGDs that large pension funds’ allocations to prime commercial and residential properties did not reflect the actual needs of their members. 75% of the participants were of the opinion that pension funds should have directed more of their investible funds into providing affordable housing to their members. The main argument for this position was that there was no guarantee that the monetary returns generated by those prime commercial and residential properties held by pension funds would improve their pension benefits. Some participants associated large (multi-billion) commercial real estate with corruption and swindling of money by pension fund officials. They insisted that such multi-billion real estate projects were preferred by pension funds officials because they enabled them to embezzle funds without being easily noticed.

Sharing their experience, the participants insisted that many pensioners die very early because of miserable life after retirement. Participants considered a house to be the single most significant asset any household would wish to own, but unfortunately it was the most difficult thing to realise given the absence of mortgage finance in Tanzania. Although some pension funds had embarked on affordable housing schemes, participants complained that most of the houses were not sold to the intended people i.e. low income members. They accused pension funds’ officials of preferential treatment in the allocation of houses. They also pointed out members’ inability to meet sale conditions as another main problem associated with affordable housing projects undertaken by pension funds.

Despite the general disapproval of the investment decision process, most of the participants also seemed to be fascinated by the state-of-the-art commercial buildings owned by their pension funds. It was clear that real estate investment still commanded psychic appeal to the participants. Besides, there was a common consensus that real estate was a good investment medium not only for pension funds but also for other institutional investors. This indicated that pension fund members were only unhappy with the lack of transparency in the investment process and not in the investment vehicle itself.

5.7.3.4 Extent and forms of agency problems in real estate investment

FGDs participants were required to give an assessment of the seriousness of agency problems in a pension funds set up in Tanzania by agreeing to one answer out of the five options given to choose i.e. *not serious at all, not serious, serious, very serious, extremely serious*. 37.5% of the participants said that the problem was ‘extremely serious’, 45.8% were of the opinion that the problem was ‘very serious’, and the remaining 16.7% indicated that the problem was just ‘serious’. After some further debate, the consensus was that the problem was ‘very serious’. Besides, the participants also pointed out that real estate investment was one of the most vulnerable activities to agency problems.

Again, the participants cited some large real estate projects which were acquired by NSSF and PSPF in 2004. The cited projects included the acquisition of Quality Plaza and Quality Industrial Park by PSPF and NSSF respectively from Quality Group Ltd. PSPF and NSSF had paid TZS 36 billion and TZS 47 billion for the respective acquisitions. The FGD participants were of the opinion that the value of the buildings was grossly overstated. The participants also showed their suspicion of some political force behind the acquisitions.

These acquisitions were also widely reported and criticised in the local print media. The matter was also discussed in the parliament. In protest to the acquisition, one of the prominent businessmen (Reginald Mengi), issued a public statement which also appeared in one of the local newspapers (The African, 10th April 2006). A section of the statement stated that:

> After reading Thisday’s and Kulikoni’s reporting on the NSSF/Quality Group business deals, what emerges is a war between Quality Group and the poor workers of Tanzania who fasten their belts for several years, most of them becoming so weak in the process to later discover that what remains to fasten

> is their backbones while others are loosening their belts. Every month they contribute to the social security fund from their monthly salaries, but now they are not sure NSSF is going to be able to pay their pensions on retirement because according to available information, the fund has paid Quality Group over 47.0 billion shillings (US $ 47.0 mil.), which amount is, by any standard, very big.

Counter statements were issued by NSSF and PSPF management. A section of NSSF statement which appeared in the local daily newspaper (The Citizen, 3rd April 2006) stated that:

> …NSSF wishes to assure its members and the general public that investment policies and procedures of NSSF are followed with care, professional competence and integrity in all projects including the purchase of Quality Industrial Park. NSSF avails itself of this opportunity to request its members to understand this issue and to once again reassure them that their money is safe and that members will get their benefits as stipulated in the NSSF Act.

A section of PSPF counter statement, which appeared in the same local daily newspaper (The Citizen, 3rd April 2006), opposing reports of irregularities in the acquisition of Quality Plaza stated that:

> PSPF made a decision to acquire the Quality Plaza during March 2005. The Fund made this decision basing on the following factors: The Fund’s plan to diversify its portfolio into real estate investments, and the fact that the building was completed at the time of selling. Apart from other conditions, the Fund demanded 100% occupancy as a major condition, to facilitate immediate rental income after purchase. … considering the results of the investment analysis made which showed that the investment was financially viable, the Board of Trustees agreed with the Management recommendations to purchase the building at the negotiated price of TZS 36.0 billion.

Despite having happened five years ago, this matter resurfaced in FGDs. Participants insisted that the decision to acquire these properties did not reflect good investment decisions by pension funds. It was also learnt that the properties did not have good performance. Quality Plaza was, for instance, in December 2010 reported to have outstanding rent from one of anchor tenants amounting to TZS 5 billion (The Guardian, 25, December 2010). The defaulting tenant had been occupying one third of the building and was the same legal person who sold the building to PSPF.

Just as the interviewees, FGDs participants also cited two categories of agency problems which they considered to be common in the pension funds real estate investment activities. The two categories were adverse selection and moral hazard problems. Specific examples of the two categories of agency problems as cited by FGDs participants are presented below.

5.7.3.5 Adverse selection problems

It was pointed out that such problems occurred at the stage of agent recruitment. Participants insisted that it was common for agents to cheat about their real qualifications or competence when applying for jobs, which resulted into less than expected job performance and delays in job completion. This problem was experienced during the recruitment of both employees and external contracting parties (both private individuals and firms) such as property managers, valuers, building contractors, service providers etc. Participants pointed out that it was common for external contracting parties to overstate their qualifications and capacities when tendering for jobs. It was also noted that due to high competition for jobs, sometimes suppliers especially property managing agents, service providers and valuers, quoted unrealistically low fees in order to outbid their competitors. After such suppliers were finally awarded the job, their performance was poor.

5.7.3.6 Moral hazard problems

The moral hazard problems which emerged during FGDs were identical to those reported during semi-structured interviews. Two more different problems were over-emphasised by FGD participants. These were corruption and overpayment of officials.

Corruption in suppliers' selection process was reported to be more common with public institutions. When procuring goods and services, all government units and parastatal organisations in Tanzania were obliged to comply with the Public Procurement Act No. 21 of 2004. The Act, among other things, provides for a competitive procurement process. Pension funds, being parastatal organisations, often announce tenders inviting suppliers of various goods and services to submit their bids. Owing to the complexity and capital intensiveness, real estate projects attract many service and goods suppliers which increased exposure to corruption. FGDs participants complained that some procurement officials, apparently demanded bribes from bidders.

On the other hand, the problem of overpayments and misuse of funds was associated with higher-than-market salaries that were paid to senior officials of some pension funds. The participants complained that the officials were also entitled to many other benefits such as expensive vehicles or transport allowances. Such senior officials were also entitled to gratuity which was paid upon expiry of their contracts. Participants in Group I and Group II cited an example of PPF Directors who they said were paid a gratuity of TZS 1.2 billion at the end of their contracts (5 years) in 2007 despite the Board's decision to renew their contracts. The amount paid was considered by participants to be too high compared to the pension paid to members. The issue of PPF Directors' payments has also been a subject of public discussion. In April 2011, the Parliamentary Public Corporations Accounts Committee also questioned the payment and requested the Controller and Auditor General (CAG) to investigate gratuity and endowment benefits paid to five Directors (POAC Report, 2011). Among other allowances that senior officials were said to be paid was the sitting allowance for meetings held during normal working hours. The participants considered payment of such allowance as misuse of funds.

5.7.4 Remedies of agency conflicts

FGDs participants did not seem to have control of the agency problem existing between them and the whole system of pension funds. This left them without much to do in terms of mitigating the problem. When requested to suggest remedies for agency problems in real estate investment, they suggested similar techniques which were already applied by some investors i.e. those reported by the various interviewees. They also suggested some additional remedies which in their view were not applied in the pension funds real estate investment activities. The proposed remedies are outlined below:

5.7.4.1 Revising the senior officials' employment process

This was to ensure that competent and honest people were given investment management responsibilities. Appropriate education and good performance record were proposed to be considered when recruiting investment personnel. Participants further recommended that reputable independent international recruitment firms should be contracted to recruit officials for senior positions. The main argument given for this suggestion was that it would minimise incidents of favouritism and nepotism in the recruitment process.

5.7.4.2 Regular reporting of investment decisions and performance

Participants insisted on the need to make investment decisions and performance reports available to members for scrutiny. They criticised the current practice of using annual reports which were too abstract and lacked details. Detailed investment performance reports would enhance transparency in the investment activities of pension funds. They also pointed out that the annual members meeting was also not attended to by many members.

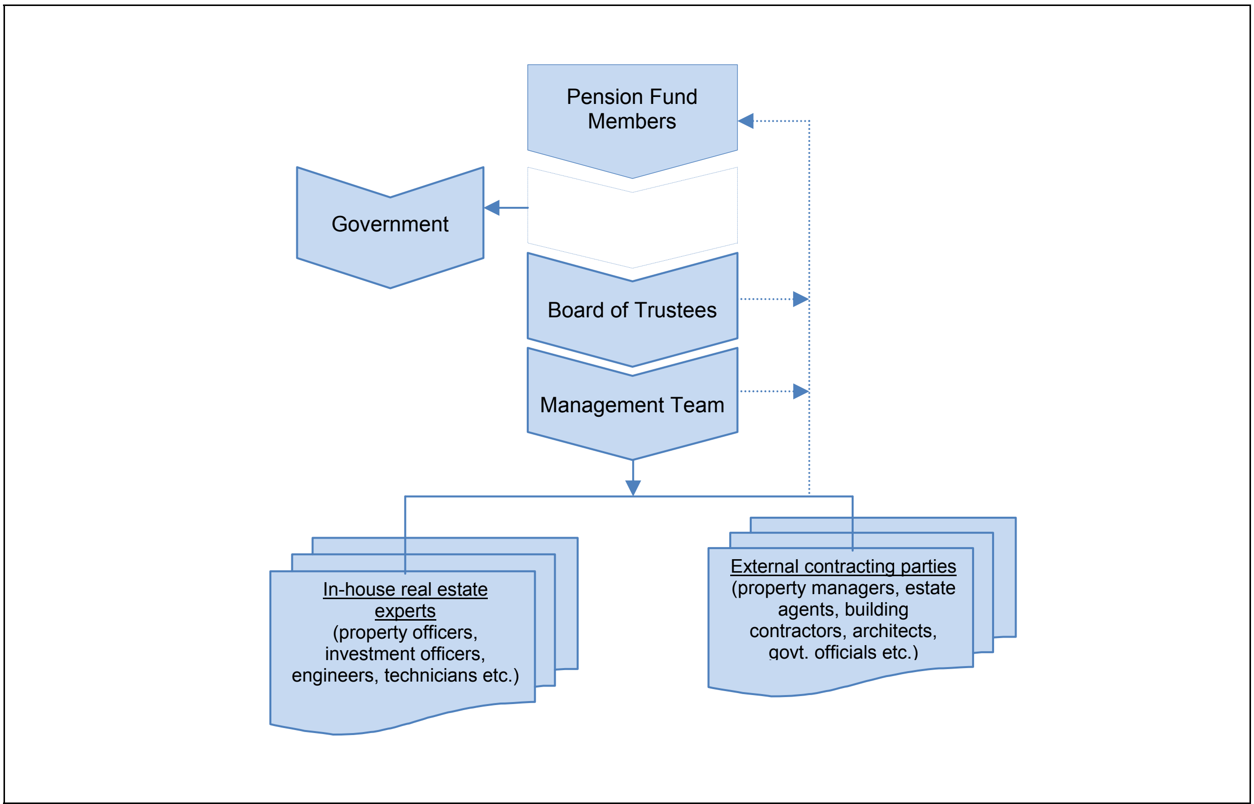
5.7.4.3 Use of contemporary performance measurements

According to the participants, adoption of contemporary investment measurement techniques would facilitate the gauging of performance of investment and investment managers. The problem with the current practice of measuring performance of real estate investment, was that it was based on rudimentary performance measurement techniques. Return on Investment (ROI) was the method in use. The problem with ROI was that it was not a total return measure i.e. it only considered income while capital return (growth) was ignored. Besides, there was no uniformity in the way ROI was computed amongst different real estate investors in Tanzania. The difference was mainly on how *Capital Employed* value was obtained. Whereas some investors used historical cost to determine *Capital Employed*, others used current value (as per the most recent valuation report). Even those who used current value, the valuation dates of their property investment differed. The frequency of property valuation was not uniform amongst investors. Besides, valuation (in)accuracy was another point of concern.

5.7.4.4 Revisiting the role of government in pension funds

Participants insisted that pension funds should be allowed to operate as private organisations, which would give members more powers on how their funds should be managed. Under such arrangement, members would then be able to closely monitor the actions of the Boards of Directors and the Managements of their respective pension funds. This would eliminate one level of agency relationship i.e. Members-Government. In the existing pension fund set up in Tanzania, and considering the weak governance and democratic institutions, the members-government level generates a lot of agency costs (See Figure 5.2).

Figure 5.2: Revised levels of agency relationship in pension funds



Source: Author's conceptualisation of FGD ideas, 2011

Figure 5.2 shows a revised version of levels of agency relationships in pension funds set up. The diagram can be compared with Figure 3.1 in Chapter 3. Revisiting the role of the government in pension funds eliminates one level of agency relationship, which significantly cuts down agency costs.

5.7.4.5 Comments on the importance of other social attributes

To determine the importance of social institutions and other human being attitude, FGD participants were asked to give their opinions on the importance of five attributes introduced to them. The five attributes were age, gender, marital status, education, and spirituality (religiousness). Participants were asked to debate each attribute and reach an agreement which would be regarded as a group opinion. Table 5.7 summarises the results of the participants' opinions according to their groups.

As summarised in Table 5.7, it is clear that the opinions reached by the various groups on the various attributes were identical. These FGDs results, together with those from the semi-structured interviews, were further tested in the survey, whose results are discussed in chapter 6.

Table 5.7: Importance of social attributes when selecting agents

	Opinion			
Attribute	*GROUP I*	*GROUP II*	*GROUP III*	*GROUP IV*
Age	Important	Important	Important	Important
Gender	Not important	Not important	Not important	Not important
Marital status	Important	Important	Important	Important
Education	Important	Important	Important	Important
Spirituality	Important	Important	Important	Important

Source: Focus Group Discussions, 2011

5.8 Examples of pension funds' sub-optimal real estate investment decisions

Some of the cases suggesting decision makers' opportunism in pension funds' real estate investments have also been reported by other observers. In the interview with researchers, it was noted that although it was difficult to isolate the effects of agency problem in real estate investment activities, evidence of opportunistic tendencies was observable. There are some examples of sub-optimal investment decisions involving major projects which were given by researchers during the interviews. Most of the examples were also already widely documented in the existing literature. Table 5.8 provides a list of some of the major real estate investment projects and other related activities that demonstrate sub-optimal decisions apparently motivated by opportunism of decision makers.

Table 5.8: Examples of sub-optimal real estate investment projects

Name of investment/activity	Project/activity details and the associated problems
Hifadhi-EPZ Warehouses	The warehouses were acquired by NSSF for a total of US $ 47.0 million from Quality Group Ltd. The purchase was claimed to be highly overpriced and of dubious profitability and attracted considerable criticism from the public (Danevad, 2008). This investment project was also identified by the Controller and Auditor General (CAG) as one of uneconomical investments carried out by the pension fund (CAG, 2009).
Quality Plaza	The property was, like Hifadhi-EPZ warehouses, acquired by PSPF also from Quality Group Ltd for a total of US $ 36 million. The purchase was similarly claimed to be highly overpriced and of dubious profitability and also attracted wide skepticism from the public (Danevad, 2008). Besides, the seller of the property remained one of the anchor tenants in the building despite not having good rent payment record. It was reported, for instance, by The Guardian (dated 15 December 2010) that by December 2010, the tenant had an outstanding rent amounting TZS 5 billion, which forced PSPF to take legal action in a bid to recover the rent.
NSSF Executive Apartments at ADA Estate	The Controller and Auditor General also noted that NSSF Board of Trustees, contrary to section 30 (d) of the Public Procurement Act of 2004, approved the sale of the apartments for TZS 8.5 billion. The approval (or disapproval) was supposed to have been done by the Tender Board. Besides, Seven Anchors Properties Company Ltd, the company which bought the apartments, was only registered three weeks before the announcement to sell the apartments was made, casting doubts as to whether the company was specifically formed to undertake this particular transaction (CAG, 2009). According to the report, the timing of the payments for the property breached the sale contract. Some terms of sale contracts were also not complied with by the buyer. Given these circumstances, one cannot rule out the possibility of inside-dealing by Board Members or some pressure on the Board from higher authorities.
Oasis Club	The sale of Oasis Club (property) by NSSF did not follow procedures and was handled without adequate care. According to CAG (2009), the buyer of the property (priced at TZS 600 million) was obtained without stipulated competitive tendering procedures (as per section 59 of the Public Procurement Act of 2004) and the sale contract was vague, resulting into imperfect commitment by the buyer. It was reported that the sale offer was made in 2004 but the sale agreement was signed in 2007. Besides, the contract required that the buyer pays the agreed sum within 7 days after the transfer of property to the name of the buyer was completed. Until 2008 the transfer had not been completed, implying that no payment was made. Despite the lapse of time, the sale price remained the same.
Ubungo Plaza Ltd (UPL)	NSSF and PSPF each invested about TZS 9.8 billion in a joint venture investment (UPL). The project was originally conceived by National Insurance Corporation (NIC). NSSF and PSPF came into the joint venture in a bid to rescue the project which had stalled due to financial difficulties NIC was facing. According to the CAG (2009), the pension funds had not received any dividend from this investment, which in the opinion of CAG was one of

Name of investment/activity	Project/activity details and the associated problems
	uneconomical investments held by the pension funds. For the year ending 2009/2010, UPL had rent arrears amounting to TZS 396.7 million (CAG, 2011). Besides, being a separate legal entity, Ubungo Plaza Ltd pays corporate taxes, which exposes the pension funds (shareholders) to double taxation.
William Benjamin Mkapa Pension Tower	Originally owned by NHC and TPDC, the project was in 1997 estimated at US $ 38 million but due to financial difficulties the project stalled, prompting political interference by the then Prime Minister who instructed NSSF to take over the project. NSSF had to incur at least US $ 25 million to complete the project (Danevad, 2008). The Prime Minister order requiring NSSF to take over the project without any investment appraisal is one of the examples showing how pension funds are susceptible to political decisions.
House loans to politicians and senior government officials	In what was generally perceived to be unusual, the Prime Minister in 1998 after earlier denials by his press secretary, admitted to have had obtained a house loan amounting to US $ 75,000 from PPF. A similar loan was also issued by PPF to the Governor of Tanzania Central Bank of Tanzania (Iglesias and Palacios, 2000). These housing loans were widely viewed by the public to be issued under political influence, considering the positions of the beneficiaries. Such loans were not available to common people and following pressure from the public and media, PPF management suspended issuing such loans.
Large outstanding rent arrears	The problem of rent arrears implying inefficiency in property management personnel (both in-house and contracted), is common with properties owned by pension funds. For instance, LAPF had in the financial year ending 2007/2008 reported an outstanding rent balance of TZS 1.1 billion due from just one ex-tenant namely, G. K. Hotels & Resorts. Recoverability of the balance was reported to be doubtful. In the same year, NSSF also reported a rent arrears balance of TZS 1.1 billion due from its ex-tenants (CAG, 2009).
University of Dodoma financing	Apart from Dodoma University construction project being generally regarded by some FGDs participants as politically conceived and motivated and whose speedy realisation was only possible because of politicians' powers over pension funds' investment decisions, weak contract management in the course of its implementation has been noted. CAG (2011) reports absence of clear contract between, for instance, NSSF and the government detailing mode of loan payment for Phase II of the project. Besides, CAG (2011) also notes that despite Phase I of the project having been completed in 2008, NSSF had until June 2010 not collected any rent in respect of the buildings which were already in use. The contract for Phase I of the project required that NSSF collect rent for the use of the buildings for 10 years in addition to 15% annual loan interest before handing over ownership of the buildings to the government.

From the examples presented in Table 5.8, NSSF, probably owing to its relatively larger size and higher participation in real estate investment, has more cases of sub-optimal investment decisions. Again, despite public complaints over some of the suspicious decisions made by the pension funds, the government did not seem to take any serious actions against the decisions, which either suggests a hidden role of the government officials in the decisions or just laxity of the responsible government officials, both of which amount to agency problems.

5.9 Agency problems faced by foreign investors

In addition to the agency problems discussed in the foregoing sections, foreign real estate investors also encountered some problems which were not very common with local investors. These problems were noted to be mainly associated with government agencies, departments and individual officials. Tanzania Investment Centre (TIC) officials and government officials involved in land administration and valuation were particularly cited to be the major sources of frustration of foreign investors.

An interview with officials representing foreign investors, TIC and government officials revealed a number of additional potential areas of agency problems in real estate investment activities. Unlike the local investors, foreign investors were less conversant with the local market, which compelled them to use more agents in their real estate investment activities. Most of the foreign investors in Tanzania did not reside in the country; instead they employed local or foreign people to take care of the daily management of their investments. For this reason, the interviews were conducted with those representatives. Four foreign investors were interviewed.

It was noted from the interviews with a TIC official, that although it was not mandatory for investors to go through TIC, many foreign investors found it to be necessary to contact TIC while making their initial investment plans. Besides, for foreign real estate investors it would not be possible to own land without having to do it through TIC. The law did not permit foreigners to own land in Tanzania, except for investment purpose. A company was considered to be foreign if more than 50% of its shares were held by foreigners, otherwise it was a local company and land ownership issues were treated as those of Tanzania citizens. Foreign investors' title deeds were held by TIC which facilitated land rent payment. On top of the actual land rent bill from the government, the investors were required to pay a 10% (of land rent) commission to TIC for facilitation.

Although, TIC maintained to have reduced the time an investor took to establish a business in Tanzania (TIC, 2008), it was noted from the interviews with foreign investors and a TIC official that there were still many steps that one had to encounter in the course of establishing a business entity. The only relief was that most of the people involved were stationed at TIC offices. For instance, acquiring a certificate of land ownership still involved many steps and days. According to IFC (2011) there were 22 procedures (an equivalent of 328 days) which one took to obtain a construction permit in Tanzania.

It was also noted from the interviews that, TIC was not always doing what it claimed to be doing for investors, especially in expediting the land acquisition process. Investors complained about delays in processing various documents related to land ownership and building permits. Investors also blamed TIC for recommending land to investors. Such land was not always the best land for the investors' intended use. Various reports also show that Tanzania was still not doing well in attracting investors. For instance, for the past five years (2007-2011) Tanzania was ranked number 91, 179 and 151 amongst 183 countries in the world for protecting investors, ease of obtaining construction permit and registering property rights respectively (IFC, 2011; Mapunjo, 2010).

Land officials, at both central and local government levels, were also blamed for being highly bureaucratic and corrupt. In some cases, actions of land officers apparently resulted into complete failure of foreign real estate investment projects. For instance, at one point in time during this study, there was a widely reported dispute between a potential foreign investor from USA (Colom Investment Limited), TIC and the Ministry of Lands, Housing and Human Settlements Development. The company was on the verge of constructing 212 mortgage housing units and had already spent more than TZS 288 million on the project. In this dispute, the investor complained to have been mishandled by TIC and the Ministry (The Citizen, 12th October 2010). Responding to the accusations, the TIC Executive Director blamed the investor to have failed to comply with the country's laid down laws and procedures for investors who want to acquire land for investment (The Guardian, 6th October 2010). The argument ended up in the investor issuing a press release in one of the local newspapers disputing the counter statement made by the TIC Director. The investor finally decided not to continue with the project, despite having already spent some money on the project.

This problem could have been avoided if TIC had a comprehensive land bank from which investors, especially foreign investors could lease land. Shortage of prime land for various developments increases information asymmetry between those looking for development land and their agents who range from estate agents to government land administrators. In trying to obtain suitable land for their envisaged developments, investors inevitably have to engage more than one agent, thereby increasing their exposure to the various forms of agency problems such as corruption, falsehood, imperfect commitment etc.

An interview with one government land officer and one government valuer, confirmed that it was true that some government officials among them were unfaithful, bureaucratic and corrupt. In the words of one of the land officers who requested anonymity:

> ……it is quite common for land officers and valuers to demand bribe from clients … sometimes they falsely indicate to clients that processing of their requests required a lot of time, implying that some special treatment would be needed to expedite the process, which created the impression to the client that a tip or some kind of unofficial consideration was necessary. In other cases, junior officers would tell clients that their bosses demanded *something* to get documents signed, which was not always true.

Corruption in the land sector in Tanzania is already widely reported in the existing literature. URT and PCCB (2009) and Mbele (2009), for instance, note that corruption in the real estate sector in Tanzania impedes investment in the sector. Mbele (2009) cites vague laws, low salaries, unclear property rights, and lack of computerisation in land delivery functions as the main catalysts of corruption amongst government officials responsible for land matters.

The efforts by the government to attract investors have also entailed aggressive marketing and reaching out to potential foreign investors. Many promises are made, assuring potential investors of an investment haven. Apparently some investors get convinced by those promises, only to realise that most of the promises were mere words. In the presence of unfaithful and irresponsible government officials, chances of foreign investors getting into trouble with their business plans may not be completely ruled out. One of the interviewed foreign investor representatives had this to say to describe the conflicting views of some foreign investors, government and TIC officials:

> In defence of their positions, more often than not, politicians and senior government officials have denied reports of malpractices in government offices. The government and TIC have been busy painting a rosy picture of the country's investment climate, covering up some weaknesses in the government which have potential of causing losses to investors…Similarly, chances for some incompetent foreign investors shifting blame to government for their failure could also not be ruled out.

Some TIC problems were long reported by Miller III and Shlman (1999). The authors reported that investors criticised TIC for not accurately representing the steps involved in acquiring land. They also reported that some investors even suggested that TIC did not itself know the process and others believed that TIC was misleadingly optimistic in its conversations with would be investors.

It is clear from the facts above that imperfect commitment seems to be the main problem which foreign investors face in their contracting with TIC and the government at large. The main complaint was that the government agencies and officials either did not fulfill some of their promises at all or they did not do it in time. Dishonesty, bureaucracy and corruption are the other forms of agency problems which were commonly encountered by foreign investors when dealing with government officials.

5.10 Chapter summary

Several aspects of agency problems in real estate investment activities of the selected investors have been covered. The discussion was mainly based on data collected using semi-structured interviews with key players in real estate investment activities, and focus group discussions with members of pension funds. An overview of real estate investment practice in Tanzania was presented before embarking on the discussion of how agency problems arose in the various real estate investment activities. Catalysts of agency problems or factors which motivated agents to engage in opportunistic tendencies were then discussed prior to looking at the various techniques employed by principals in dealing with agency problems in real estate investment activities. This chapter has also shown how some aspects of informal institutions such as norms and spirituality are perceived by principals as remedies of agency problems.

The importance of some social attributes, namely age, gender, marital status and education, in dealing with agents' opportunistic tendencies were also discussed in this chapter, although further treatment of these social attributes is considered in chapter 6.

6 Analysis of Institutional Remedies

6.1 Introduction

This chapter presents the analysis of institutional factors constraining agent's behaviour in real estate investment activities in Tanzania. The principal aim of the analysis is to determine the effectiveness of the various institutional factors in remedying agency problems. The chapter addresses two main questions. Firstly, it seeks to confirm whether or not the existing informal institutions are more effective in checking agents' opportunistic behaviour than the existing formal institutions. Secondly, it demonstrates the association between institutional attributes and other social characteristics, namely age, gender, marital status, and education, in constraining agents' behaviour.

Data analysis was carried out using IBM SPSS Statistics 19. Some descriptive and inferential statistics have been used to carry out the analyses and to rank the various agency problems remedies according to their perceived importance and effectiveness. The data analysed in this chapter was collected using two sets of questionnaire which were administered to different respondents amongst key players in the real estate investment activities in Tanzania. The first set of questionnaire was completed by individuals performing the role of a principal or employers in the real estate investment activities. The second set of questionnaire was completed by individuals discharging their roles as agents or employees in the real estate investment activities.

6.2 Respondents and institutional attributes

Execution of the investment activities covered in this study (as introduced in subsection 1.1.6, Chapter One), mainly involves land administrators, investment analysts, architects, engineers, valuers, property managers, estate agents, lawyers etc. Accordingly, owners and/or senior officials (CEOs, directors or managers) of firms dealing with real estate investment or real estate consultancy were in the context of this study treated as principals. Similarly, in the context of this study, employees involved in the various real estate investment activities, owing to their key roles, were treated as agents. Respondents for this study were therefore drawn from senior officials and employees of pension funds, NHC, and some selected foreign real estate investment projects. Other respondents were drawn from owners and employees of firms offering real estate services i.e. property management, estate agency, valuation, investment analysis and development appraisal, building designing, and construction.

The questionnaires aimed at identifying attributes which are used to constrain the behaviour of agents in the real estate investment activities. Designed to address the objectives of the study, the questionnaire covered both formal (contractual) and informal (non-contractual) institutions which have been cited in the existing literature to be responsible for constraining human behaviour. Using a five-point Likert scale, respondents were required to comment on each institutional attribute in terms of its importance or effectiveness in checking agent's opportunistic behaviour while executing their contractual duties related to real estate investment activities.

The effectiveness of the various formal policies, laws, rules and regulations which are meant to address issues of contract, agency, labour, and other civil and criminal matters in mitigating agency conflicts arising in real estate investment activities was assessed. The effectiveness of agency/employment contracts in mitigating agency conflicts was also tested. Apart from stating duties and obligations of the parties, agency/employment contracts, among others, also stipulate fees/salaries, incentives, tenure, sanctions, and codes of conduct governing the principal-agent relationship in question. Formal organisations such as professional bodies, credit institutions, and corporate governance institutions were the other formal institutions whose impact in mitigating agency conflicts was also examined.

Similarly, the effectiveness of the various attributes of informal institutions extracted from various strands of institutional theory literature was examined. North (1990) characterises informal institutions by social sanctions, taboos, customs, traditions, and social code of conduct. In addition to customs and traditions, Pejovich (2006) further cites moral values, religious beliefs, and norms of behaviour as defining aspects of informal institutions. Religious belief (spirituality) also emerged in the interviews (refer to Chapter 5) as one of the important human behaviour constraints in Tanzania. Some literature (e.g. Neusner and Chilton, 2005; Saroglou et al, 2005; Bernt, 1989; Burhoe, 1979) also associates spirituality with altruism. Brennan (1994) cites altruism as one of the important constraints of human behaviour against opportunism.

An agent belonging to a society with, for instance, a social code of conduct insisting on self respect, respect for others, honesty, trustworthiness, altruism, spirituality and other similar aspects would be less likely to be involved in opportunistic tendencies. Similarly, an agent whose society regard stealing, cheating, bribing as taboos would be less likely to be involved in such acts. Failure to observe social code of conduct and taboos normally results into some social sanctions. One's social network is also very important in shaping his or her behaviour (Casadesus-Masanell and Spulber, 2005; Helmke and Levitsky, 2004). For the purpose of this study, these aspects of informal institutions were used to test the effectiveness of the institutions in mitigating agents' opportunistic behaviour in real estate investment activities. These aspects are: social norms, customs, traditions, taboos, social sanctions, social code of conduct, social network, spirituality, altruism, and moral values (e.g. trustworthiness and respect).

6.3 Analysis of principals' opinions

6.3.1 Respondents' profile

A total of 67 questionnaires were given to the identified principals. Response rate was 47.8% i.e. 32 questionnaires were completed and returned. Out of the 32 respondents, 21 were individuals involved in real estate investment while 11 were individuals involved in real estate consulting. Respondents comprise individuals who occupied different senior managerial positions. From the 32 individuals, 6 were companies' Chief Executive Officers, 13 were members of companies' top management, and 13 were middle level managers with a large number of subordinates under their supervision. The mean number of years the respondents occupied their present jobs position was 6.6. The minimum time a respondent was in the present position was 0.8 years and the maximum time a respondent was in the same position was 20 years.

6.3.2 Common forms of agency problems

Analysis of survey data indicates that respondents amongst principals in the real estate investment sector agree that agency problem is a serious problem in the sector. To determine the seriousness of agency problem, respondents were asked to choose the appropriate answer out of five mutually exclusive answers i.e. 1.0 for 'Not Serious at all', 2.0 for 'Not Serious', 3.0 for 'Neither', 4.0 for 'Serious', and 5.0 for 'Very Serious'. Results show that 78.1% of the respondents indicated that agency problem in the real estate investment process was a ‘serious’ problem. The remaining respondents (i.e. 21.9%) considered agency problem in real estate investment process to be a ‘very serious’ problem.

Further analysis of principals’ opinions about the forms and extent of agency problems in real estate investment activities was carried out. Principals were asked to indicate how common the given forms of agency problems in their daily real estate investment activities were. Principals’ assessment of agency problems was measured using a five-point Likert scale i.e. 1.0 for ‘Strongly Disagree’, 2.0 for ‘Disagree’, 3.0 for ‘Neither Disagree nor Agree’, 4.0 for ‘Agree’ and 5.0 for ‘Strongly Agree’. The results are summarised using two descriptive statistics, namely mean and standard deviation. The two descriptive statistics have been used to rank agency problems according to their commonness as reported by principals. The results ranking the forms of agency problems are summarised in Table 6.1.

Table 6.1: Importance ranking of agency problems

Form of agency problem	Mean	Mean Ranking	Std. Deviation	Std. Deviation Ranking
Shirking	4.88	1	.336	1
Overstatement of capacity	4.84	2	.574	2
Carelessness	4.75	3	.762	3
Lack of maximum job commitment	4.50	4	1.107	6
Overpricing of purchases	4.13	5	1.129	7
Overstatement of qualifications	3.97	6	1.092	5
Cheating in reporting	3.88	7	1.185	9
Theft	3.47	8	1.391	11
Personal use of confidential information	3.22	9	1.362	10
Forgery	3.22	10	1.157	8
Vandalism	2.75	11	.880	4
Others	-	-	-	-
Analysis Number = 32				

Source: Analysis of questionnaire, 2011

As shown in Table 6.1, shirking, overstatement of capacity and carelessness were clearly seen to be the major forms of agency problems. The mean scores for the three items indicate that principals almost strongly agree that the three were the common forms of agency problems. The results also clearly show that shirking, overstatement of capacity and carelessness are consistently highly ranked forms of agency problems by taking the same ranking order for both mean and standard deviation measures. This suggests that principals consider them to be more serious forms of agency problems. Mean scores also indicate a general agreement amongst principals that lack of maximum job commitment, overpricing of purchases, overstatement of qualifications and cheating in reporting were other common problems amongst agents.

The respondents were indifferent to theft, use of confidential information for personal gain, and forgery, as common forms of agency problems. However, despite being generally low-ranked, theft, use of confidential information for personal gain, and forgery have high standard deviation scores, implying high disparity of principals' opinion regarding commonness of these problems in their operations. Vandalism, with a mean score of 2.75, is at the bottom of the list implying that many respondents did not consider it to be a common problem with their employees. Consistency in the respondents' position about vandalism is further supported by standard deviation ranking of the problem. Vandalism, with a standard deviation score of 0.880, is ranked fourth.

It is clear from the list of problems that, whereas all other forms of agency problems are of *moral hazard* nature, high mean and standard deviation scores for 'overstatement of capacity' and 'overstatement of qualifications' suggest existence of a serious *adverse selection* problem. As discussed in Chapter 5, incidents of agents cheating about their qualification or capacity when applying for jobs were reported by various interviewees amongst real estate investors and other employers. High mean score for lack of maximum job commitment implies seriousness of the problem of *imperfect commitment* in agency relationships. Respondents were also asked to mention other common forms of agency problems which were not included in the list. None of the respondents mentioned additional forms of agency problems.

6.3.3 Contractual remedies of agency problems

Contractual remedies are those remedies which could explicitly be effected using agency contract, employment contracts or any other formal institutions such as government enforced laws, policies and regulations; professional bodies' codes of conduct etc. Respondents amongst principals were requested to give their individual opinion on the degree of importance they placed on each of the eleven key contractual remedies identified. Respondents indicated the extent to which they agreed with statements about the importance of each remedy in checking agent's opportunistic behaviour as applied to their own employees in the real estate investment process. Again, principals' opinion was measured using a five-point Likert scale i.e. 1.0 for 'Strongly Disagree', 2.0 for 'Disagree', 3.0 for 'Neither Disagree nor Agree', 4.0 for 'Agree' and 5.0 for 'Strongly Agree'. As summarised in Table 6.2, mean and standard deviation scores were used to rank the contractual remedies according to their importance as viewed by the respondents.

Table 6.2: Importance ranking of agency contractual remedies

Contractual remedy	**Mean**	**Mean Ranking**	**Std. Deviation**	**Std. Deviation Ranking**
Performance bonuses	4.72	1	.457	1
Prospects for career development	4.72	2	.772	4
Amount of salary or fee	4.66	3	.545	2
Job security	4.50	4	.916	5
Codified sanctions	4.47	5	.718	3
Entitlement to share of profit	4.22	6	1.008	7
Long term job contract	4.16	7	1.167	9
Other terms of agency/employment contract	4.13	8	1.100	8
Professional bodies and code of conduct	4.03	9	.999	6
Policies, laws, rules and regulations	2.94	10	1.268	10
Corporate governance institutions	2.56	11	1.294	11
Analsys Number = 32				

Source: Analysis of questionnaire, 2011

Performance bonuses, prospects for career development and the amount of salary or fee have high mean scores and low standard deviation scores, implying consistency in respondents' opinion about the importance of remedies. Low mean scores for policies, laws and regulations and corporate governance institutions suggest ineffectiveness of government enforced formal institutions in dealing with agency problems. This observation concurs with the existing literature (e.g. Williamson, 2009; Tabellini, 2008) which reports that the on-going institutional reforms in many less developed countries have had little effect on development partly because the institutions being introduced are copied from elsewhere and their imposition disregards the well established informal institutions in the subject countries.

It is also clear from the results that most of the effective remedies of agency problems are within the control of the principals. The principals or employers are capable of instituting them to get good results from their agents or employees. For instance, employers can use performance bonuses and salaries to improve the performance of their employees. They can also provide opportunities for career development and guarantee job security for their employees, which would help to align employer's goals with those of their employees. Long term job contracts also enable agents to have long term plans for their work, which is important for business sustainability. Sanctions for poor performance and agents' entitlement to profit sharing are other remedies within the reach of principals.

From the analysis of interviews (in Chapter 5) it was clear also that principals were aware of all these remedies but it was noted that only few of the remedies were practically applied by most of them. For instance, performance bonuses were not very common except for a few employers amongst property management firms. Although the amount of salary or fee was viewed by employers as an important remedy of agency problems, still many of them did not seem to apply it in dealing with the problem. The general level of salary for employees in the real estate investment sector was low and some employers did not even pay their employees regular salaries. Job security and prospects for career development was noted to be higher with large investors i.e. NHC, pension funds, and few consultant firms. Small real estate consultancy firms did not offer job security nor did they have many prospects for career development. Such firms were generally regarded by employees as a mere stepping stone into serious employment markets.

6.3.4 Non-contractual remedies of agency problems

Non-contractual remedies refer to those remedies which are normally not explicitly provided for in agency or employment contracts or in other codified formal instruments such as government enforced policies, laws and regulations etc. Such remedies largely entail informal institutions which are responsible for constraining agents' opportunistic behaviour. Respondents were requested to give their individual opinion on the importance they placed on each of the eleven remedies identified under this category. Respondents indicated the extent to which they agreed with a statement about the importance of each non-contractual remedy in checking agent's opportunistic behaviour, as applied to their own employees in the real estate investment process. Principals' opinion was measured using a five-point Likert scale i.e. 1.0 for 'Strongly Disagree', 2.0 for 'Disagree', 3.0 for 'Neither Disagree nor Agree', 4.0 for 'Agree' and 5.0 for 'Strongly Agree'. Mean and standard deviation scores, which were used to rank the remedies according to their importance as viewed by the respondents, are presented in Table 6.3.

Table 6.3: Importance ranking of agency non-contractual remedies

Non-contractual variable	Mean	Mean Ranking	Std. Deviation	Std. Deviation Ranking
Social sanctions	4.59	1	1.012	6
Social norms	4.50	2	.950	3
Religious belief (spirituality)	4.34	3	1.066	7
Taboos	4.34	4	1.096	8
Trustworthiness	4.16	5	.954	4
Customs and traditions	3.97	6	.999	5
Social network	3.97	7	1.177	9
Self respect	3.97	8	.897	2
Social code of conduct	3.81	9	.738	1
Altruism	3.22	10	1.385	10
Respect for employer	2.88	11	1.385	11
Analysis Number = 32				

Source: Analysis of questionnaire, 2011

From the eleven non-contractual remedies considered in the survey, fear of social sanction and compliance with social norms appear to be very important remedies of agency problems. Although standard deviation scores for the two variables are relatively high implying high variation in the respondents' opinions, their mean scores are very high showing general approval that the remedies are important in constraining agents' opportunistic behaviour. Ones' religious belief or spirituality also appears to be quite an important behaviour constraint. The high mean score attributed to spirituality concurs with the findings in the analysis of interviews, in which interviewees seemed to give the remedy special emphasis. The remedy was initially not considered as a stand-alone remedy; instead it was impliedly lumped under customs and traditions. But its constant recurrence during the interviews led to its isolation from the 'customs and traditions' generic group. Spirituality therefore stood as a separate variable along with other important remedies which were earmarked for further testing in a survey.

Taboos, referring to aspects of behaviour which are not allowed by ones' society, also seem to have high importance in the opinion of respondents, in checking agent's opportunistic behaviour. Customs and traditions, social network, social code of conduct and other aspects of moral values i.e. trustworthiness and respect, are also viewed as important factors in checking opportunistic tendencies. These observations underscore the need for understanding agents' cultural environment prior to devising or administering remedies of agency problems. The observations also underline the non-universality of application of remedies of agency problems. Some existing literature on international investment and human resource management (e.g. Tiwari and White, 2010; Johnson and Droege, 2004) also insist on the need for foreign investors to understand the culture and values of the host societies.

'Respect for employer' and 'altruism' appear to be outliers. Respondents were almost neutral about the importance of these remedies. The overall analysis of respondents' opinions on the non-contractual remedies of agency problems confirms that principals almost place equal weight between formal and informal institutions in dealing with agent problems, although some contractual remedies are given more weight. Different strands of literature (Williamson, 2009; Boettke et al, 2008; Casadesus-Masanell and Spulber, 2005) equate the importance of formal and informal institutions and insist on considering informal institutions whenever new formal institutions were introduced.

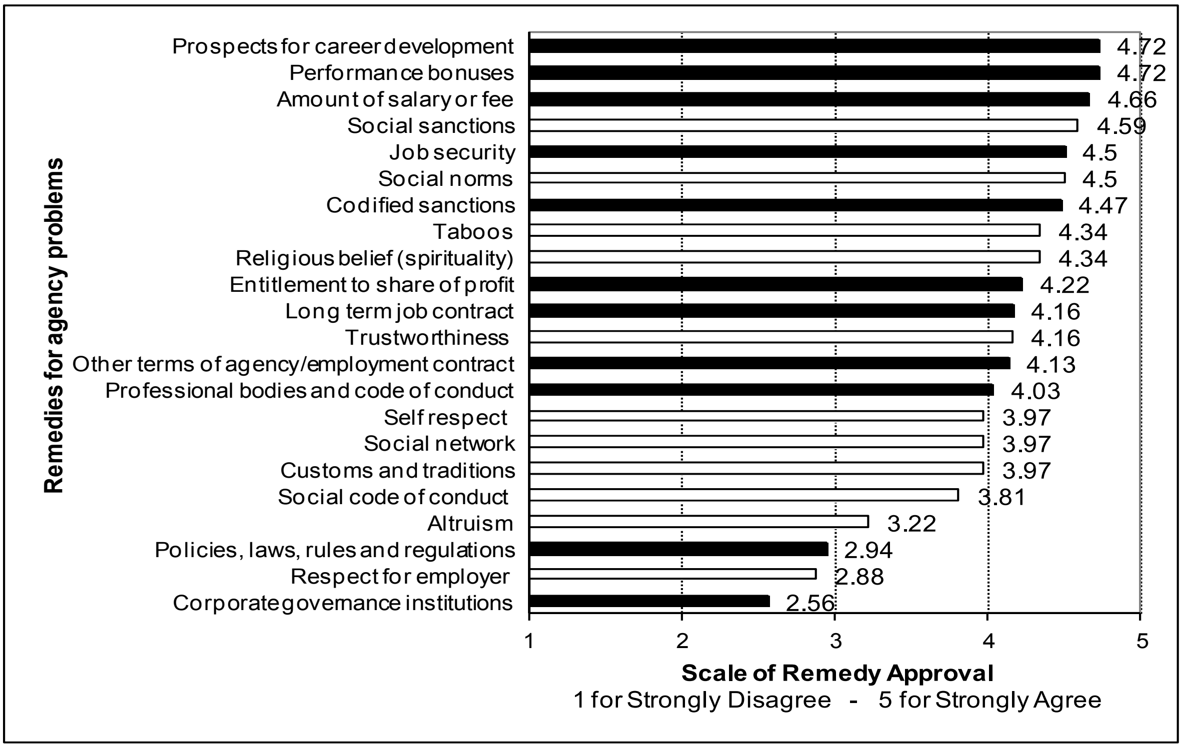
However, looking at the techniques applied by principals in mitigating agency problems (as discussed in Chapter 5), it is clear that formal institutions are much more applied compared to informal institutions. This may be due the ease and objectivity in administering them and measuring their effect. It is also possible that application of informal institution is more implicit and thus not easily observable. Besides, apart from institutional remedies, mechanical and technological remedies were commonly used in discouraging or preventing agents' undesirable actions in the real estate investment activities. Some of these techniques include the use of security cameras, security guards, computer based controls, and direct supervision of agents or employees etc.

6.3.5 Comparison of contractual and non-contractual remedies

After separately examining the contractual and non-contractual remedies of agency problems, the two categories of remedies were combined and closely examined.

Figure 6.1 provides a pictorial representation and ranking of the remedies combined. The mean and standard deviation scores of the different remedies, summarised in Table 6.2 and 6.3, were used to plot the chart in Figure 6.1.

Figure 6.1: Principals' ranking of contractual and non-contractual remedies



Source: Analysis of questionnaire, 2011

The importance of each remedy of agency conflicts (from both contractual and non-contractual categories) as given by respondents amongst principals is clearly seen in Figure 6.1. Although some formal or contractual remedies seem to have been accorded slightly more importance by principals, informal or non-contractual remedies are still very visible in the ranking. Prospects for career development, performance bonus, and amount of salary have the highest mean scores. Standard deviation scores for these remedies are low implying high consistency in respondents' opinion on the importance of the particular remedies. Principals strongly agree that social sanctions and norms are also important factors in shaping the behaviour of agents. It should however be noted that these views are only from one party to the agency contract i.e. the principals. The views of agents on the importance between contractual and non-contractual remedies of agency problems are presented and discussed in section 6.4.7.

6.3.6 Importance of other agent's social attributes

Some other important agent's social characteristics that are important in shaping human behaviour were considered. Agent's age, gender, marital status and level of education were the constraints tested. The ranking result are summarised in Table 6.4.

Table 6.4: Importance ranking of other social attributes

Social attribute	Mean	Mean Ranking	Std. Deviation	Std. Deviation Ranking
Age	4.69	1	.471	1
Education	4.50	2	.842	2
Gender	2.88	3	1.129	4
Marital status	2.66	4	.937	3
Analysis Number = 32				

Source: Analysis of questionnaire, 2011

Whereas the respondents agreed that 'age' was an important factor in constraining agent's opportunistic behaviour, they were neutral on whether opportunistic behaviour clearly varied directly or inversely proportional with age. However, there was a stronger indication that the older the agent the less was her or his proneness to agency problems. It was also apparent from the analysis of interviews (in Chapter 5) that age was only effective in checking agent's opportunistic behaviour with very aged employees i.e. people approaching their retirement age. Many of the employees in this age category were reported to be risk averse. Such people would not risk engaging in undesirable behaviour for fear of losing their jobs. Similar observations are reported by other researchers (e.g. Mohammad et al, 2010; Salami, 2008; Wagner and Ruth, 2000). Niehoff and Paul (2000) also report that young employees are generally more prone to dishonesty at workplace than aged employees. Aged employees are however blamed for being slow in accepting new changes at workplaces.

Different results are observed for 'education'. While respondents clearly agreed that the level of education an agent possesses is important in checking agent's opportunistic behaviour, they were almost equally divided on how the level of agents' education related with opportunistic behaviour. There were those who agreed that agents with high education were less likely to be involved in opportunistic tendencies compared to those with less education. Such results would suggest that chances for less educated employees to get involved in undesirable behaviour are higher than that of employees with high education, who in most cases occupy high position jobs whose operating environments are more transparent to allow some forms of agency problems. The results only give a general picture and may even only be valid to some specific forms of agency problems.

Other respondents were, however, of the opinion that highly educated agents are more opportunistic. This viewpoint may be due to respondents' specific experiences with highly educated people who have been involved in agency problems. In analysis of interviews (in Chapter 5), both highly educated and less educated employees were reportedly involved in agency problems. The distinction was mainly on the nature and form of agency problems that each group got involved in. For instance, it was noted that such problems as petty theft, forgery, late arrival and early departure at work, doubtful sick leaves, and petty bribes were mainly associated with the less educated, and junior staff members. On the other hand, inside dealing, grand corruption and embezzlements were associated with more educated and senior officials. Table 6.5 summarises principals' opinions on how some social attributes define agents' opportunistic behaviour.

Table 6.5: Agents' social attributes and opportunistic behaviour

Statement about agents	**Mean Scores**	**Mean Score Remarks**	**Std. Deviation Scores**
Aged agents are less opportunistic	3.25	Neither	1.047
Aged agents are more opportunistic	2.94	Neither	1.076
Male agents are more opportunistic	3.63	Agree	1.185
Female agents are more opportunistic	2.06	Disagree	.246
Educated agents are more opportunistic	3.56	Agree	.914
Educated agents are less opportunistic	3.53	Agree	1.047
High-income agents are more opportunistic	3.41	Neither	1.266
High-income agents are less opportunistic	4.09	Agree	.588
Married agents are less opportunistic	3.06	Neither	1.076
Married agents are more opportunistic	2.38	Disagree	.707
Unmarried agents are less opportunistic	2.41	Disagree	.712
Unmarried agents are more opportunistic	3.75	Agree	.672
Analysis Number = 32			

Source: Analysis of questionnaire, 2011

Although respondents did not consider agent's gender to be important in determining one's behaviour, it was clear that female agents were seen to be less prone to agency problems than male agents. On the other hand, respondents were divided on the importance of agent's level of income in determining one's proneness to agency problems. There was a consensus that an agent with low income would be more likely to get involved in agency problems. Respondents did not however rule out the chances of people with high income also getting involved in opportunistic tendencies. This observation can be supported by cases of greed (Niehoff and Paul, 2000), in which individuals are motivated to steal despite being wealthy.

Respondents' opinion on agent's marital status suggests that unmarried agents or employees are more likely to get involved in opportunistic tendencies. However, they were undecided as to whether married agents were less opportunistic. The neutral position taken by respondents on married agents indicates that despite married agents being generally less prone to involvement in agency problems than unmarried agents, they were not entirely excluded from opportunistic tendencies. Existing literature also associates unmarried employees with undesirable behaviour at workplaces (e.g. Moorthy et al, 2009; Murphy, 1993; Clarke and Hollinger, 1983).

6.3.7 Employers' level of satisfaction with their employees

Having given their opinion on the various aspects of agency conflicts, employers or principals were also requested to indicate their level of satisfaction with their current employees or agents. Some key performance and behavioural attributes of employees were used to measure employers' level of satisfaction. The respondents were required to show their level of satisfaction by indicating their extent of satisfaction or dissatisfaction with the given employees' attributes. This entailed a five-point scale of mutually exclusive answers i.e. 1.0 for 'Strongly Dissatisfied', 2.0 for 'Dissatisfied', 3.0 for 'Neither Satisfied nor Dissatisfied', 4.0 for 'Satisfied', and 5.0 for 'Strongly Satisfied'. Results are summarised in Table 6.6.

It is clear from Table 6.6 that employers were generally satisfied with their employees' performance and behaviour. All satisfaction criteria have mean scores of between 3.56 and 3.88, implying that employers are satisfied, although the level of satisfaction is not very strong, as all scores are below 4.0. The low standard deviation scores, for all the items upon which opinion was given, show high consistency in the opinion given, which strengthens the mean-based conclusion. These results are compared with those of agents in order to establish if there is any significant departure of perception on some similar aspect between employers and employees.

Table 6.6: Employers' satisfaction with their employees

Employees' attribute	Mean Score	Mean Score Remarks	Std. Deviation Score	Chi-Square (χ^2(df=2, N=32))	p value
Job performance	3.88	Satisfied	.660	.771	.779
Professionalism	3.66	Satisfied	.483	.020	1.000
Trustworthiness	3.56	Satisfied	.619	1.727	.622
Self respect	3.84	Satisfied	.515	.653	.669
Respect for employer	3.84	Satisfied	.369	.034	1.000
Altruism	3.69	Satisfied	.471	.231	.712
Analysis Number = 32					

Source: Analysis of questionnaire, 2011

A test of association between employers' job experience and the level of satisfaction with some aspects of their employees was carried out. This was meant to determine whether or not employer's experience was important in determining the level of their satisfaction with their employees. Employers' job experience was measured by the number of years one had occupied the current job position. Given the mean job experience of 6.6 years, all respondents with less than the mean value were considered to have less job experience; otherwise they were treated as experienced. As summarised in Table 6.6, chi-square results for exact p-value tests, at 0.05 significance level, show no significant relationship between employers' job experience and the level of satisfaction with employees. Sample size limitations may have affected the results.

6.4 Analysis of agents' opinions

6.4.1 Details of the respondents

In this section, the questionnaire which was administered to people discharging their duties as agents in real estate investment related activities is analysed. Out of 285 questionnaires distributed, 205 (71.9%) were completed and returned. Out of the 205 respondents, 45.4% were real estate investors' employees, namely NSSF, LAPF, PSPF, PPF, NHC, IPI (T), Mlimani City, CDC and ANC. All of the employees who participated in the study were those involved in real estate investment activities. 47.8%

of the respondents were employees of firms offering real estate services such as property management, estate agency, marketing, valuation, market studies, building designing, and construction. The consultancy firms whose employees took part in the survey were those frequently engaged by real estate investors as external contracting parties.

The remaining 6.8% of the respondents comprised TIC employees, land officers and valuers from the Ministry of Lands, Housing and Human Settlements Development and the three Municipal Councils of Dar es Salaam i.e. Kinondoni, Ilala and Temeke. Most of these government officials were at some stage involved in the real estate investment process in handling land administration and valuation issues. Some of the real estate investment activities in which such government officials were involved include: processing of title deeds, handling land acquisition, estimating land rents, estimating property tax, estimating property transfer values etc.

The mean number of years the respondents were in their present job positions (out of 199 respondents who answered this question) was 4.2. The minimum time a respondent was in the present position was 0.3 years and the maximum time a respondent was in the same position was 18 years. The mean daily time each respondent spent on real estate activities (out of 186 respondents who answered this question) was 6.9 hours. The minimum daily time a respondent spent for real estate investment activities was 1.2 hours, and the maximum time was 8 hours.

Frequency distributions of the respondents according to the various attributes were computed. Out the 205 respondents 69.8% were male and 30.2% were female, 65.2% were married, 34.8% were single. Agewise, 31.2% were in the age category of 30 years or below, 49.8% were between 31 and 40 years, 15.1% were aged between 41 and 50 years, and 3.9% were aged 51 years or above. Educationwise, 7.8% had lower than graduate education level, 62.9% were graduates, 28.8% had postgraduate qualifications and 0.5% were PhD holders. Job term distribution frequency showed that 77.6% of the respondents had permanent job contracts and 22.4 % had short term job contracts.

6.4.2 Contractual remedies of agency problems

A similar analysis of selected descriptive statistics used for principals' questionnaire was applied to the agents' questionnaire. The effectiveness of the same common contractual aspects used by principals or employers to mitigate agency problems was measured. The respondents, who were also employees, were asked to assess the importance of each remedy of agency problem in holding them back from involvement in opportunistic tendencies at their workplaces. Respondents' opinion was measured using a five-point Likert scale i.e. 1.0 for 'Strongly Disagree', 2.0 for 'Disagree', 3.0 for 'Neither Disagree nor Agree', 4.0 for 'Agree', and 5.0 for 'Strongly Agree'. The results are summarised in Table 6.7 (see next page).

The amount of salary an employee gets has the highest mean score with a corresponding second lowest standard deviation score, implying high consistency of opinion on the aspect. The high rank and low standard deviation for the attribute 'prospects for career development' also shows respondents' agreement that it is an important factor. Respondents also 'agreed' that job security, performance bonuses, employment contracts, long job contract, and entitlement to a share in the profits, were important in preventing them from engaging in opportunistic tendencies. Whereas respondents generally did not consider 'corporate governance institutions' to be an important factor, they were also neutral on the remaining remedies i.e. policies, laws, regulations, codified sanctions, and professional bodies and codes of conduct.

Table 6.7: Importance ranking of agency contractual attributes

Remedy of agency problem	Mean Score	Mean Score Ranking	Std. Deviation Score	Std. Deviation Ranking
Salary amount	4.48	1	.817	2
Prospects for career development	4.40	2	.774	1
Job security	4.33	3	.891	5
Performance bonuses	4.21	4	.901	6
Agency or employment contacts	3.98	5	.954	7
Long term job contract	3.78	6	1.109	11
Entitlement to share of profits	3.76	7	1.078	9
Policies, laws, rules and regulations	3.27	8	.990	8
Codified sanctions	3.27	9	1.107	10
Professional bodies and codes of conduct	3.13	10	.881	4
Corporate governance institutions	2.47	11	.852	3
Analysis Number = 203				

Source: Analysis of questionnaire, 2011

The amount of salary an employee gets has the highest mean score with a corresponding second lowest standard deviation score, implying high consistency of opinion on the aspect. The high rank and low standard deviation for the attribute ‘prospects for career development’ also shows respondents’ agreement that it is an important factor. Respondents also ‘agreed’ that job security, performance bonuses, employment contracts, long job contract, and entitlement to a share in the profits, were important in preventing them from engaging in opportunistic tendencies. Whereas respondents generally did not consider ‘corporate governance institutions’ to be an important factor, they were also neutral on the remaining remedies i.e. policies, laws, regulations, codified sanctions, and professional bodies and codes of conduct.

These results are different from those obtained in the analysis of principals’ opinions. Analysis of principals’ opinion indicated that employers ‘strongly agreed’ that prospects for career development, performance bonuses, amount of salary or fee, and job security were important in discouraging employees from engaging in opportunistic tendencies. The only similarity is that both employers and employees seemed to be indifferent as to whether government enforced policies, laws and regulations were effective in mitigating agency problems. Respondents’ opinion on government enforced institutions concurs with observations reported by some authors (e.g. Nganga et al, 2003; Ebohon et al, 2002; de Soto, 2000) about the ineffectiveness of formal institutions in many less developed countries.

6.4.3 Association between different attributes

A further test was carried out to determine the association between the contractual remedies of agency problems and various employees’ social characteristics namely gender, age, marital status and education. Chi-square (χ^2) at 0.05 significance level (α) was used to determine the associations between the variables, and Cramer’s V and Phi (φ) were appropriately used to determine the strength of the established associations. Only the results with statistically significant associations are presented in Table 6. 8.

Table 6.8: Association between contractual remedies and social attributes

Associated attributes	Chi-square χ^2(df, N)	p value	Cramer's V/ Phi (φ)
Age and job security	$\chi^2(4,197) = 14.710$	0.005	0.266
Age and long term job contract	$\chi^2(4,197) = 19.050$	0.001	0.311
Age and codified sanctions	$\chi^2(4,194) = 13.727$	0.008	0.266
Marital status and job security	$\chi^2(2,204) = 7.346$	0.025	0.190
Marital status and career development	$\chi^2(1,195) = 3.976$	0.046	0.143
Education and professional bodies and codes of conduct	$\chi^2(4,204) = 16.652$	0.002	0.286
Education and long term job contract	$\chi^2(4,204) = 12.265$	0.015	0.245

χ^2=chi-square, df=degrees of freedom, N=sample size. Significance level (α) = 0.05, i.e. $p<0.05$

The results presented in Table 6.8 show some logical associations between various contractual attributes and some of the other social attributes, namely age, marital status and education. No statistically significant association patterns were observed between gender and the other social attributes. Separate associations were established between respondent's age and the importance placed on job security, long term job contract and codified sanctions. Although all respondents generally agreed that job security was an important remedy of agency problems, a close examination across the different age groups shows that more aged employees were much more concerned about job security than the less aged. The analysis shows that 67.2% of the respondents aged 30 years or less, 81.4% of those aged between 31 and 40 years, and 100% of those aged 41 years or above years strongly agreed that job security was an important remedy of agency problems. Similarly, it was noted that the more aged respondents placed more importance on long term job contracts and sanctions as remedies of agency problems.

Another association was established between the type of respondent's job contract (permanent or contract job) and the importance placed on the need for long term job contract in addressing agency problems. Results clearly show that respondents whose jobs were on contract basis indicated a higher level of agreement on the importance of giving employees long term job contacts than the respondents who had permanent job contracts. Analysis shows that 78.3% of the respondents with contractual jobs, compared to 58.5% of those with permanent job contracts, supported the use of long term job contract. This observation concurs with the existing literature which supports the use of long term contract to align employees or agents plans with those of their employers (e.g. Parkin et al, 2008). It was noted from the analysis of interviews (in Chapter 5) that some employers preferred the use of short term renewable employment contracts in order to keep employees or agents ‘worried’ about the possibility of losing their jobs when the next contract was renegotiated. Such short contracts were however normally tied to performance.

Association was also established between marital status and job security. Principally, all respondents agreed that job security was an important remedy of agency problems. Association results however show that 85% of married respondents, compared to 69% of unmarried respondents, strongly agreed that job security was an important remedy of agency problems. Marital status was also noted to be associated with prospects for career development. Results show that 59.1% of married respondents, compared to 44.1% of unmarried respondents, placed high importance on prospects for career development in checking agency problems.

Another pattern of association was noted between the level of education and the importance of professional bodies and codes of conduct, and between the level of education and the importance of long term job contract. In both cases, there was a high percentage of more educated (graduate and above) placing high importance on the two remedies of agency problem. For instance, whereas only 12.2% of the respondents whose educational level was less than that of a graduate agreed that professional bodies and codes of conduct were important remedies, 48.1% of graduate respondents were in support of these remedies. The main reason could be that most of the graduates are affiliated to professional bodies such as NCPS for valuers and land surveyors, ERB for engineers, AQSRB for architects and quantity surveyors. Most of the non-graduate respondents were not affiliated to any professional bodies. The associations observed between most of the attributes are not strong. This can be confirmed by looking at Cramer’s V and Phi (φ) values, all of which (except that between age and long job contract) are less than 0.3, implying small effect size.

6.4.4 Non-contractual remedies of agency problems

Respondents amongst employees also gave their opinion on various non-contractual remedies of agency problems. Similarly, the analysis of their opinion is based on mean and standard deviation scores. Like in other cases, respondents were asked to indicate their levels of agreement or disagreement with some statements about the importance of some selected non-contractual variables in motivating them not to engage in opportunistic tendencies at their places of work. The same set of non-contractual remedies given to principals was given to agents. Likewise, their opinion was measured using a five-point Likert scale i.e. 1.0 for ‘Strongly Disagree’, 2.0 for ‘Disagree’, 3.0 for ‘Neither Disagree nor Agree’, 4.0 for ‘Agree’ and 5.0 for ‘Strongly Agree’. Descriptive statistics results are presented in Table 6.9 (see next page).

Table 6.9: Importance ranking of agency non-contractual attributes

Attribute	Mean Score	Mean Score Ranking	Std. Deviation Score	Std. Deviation Ranking
Self respect	4.69	1	.555	1
Religious belief (spirituality)	4.57	2	.928	10
Trustworthiness	4.54	3	.682	5
Fear of social sanctions	4.52	4	.586	2
Altruism	4.49	5	.741	7
Social code of conduct	4.39	6	.786	8
Implications on social network	4.29	7	.592	3
Respect for taboos	4.29	8	.696	4
Respect for social norms	3.95	9	.721	6
Respect for customs and traditions	3.87	10	1.039	11
Respect for employer	3.72	11	.814	9
Analysis Number = 196				

Source: Analysis of questionnaire, 2011

From the descriptive statistics results in Table 6.9, it is clear that all the listed non-contractual variables seem to be important in constraining agents’ behaviour. Respondents ‘strongly agreed’ that self respect, spirituality, trustworthiness, and social sanctions are important factors in making them shun opportunistic tendencies at their places of work. Respondents also ‘agree’ that all the remaining factors are also important in motivating them to abide by their employment contracts. These findings are slightly different from those obtained in the analysis of principals’ opinion on the same remedies. Principals or employers placed slightly little weight on non-contractual remedies of agency problems compared to employees.

6.4.5 Association between other attributes and non-contractual remedies

Several patterns of associations were noted between non-contractual remedies of agency problems and various agents’ social characteristics namely age, marital status, gender and education. Chi-square (χ^2) at 0.05 significance level was used to determine the associations between the variables, and Cramer's V and Phi (φ) were appropriately used to determine the strength of the established associations. Only the results with statistically significant associations are presented in Table 6.10.

Table 6.10: Association between agent's social characteristics and non-contractual remedies

Associated attributes	Chi-square χ^2(df, N)	p values	Cramer's V/ Phi (φ)
Age and self respect	$\chi^2(2,193) = 9.048$	0.011	0.217
Age and respect from employer	$\chi^2(4,196) = 10.169$	0.038	0.161
Age and care for employer's welfare	$\chi^2(2,183) = 10.928$	0.004	0.244
Age and trustworthiness	$\chi^2(1,190) = 6.811$	0.033	0.189
Marital status and self respect	$\chi^2(1,200) = 5.956$	0.015	0.173
Marital status and social code of conduct	$\chi^2(2,187) = 9.194$	0.002	0.222
Gender and customs and traditions	$\chi^2(2,205) = 15.108$	0.001	0.271
Education and care for employer's welfare	$\chi^2(2,190) = 9.056$	0.011	0.218
Education and trustworthiness	$\chi^2(2,197) = 7.693$	0.021	0.198

χ^2=chi-square, df=degrees of freedom, N=sample size. Significance level (α) = 0.05, i.e. $p<0.05$

From Table 6.10 it can be seen that although respondent generally agreed that self respect was an important agency problem remedy, the degree of the remedy approval was noted to be associated with respondent's age. A larger proportion of the more aged respondents, compared to the less aged, strongly agreed that self respect was an important remedy. Analysis shows that 59.7% of those aged between 30 years or less, 76% of those aged between 31 and 40, and 87.1% of those aged between 41 and 50 'strongly agreed' that self respect was an important remedy of agency problems. Respondent's age was also associated with the importance placed on respect from employer as a remedy of agency problems. Similarly, although all respondents agreed that employer's respect was important, respondents aged 30 years or less seemed to be relatively less keen on this attribute. The level of importance placed on self respect as a remedy of agency problem was also noted to be associated with marital status. Results show that 78% of married respondents, compared to 61.8% of unmarried, strongly agreed that agent's self respect was an important remedy of agency problems.

Respondent's marital status was also observed to be associated with the importance placed on social code of conduct as a remedy of agency problems. Married respondents showed more agreement, compared to unmarried respondents, that employees' respect for social code of conduct was an important factor for their non-involvement in opportunistic tendencies. Results show that 64.5% of married respondents, compared to only 41.3% of unmarried respondents, agreed that employees' respect for social code of conduct was an important remedy of agency problems. Another association was noted between age and trustworthiness. Respondents within the 30 years and less age group showed relatively less agreement on the importance of trustworthiness in discouraging employees from engaging in opportunistic tendencies.

A relationship was also observed between respondent's gender and the degree of agreement of the importance employee's respect for customs and traditions in checking agency problems. Analysis indicates that 85.5% of the female respondents, compared to 76.2% of male respondents, supported that respect for customs and traditions was one of the reasons they refrained from opportunistic tendencies at their work places. The level of employee's education was also seen to be associated with the importance one placed on care for employer's welfare and trustworthiness as remedies of opportunistic tendencies. Respondents with less than graduate education level showed relatively less approval on the importance of both attributes. All the observed associations between the different attributes were not very strong. This can be observed from the corresponding small Cramer's V and Phi (φ) values, all of which are less than 0.3, thus generally considered to have small size effect.

6.4.6 Important factors when making decisions not related to job

A further test was carried out to determine whether employees or other agents behaved differently when making their workplace decisions and when making other decisions not related to their job. For this particular question, respondents were asked to indicate the degree of importance they placed on some behaviour constraints while making decisions which were not related to their jobs. Similarly, respondents were supposed to show their level of agreement with eight different statements, each containing a factor when making decision. Similarly, opinion was measured using a five-point Likert scale i.e. 1.0 for 'Strongly Disagree', 2.0 for 'Disagree', 3.0 for 'Neither

Disagree nor Agree', 4.0 for 'Agree', and 5.0 for 'Strongly Agree'. The results are summarised in Table 6.11.

Table 6.11: Importance ranking of attributes for non-work related decisions

Attribute	Mean Score	Mean Score Ranking	Std. Deviation Score	Std. Deviation Ranking
Self respect	4.77	1	.604	3
Trustworthiness	4.73	2	.572	2
Altruism	4.63	3	.534	1
Fear of social sanctions	4.44	4	.622	4
Legal implications	4.41	5	.781	6
Religious belief	4.40	6	1.073	7
Fear of taboos	4.33	7	.684	5
Respect for customs and traditions	3.80	8	1.101	8
Analysis Number = 203				

Source: Analysis of questionnaire, 2011

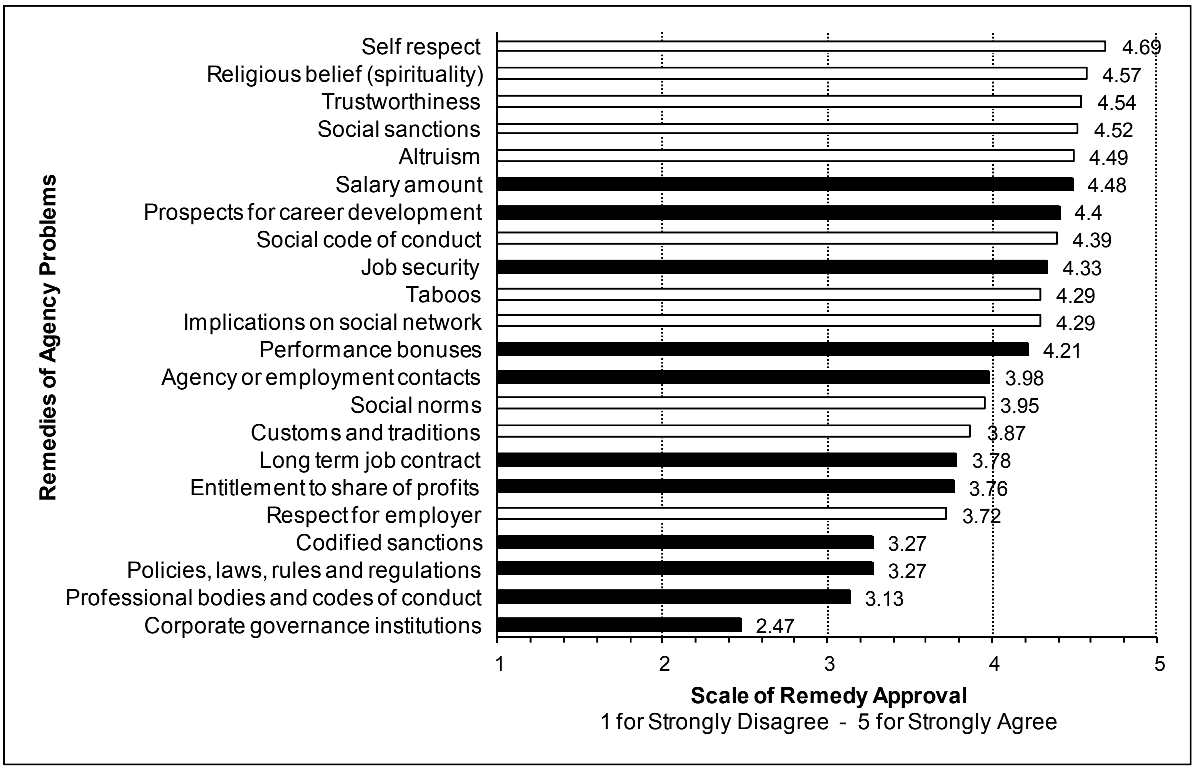
It is evident from Table 6.11 that there was no significant difference in the degree of importance placed by the respondents on the various factors when making job related decisions or when making other decisions. There were some small variations in some factors though. Whereas 'self respect' ranked first in both decision making scenarios, respondents seemed to strongly agree that spirituality, trustworthiness and social sanctions were other important considerations when making job-related decisions. They also agreed, not strongly though, that the other factors were also important. Apart from self respect, employees strongly agreed that trustworthiness and care for the interest of others were important when making decisions which were not job-related. Spirituality was slightly low ranked in non-job related decisions, which seems to be abnormal, but the mean score was not very different (i.e. only 0.17) and standard deviation was high, implying inconsistency in the respondents' opinion on the attribute.

6.4.7 Comparison of contractual and non-contractual remedies

Having considered contractual and non-contractual remedies separately, this section compares the two types of remedies in terms of their perceived importance as indicated by the respondents amongst employees and other agents. The results are summarised in Figure 6.2 (see next page). These results are further compared with those obtained from a similar analysis of employers and other principals (refer to Figure 6.1).

It is clear from Figure 6.2 that non-contractual remedies take the lead. In a combined treatment based on mean scores, the first five top remedies of agency problems constitute non-contractual constraints of human behaviour. The five remedies can only be administered by understanding the prevailing informal institutions in the society or community in question. Employees 'strongly agreed' that self moral values (trustworthiness and respect), spirituality, and social sanctions were important in addressing agency problems among them.

Figure 6.2 Agents' ranking of contractual and non-contractual remedies



Source: Analysis of questionnaire, 2011

Society's culture defines moral values upheld by the members of the respective society. Spirituality is also a key component of culture and has been cited by some authors (e.g. Al-Shaikh, 2003; Hanegraaff, 1996) to be one of the determinants of people's behaviour in many societies. Some authors (e.g. Neusner and Chilton, 2005; Saroglou et al, 2005; Bernt, 1989; Burhoe, 1979) also associate altruism with spirituality. Altruism has been strongly used by opponents of agency theory (e.g. Bathula, 2008; Casadesus-Masanell and Spulber, 2005; Temel-Candemir, 2005;

Ridley, 1996; Brennan, 1994) to water down the assertion that human beings are self-centred opportunists. The high mean score (i.e. 4.49) to the attribute ‘care for the employer’s welfare’ suggests that many employees have altruistic elements.

Contractual remedies dominate at the bottom, showing respondents’ low approval on their importance in constraining their behaviour at workplace. For instance, the last four remedies at the bottom namely, policies, laws, regulations, codified sanctions, professional bodies and codes of conduct, and corporate governance institutions, all constitute formal institutions. Respondents ‘disagreed’ that corporate government institutions were important in checking employees’ opportunistic tendencies. They were also neutral about the other three remedies.

These findings strongly suggest that formal institutions in Tanzania are still weak and less effective compared to informal institutions in constraining human behaviour. These results are different from those obtained in the analysis of principals’ opinions (compare Figure 6.1 and Figure 6.2). Respondents amongst employers and other principals generally consider contractual aspects of agency problems remedies to be more important than non-contractual aspects. This disparity in perception on the effective remedies of agency conflicts between employers and employees or principals and agents may partly explain the difficulties in addressing agency problems in the real estate investment activities in Tanzania. The disparity suggests that principals do not always know what can best motivate their agents not to behave opportunistically.

6.4.8 Employees level of satisfaction with their workplace status quo

The general level of employees’ satisfaction with their current jobs was tested. Respondents were asked to indicate their level of satisfaction with nine attributes related to their current jobs. Their opinion was measured using a five-point scale of mutually exclusive answers i.e. 1.0 for ‘Strongly Dissatisfied’, 2.0 for ‘Dissatisfied’, 3.0 for ‘Neither Satisfied nor Dissatisfied’, 4.0 for ‘Satisfied’, and 5.0 for ‘Strongly Satisfied’. Results are summarised in Table 6.12.

Table 6.12: Agents' level of satisfaction with status quo

Satisfaction attribute	Mean Score	Mean Score Remarks	Std. Deviation Score
Job	3.63	Satisfied	1.125
Salary	3.16	Neutral	1.162
Monetary incentives	2.98	Neutral	.876
Non-monetary Incentives	3.22	Neutral	.870
Job security	3.90	Satisfied	1.202
Career development prospects	3.70	Satisfied	1.082
Decision-making freedom	3.40	Neutral	1.149
Respect from employer	3.81	Satisfied	.984
Trust from employer	4.20	Satisfied	.720
Analysis Number = 203			

Source: Analysis of questionnaire, 2011

Table 6.12 shows that employees are generally satisfied with some aspects and neutral with others. Employees indicated to be satisfied with the respect and trust they get from their employers. They also seemed to be satisfied with their current jobs, job security, and career development. They were though indifferent about their level of satisfaction with the amount of salary they get, incentives (both monetary and non-monetary) and job related decision-making freedom. Neutrality on these aspects may partly explain the prevalence of agency problems in real estate investment activities, although it is also quite possible that even if employees had indicated to be satisfied with all the given aspects, they could for some other reasons still have been involved in agency problems. Various strands of literature (e.g. van Ees et al, 2009; Nagar et al, 2003; Aboody and Kasznik, 2000; Jensen and Kevin, 1990) advocate the use of incentives to mitigate agency problems. Other authors (e.g. Clarke, 2005; Coffee, 2004; Gibler and Black, 2004; Healey and Palepu, 2003) indicate failure of incentives in addressing agency problems.

A comparison of these results with employers' opinions on some aspects of their employees, shows some disparity between employees and employers level of satisfaction. Employers indicated to be generally satisfied with their employees, despite acknowledging that agency problem was still a serious problem with their employees. It is clear that employers need to be aware of some employees' aspects which are vital in explaining employees' opportunistic tendencies. Appreciating employees' concerns would help employers deal with agency problems more effectively.

6.4.9 Association between some attributes and satisfaction with status quo

The variables listed in Table 6.12 were also considered along with some agent's social factors which constrain human behaviour, namely gender, marital status, age and education. Other factors such as time in the job and type of the job were also cross-tabulated with respondents' level of satisfaction with their workplaces status quo. Table 6.13 summarises the results of the analysis. The results shown in the table are only those having significant associations.

Table 6.13: Association between agent's social characteristics and satisfaction with status quo

Associated attributes	Chi-square χ^2(df, N)*	p value	Cramer's V/ Phi (φ)
Gender and satisfaction with current job security	$\chi^2(2, 205) = 7.457$	0.019	0.191
Gender and satisfaction with decision-making freedom	$\chi^2(2,204) = 15.859$	0.000	0.272
Marital status and satisfaction with current job	$\chi^2(2,204) = 6.023$	0.049	0.172
Marital status and employer's trust	$\chi^2(2,201) = 14.335$	0.001	0.267
Marital status and satisfaction with career development	$\chi^2(2,204) = 9.717$	0.008	0.218
Marital status and satisfaction with monetary incentives	$\chi^2(2,204) = 9.053$	0.011	0.211
Marital status and satisfaction with current job security	$\chi^2(2,204) = 16.281$	0.000	0.283
Age and satisfaction with current job security	$\chi^2(4,197) = 20.193$	0.001	0.226
Age and satisfaction with current job	$\chi^2(4,197) = 13.855$	0.008	0.188
Age and satisfaction with career development	$\chi^2(4,197) =18.636$	0.001	0.217
Age and satisfaction with respect from employer	$\chi^2(4,197) = 9.952$	0.041	0.159
Age and satisfaction with employer's trust	$\chi^2(4,197) = 15.133$	0.005	0.197

χ^2=chi-square, df=degrees of freedom, N=sample size. Significance level (α) = 0.05, i.e. $p<0.05$

As presented in Table 6.13, chi-square results show significant association between some of the attributes and the respondents' level of satisfaction with some aspects related to current jobs. Respondent's gender was noted to be associated with the degree of satisfaction with job security and decision making freedom. In both associations, male respondents indicated to be more satisfied than female respondents. For instance, 78.3% male respondents compared to 69.4% female respondents, were satisfied with security of their current job. Similarly, 65.7% of male respondents, compared to 40.3% of female respondents, indicated to be satisfied with decision making freedom given by their employers. These findings may be supported by the fact that women in Tanzania still generally play little role compared to men in decision making, both at workplaces and in the society as a whole. The effect of the perceived women marginalisation could have instilled a feeling of job insecurity for some women, as indicated by findings of this study.

Respondent’s marital status was also noted to be associated with respondents’ level of satisfaction on a number of aspects, namely current job, career development prospects, job security, employer’s trust and incentives. Married respondents were generally more satisfied than single respondents. For instance, results show that 77.4% of married respondents, compared to 62% of single respondents were satisfied with current jobs. Similarly, 71.4% of married respondents, compared to 56.3% of single respondents, indicated satisfaction with prospects for career development in their current jobs. On the question of job security, 83.5% of married respondents, compared to 60.6% of single respondents, indicated satisfaction with security of their current jobs. Although all respondents showed to be very satisfied with the trust they get from their employers, the proportion of satisfied respondents was higher in married respondents (i.e. 95.4%, compared to 91.5%) for single respondents. Married respondents were however more dissatisfied with monetary incentives compared to single respondents. Results show that 47.9% of married respondents, compared to 29.3% of single respondents, were dissatisfied with incentives offered by their employers. Generally, these findings indicate that married employees are more reliable than unmarried employees, implying that the former are less prone to agency problems than the latter. These findings also concur with observations previously reported by other authors (e.g. Robbins et al, 2007; Lam et al, 2001; Niehoff and Paul, 2000).

More associations were observed between respondents’ age groups and the satisfaction with their current job, security of their current job, career development prospects at the present workplaces, trust and respect they got from their employers. The general trend of the results indicates that the level of satisfaction was directly related to respondents’ age groups. Except for career development, in which a larger proportion of the less aged indicated to be less dissatisfied than the aged ones, in all other aspects a larger proportion of the more aged indicated that they were more satisfied with the current state. Again, the findings seem to suggest that less aged employees (30 years or less, in this case) are more prone to agency problems in real estate investment activities than the more aged ones. The findings also concur with those reported in the analysis of interviews, in which young employees were reported to have been more frequently associated with opportunistic tendencies than aged employees.

6.5 Chapter summary

This chapter covered analysis of employers and employees questionnaires. Mean and standard deviation scores were used to rank both contractual and non-contractual remedies of agency problems in terms of their importance as perceived by the respondents. Results show significant disparity in perception on the importance and effectiveness of various agency problem remedies between employers and employees. The findings show that whereas employers accord more importance to contractual remedies, employees are generally of the view that non-contractual remedies are more effective in holding them back from opportunistic tendencies at their workplaces. Both categories of remedies were also cross-tabulated with other social attributes namely, age gender, marital status and education. Chi-square, with a 0.05 significance level (α), was used to establish association between the different attributes. Cramer's V and Phi (φ) were used to measure the strength of association between the attributes. Several remedies were noted to be associated with the other social attributes, although the strength of association was not high.

7 Findings, Conclusion and Recommendations

7.1 Introduction

This chapter presents findings of the study, conclusion and recommendations. Results of the analyses and discussions presented in the previous chapters are matched with objectives of the study and the corresponding research questions to draw conclusions and make informed academic and policy recommendations. This chapter also shows the contribution of the present study to the body of knowledge and in solving real life problems faced by investors, consultants and policy makers in the area of real estate investment, corporate governance and human resource management. Areas requiring further study are also presented in this chapter.

7.2 Findings

In a broad perspective, this study was based on institutions, both formal and informal, which underlie interactions in the real estate investment activities. The focus of investigation was real estate investment activities of some selected investors in Tanzania. The main objective of the study was to investigate agency problems in real estate investment activities and to determine the effectiveness of institutional remedies and other human behaviour drivers in mitigating the problems. In addressing this objective, four research questions were used. Sub-sections 7.2.1 – 7.2.7 present the findings for the research questions.

7.2.1 Property investment and the institutional environment

The history of real estate investment sector in Tanzania is clearly defined by the prevailing institutions of the time. The sector has reflected and mirrored the three different main institutional eras through which Tanzania has passed. The pre-independence period was mainly characterized by colonial institutions which to a large extent did not promote equity in urban development. The structure of the built environment of urban centres during the period clearly reflected racial and class superiority of people. The urban architecture, whose remnants are still evident todate, also reflected social classes. Government role in public housing sector was minimal. The few foreign banks mainly focused on financing merchandise and plantation businesses which were operated by foreigners. The period prior to independence was also characterised by colonial institutions and structures which did not support the majority of people, especially the natives, to take part in investment activities.

A few years after achieving independence in 1961, Tanzania started embracing a socialist ideology. In 1967, a major policy shift was made and through Arusha Declaration the country was officially declared socialist. The ensuing era was predominantly characterised by socialist institutions. The state controlled the economy, which sidelined the private sector. In the course of implementing the Arusha Declaration, a large number of private urban rental properties were nationalised. The state was the only key player in the property market sector. Most of the government initiatives in the real estate sector during this period were mainly aimed at addressing urban housing shortage. Socialist policies significantly attenuated private property rights, which consequently paralysed the real estate investment sector.

Persistent economic hardship experienced in the 1970s and early 1980s left the government with no option but to reconsider market economy policies. In the mid 1980s the government started implementing institutional reforms, which marked the third institutional phase. Institutional reforms are still on-going. During this period, many policies, laws, regulations and rules have been changed to pave way for market economy structures. In the course of implementing market economy policies, more than 300 state-owned enterprises have been privatized, which has significantly reduced government's active role in commercial activities. The real estate sector has substantially benefited from the reforms. Reforms have attracted pension funds and other institutional investors into the real estate sector. Foreign real estate investors are also gradually getting attracted. Commercial banks too have gradually started issuing finance for real estate development. The government still owns some enterprises, although most of them are those engaged in offering basic public goods and services.

The process of institutional reforms which is aimed at getting rid of inefficient institutions has not been smooth. Sometimes the process took a wrong approach. A number of authors (e.g. Williamson, 2009; Alonso, 2009; Tabellini, 2008) have, for instance, criticised institutional reforms in developing countries for concentrating on transplanting institutional responses which are observed to be efficient in developed countries, but do not match with the informal institutional framework of the host countries. The effect of superimposing foreign institutions could partly explain the failure of socialist institutions introduced in Tanzania after independence. It could also partly explain the ineffectiveness of some formal institutions introduced during the reforms period.

As a result, the government has from time to time been forced to amend pieces of legislation which received resistance from the society. Many pieces of land legislation have been under constant opposition from some section of the society, which put the government under pressure to change them. For instance, the Land Act No. 4 of 1999 and Village Land Act No. 5 of 1999, which are the principal pieces of land legislation in Tanzania, have been widely criticised by proponents of the Shivji Commission Report[7]. The government has made some changes to the statutes, but some stakeholders are still not satisfied.

Another huddle to institutional reforms is interference by influential people who would block any institution that endangers their personal interests. Sometimes inefficient institutions persist in the society to serve the interests of those with political power (Harriss et al, 1995; Eggertsson, 1990; North, 1990). The government of Tanzania has similarly been under constant public pressure calling for rewriting or repealing of some pieces of legislation, which are considered not to serve the wider interests of the society. This includes the long time public struggle to have the constitution rewritten. 40 pieces of repressive legislation were identified and recommended to be repealed by the Nyalali Commission[8] in 1992. More changes to legislation were recommended by the Kissanga Committee[9] in 1998. The government has been very reluctant to implement some of the recommended legislation changes.

The three institutional phases experienced by Tanzania clearly demonstrate how the real estate investment process is dependently connected to the prevailing institutional environment of the market setting in question. The level of real estate sector development in Tanzania over the three periods reflected and mirrored the prevailing

[7] Shivji Commission refers to the presidential Commission of Inquiry into Land Matters, formed in 1996. The Commission was chaired by Prof. Issa Shivji.
[8] Nyalali Commission refers to the presidential Commission of Inquiry into Political Party System (Mono or Multi Party System), formed in 1991. The Commission was chaired by Justice Francis Nyalali.
[9] Kissanga Committee refers to the presidential Committee on Government White Paper, formed in 1998. The Committee was chaired by Justice Robert Kissanga.

institutional environment. During the first two institutional epochs, the sector was dormant due to the insignificant presence of institutional and private investors in the market.

Despite some success recorded during reforms, real estate investment sector still lacks some important institutions. For instance, there are still no comprehensive institutions catering for investment performance and analysis. The investment performance measurements common in the market are too simplistic and could even be easily manipulated to portray results desired by investment managers. Return on Investment (ROI) is the investment performance measure used by pension funds and NHC. ROI is widely criticised for being a rudimentary measure. Some previous studies (e.g. Matotola, 2009; Mpogole, 2006; Geho, 2004) recommend the use of Total Returns (TR) measures such as Time Weighted Rate of Return (TWRR) and Money Weighted Rate of Return (MWRR). Despite the recommendations, the use of such Total Returns measures were, during this study, still not common with pension funds and NHC.

7.2.2 Catalysts of agency problems in real estate investment activities

It is clear that agency conflicts arise out of information asymmetry existing between principals and agents. The main assumption being that the agent, having more information than the principal, will use the opportunity to pursue own goals at the expense of the principal. Practice however suggests that this general assumption does not always hold water. Agents subjected to different situations would behave differently. The nature of the activity for which the agency agreement is created can also determine the extent to which the agent takes advantage of information asymmetry. This study has demonstrated how agency problems arise in real estate investment activities.

Real estate investment is a complex process involving a number of interrelated activities. Some of the common activities in the real estate investment process include land acquisition, feasibility studies, building designing, construction, marketing, renting, property management, investment appraisal and valuation. Normally, the different activities require different people with different professional backgrounds. The number and diversity of people required in the process is also a function of the size of the real estate investment project. For small family projects, members of families may be adequate to accomplish most of the activities, but for large scale undertakings engagement of outsiders becomes inevitable.

It was evident from the real estate investors covered in this study that real estate investment projects were both labour and capital intensive. Most of the activities also demanded much specialised skills and knowledge. The law was used in some cases to restrict some activities such as real estate valuation to be done only by registered and licenced professionals. It was also evident that a large number of principals, especially the ultimate investment owners, either did have little knowledge about real estate investment or did not have the knowledge at all. All these facts increased specificity of real estate investment activities, which as a result magnified information asymmetry, and thus the potential for agency problems. Principal's exposure to agency problems was high, and even the monitoring of agents' actions was difficult because of lack of expertise in what they were doing.

Owing to the complexity and labour intensiveness of the real estate investment process, large investors inevitably need to engage many people and firms to execute the various activities. Accordingly, all large real estate investors, such as pension funds, NHC and some foreign investors in Tanzania had been using different types of agents in their real estate investment activities. Common types of agents used by these investors were the in-house employees and external contracting parties such as property management firms, estate agents, building contractors, architects, government agencies, individual consultants etc. For each kind of these agents, a different agency relationship was created, triggering agency conflicts.

It was evident from this study that the extent of agency problems differed amongst the different employers and principals covered in the study. This reflected the effectiveness of remedies applied by the different principals, the nature of the activities, and the nature of the agents. A number of common catalysts of agents' opportunistic behaviour were revealed. Whereas most of the catalysts were exogenous to the agents, others were endogenous. Greed of individual agents was mostly cited to be one of the main drivers of agents' opportunistic tendencies. Weak controls and monitoring systems of some principals were cited to be some of such catalysts.

Loopholes in some laws and regulations, and the general lack of respect for such institutions were other important catalysts of opportunistic tendencies.

Some drivers of opportunistic behaviour originated from the deeds of principals. It was revealed that some agents reverted to opportunistic tendencies in protest of being unfairly treated by their principals. This was observed to be common with employees getting lower salaries than their expectations. Employees' salary expectations were based on comparison with salaries of their co-workers, similar employees in the sector, or their contribution to the earnings of their employers. The practice in the real estate industry had been to determine employees' salary by comparing with salaries of people with similar jobs in the market. This method of determining salary only helps the employer to retain the employees but not keeping them faithful. It was also not clear how some employers determined salaries for their employees. What was clear was that salaries paid by the employers in the real estate sector were not index-adjusted, which did not guarantee employees basic needs.

Efficiency wage theory provides that the productivity of workers in firms is positively correlated with the wages they receive (Krueger and Summers, 1988). Highly paid employees tend to have more job satisfaction and therefore work harder (Okpara, 2005; Okpara, 2004). The importance of sufficient salary was long emphasised by Adam Smith (1776), who stated that '…a man must always live by his work and his wages must at least be sufficient to maintain him…' Various studies (e.g. Niehoff and Paul, 2000; Hollinger and Clark, 1983) also show that financial hardships tempt employees' faithfulness.

Marginalisation of agents in decisions making was also seen to be a potential driver for agents' opportunistic actions. Agents' opportunistic actions were also noted to be aggravated by pressure from the society. It was reported that many employed people in Tanzania were under a heavy financial obligation imposed by the extended family culture. Sometimes agents, especially young employees, found themselves under pressure to maintain pre-marital relationships, some of which required money. It was also reported that some young employees could also not stand seeing their peers, mainly school or age mates, possess more valuable assets than themselves. Lack of secure social security system, coupled with generally low salaries was also found to contribute to employees' dishonesty to their employers.

The set up of pension funds and the discretion the government enjoyed in changing pension funds' legislation were also revealed to be catalysts of agency problems in real estate investment activities. With the current set up of pension funds in Tanzania, members cannot precisely determine the amount of pension they would get upon retirement. This is mainly contributed by the discretionary powers currently enjoyed by the government over the legislation governing pension funds. The government could at anytime change the legislation to suit the needs of the politicians in power. At times, the legislation change could be to the detriment of the members. With the current situation, there is no binding obligation placed on the government to pay out a predetermined sum of pension money to members. Although the pension funds seem to portray themselves as more of defined-benefits plans, their failure to guarantee stable income to pensioners make them look like defined contribution plans. Such government powers to change pension funds legislation, give room to the government and administrators of pension funds to mismanage the funds or invest the funds in sub-optimal investment avenues.

Lack of adequate knowledge about pension funds amongst their members was also noted to be another potential catalyst of agency problems. Despite having reasonable education (graduate), participants of FGDs, for instance, showed to have very little knowledge of what pension funds were and how they operated. This observation suggests that many members of pension funds knew little about the activities of their pension funds. The little interest in the affairs of pension funds by its members provided room to the sponsor (the government) and administrators (Boards and Managements) of the pension funds to pursue their own objectives by engaging in investment activities that did not always reflect the best management of members' funds. The sponsor and administrators apparently took advantage of members' docility to sometimes take on controversial investment projects. Owing to their capital intensiveness and lumpiness, real estate investment projects were cited to be the media for misuse and embezzlement of funds.

The problem of lack of knowledge was also observed in most of the real estate investors. The majority of the senior officials of the pension funds, for instance, did not have real estate expertise. Despite having few in-house staff with specialised real estate training, they did not make full use of them. Sometimes, real estate investors' officials without much knowledge of real estate issues were reportedly the ones in charge of negotiations and agreements with external contracting parties offering real estate services. This was very common with pension funds all of which did not have any real estate experts amongst management team members. This aggravated information asymmetry, and thus increased exposure to agency problems. The problem of lack of knowledge was also observed to face tender evaluation committees. Again, this was more serious in pension funds. Their tender evaluation committees did not always have people with adequate expertise on many aspects of real estate. Frequently, less competent officials were used in evaluating technical proposals submitted by real estate consultants. The use of less competent people increased chances of rejecting good proposals and accepting the bad ones.

It was also revealed that there was an emerging behaviour in the society which seemed to condone illegally obtained wealth, especially for the wealth illegally obtained from one's employer or business partner. This is compounded by another revelation that some agents, especially employees, got involved in opportunistic tendencies in compliance with group norms and culture at their workplaces. This suggests moral decay in the society and is a signal that informal institutions were also somehow ineffective in checking opportunistic tendencies in the society. On the other hand, agents' dishonesty, especially cheating, was attributed to stiff competition in the job market.

7.2.3 Forms of agency problems in real estate investment

As many strands of literature (e.g. Rebernik and Bradac, 2006; Popov and Simonova, 2006; Aubert et al, 2003; Cieleback, 2004; Williamson, 1985) suggest, agency problems take many forms such as shirking, carelessness, falsehoold, larceny, fraud, free-riding, cost-padding, exploitation and negligence. This study has identified a list of common forms of agency problems in the real estate investment operations of some selected investors in Tanzania. Shirking, carelessness and lack of maximum job commitment are some of the forms of agency problems which were reported to be very commonly associated with agents in the real estate investment activities.

Many forms of cheating were also widely reported. Overstatement of agents' qualifications and capacity while applying for jobs was one of the very common forms of cheating. This was noted to be common for both individuals applying for jobs and consultancy firms tendering for jobs to provide various real estate services. Cheating was also observed in unreported or intentional delayed reporting of property lettings or sales. Other forms of cheating were overpricing supplies, submitting forged invoices and reports, procuring sub-standard materials, delaying cash banking and manipulating currency exchange rates in order to appropriate exchange gain. Other agents inflated maintenance budgets for buildings, plant and machinery, etc. Cases of asset theft by employees were also reported.

Graft was also revealed to be quite common especially amongst employees of the pension funds and NHC and some private real estate consultancy firms. Fulfilling of political interests and promises using principals' resources was also found to be a common concern. This problem mainly entailed politicians and senior government officials informally interfering with pension funds operations. Owing to their labour and capital intensiveness, some real estate investment projects undertaken by pension funds were noted to have been associated with corruption. Similarly, NHC real estate investment operations were also highly vulnerable to politicians' and senior government officials' interference.

It was also revealed that some agents disclosed principals confidential information for their personal gain, or just carelessly. These cases were particularly common in competitive tendering of jobs announced by pension funds and NHC. Some unfaithful employees were reported to secretly share important inside information with potential bidders. Some agents also did not disclose conflicts of interests in some activities they were assigned to perform by their principals. This resulted into underperformance or sabotages. Conflicts of interest sometimes also resulted into some employees redirecting clients to their secret companies in which they had (conflict of) interests. Another observation was that, many agency and employment contracts were incomplete or vague, which gave agents discretionary powers to decide on some matters.

It was also evident that foreign real estate investors were practically dependent on TIC services. One of the ways foreign investors could own land in Tanzania was through TIC. Foreign investors also got some information on land availability from this government agency. Despite the efforts made by TIC and other government agencies to facilitate investment activities in the country, there were many complaints from investors. These complaints mainly took the nature of imperfect commitment. Investors complained that TIC and other government departments either did not fulfill their promises at all, or they did not do it in time.

The set-up of pension funds in Tanzania was also noted to allow many agency problems. The government was seen to have been using its powers to manipulate the pension system in order to be able to exercise control of investment operations and financial management of pension funds. This automatically made the government a major source of agency problems in the investment operations of pension funds. Real estate related investment decisions were reported to be one of the main media through which the government pursued its opportunistic tendencies. The opportunistic tone set by the government and politicians on pension funds operations had a trickle-down effect, which intensified agency problems. Many authors (e.g. Drucker, 2007; Schwartz et al, 2005; Niehoff and Paul, 2000) agree that whatever the tone the senior management sets, it will have a trickle-down effect on employees of the company. Similarly, the tone set by government officials and politicians has a trickle-down effect in the ranks of public corporations. If the tone set by such officials does not uphold ethics and integrity, agents or employees would also be inclined to uphold the same values, and vice versa.

Although agents were the central focus of agency problems, it has also been revealed in this study that principals were also in some circumstances responsible for similar problems to their agents. It was evident that some principals interfered with agents' duties, which undermined agents' interests and reputation. Some principals also did conceal some information from their agents when negotiating agency agreements, which gave the principals leverage of taking advantage of information asymmetry.

It should however be emphasised that some of the forms of agency problems noted to be common in the real estate investment operations of the selected investors in Tanzania may not necessarily be common in other market settings, especially in those settings with strong institutions and technological advancements. Some of the problems may also not be common in some societies whose informal institutions are more effective in discouraging opportunistic tendencies and illegally obtained wealth amongst its members.

7.2.4 Techniques used by principals to address agency problems

Literature provides different ways of dealing with agency problems. The effectiveness of the various remedies of agency problems is however a function of many factors, including the prevailing institutional environment. Accordingly, not all remedies were applied by the principals in the investigated real estate investment operations in Tanzania. Different categories of remedies were identified to be common in real estate investment activities. One category was for those remedies aimed at dealing with adverse selection problems, and another category was for those remedies meant to address moral hazard problems. Other remedies were those aimed at addressing the problem of imperfect commitment. Performance bonds were normally used by public institutions i.e. pension funds and NHC to deal with agents' imperfect commitment issues.

To address problems of adverse selection in the recruitment of employees, employers performed a thorough search of prospective employees to obtain comfort about the information provided to them by the earmarked job applicants. This was done through authenticity verification of all important documents presented by the job applicants. In this exercise, the authorities which issued the documents were consulted. Employers also carried out career goals and salary needs assessment of each job applicant. Job applicants were also required to identify their referees, who were then contacted and requested to give their comments on the applicant's personal conduct. In some cases, employers sought the comments of other people apart from the referees suggested by the job applicants. It was also noted to be very common especially for private firms to request heads of university academic units or individual academicians to propose some names of suitable fresh graduates who could be invited for job interviews.

Normally, many employers gave their new employees probationary periods prior to their confirmations. This gave employers more time to assess the employees. Other employers, in addition to probation, also preferred renewable short-term job contracts to permanent job contracts. This was to ensure that employees did not engage in undesirable behaviour for fear of not getting a job contract renewal. Similar techniques were also applicable to other agents, apart from employees. Some employers also considered some social attributes of the job applicants. Some of the common social attributes taken into account were age, marital status, gender and the level of education. These attributes were found to be important in determining agents' proneness to opportunistic tendencies at places of work. Literature associates some social attributes such as gender, age, marital status and education with job satisfaction (Mohammad et al, 2010; Salami, 2008; Wagner and Ruth, 2000; Pollard, 1994). Employees or agents with high job satisfaction are less likely to engage in some forms of opportunism.

In dealing with moral hazard problems, employers used a number of remedies. Agency or employment contract was the most common remedy. Most of the principals or employers did have written contracts with their agents or employees. The contracts normally stipulated the terms, duties, rights and obligations of the parties. This was however not common with some employers, who only gave their employees simple letters of job offers. To supplement the simple letter, some employers had written codes of conduct with which employees were obliged to comply. Other employers did not have written contracts with their employees altogether. This was particularly common with small consultancy firms. Enforcement of such oral contracts largely depended on the prevailing informal institutions (norms, social sanctions, social networks, moral values, etc). Employment contracts also stipulated the amount of salary, benefits and other incentives to which the employee was entitled. The amount of salary and other incentives were found to be important remedies used by employers to deal with agency problems. A few employers were also keen on professionally and friendly treating their employees in order to win their loyalty.

Other remedies of moral hazard problems were mainly of control and monitoring nature. Some principals demanded their agents to submit regular (daily, weekly and monthly) job reports. The reports were then reviewed for any abnormalities. Employers or supervisors also sometimes paid surprise visits to sites and branch offices. They also carried out surprise cash check. To avoid deliberate late banking of cash or exchange rate manipulation by agents, clients were advised to make all payments through banks. It was also common practice to frequently swap agents between different work stations. This was to ensure that employees did not spend a lot of time in one job station, which might have attracted establishing fraudulent networks with sub-contractors, suppliers, or clients. Principals also maintained regular communication with sub-contractors and clients to ensure that they received professional treatment from agents.

In some buildings systems of security cameras (CCTV) were installed. This was done to check the actions of both employees and outsiders. The cameras were positioned to record activities occurring in sensitive areas. Rooms where vulnerable and valuable assets such as plant and machinery were placed, were some of the areas fixed with such surveillance equipment. Some principals used quantity measuring metres to record supplied and used up quantities of consumables such as water, fuel, and electricity. In rare cases, some computer hardware and software were used to enhance security to buildings, plant and machinery. Computer software was also used by some foreign investors to track and manage financial entries made by agents on daily basis. Due to high initial and operational costs of most of the sophisticated equipment and software, the use of security guards was common in most of the properties.

In some rare cases it was reported that some employers offered shares to some of their employees. This was reportedly done in an attempt to retain some good employees. The percentage of shares offered to such employees was however very small, and in some cases employees rejected such offers because they were given to them when they had already given their employers notices of quitting their jobs. Sometimes employees were given shares to align their goals with those of other company owners. Whereas shares may align goals of employees with those of their employers, they need to be valuable in terms of their potential for dividends and capital growth. Agency theory literature supports selecting agents on the basis of goal alignment mechanism (e.g. Bathula, 2008; Aubert et al, 2003; Davies et al, 1997; Eisenhardt, 1989). The main argument is that, when agent’s goals are aligned with those of the principal, agency conflicts would cease to exist. The consistency of the agent's interests with the principal's objectives motivates the agent to dedicate his or her efforts to the principal's interests (Basu and Lederer, 2004). The importance of goals alignment is also propounded by the proponents of stewardship theory, who argue that employees derive greater utility from satisfying organisational goals than through self-serving behaviour because organisational success also satisfies the personal needs of the employees (Davies et al, 1997).

7.2.5 Informal institutions in mitigating agency problems

It was posited in the present study that, like formal institutions, informal institutions were equally useful in discouraging agents' opportunistic behaviour. From the evidence gathered in this study, it can affirmatively be argued that informal institutions are indeed useful in discouraging agents' opportunistic tendencies. It was revealed that principals were quite aware of the role of informal institutions in mitigating agency problems. Some employers were very keen on non-contractual remedies of agency problems. This was evident in employees' recruiting procedure, which involved among other things background search focusing on non-contractual aspects such as trustworthiness, self respect and similar aspects related to job applicants. Job applicant background search conducted by employers entailed obtaining comfort on most of the aspects suggested in the literature. According to Greaver (1998), for instance, the information principals normally collect during recruitment include agent's financial situation, reputation, strengths, cooperation with clients, superior performance, management capabilities, and commitment to continuous improvement, transition experience, trust, security and confidentiality, positive attitude, good cultural fit, flexibility, cost-consciousness, willingness to share cutting edge knowledge, and shared approach to problem solving.

Similarly, results of a survey on the perception of both employers and employees on the importance of various attributes of informal institutions in mitigating agency problems show that, informal institutions were accorded some importance by both principals and agents. Although both employers and employees principally agreed on the importance of informal institutions, employees indicated more approval of the institutions in holding them back from opportunistic tendencies at their places of work. It was however also noted that, over the recent years some section of the society was increasingly becoming more lenient with illegal means of obtaining wealth and other undesirable behaviour of employees such as late arrival and early departure at workplaces, unnecessarily long lunch breaks, leaves of absence, use of employers assets for private purposes. This tendency somehow suggests failure of informal institutions in checking opportunistic tendencies.

The level of informality was found to be high in real estate investment activities. For instance, exclusive use of informal institutions was observed in some employers amongst small real estate consultancy firms. Such firms did not have any written employment contracts with their employees. Some of these employers did not even pay their employees regular salaries nor did they remit pension contributions for their employees. Such employment contracts guided by unwritten (informal) rules and norms were however generally considered to be not very binding by both parties. Jobs in such firms were widely considered to be insecure and the employees remained uncertain as to how much salary they would receive and when they would actually get it. As a result, employees' turnover in such firms was very high. It was however also observed that some employees in such firms were happy and did not have any immediate plans to leave their employers for more formal jobs. Some of such employees confirmed to have been with such firms for many years. Some of the employees were also noted to have been switching between similar employers.

7.2.6 Comparison of formal and informal institutions

It was also posited in this study that, in the absence of strong formal institutions, informal institutions become effective and replace the role of formal institutions. A similar position is taken by North (1992) who suggests that formal rules and informal norms can either compensate or substitute for each other. The findings of this study give non-conclusive evidence. From the survey, it is clear that agents' behaviour is shaped by both formal and informal institutions. There is no compelling evidence showing that either of the institutions was more important than the other. The results show that, despite agreeing that informal institutions are important in dealing with agents opportunistic tendencies, a large number of employers consider formal institutions to be important than those who indicated that informal institutions were important. Performance bonuses, amount of salary, prospects for career development and job security were the formal or contractual institutions on which many employers strongly agreed as important remedies of agency problems. This was also evident in the common remedies noted to be used by most of the principals. Most of the remedies used were those based on formal institutions. Social sanctions and norms were the two informal or non-contractual institutions which were considered by many employers to be important remedies of agency problems.

On the other hand, despite acknowledging the importance of formal institutions, a larger number of employees strongly indicated that informal institutions were important in holding them back from opportunistic tendencies at their workplaces, than those who viewed formal institutions to be important. Fear of social sanctions, compliance with spiritual beliefs, and moral values (self respect and trustworthiness) were the core aspects of informal institutions which got strong approval by a majority of employees as important remedies of agency problems. Many employees also strongly agreed that altruism i.e. unrewarded good action for the sake of another person, was an important factor that motivates them to shun opportunistic tendencies at their places of work. A large number of employees also strongly agreed that the amount of salary was an important contractual attribute in determining their behaviour towards opportunistic tendencies. All in all, this revelation underscores the importance of informal institutions in dealing with agents' opportunistic behaviour, despite the marginal importance given in the agency theory literature.

It was clear that both employers and employees also agreed that some formal institutions such as government enforced policies, laws, regulations and rules were ineffective in dealing with agency conflicts. Employers and employees also showed a general disapproval that corporate governance institutions were effective in checking agency problems. The problem of weak corporate governance and other formal institutions in developing countries is widely reported in the existing literature (e.g. Williamson, 2009; Nganga et al, 2003; Ebohon et al, 2002; de Soto, 2000). It was also noted that the society had started tolerating some evil deeds, which suggests failure of some informal institutions in dealing with social vices. These findings are likely to be relevant to most of developing countries due to weakness of prevailing formal institutions.

7.2.7 Association between institutional attributes and social attributes

Both informal and formal remedies of agency problems were cross-tabulated with other social attributes, namely age, gender, marital status and education. Several remedies of agency problems were noted to be associated with such social attributes. Agent's age was found to be associated with the degree of approval agents placed on the importance of 'self respect, trustworthiness, principal's respect to agent, job security, codified sanctions, and length of job contracts' in dealing with agency problems. More aged employees strongly agreed that these attributes were important remedies of agency problems. Agents' marital status was also observed to be associated with the level of importance agents placed on 'self respect, respect for social code of conduct, career development prospects, and job security'. Results show that more married employees agreed that the institutional attributes were important remedies of agency problems, compared to unmarried employees.

There was also a relationship between agents' gender and approval for 'respect for customs and traditions.' Results indicate that female agents approved this remedy more than male agents. The level of agents' education was observed to be associated with the importance of 'altruism, trustworthiness, professional bodies and codes of conduct and length of job contract' in dealing with agency problems. Agents with less than graduate education level showed relatively less approval on the importance of all of these attributes.

Further analysis came up with more patterns of association between different attributes. For instance, some interesting relationships were observed between some agents' social attributes and level of agent's satisfaction with their current jobs and other aspects related to their current jobs. Gender was found to be associated with the degree of satisfaction with job security and decision making freedom enjoyed by the agent. In both cases, male agents indicated to be more satisfied than female agents. Marital status was also found to be associated with the level of satisfaction on such aspects as current job, career development prospects, job security, employer's trust, and incentives. Married agents were generally more satisfied than single agents. Generally, these findings indicate that married agents are more reliable than single agents, implying that the former are less prone to agency problems than the latter.

Association was also noted between employees' age and the level of satisfaction with their current jobs, security of their current job, career development prospects at their present workplaces, trust and respect they got from their employers. The general trend of the results indicates that the level of satisfaction was directly related to agent's age. Except for career development prospects, for which a larger proportion of the less aged agents indicated to be less dissatisfied than the aged ones, in all other aspects a larger proportion of more aged agents indicated to be more satisfied with status quo. Again, the findings seem to suggest that less aged agents (30 years or less, in this case) are more prone to agency problems than the more aged agents.

Another association was established between the type of respondent's job contract (permanent or contract job) and the importance placed on the need for long term job contract in addressing agency problems. Results clearly show that agents whose jobs were on contract basis indicated a higher level of agreement on the importance of long term job contacts than the agents who had permanent job contracts. This observation concurs with the existing literature which supports the use of long term contracts to align agents' plans with those of their principals. The use of long term job contracts as a remedy of agency problems is widely supported in the existing literature (e.g. Parkin et al, 2008; Rebernik and Bradac, 2006; Aubert et al, 2003). All of the patterns of association observed between the different attributes can be important in dealing with agency problems.

7.3 Conclusion

It is evident from this study that, unlike many other investment activities, real estate investment activities require specialised skills and knowledge, of which most of the investors and their senior managers in Tanzania do not have. Besides, owing to the infancy of market and corporate governance institutions, investment activities take place in a market setting which is shrouded with imperfect information, making most of the activities less transparent. Agency contracting under this environment is highly affected by information asymmetry, which increases incidents of agency conflicts. Existence of attenuated legal and economic property rights further complicates agency contracting. Using the agency theory perspective, this study demonstrates how agency conflicts culminate into sub-optimal investment activities. The study also reveals the different forms of agency problems which are common in real estate investment activities, and the techniques applied in mitigating them.

By testing the effectiveness of institutional remedies of agency conflicts in real estate investment activities, this study demonstrates the importance of informal institutions in agency theory modeling. The study shows that human beings, contrary to agency theory presupposition, are not always opportunistic and self-centred. Apart from formal incentives, it is evident from this study that agents are also capable of being motivated by principals' honesty, equity, transparency, trust, respect, and sincerity. It is also clear that altruism, spirituality, social sanctions, taboos, social networks, among others, are important constraints of agents' behaviour. All these findings underscore the complexity of human behaviour. They also underline the role of both formal and informal institutions in shaping human behaviour. Any attempt to constrain the behaviour of any human being, must therefore take into account all the important variables which are responsible for shaping the respective individual. It is thus inevitable to use both formal and informal institutions to effectively mitigate agency conflicts in real estate investment activities. Similarly, even the on-going institutional reform process must ensure that the newly formulated formal institutions map onto the logic of the society's ingrained informal institutions.

It is also clear from this study that the government which is supervising institutional reforms is also one of the main opportunistic agents. A number of real estate projects manifesting government opportunism have been revealed. The powers and benefits enjoyed by the government over pension funds and NHC investment decisions are suggestive of how difficult it could be changing inefficient institutions in the society. It is unlikely that the government would easily relinquish its powers in controlling pension funds. The current institutional set up of pension funds empowers the government to force pension funds to finance certain government's projects. Pension funds have, for instance, been dragged into financing the construction of multi-billion buildings for public institutions such as higher learning institutions and public servants' housing. Similarly, some of NHC real estate projects are apparently undertaken to fulfill politicians' and senior civil servants' needs. This was observed in some new housing projects being carried out in sub-prime locations where some influential politicians apparently had some interests. Other sub-optimal decisions made by NHC include allocation or sale of rental houses located in prime area to some influential people or their relatives. Such opportunistic actions by people in power have attenuated the process of institutional reforms thereby making agency problems mitigation a daunting task.

Foreign real estate investors have also had problems starting up or running their projects. This has partly been contributed by opportunistic actions by different agents involved in convincing the investors into the country and into particular investment activities. Again, the government through its agencies and officials, is blamed for opportunism which has manifested itself mainly in the form of imperfect commitment, bureaucracy and corruption. On the other hand, local real estate consultants have also played an important part in opportunistic tendencies against foreign investors. Cultural (informal institutions) differences between foreign investors and the local community also presented some problems in the pursuit of real estate investment activities.

This study enriches institutional theory literature by presenting evidence supporting the role of informal institutions in constraining human behaviour. The evidence was gleaned from a developing country setting, which is representative of the settings that are dominated by informality and nascent formal institutions. Nascence of formal institutions has forced societies in such countries to continue heavily relying on informal institutions in monitoring people’s interactions. This is a pioneer study based on agency theory which focuses on real estate investment institutional framework of Tanzania. Its findings are the first to be reported in the real estate investment sector in Tanzania. The findings may also be relevant for some similar settings. Similarly, although the study is based on real estate investment activities, some of its findings may be useful to a wider spectrum of investment activities, especially those taking place in similar developing countries. Apart from academic contribution, the findings of this study also have an implication on real estate investment decision making, formulation of employment policies, drafting of agency or employment contracts, and devising of agency problem remedies packages.

7.4 Recommendations

7.4.1 Mapping institutional reforms onto the prevailing informal institutions

In addressing the inefficient real estate investment institutional framework, both inefficient formal and undesirable informal institutions must be replaced. There are still many aspects requiring the attention of institutional reforms. More institutions, in terms of policies, laws, regulations and rules are required to address such issues as corruption, absence of markets of indirect property investment vehicles, rudimentary investment performance measurements, wasteful competition amongst consultants, unprofessionalism and dollarisation of the prime property market etc. The introduction of the new institutions should not however fall into the trap of mimicking the development path taken by the developed countries. This would disregard the native informal institutional framework. The institutional reforms should take advantage of the good prevailing informal institutions by ensuring that the newly formulated formal institutions incorporate and reflect the prevailing informal institutions.

7.4.2 Application of informal institution remedies

Informal remedies are a response to the prevailing informal institutions governing people’s interactions. Different societies have different informal institutions. Similarly, different sub-societies or social groups have different informal rules and norms. Unlike formal institutions, informal institutions are harder to identify, partly because their rewards and penalties are less well articulated and partly because they may be highly specific and idiosyncratic responses to the conditions of a determined social group (Alonso, 2009). Complexity of informal institutions is also acknowledged by North (2005) who admits that informal institutions are not amenable to deliberate short-run change and the enforcement characteristics are only very imperfectly subject to deliberate control. This makes it difficult to devise universally applicable informal remedies of agency problems.

It is, however, important for principals in real estate investment activities to appreciate the role of informal institutions in dealing with agents’ opportunistic tendencies. This will enable them devise, and sometimes improvise, informal remedies which are compatible with their environment. Employers, for instance, could promote corporate environment and culture which uphold honesty, equity, transparency, trustworthiness, respect, altruism, hardworking, loyalty, responsibility and citizenship. They should also apply both formal and informal means to openly discourage social vices such as greed and dishonesty etc.

Similarly, the observed associations between different agent's behaviour determinants could be useful to principals when selecting agents especially for jobs which are more vulnerable to agency problems. It has generally been observed that, female employees, aged employees and married employees are less prone to opportunistic tendencies than male employees, young employees, and unmarried employees. Such an insight could be used as one of the criteria to be used by principals when selecting agents. Care must however be taken to ensure that agents are not selected only on these criteria. Human beings are dynamic and so is their behaviour. Not all female employees, married or aged, would behave in a similar way all the time in different situations. As such, principals should ensure that they assess their agents using multiple criteria.

7.4.3 Enhancing property market transparency

Several steps should be taken to address property market opacity. Addressing market opacity will provide a suitable environment for dealing with agency problems in real estate investment activities. Below are the steps which are considered necessary to achieve property market transparency for Tanzania.

7.4.3.1 Strengthening corporate governance institutions

It is clear from this study that corporate governance institutions have played little role in mitigating agency problems in the real estate investment activities in Tanzania. This is partly contributed by the absence of the appropriate corporate governance institutions. It is also contributed by the overall less respect for formal institutions in the society. It is however clear that the real estate industry lacks vibrant institutional machinery to enforce even the existing rules and regulations. Professional bodies such as TIVEA and IST have not been active enough to spearhead good governance in the industry. Their presence can hardly be felt, even by their own members. TIVEA, for instance, has for some recent years not even been able to hold its regular constitutional annual meetings. NCPS has similarly also not been very active, especially in terms of issuing comprehensive professional guidelines and standards that reflect contemporary challenges and needs.

It is important that corporate governance institutions are introduced to supplement the existing and proposed institutions. Having comprehensive corporate governance institutions in place would raise investors' confidence. Stakeholders in the real estate industry in Tanzania should consider putting in place the necessary structures by way of introducing specific corporate governance institutions for the industry. All large investors would then have to be obliged to abide by the corporate governance codes and principles. All pension funds investing in real estate, National Housing Corporation, private real estate investors, real estate professional bodies (such as TIVEA and NCPS) and trade unions should spearhead the formation of the institution to enforce and oversee corporate governance in the real estate industry. In the presence of effective corporate governance structures in the real estate industry, complaints about suspicious or suboptimal real estate investment transactions done by the management of the corporations investing in real estate would also be minimised. Corporate governance institutions would also make investigations of fraudulent or opportunistic actions by managers or board members much easier.

Tanzania could similarly take advantage of the already existing institutions developed in other countries. For instance, the codes and principles developed by ICG of Germany could also be useful in other markets which face similar problems to which the German real estate market was facing prior to instituting such measures. Although the property market in Tanzania is still not well developed, the sector could still significantly benefit by drawing on the experience from ICG. Real estate professionals in Tanzania should also be encouraged to become RICS members. Students in the fields of real estate should be encouraged to apply for RICS student membership. This would make it easier for them to upgrade to full membership upon attainment of relevant professional qualifications. Ardhi University should apply for re-accreditation of its courses. This would provide access to RICS resources for both professional members and student members. Association with RICS would also increase professional standards amongst local practitioners, which would increase confidence of the international clientele. Similarly, in the wake of economic and political integration of East African countries, efforts should be aimed at establishing institutions similar to INREV and EPRA which would cater for the regional real estate

7.4.3.2 Intensifying research and training activities

Some issues of agency problems in the real estate industry in Tanzania could be addressed through research and training. Increasing research and training activities on corporate governance and human resource management in the field of real estate could help reduce some of the problems. Through research more feasible techniques of dealing with agency problems in real estate investment activities could be devised. Research could also be useful in policy making. Training opportunities could also be arranged for various groups of stakeholders ranging from executives to technical operatives. Business ethics education should also be expanded to cover interactions in real estate activities. Business ethics education should also be mainstreamed in the curricula of all learning institutions. Some ethical issues noted in the real estate investment activities were also noted to be partly a result of moral decay in the entire society. Besides introducing ethics in the curricula of learning institutions, it is also important that the process of re-writing the Constitution of Tanzania which is underway explicitly imposes high ethical requirements on senior political leaders and civil servants. This will eliminate the current norm of regarding such leaders as individuals who are ‘above the law’. If senior politicians and civil servants observe ethics, it is likely that other citizens will follow suit. The trickle-down effect of the tone set from above in corporate set up should also apply in a large society set up when it comes to restoring ethics in Tanzania.

Undertaking research and training activities may however be hampered by financial constraints. It should be in the interest of real estate investors and consultancy firms to fund various research and training activities. Apart from the government, pension funds and National Housing Corporation are some of the main beneficiaries of a more transparent real estate market who must be engaged in funding research and training which is aimed at improving transparency and professionalism in the real estate industry. There are also few foreign institutions which could potentially be strong partners in research and training in the real estate related disciplines. Some of these institutions include the Royal Institution of Chartered Surveyors (RICS) of the UK and IREBS Foundation for African Real Estate Research of the University of Regensburg in Germany.

RICS has already funded several research projects in Tanzania and other countries in Africa. Similarly, IREBS Foundation which was established in 2010 has also already financed several activities such as co-sponsoring AfRES annual conferences, offering full scholarships to two M.Sc. Real Estate students at Ardhi University, sponsoring two Best Paper Awards for papers presented at AfRES annual conferences, offering travel grants to participants of various conferences organised by real estate societies which are under the umbrella of the International Real Estate Society (IRES). IREBS Foundation has also been involved in searching for industrial training placements in European real estate firms (e.g. at Tishman Speyer in London) for young African academics.

Funding academic exchange and researchers' short stays in Africa or Germany are other activities for which IREBS Foundation can provide funding. This should be a good opportunity for African universities to benefit from expertise already developed in Germany. Academics from the International Real Estate Business School (IREBS) of the University of Regensburg could be requested to visit African universities offering real estate education to conduct lectures or facilitate in workshops and seminars for subjects that the African universities have yet to develop capacity. Issues of corporate governance, ethics and sustainability in real estate are some of such areas that academic support from IREBS may be sought. Joint research activities between German and African academics can also be funded by IREBS Foundation. IREBS Foundation is also a co-sponsor of the Journal of African Real Estate Research.

Emerald and IPD are other potential international partners in both basic and market research. Emerald, one of the world's leading publishers of real estate and management journals, has over the recent years shown interest in African real estate related research activities. In 2010, the publisher produced a special issue of one of its journals (namely, International Journal of Housing Markets and Analysis, Vol. 3, No. 3) in which only papers covering African markets were published. Besides, Emerald has also been sponsoring the Best Paper Award for a paper focusing on housing which is presented at AfRES annual conferences. Similarly, IPD has also been sponsoring the Best Paper award for papers focusing on property investment and finance presented by university students at AfRES annual conference. IPD has also over the recent years shown keen interest in carrying out joint research activities with local real estate experts and practitioners in some African countries. Deutscher Akademischer Austausch Dienst (DAAD) is also one of the potential benefactors of research activities.

7.4.3.3 Establishing investment performance measurement institutions

Many problems of moral hazard nature could be addressed using performance standards, benchmarking, and performance based payment. Establishment of well defined level of performance with clear criteria, controlled regularly, and with benchmarking providing information on performance of similar activities are the important steps (Basu and Lederer, 2004; Aubert et al, 2003; Greaver, 1998). The real estate sector in Tanzania lacks comprehensive performance measurement tools for both investment and investment managers. It is thus important to establish investment and managers' performance institutions. The institutions would also be helpful in determining amounts to be paid to the agents.

To enhance objectivity in real estate investment measurement and reporting, there is a need to establish an institution that would independently produce performance benchmarks and indices. Availability of property indices would improve transparency in the real estate market, and thus reduce agency problems. In the presence of comprehensive investment performance measurements, the performance of agents responsible for real estate investment decisions would be more objectively and accurately evaluated. An institution providing investment performance benchmark would also address other problems facing real estate investors in Tanzania.

Establishing such an institution may also be achieved in cooperation with the Investment Property Databank (IPD) of South Africa. IPD South Africa is an independent operating subsidiary of the IPD Holdings UK. Some of the main services offered by IPD include portfolio analysis and benchmarking, index production, bespoke research projects and some other customised services. IPD also serves as an important provider of data for researchers and academics. The institution has played a significant role in increasing real estate market transparency of the various markets in which it has operations. The indices produced by IPD enable existing and prospective real estate investors and other stakeholders to compare investment property returns amongst different countries, to compare property returns with those of other asset classes, to split property returns into capital growth, income return and total return, and to identify trends in the major market sectors and be able to forecast future returns. IPD is well respected by international real estate investors for its independence and high standards, which make it important to consider partnering with it in an effort to attract investors in any country.

IPD, through its South Africa subsidiary, has also been actively involved in all events organised by AfRES. IPD has been contemplating a Pan-African property index project which would get Africa an index of its own. The challenge has however been the fragmented nature of the African real estate markets. Poor infrastructure is another challenge for the initiative. Over the recent years IPD has also been reaching out to several real estate experts and practitioners in different African countries in order to carry out joint market research and data collection activities in the respective countries. IPD has also already made contacts in Tanzania and has shown willingness to carry out joint projects with some local experts. This should be a good opportunity for the real estate industry in Tanzania and many other African countries to enhance their real estate market transparency. A more transparent real estate market will attract foreign investors especially those from developed countries who are still overly skeptical about the African market partly due to lack of transparency (Rothenberger, 2010).

In an effort to establish a mortgage market in Tanzania, the central bank of Tanzania has also shown keen interest in facilitating a property index project. In 2010 some consultative meetings involving some experts from Ardhi University and a former Director of IPD/ROZ (the Netherland) Prof. Dr. Aart Hordjik were held at the bank’s headquarters in Dar es Salaam, aiming at exploring possibilities of setting up a property index. The meeting was also attended by NHC executives and some senior officials from various commercial banks. It is thus clear from such developments that there is a will by stakeholders to enhance market transparency which would reduce asymmetrical information amongst market players and thus attract more investors into the sector.

7.4.3.4 Increasing publicity of property investment market activities

Prevalence of agency problems in the real estate investment activities in Tanzania is also contributed mainly by lack of market transparency. Apart from establishing investment performance measurement institutions, some other steps should be taken to improve real estate market transparency in Tanzania. These may include having in place regular market reports and newsletters, having comprehensive and frequently updated investors' and regulators' websites, and holding regular industrial workshops and seminars. The proposed institutions and information media would improve availability and quality of information about total returns, performance of different market segments, investment flows arising from sales and developments, structure of property portfolios, investment volumes, regional property prices and rents, investments of various institutional investors, and the macroeconomic environment. Schulte et al (2005) also recommend some of the above mentioned steps of enhancing market transparency to be adopted by real estate markets with less maturity features.

Transparency of the Tanzania real estate market could also be improved by introducing a peer reviewed journal catering for the industry. The journal could publish both academic and practice articles. Ardhi University through its School of Real Estate Studies may spearhead the establishment of such a journal. The only journal (Journal of Building and Land Management) which is currently published by Ardhi University is mainly dominated by articles from environmental engineering, thereby calling for a different journal focusing on real estate economics. Such a journal would promote research in different sub-areas of real estate economics such as investment, finance, corporate governance etc. Currently, researchers have mainly focused on property rights, land acquisition and compensation, and property taxation issues. TIVEA, on the other hand, should also revive its newsletter in which industry's current news and briefings could be reported. TIVEA, jointly with AfRES (local chapter) should organise more seminars and workshops on issues of transparency and corporate governance in the real estate industry. Transparency and positive publicity of the Tanzania real estate market could also be achieved by local real estate consultancy firms or individual professionals forging links with some reputable international real estate consultancy firms such as Jones Lang LaSalle and CB Richard Ellis. Working with such international firms could entail, among other things, producing transparency indices and real estate market reports which could be helpful in changing foreign investors' current attitude.

To ensure that the outlined market transparency enhancement efforts have far reaching effects, it would be important to also embark on deliberate efforts aimed at informing the international community of such developments. International print media should also be used to clear the lingering negative foreign investors' image on Tanzania and many other African countries. This could be done by Tanzanian and other African real estate scholars jointly with their counterparts in the various developed countries co-authoring articles which could be published in some international press with wide readership. Such articles should dwell on the recent positive developments recorded in investment markets in Tanzania and other African countries. Similar initiatives are already in place. In Germany, for instance, Prof. Dr. Karl-Werner Schulte and Dr. Steen Rothenberger, both from IREBS Foundation for African Real Estate Research, have been writing such articles in some mainstream newspapers. The articles are mainly meant to allay German real estate investors' fears about the riskiness of Africa as an investment destination for international investors. The government of Tanzania should sponsor and promote similar initiatives. The government should also embark on aggressive advertising of the investment opportunities available in Tanzania using international media. Such efforts would also reduce information asymmetry between foreign investors and local information agencies and contracting parties.

7.4.3.5 Establishing credit reference and criminal record institutions

To discourage opportunistic tendencies, credit reference and criminal records institutions should be established. Such institutions would reduce information asymmetries between agency contracting parties. These institutions can help solve some principal-agent problems, such as capping the amount of risk that the agent can take on behalf of the principal (Katz et al, 2009). Agents' opportunistic behaviour or even similar behaviour by principals, resulting in serious criminal or civil forms would then be reported to the credit rating institutions. This would discourage such opportunistic behaviours because the individuals involved would have difficulties doing businesses in future. In addition to credit rating institutions, an active criminal records institution should be established. This may only entail empowering the respective police department, which is currently responsible for keeping such records. Individuals' criminal records should, at request, be easily accessible to any member of the public. This would enable principals and agents to make informed decisions when contemplating agency relationships. With these institutions in place, employers or principals may also require job applicants or bidders to submit along with other documents, criminal reports and credit rating reports. Mere existence of such institutions would discourage the parties in agency relationships from engaging in serious opportunistic tendencies.

In February 2011, the Bank of Tanzania invited interested firms to apply for licences for operating Credit Reference Bureaus. Establishment of such bureaus would be a positive step towards attaining transparency in the bank lending business. In view of the findings of this study, it would be important to widen the scope of such institutions to cover more people and more information apart from banking or other formal financial records. This recommendation takes into account the fact that only about 6% of the Tanzania's population has access to banking services.

7.4.3.6 Regulating fees of professional real estate service providers

The current practice of letting real estate managing agents decide on the fees for their services has resulted into the 'lowest fee competition'. This has often compromised the quality of services, and sometimes resulted into total failure by the agent to deliver the contracted services. To deal with this problem, an institution setting and controlling the pricing of real estate services, especially property management, estate brokerage and valuation, should be established. This would ensure that job bidding competition amongst service providers focuses on demonstrating bidders' competence for the job, and not lowest fee competition. This could be done by either having a specific statute catering for the pricing of real estate services or by establishing a regulatory authority to oversee the practice of real estate managing and estate agents.

Professional fees for some professionals in Tanzania are already institutionally monitored. For instance, fees charged by professional architects and quantity surveyors are regulated by the Architects and Quantity Surveyors (Registration) Act, 2010. Similarly, Engineers Registration Board (ERB) regulates fees charged by professional engineers' and firms. Similar institutions existing in some countries have significantly addressed the problem. In Kenya, for instance, fees for professional valuers and real estate brokers are regulated by the law. Regulating fees for professional real estate services may also protect investors against monopolistic tendencies of some service providers.

During this study, some positive developments were noted regarding the regulation of valuation services fees in Tanzania. Section 72(1) of the Valuation and Valuers Registration Bill (scheduled to be tabled in Parliamnent during the 2011/1012 financial year), empowers the Minister for the Ministry responsible for valuation matters to make regulations providing for fees for valuation services. Section 72(2) further provides that no valuer shall charge or accept payment or other consideration in respect of valuation services which is less than that prescribed in the regulations. The fact that this is merely a bill, there are no guarantees that all the provisions will be passed by Parliament. The findings of this study underscores the need to have the Bill passed, with section 72 of the Bill remaining intact. It would also be important for the Real Estate Agents Bill which is also in the process of enactment to have a section prescribing mandatory minimum professional fees. Alternatively, a fee range subject to regular review could be set for the various services of estate agents and property managers. However, this could be much easily attainable if property managers and agents were also regulated by professional bodies. It should however be emphasised that any attempts to prescribe the fees for professional services should also observe the provisions of the Fair Competition Act No. 8 of 2003 and the Public Procurement Act No. 21 of 2004.

7.4.4 Use of selected contractual remedies

Formal contracts are common for many real estate investment activities involving the use of agents. There are some key aspects of contract which could be used to discourage opportunism in the execution of contracted job. Below are some of the contractual aspects which should be applied in agency contracting in real estate investment activities in Tanzania.

7.4.4.1 Use of strict penalties

To address adverse selection problems, agency contracts with stern penalties could be used to scare incompetent or unsuitable agents to apply for some jobs. Such penalties should be aimed at dealing with the consequences of poor performance or misrepresentation of facts made by agents during job application. As such, the contract should be made available to all prospective agents at the time of invitation to apply for the jobs. Such contracts are likely to scare less competent agents, thereby allowing competent agents to be selected. This approach is suitable when selecting tenderers i.e. suppliers of goods and services. The approach would discourage cheating and overstatements which have been noted to be a norm in bid proposals. The technique can also be applied during the recruitment of employees to fill up vacancies in various real estate investment activities.

Apart from contract termination and civil suits, some other penalties that could be included in the agency contracts may include submitting the names of the agents to professional bodies (e.g. NCPS, CRB, AQSRB, ERB, etc.) for appropriate actions. Penalties could also entail the principal submitting the names of such agents to credit institutions, corporate governance institutions (CMSA and DSE if relevant) and criminal law enforcers such as police and PCCB. The penalties could also entail the names of such agents being publicised in the media.

7.4.4.2 Use of commitment bonds

Reneging on promises and commitments was noted to be a common problem for both principals and agents. To address the problems associated with imperfect commitment, the use of bonds is recommended. Posting of bond could be an appropriate way of committing the parties to the agency contract (Aubert et al, 2003). With the use of bond, each party would remain worried that if an agreement was breached on their part, the amount in the bond would be forfeited. The value of the bond would normally depend on the gain that one would get by pursuing opportunism. If the gain one gets by acting opportunistically is greater than the value of the bond, the use of bond becomes ineffective. The use of monetary bonds is however likely to be limited to some forms and types of agency relationships. Other bonding devices may include reputation and heavy penalties. It could be provided in agency contracts that if either party reneges on their promises and commitment, a heavy penalty would be applied or their reputation would be at risk because the affected party would avail such action to the public domain.

7.4.4.3 Use of long term agency contracts

In some real estate activities, long term agency contracts have the potential of enhancing performance and reducing costs to both agents and principals. Agents having long term contracts are likely to align their goals with those of their principals, which would promote co-existence. Besides, long term property management contracts are likely to miminise costs associated with new property managers such as settling down, re-staffing, comprehending buildings' problems, understanding the landlord, tenants and sub-contractors, etc. Retaining property managers for a long time allows the principal to capitalise on their experience. It also smoothens building performance seasonalities, which are associated with the frequency of changing property managers. When property managers become certain of the expiry date of their contracts they tend to be less concerned about any events occurring after expiry of their contracts. New property managers would normally need some time to get accustomed to the new environment. Buildings whose managers have been changed are likely to record poor performance for a spell of time when the changeover takes place. This recommendation is only valid if the change of property manager is not necessitated by poor performance, breach of contract, or other similar problems.

Similarly, long term job contracts could also be used by employers. Employees with long term employment contracts would have their goals aligned with those of their employers. Such employees are likely to behave more like stewards than agents, as they would tend to associate the performance of their companies (employers) with their own welfare. This is however more likely to be the case if employees' remuneration is based on their contribution to the earnings of the company, or is somehow related to company's performance. Alternatively, if long term contracts are not possible for some reason, employers should have transparent staff retention policies. This would encourage employees to work hard in order to guarantee their positions in the company.

7.4.4.4 Using performance based contracts

The current practice of public institutions (pension funds and NHC) frequently changing service providers, especially property managers, was sometimes wasteful. Property managers were sometimes changed not because their performance was not good, but simply because their contracts had expired and according to public procurement procedures tenders for fresh application were to be floated. Such a practice slowed down some important activities. The process did not guarantee the outgoing contractors, chances of being awarded a new contract despite their good performance record. There is a need to amend public procurement laws to ensure that performance becomes the overriding motive of changing a contractor. This would result into performance based contracts rather than term contracts. Property managers' performance could be measured by looking at rent collection, occupancy rates, length of lease terms with existing tenants, and other benchmarks available in the market. The effectiveness of this approach is however a function of availability of effective real estate investment performance institutions.

7.4.5 Use of equitable pay and performance incentives

It is important for employers to observe equity in remunerating their employees. Employers should also ensure that key aspects of employment contracts aim at aligning the goals of the employer with those of the employee. Below are some of such aspects which are relevant for employees in the real estate investment activities in Tanzania.

7.4.5.1 Payment of adequate remuneration

It is paramount that employers pay their employees' wages that are adequate to sustain them. It was also noted in this study that employers in real estate investment related activities believed that the amount of salary was very important in discouraging opportunistic tendencies, although it was evident that most of the employees were paid salary which was not sufficient to meet their basic needs. It is important that employees, especially new and young employees, are paid index-adjusted salaries to reflect living standards. Besides paying index-adjusted salaries, the salaries should also reflect employee's performance and contribution to income generation. The rewards for good performance and individual's contribution to firms' income may not necessarily have to be in the form of salaries; they may be in the form of bonuses, prizes and other incentives. Such kinds of rewards were not common with the real estate investors covered in this study. There were only few cases, which were also only limited to senior officials.

7.4.5.2 Promoting good employees to partners or shareholders

Goal alignment is one of the major approaches in addressing agency problems. Goals alignment may be applicable to the different kinds of agency contracts. For instance, investors and other employers in the real estate industry could make their professional employees as associates i.e. potential partners. This would motivate them to work hard and comply with their employment contracts hoping to be elevated to partners, directors or just shareholders. Although it was observed that some few real estate consultancy firms had promoted some of their staff to shareholders, there was no clear procedure of how one could became a shareholder. The promotions were purely based on the discretion of the existing owners. Employers amongst consultancy firms in the real estate sector could use the system used by some large consultancy firms such as PwC, KPMG, Deloitte & Touché, Ernst and Young, etc. These firms have most of their mainstream professional staff employed as Associates i.e. employees who can potentially become Partners i.e. shareholders of the respective firms. These firms have a clear system of promotion culminating into partnership, although it is still very difficult for an employee to become a partner.

7.4.6 Utilising real estate specialists and reputable consultancy firms

Some of the agency problems could be avoided by utilising real estate specialists and reputable real estate consultancy firms in investment decisions and other activities. The importance of utilising real estate specialists and reputable consultancy firms is discussed below.

7.4.6.1 Utilising real estate specialists

Despite the specialised nature of most of real estate investment activities, some investors, especially pension funds, did not show keenness in utilising the right experts in some of the activities. Pension funds also did not have many in-house real estate experts, despite their significant engagement in real estate investment. Sometimes, even the few in-house staff were not fully utilised in key decisions. Weak real estate professional bodies and the absence of aggressive promotion of professional services may be some of the reasons for the low appreciation of the role of the real estate experts amongst pension funds. Absence of lobbying groups for the real estate profession also contributes to the marginalisation of real estate professionals in key real estate investment decisions.

Many real estate investment decision problems facing pension funds could be addressed by fully utilising their in-house real estate experts and introducing a senior job position for a real estate investment specialist. Similarly, considering pension funds' huge real estate investment portfolios, it may be important to have at least one real estate investment expert as a member of the Board of Trustees for each pension fund. Pension funds should engage appropriate experts (in-house or contracted) in evaluating technical proposals submitted by service providers when bidding for various jobs. This would address adverse selection problems likely to be unnoticed by incompetent tender evaluators.

7.4.6.2 Using reputable consultancy firms

For agency contracts involving consultancy firms, principals should ensure that they select firms which have well established reputation and values. Such firms are likely to be more concerned about their long term prospects than short term profit opportunities. Such firms would also be keen not to tarnish their reputation and goodwill, which would make them shun some forms of opportunistic tendencies. Long term goals of such large reputable consultancy firms are likely to be closer to those of large scale investors. Multinational consultancy companies could be one of the ideal companies to deal with, although most of them charge relatively high fees.

7.4.7 Changing pension funds set-up

Under the current set-up, the pension funds are not under any strict obligation to pay their members index-adjusted pension when they retire. It is very clear to everyone though, that members are obliged to remit 20% of their gross monthly wages to their respective pension funds. The law does not strictly place much responsibility on pension funds and their sponsor (government) to guarantee members a steady income upon retirement. The policy and legislation should be changed to place heavy obligation on pension funds, which will ensure that members' retirement income can be precisely determined from the date when a member joins the scheme. Administrators and sponsors of the pension funds should be under pressure to ensure that members' savings are protected and grow over time. This would force the administrators of the funds to carefully choose investment avenues and properly manage the investments. It is also important that any adverse changes to pension funds legislation do not affect the existing members. If such changes are necessary, they should only be applicable to new members.

7.4.8 Privatising National Housing Corporation

In order to sustainably deal with political and management opportunistic tendencies which have characterised NHC for many years, the corporation should be privatised. Although this option may not be very popular with some members of the public considering some bad past experience with the privatisation of state owned enterprises (SOEs), the option has many advantages. The problems previously encountered in the privatisation of other SOEs should rather be taken as lessons in the privatisation of NHC. Besides, there are also some good examples of successfully privatised companies, which include Tanzania Breweries Ltd and Tanzania Cigarette Company Ltd. Privatisation of NHC will free the corporation from direct political interference, thereby increasing management freedom, accountability and competence. The privatisation will also promote corporate governance which will consequently increase transparency in the management of the corporation. All these are key attributes to easing the mitigation of agency conflicts and thus enhancing performance of the corporation.

7.4.9 Foreign investors forming partnership with local investors

The fact that cultural factors have influenced the behaviour of the real estate industry, calls for foreign investors to, prior to committing resources, understand the institutional environment which defines the business culture and market behaviour. Foreign investors, instead of owning land through or relying on TIC as the only source of information, could own land through and obtain information from local investors. Local investors could also be potential partners. Investing through joint ventures with local investors could enable foreign investors to avoid many agency problems with a chain of local agents they would be required to engage.

Notwithstanding the proposed alternative actions to be taken by foreign investors, it is important that the government and its agencies build the trust of foreign investors by fulfilling promises and improving the business environment. TIC and the government must also improve their services to investors by increasing efficiency and transparency in their activities. Assertions and promises of good services offered by the government and TIC should be accompanied by testimonials from satisfied existing foreign investors, which should be publicised to give the prospective foreign investors more comfort. TIC should also establish a comprehensive land bank which would ease the process that foreign investors have to go through in acquiring land in Tanzania.

7.4.10 Computerising real estate activities

It was noted that many property management activities were done with minimal computerisation. This increased incidents of agency problems, mainly cheating and forgery. Computerising property management activities would substantially reduce such problems. Computerisation would also reduce the number of people (agents) needed to perform some activities. The number of building caretakers could for instance be significantly cut down by automating some systems in the buildings such as air-conditioning and security. Water and fuel consumption controls could also be computerised. Reducing the number of agents automatically reduces agency problems. Although the adoption of this alternative could require substantial initial capital, its benefits in the long run are likely to outweigh the costs.

7.5 Areas for further study

There are some important questions which have been raised in this study whose answers require further inquiry. There is a need to demonstrate empirically how agency conflicts are reflected in the actual performance of real estate investment in Tanzania. This can be done by comparing the real estate investment performance indicators of different investors with their levels of corporate governance compliance. A different study could also be carried out to investigate investment performance seasonality of buildings whose property managers are frequently changed due to the short-term nature of property management contracts which are common in Tanzania. Another study could also be conducted to examine the role of non-contractual attributes of employment terms on the survival of the small real estate consultancy firms in Tanzania. The aim of such a study would be to show the role played by informal institutions in keeping the small firms in the market despite their inability to offer competitive salaries and other financial incentive packages to their employees.

Appendices

Appendix I: INTERVIEW GUIDE FOR INVESTORS AND CONSULTANTS

Name of interviewee……………………..………………………….………………………..…………
Name of Firm/Organisation/Institution………………...……………………….………………………….
Position of interviewee…………………………….………………………………..............................

1. What are your core duties in relation to real estate investment?
2. What is your general evaluation of the real estate investment sector in Tanzania?
3. What is your firm's core business with regard to real estate investment?
4. What is the value of the real estate investment portfolio under the ownership/management of your firm (if relevant)?
5. If your company has a mixed-asset portfolio, what is the percentage of real estate in the entire investment portfolio?
6. How many agents or employees are involved in the real estate investment activities undertaken by your firm?
7. What percentage of your company's real estate investment is held in indirect investment vehicles (if relevant)?
8. For which real estate investment activities does your firm engage external service providers (if relevant)?
9. Which activities of your real estate investment are more vulnerable to agency problems?
10. What are the common forms of agents' opportunistic behaviour in your real estate related activities?
11. What are the catalysts of agents' opportunistic behaviour in real estate investment activities?
12. What are the common forms of principals' opportunistic behaviour in your real estate related activities?
13. How do you deal with agency problems in the real estate investment activities?
14. What additional agency problems do foreign real estate investors face?

Appendix II: INTERVIEW GUIDE FOR RESEARCHERS

Name of interviewee……………………………………………………………………….………
Name of Firm/Organisation/Institution……………….………………………..……………………..
Position of interviewee……………………………………..…………………….……………..

1. What are your core activities in relation to real estate investment?
2. What is your general evaluation of the real estate investment sector in Tanzania?
3. What is your general impression of pension funds investment decision making practice in Tanzania?
4. What is your opinion about pension funds' current allocation to real property investment in Tanzania (too large/too small/optimal)?
5. What are the common forms of agency problems in real property investment activities of pension funds in Tanzania?
6. What are the catalysts of agency problems in property investment of pension funds?
7. How serious are the agent problems in the property investment activities of pension funds?
8. What activities are more vulnerable to agency problems in the property investment of pension funds in Tanzania?
9. How serious are agent conflicts in the property investment activities of foreign investors in Tanzania?
10. What are the common forms of agency problems in the property investment activities of foreign investors in Tanzania?
11. What activities are more vulnerable to agency problems in the property investment of foreign investors in Tanzania?
12. In your experience, how effective are the existing formal institutions (legislation, agency contracts, corporate governance institutions such as CMSA; DSE etc) in addressing the agency conflicts in place in Tanzania?
13. In your experience, how effective are the informal institutions (social and moral norms, culture, traditions etc.) in mitigating agency conflicts in property investment activities in Tanzania?
14. Comparing the formal and informal institutions, which one is more effective in controlling the opportunistic behaviour of agents for the institutional environment prevailing in Tanzania?

Appendix III: QUESTIONS FOR FOCUS GROUPS DISCUSSION

1. How satisfied are you with the investment decisions of pension funds in Tanzania?
2. How satisfied are you with the property investment decision process of pension funds?
3. How are you represented in the investment decision process?
4. How satisfied are you with your representatives in the investment decisions of pension funds?
5. What are the common forms of agent problems experienced from your representatives/agents in the pension funds?
6. What are the sources of agency problems in real estate investment activities of pension funds?
7. How serious are agency problems between you as members of pension funds and your representatives (Government and Board members)?
8. What remedies are in place to rectify the agency conflicts?
9. What more remedies of agency problems would you recommend?

Appendix IV: QUESTIONNAIRE FOR PRINCIPALS/EMPLOYERS

20 August 2010

INTRODUCTION LETTER

Dear Madam/Sir,

I am a doctoral student undertaking my research at Ardhi University (Tanzania) and Regensburg University (Germany). My research focuses on real estate investment decision process. Precisely, my thesis investigates the agency conflicts mitigation process in the real estate investment activities of some large investors in Tanzania. In accomplishing the task, I am conducting a survey which aims at collecting data from real estate investors or their representatives, senior investment officials of companies involved in real estate investment or consultancy and officials responsible for hiring/firing and supervising agents or employees involved in the real property investment activities of such companies.

I kindly request you to participate in this survey by filling out the attached questionnaire. I would also like to assure you that all information and opinions obtained through this questionnaire will be strictly used for the stated academic purpose and, analysis of the questionnaire will purely be for scientific purposes; inference to individuals or firms/corporations will therefore not be possible.

I would be very grateful if I could get the filled out questionnaire from you as soon as possible. I would also greatly appreciate if you can also call me to come and collect the questionnaire after completing it. Below are my contact details:

Moses Mpogole Kusiluka
P.O. Box 79456
Dar es Salaam - Tanzania
Mobile Tel. +255 754 318905 or +49 171 9403805
E-mails: mpogole@aru.ac.tz and moses.kusiluka@stud.uni.regensburg.de

I would like to thank you in advance for taking your precious time to fill out this questionnaire.

Yours,

Moses Mpogole Kusiluka

For Question 1-6, write down or mark the appropriate answer.

1. Your Name (optional): ……………………………..……………………………………………
2. Name of Firm: ……………………………………………………………………………………..
3. In which category is your firm with regard to real estate investment?
   Investor ☐ Consultant ☐
4. What is your job position: ……..……………………………………………………………….
5. For how long have you been occupying the present position: ……………………………..……
6. What is the value (in Tanzania Shillings or US Dollars) of the real estate investment portfolio under your firm's ownership/management?……………………………………………..

For Questions 7-12, mark the box that best fits your opinion.

7. How serious is agency problem in the real estate investment process?
   Not Serious at all☐ Not Serious☐ Neither☐ Serious ☐ Very Serious ☐
8. What is your opinion on the commonness of the particular agency problems as observed from your agents or employees involved in the real estate investment process?

SD = Strongly Disagree, D = Disagree, N = Neither, A = Agree, SA = Strongly Agree

	SD	D	N	A	SA
It is common for agents/employees to **overstate their qualifications** when applying for jobs	☐	☐	☐	☐	☐
It is common for agents/employees to **overstate their capacity** to perform the job during job application	☐	☐	☐	☐	☐
Carelessness during job execution is a common behaviour of agents/employees after getting the job	☐	☐	☐	☐	☐
Lack of maximum job commitment is a common behaviour of agents/employees after getting the job	☐	☐	☐	☐	☐
Shirking is a common behaviour of agents/employees after getting the job	☐	☐	☐	☐	☐
Unlawfully using confidential information for personal benefits is a common problem with my agents/employees	☐	☐	☐	☐	☐
Theft of assets (money, equipment, etc.) is a common problem with my agents/employees	☐	☐	☐	☐	☐
Forgery is a common problem with my agents/employees	☐	☐	☐	☐	☐
Vandalism is a common problem with my agents/employees	☐	☐	☐	☐	☐
Overpricing of purchases is a common problem with my agents/employees	☐	☐	☐	☐	☐
Cheating in reporting is a common problem with my agents/employees	☐	☐	☐	☐	☐
Other common agency problems (please specify)	☐	☐	☐	☐	☐

9. What is your opinion on the importance of the stated contractual/legal remedies (FORMAL INSTITUTIONS) in checking opportunistic tendencies of your agents/employees involved in the real estate investment process?

SD = Strongly Disagree, D = Disagree, N = Neither, A = Agree, SA = Strongly Agree

	SD	D	N	A	SA
The amount of salary/fee is very important in checking agent's/employee's opportunistic behaviour	☐	☐	☐	☐	☐
Performance bonus is very important in checking agent's/employee's opportunistic behaviour	☐	☐	☐	☐	☐
Sanctions for poor performance are very important in checking agent's/employee's opportunistic behaviour	☐	☐	☐	☐	☐
Job security is very important in checking agent's/employee's opportunistic behaviour	☐	☐	☐	☐	☐
Prospects for career development are very important in checking agent's/employee's opportunistic behaviour	☐	☐	☐	☐	☐
Long term job contract is very important in checking agent's/employee's opportunistic behaviour	☐	☐	☐	☐	☐
Entitlement to share in the profits/earnings is very important in checking agent's/employee's opportunistic behavior	☐	☐	☐	☐	☐
Other terms and conditions of agency/employment contracts are effective in checking agent's/employee's opportunistic behavior	☐	☐	☐	☐	☐
Government enforced policies, laws, rules and regulations are effective in checking agent's/employee's opportunistic behavior	☐	☐	☐	☐	☐
Professional bodies and codes of conduct for professionals are effective in checking agent's/employee's opportunistic behavior	☐	☐	☐	☐	☐
Corporate governance institutions are effective in checking agent's/employee's opportunistic behavior	☐	☐	☐	☐	☐
Any other contractual/legal remedies which are effective in checking agent's/employee's opportunistic behaviour (please specify)	☐	☐	☐	☐	☐

10. What is your opinion on the importance of social/cultural remedies (INFORMAL INSTITUTIONS) in checking opportunistic tendencies of your agents/employees involved in the real estate investment process?

SD = Strongly Disagree, D = Disagree, N = Neither, A = Agree, SA = Strongly Agree

	SD	D	N	A	SA
Opportunistic behaviour of an agent/employee differs with **age**	☐	☐	☐	☐	☐
Opportunistic behaviour of an agent/employee differs with **gender** (male/female)	☐	☐	☐	☐	☐
Opportunistic behaviour of an agent/employee differs with **marital status**	☐	☐	☐	☐	☐
Opportunistic behaviour of an agent/employee differs with the level of **education**	☐	☐	☐	☐	☐

	SD	D	N	A	SA
Social norms (society's ways of doing things) are important in checking agent's/employee's opportunistic behaviour	☐	☐	☐	☐	☐
Taboos (society's don'ts) are important in checking agent's/employee's opportunistic behaviour	☐	☐	☐	☐	☐
Social sanctions (society's punishment for breaking taboos) are important in checking agent's/employee's opportunistic behaviour	☐	☐	☐	☐	
Social networks are important in checking agent's/employee's opportunistic behaviour	☐	☐	☐	☐	☐
Religious belief (spirituality) is important factor that prevents an agent/employee from involvement in opportunistic tendencies	☐	☐	☐	☐	☐
Respect for customs and traditions is an important factor that prevents agent/employee from involvement in opportunistic tendencies	☐	☐	☐	☐	☐
Altruism (unrewarded good action for the sake of another person) is an important factor that prevents an agent/employee from involvement in opportunistic tendencies	☐	☐	☐	☐	☐
Self respect is an important factor that prevents an agent/employee from involvement in opportunistic tendencies	☐	☐	☐	☐	☐
Respect for principal/employer is an important factor that prevents an agent/employee from involvement in opportunistic tendencies	☐	☐	☐	☐	☐
Agent's/employee's **trustworthiness** is an important factor that prevents him/her from involvement in opportunistic tendencies	☐	☐	☐	☐	☐
Social code of conduct is an important factor that prevents him/her from involvement in opportunistic tendencies	☐	☐	☐	☐	☐
Any other social/cultural aspects that are effective in checking agent's/employee's opportunistic behaviour (please specify)	☐	☐	☐	☐	☐

11. To what extent do you agree with the following statements about the social attributes of your agents/employees involved in the real estate investment process?

SD = Strongly Disagree, D = Disagree, N = Neither, A = Agree, SA = Strongly Agree

	SD	D	N	A	SD
The older (more aged) the agent/employee the less is his/her involvement in actions that result in agency conflicts	☐	☐	☐	☐	☐
The older (more aged) the agent/employee the more is his/her involvement in actions that result in agency conflicts	☐	☐	☐	☐	☐
Male agents/employees are more involved in actions that result in agency conflicts than female agents/employees	☐	☐	☐	☐	☐
Female agents/employees are more involved in actions that result in agency conflicts than male agents/employees	☐	☐	☐	☐	☐
The more educated the employee the less is his/her involvement in actions that result in agency conflicts	☐	☐	☐	☐	☐
The more educated the employee the more is his/her involvement in actions that result in agency conflicts	☐	☐	☐	☐	☐
The more the income the agent/employee has the less is his/her involvement in actions that result in agency conflicts	☐	☐	☐	☐	☐

	SD	D	N	A	SD
The less the income the agent/employee has the more is his/her involvement in actions that result in agency conflicts	☐	☐	☐	☐	☐
Married agents/employees are less involved in actions that result in agency conflicts than unmarried ones	☐	☐	☐	☐	☐
Married agents/employees are more involved in actions that result in agency conflicts than unmarried ones	☐	☐	☐	☐	☐
Unmarried agents/employees are less involved in actions that result in agency conflicts than married ones	☐	☐	☐	☐	☐
Unmarried agents/employees are more involved in actions that result in agency conflicts than married ones	☐	☐	☐	☐	☐

12. How satisfied are you with the below attributes with reference to your agents/employees involved in the real estate investment process?

VD = Very Dissatisfied, D = Dissatisfied, N = Neither, S = Satisfied, VS = Very Satisfied

	VD	D	N	S	VS
Performance	☐	☐	☐	☐	☐
Professionalism	☐	☐	☐	☐	☐
Trustworthiness	☐	☐	☐	☐	☐
Self respect	☐	☐	☐	☐	☐
Respect for principal/employer	☐	☐	☐	☐	☐
Altruism (unrewarded good action for the sake of another person) i	☐	☐	☐	☐	☐
Others (please specify)	☐	☐	☐	☐	☐

Thank you for taking your time to fill out this questionnaire.

Appendix V: QUESTIONNAIRE FOR AGENTS/EMPLOYEES

IRE|BS
International Real Estate Business School
Universität Regensburg

20 August 2010

INTRODUCTION LETTER

Dear Madam/Sir,

I am a doctoral student undertaking my research at Ardhi University (Tanzania) and Regensburg University (Germany). My research focuses on real estate investment decision process. Precisely, my thesis investigates the agency conflicts mitigation process in the real estate investment activities of some large investors in Tanzania. You, being one of the key players in the real estate in Tanzania, are kindly requested to take part in a survey which aims at collecting data from individuals working as employees or agents/contractors in the sector. The main aim of this survey is get your opinion about your relationship with your employer or principal on important matters related to human behaviour.

This is an academic research. All information and opinions obtained through this questionnaire will be strictly used for the stated academic purpose and, analysis of the questionnaire will purely be for scientific purposes. Inference to individuals or firms/corporations will therefore not be possible.

I would be very grateful if I could get the filled out questionnaire from you as soon as possible. I would also greatly appreciate if you could notify me when you are through filling out the questionnaire. Below are my contact details:

Moses Mpogole Kusiluka
P.O. Box 79456
Dar es Salaam
Mobile Tel. +255 754 318905 or +49 171 9403805
E-mails: mpogole@aru.ac.tz and moses.kusiluka@stud.uni.regensburg.de

I would like to thank you in advance for taking your precious time to fill out this questionnaire.

Yours,

Moses Mpogole Kusiluka

For Question 1-13, write down or mark the appropriate answer

1. Your Name (optional): ………………………………………………………………….…………..
2. Gender: Male☐ Female☐
3. Age (in years):

   30 or less☐ between 31 and 40☐ between 41 and 50☐

   between 51 and 60☐ 61 or above☐
4. Marital status: Single☐ Married☐ Other☐(please specify)……………………………………
5. Education:

   Secondary School/Certificate/Diploma☐ Graduate☐ Postgraduate Diploma/Masters☐

   PhD☐ Other☐ (please specify) ……………………………………………...………………
6. What are your other professional qualifications? ………………..……………………………….
7. Name of firm: ………………………………………………………………………………
8. Job position: ……………………………………………...…………………….....................
9. For how long have you been occupying the present job position: ……………………………..
10. Is your current job for a specific time or permanent? ……………………………………………

    If your job is for a specific period, how long is the contract period? ……….....................

    Is the contract renewable? Yes☐ No☐
11. What are your key roles in real property investment related activities at your place of work?

    ………………………...
12. How much of your daily work time (stated in percentage) is spent on real property investment related activities? ……………………..……………………………………………..
13. Are you entitled to any performance bonuses for your duties related to property investment? Yes☐ No☐

For Questions 14 -18, mark the box that best fits your opinion. Use the scale on the column headings to match your opinion.

14. What is your opinion on the importance of the stated contractual/legal aspects (FORMAL INSTITUTIONS) in motivating you to abide by your contractual (agency or employment) obligations?

SD = Strongly Disagree, D = Disagree, N = Neither, A = Agree, SA = Strongly Agree

	SD	D	N	A	SA
Amount of salary/fee is very important in motivating you to abide by your contractual obligations	☐	☐	☐	☐	☐
Performance bonus is very important in motivating you to abide by your contractual obligations	☐	☐	☐	☐	☐
Sanctions for poor performance are very important in motivating you to abide by your contractual obligations	☐	☐	☐	☐	☐

	SD	D	N	A	SA
Job security is very important in motivating you to abide by your contractual obligations	☐	☐	☐	☐	☐
Prospects for **career development** are very important in motivating you to abide by your contractual obligations	☐	☐	☐	☐	☐
A **long term job contract** is very important in motivating you to abide by your contractual obligations	☐	☐	☐	☐	☐
Entitlement to share of profits/earning is very important in motivating you to abide by your contractual obligations	☐	☐	☐	☐	☐
Other terms and conditions of your agency/employment contract are very important in motivating you to abide by your contractual obligations	☐	☐	☐	☐	☐
Government enforced policies, laws, rules and regulations are very important in motivating you to abide by your contractual obligations	☐	☐	☐	☐	☐
Professional bodies and codes of conduct for professionals are very important in motivating you to abide by your contractual obligations	☐	☐	☐	☐	☐
Corporate governance institutions are very important in motivating you to abide by your contractual obligations	☐	☐	☐	☐	☐
Any other contractual/legal motivator (please specify)	☐	☐	☐	☐	☐

15. In keeping you trustworthy to your employer/principal, how important are the following aspects?

SD = Strongly Disagree, D = Disagree, N = Neither, A = Agree, SA = Strongly Agree

	SD	D	N	A	SA
I am trustworthy because of fear to have my agency/employment **contract terminated**	☐	☐	☐	☐	☐
I am trustworthy because of fear of being **sued** for breaching agency/employment contract	☐	☐	☐	☐	☐
I am trustworthy because of fear of being **charged** for criminal offenses	☐	☐	☐	☐	☐
I am trustworthy because of fear of being **blacklisted** by potential employers/clients in the industry	☐	☐	☐	☐	☐
I am trustworthy because of fear of being **deregistered** from professional bodies such as NCPS, RICS, TIVEA, AfRES etc.	☐	☐	☐	☐	☐
I am trustworthy because of fear of **losing credit worthiness** with credit institutions such as banks etc.	☐	☐	☐	☐	☐
Other reasons that keep you trustworthy (please specify)	☐	☐	☐	☐	☐

16. While making decisions related to your work, are the following cultural/social aspects important?

SD = Strongly Disagree, D = Disagree, N = Neither, A = Agree, SA = Strongly Agree

	SD	D	N	A	SA
Trustworthiness is an important consideration while making my job-related decisions	☐	☐	☐	☐	☐
Altruism (unrewarded good action for the sake of my employer) is an important consideration while making my job-related decisions	☐	☐	☐	☐	☐
Social code of conduct is an important consideration while making my job-related decisions	☐	☐	☐	☐	☐
My **religious relief** (spirituality) is an important factor while making my job-related decisions	☐	☐	☐	☐	☐
Respect for **customs and traditions** are important consideration while making job-related decisions	☐	☐	☐	☐	☐
Fear of taboos (society's don'ts) is an important factor while making my job-related decisions	☐	☐	☐	☐	☐
Fear of social sanctions (society's punishment for breaking taboos) is an important factor is an important factor while making my job-related decisions	☐	☐	☐	☐	☐
Self respect is an important consideration while making my job-related decisions	☐	☐	☐	☐	☐
Respect for my principal/employer is an important consideration while making my job-related decisions	☐	☐	☐	☐	☐
Social norms are important consideration while making my job-related decisions	☐	☐	☐	☐	☐
Implications on my **social networks** is an important consideration while making my job-related decisions	☐	☐	☐	☐	☐
Other social/cultural considerations (please specify)	☐	☐	☐	☐	☐

17. While making other decisions apart from those related to your work, are the following cultural/social aspects important?

SD = Strongly Disagree, D = Disagree, N = Neither, A = Agree, SA = Strongly Agree

	SD	D	N	A	SA
Trustworthiness is an important consideration while making my decisions which are not related to my work	☐	☐	☐	☐	☐
Altruism (unrewarded good action for the sake of my employer**)** is an important consideration while making my decisions which are not related to my work	☐	☐	☐	☐	☐
My **religious belief** (spirituality) is an important factor while making my decisions which are not related to my work	☐	☐	☐	☐	☐
Fear of taboos (society's don'ts) is an important factor while making decisions which are not related to my work	☐	☐	☐	☐	☐
Fear of social sanctions (society's punishment for breaking taboos) is an important factor while making decisions which are not related to my work	☐	☐	☐	☐	☐
Respect for **customs and traditions** is an important consideration while making my decisions which are not related to my work	☐	☐	☐	☐	☐
Self respect is an important consideration while making my decisions which are not related to my work	☐	☐	☐	☐	☐

	SD	D	N	A	SA
Legal implication is an important consideration while making my decisions which are not related to my work	☐	☐	☐	☐	☐
Others important considerations (please specify)	☐	☐	☐	☐	☐

18. What is the level of your satisfaction regarding the following?

VD = Very Dissatisfied, D = Dissatisfied, N = Neither, S = Satisfied, VS = Very Satisfied

	VD	D	N	S	VS
Your current job	☐	☐	☐	☐	☐
Salary/fee you get	☐	☐	☐	☐	☐
Monetary incentives	☐	☐	☐	☐	☐
Job security	☐	☐	☐	☐	☐
Prospects for career development	☐	☐	☐	☐	☐
Freedom to make decisions related to your job	☐	☐	☐	☐	☐
Respect from employer/principal	☐	☐	☐	☐	☐
Trust from your principal/principal	☐	☐	☐	☐	☐
Others (please specify)	☐	☐	☐	☐	☐

Thank you for taking your time to fill out this questionnaire.

Bibliography

ABDULAI, R. T. (2006): Is land title registration the answer to insecure and uncertain property rights in sub-Saharan Africa?, in: RICS Research Papers Series, Vol. 6, No. 6/2006, pp. 1-28.

ABOODY, D./KASZNIK, R. (2000): CEO Stock option awards and the timing of corporate voluntary disclosures, in: Journal of Accounting and Economics, Vol. 29, No. 1/2000, pp. 73-100.

ACEMOGLU, D./ROBINSON, J. A. (2008): Persistence of power, elites and institutions, in: American Economic Review, Vol. 8, No. 1/2008, pp. 267-293.

ALASTALO, M. (2008): The history of social research methods, in ALASUUTARI, P./BICKMAN, L./BRANNEN, J. (Eds.): The Sage handbook of social research methods, London 2008, pp. 26-41.

ALASUUTARI, P. (1995): Researching culture: Qualitative method and cultural studies, London 1995.

ALCHIAN, A. A. (1965): Some economics of property rights, in: Il Politico, Vol. 30, No. 4/1965, pp. 816-829.

ALONSO, J. A. (2009): Colonisation, formal and informal institutions, and development, in: Working Paper No. 13/09, Complutense University, Madrid-Spain.

AL-SHAIKH, F. N. (2003): The practical reality theory and business ethics in non-western context: Evidence from Jordan, in: Journal of Management Development, Vol. 22, No.8/2003, pp. 679-693.

AMARATUNGA, D./BALDRY, D./SARSHAR, M./NEWTON, R. (2002): Quantitative and qualitative research in the built environment: Application of mixed research approach, in: Work Study, Vol. 51, No. 1/2002, pp. 17-31.

AME CAPITAL (2008): Global property securities research (website), http://www.amecapital.co.uk/January__08__Summary_Performance_Figures.pdf, retrieved: 20.05.2011.

AMOAKO, K. Y. (2003): The UNECA and good governance in Africa. Paper presented at Harvard International Development Conference, 04.04.2003-05.04.2003, Boston, Massachusetts, USA, pp. 1-14.

ANDERSON, S./BORN, J. (1992): Closed-end investment companies: Issues and answers, Norwell, Massachusetts 1992.

ANG, J. S./COLE, R. A./LIN, J. W. (2000): Agency costs and ownership structure, in: the Journal of Finance, Vol. 15, No. 1/2000, pp. 81-106.

ARMITAGE, L./KEOGH, G. (1996): The Bangkok property market: An application of the mature market paradigm to an emergent market in the ASEAN region, in: Research Working Paper No. 96-03/1996, Aberdeen Papers in Land Economy, University of Aberdeen, pp. 1-28.

ARNOLD, M. A. (1992): The principal–agent relationship in real estate brokerage services, in: Real Estate Economics, Vol. 20, No.1/1992, pp. 89-106.

ARVANITIDIS, P. (1999): Urban transformation and property market analysis: An institutional perspective. RICS research conference, The Cutting Edge 1999, pp. 1-19.

ARVANITIDIS, P. A. (2006): Property market purpose efficiency: an exploratory analysis from an institutional economics perspective. Paper presented at the 46th Congress of the European Regional Science Association (ERSA), 30.08-2006-03.09.2006, Volos, Greece, pp. 1-24 (pdf-document), http://www-sre.wu-wien.ac.at/ersa/ersaconfs/ersa06/papers/567.pdf, retrieved: 10.09.2009.

ASSAD, M. J./SELEMANI, A. (2003): Pensions funds performance in Tanzania: Insights from comparison of the National Social Securities Fund and Parastatal Pensions Fund, in: Business Management Review, Vol. 10, No. 2/2003.

ASIEDU, E. (2002): On the determinants of FDI to developing countries: Is Africa different?, in: World Development, Vol. 30, No. 1/2002, pp. 107-119.

AUBERT, B. A./PATRY, M./RIVARD, S. (2003): A tale of two outsourcing contracts: An agency-theoretical perspective, in: Wirtschaftsinformatik, Vol. 45, No. 2/2003, pp. 181-90.

AXELROD, R. (1997): The complexity of cooperation, New Jersey 1997.

AYOGU, M. D. (2001): Corporate governance in Africa: The record and policies for good governance, in: African Development Bank Economic Research paper No. 66/2001, pp. 1-21 (pdf-document), http://www.afdb.org/fileadmin/uploads/afdb/Documents/Publications/00157666-EN-ERP-66.PDF, retrieved: 12.03.2010.

BAGCE, H. E. (2002): The Role of political institutions in tackling political fragmentation and polarization: Presidentialism versus parliamentarism, in: Journal of Economic and Administrative Sciences, Vol. 3, No. 1/2002, pp. 147-162.

BAJTELSMIT, V./WORZALA, E. (1997): Adversarial brokerage in residential real estate transactions: The impact of separate buyer representation, in: The Journal of Real Estate Research, Vol. 14, No. 1-2/1997, pp. 65-75.

BALL, M. (1986): The built environment and the urban question, in: Environment and Planning, Vol. 4, No. 4/1986, pp. 447-464.

BALL, M. (2006): Markets and institutions in real estate and construction, London/RICS Research 2006.

BAMANYISA, L. (2007): An evaluation of NHC joint venture property development projects, Dar es Salaam 2007.

BAMBERG, G./SPREMANN, K. (1989): Agency theory, information and incentives, Berlin 1989.

BANNIER, C. E./FECHT, F./TYRELL, M. (2006): Open-end real estate funds in Germany: Genesis and crisis, in: Working Paper No. 165, Frankfurt 2006.

BARZEL, Y. (1997): Economic analysis of property rights, Cambridge 1997.

BASU, V./LEDERER, A. L. (2004): An agency theory model of ERP implementation, in: proceedings of the 2004 SIGMIS conference, 22.04.2004-25.04.2004, Arizona, USA, pp. 8-13.

BATHULA, H. (2008): Board characteristics and firm performance: Evidence from New Zealand, Dissertation, Auckland 2008 (pdf-document) http://aut.researchgateway.ac.nz/bitstream/handle/10292/376/BathulaH.pdf?sequence=4, retrieved: 09.02.2010.

BAUM, A. (2008): Unlisted Property Funds and the emerging property markets. Working papers in Real Estate and Planning No.01/2008, University of Reading, pp. 1-22 (pdf-document), http://www.henley.reading.ac.uk/rep/fulltxt/0108.pdf, retrieved: 19.05.2011.

BEAM, B. T./MCFADDEN, J. J. (2007): Employee benefits, Chicago, 2007.

BEATTY, R. P./ZAJAC, E. J. (1994): Managerial incentives, monitoring, and risk bearing: A study of executive compensation, ownership, and board structure in initial public offerings, in: Administrative Science Quarterly, Vol. 39, No. 2/1994, pp. 313-335.

BECCHETTI, L./KOBEISSI, N. (2009): Role of governance and institutional environment in affecting cross-border M&As Alliances and project financing: Evidence from emerging markets, in: CEIS Tor Vergata Research Paper Series, Vol. 7, No. 6/2009, Paper No. 156, pp. 1-30 (pdf-document), http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1521568, retrieved: 20.10.2010.

BECK, T./LEVINE, R. (2004): Legal Institutions and financial development, in: NBER Working Paper Series No. 10417/2004, pp. 1–46 (pdf-document), http://www.nber.org/papers/w10417, retrieved: 24.05.2009.

BECKER, M. (2008): G-REITs im Vergleich mit traditionellen Immobilien-Aktiengesellschaften, in: BONE-WINKEL, S./SCHAEFERS, W./SCHULTE, K-W (Eds.): Handbuch Real Estate Investment Trusts, Köln, 2008, pp. 79-90.

BECKER, M./BREIDENBACH, M. (2006): Real estate securitisation in Germany. Paper presented at the 12th PRRES annual conference, 22.01.2006-26.01.2006, Auckland, New Zealand, pp. 1-16 (pdf-document), http://www.prres.net/papers/Becker_Real_Estate_Securitisation_Germany.pdf, retrieved: 03.02.2010.

BELSKY, E. S./WACHTER, S. (2010): The need for government intervention to protect and advance the public interest in consumer and mortgage credit markets. Paper presented at a National Symposium, 18.02.2010-19.02.2010, Boston, pp. 1-35.

BENDOR, J./GLAZER, A./HAMMOND, T. (2001): Theories of deregulation, in: Annual Review Political Science, Vol. 4, 2001, pp. 235-269.

BENK, K./HASS, L. H./JOHANNING, L./SCHWEIZER, D./RUDOLPH, B. (2008): Open-ended Property Funds as an Essential Building Block in a Successful Asset Allocation. Report prepared for BVI 20008, pp. 1-22 (pdf-document), http://www.bvi.de/de/sonderseiten/bestellcenter/Downloads/BVI_OIF_Studie_englisch_web.pdf, retrieved: 21.06.2011.

BERGMAN, M. M. (2008): The Straw Men of the qualitative-quantitative divide and their influence on mixed methods research, in: Bergman, M. M. (Ed.): Advances in mixed research methods, London, pp. 11-21.

BERK, J./DEMARZO, P. (2007): Corporate finance, Boston 2007.

BERKOWITZ, D./MOENIUS, J./PISTOR, K. (2005): Legal institutions and international trade flows, in: Michigan Journal of International Law, Vol. 26, No. 1/2005, pp. 163-198.

BERNT, F. M. (1989): Being religious and being altruistic: A study of college service volunteers, in: Personalities and Individual Differences, Vol. 10, No. 6/1989, pp. 663-669.

BESLEY, T. (1995): Property rights and investment incentives: Theory and evidence from Ghana, in: The Journal of Political Economy, Vol. 103, No. 5/1995, pp. 903-937.

BIGSTEN, A./DANIELSSON, A. (1999): Is Tanzania an emerging economy? A report for the OECD Project ‘Emerging Africa’, Paris 1999.

BODIE, Z./KANE, A./MARCUS, A. J. (2005): Investments, New York 2005.

BOETTKE, P./COYNE, C./LEESON, P. (2008): Institutional stickiness and the new development economics, in: American Journal of economics and Sociology, Vol. 67, No. 2/2008, pp. 331-358.

BONE-WINKEL, S./SCHAEFERS, W./SCHULTE, K.-W. (2008): Handbuch Real Estate Investment Trusts, Köln 2008.

BONE-WINKEL, S./SOTELO, R./BECKER, M. (2005): Trends in Germany institutional real estate investment. A paper presented to the European Real Estate Society Conference, 15.06.2005-18.06.2005, Dublin, Ireland.

BoT (2010): Bank supervision report 2009, The Bank of Tanzania, Dar es Salaam 2010.

BRANNEN, J. (2008): The practice of mixed methods research strategy: Personal, professional and project considerations, in: Bergman, M. M. (Ed.): Advances in mixed research methods, London, pp. 53-65.

BRAUN, V./CLARKE, V. (2006): Using thematic analysis in psychology, in: Qualitative Research in Psychology, Vol. 3, No. 2/2006, pp. 77-101.

BREIDENBACH, M. (2005): Real estate securitisation, Bonn 2005.

BREIDENBACH, M. (2003): Real estate securitisation as an alternative source of financing for the property industry. Paper Presented to the 9th Annual Conference of the Pacific Rim Real Estate Society, 19.01.2003-22.01.2003, Brisbane, Australia, pp. 1-32. (pdf-document), http://www.prres.net/Papers/Breidenbach_Real_Estate_Securitisation_as_an_Alternative_Source_of_Financing_for_the_Property_Industry.pdf, retrieved: 06.08.2009.

BRENNAN, M. J. (1994): Incentives, rationality and society, in: Journal of Applied Corporate Finance, Vol. 7, No. 2/1994, pp. 31-39.

BRICKER, R./CHANDAR, N. (1998): On applying agency theory in historical accounting research, in: Business and Economic History, Vol. 27, No. 2/1998, pp. 486-499.

BROLL & CBRE (2009): Broll Property Report 2008/2009. Cape Town, 2009. (pdf-document),http://portal.cbre.eu/portal/page/portal/research/publications/FRP_EMEA_BROLL_PROPERTY_MARKET_REPORT_2008-9.pdf, retrieved: 21.03.2010.

BROWN, G. R. (1991): Property investment and the capital markets, London 1991.

BROWN, G. R./MATYSIAK, G. A. (2000): Real Estate investment: A capital market approach, London 2000.

BRUEGGEMAN, B. W./FISHER, D. J. (2005): Real estate finance and investment, New York 2005.

BRYMAN, A. (2008): The end of the paradigm wars?, in: ALASUUTARI, P./BICKMAN, L. A./BRANNEN, J. (Eds.): social research methods, London 2008.

BRYMAN, A./BELL, E. (2003): Business research methods, Oxford 2003.

BUCHHOLTZ, A. K./RIBBENS, B. A. (1994): Role of chief executive officers in takeover resistance: Effects of CEO incentives and individual characteristics, in: Academy of Management Journal, Vol. 37, No. 3/1994, pp. 554-579.

BUITELAAR, E. (2004): A transaction-cost analysis of the land development process, in: Urban Studies, Vol. 41, No. 13/2004, pp. 2539-2553.

BURHOE, R. W. (1979): Religion's role in human evolution: The missing link between ape-man's selfish genes and civilized altruism, in: Journal of Religion and Science, Vol. 14, No. 2/1979, pp. 99–189.

BURREL, G./MORGAN, G. (1979): Sociological paradigms and organisational analysis, London 1979.

BWANA, S. J. (2006): The role of courts in supporting financial sector reforms in Tanzania. A paper presented at the public lecture of the Tanzania Bankers Association, 20.04.2006, Dar es Salaam, pp. 1-14 (pdf-document) http://www.tanzaniabankers.org/TBA_%20Public_%20Lecture_%20Paper.pdf, retrieved: 01.02.2010.

CAG (2009): Annual general report of the Tanzania Controller and Auditor General on the financial statements of public authorities and other bodies for the financial year 2007/2008. Report presented to the National Assembly, Dodoma 2009. (pdf-document),http://nao.go.tz/files/PUBLIC%20AUTHORITIES%20AND%20OTHER%20 BODIES.pdf, retrieved: 30.06.2011.

CAG (2011): Annual general report of the Tanzania Controller and Auditor General on the financial statements of public authorities and other bodies for the financial year 2009/2010. Report presented to the National Assembly, Dodoma, 2011. (pdf-document),http://nao.go.tz/files/PUBLIC%20AUTHORITIES%20GENERAL%20REPO RT%202009-2010.pdf, retrieved: 30.06.2011.

CAPPOZZA, D. R./SEGUIN, P. J. (2003): Inside ownership, risk sharing and Tobin's Q Ratio: Evidence from REITs, in: Real Estate Economics, Vol. 31, No. 3/2003, pp. 367-404.

CASADESUS-MASANELL, R. (2004): Trust in agency, in: Journal of Economics and Management Strategy, Vol. 13, No. 3/2004, pp. 375-404.

CASADESUS-MASANELL, R./SPULBER, D. F. (2005): Trust and incentives in agency, in: Southern California Interdisciplinary Law Journal, Vol. 15, No.1/2005, pp. 43-103.

CASTELLS, M. (1993): European cities: The informational society and the global economy, in: Tijdschrift voor Economische en Sociale Geografie, Special Issue, European Cities: Changing Urban Structures in a Changing World, Vol. 84, No. 4/1993, pp. 247–257.

CAUCHIE, S./HOESLI, M. (2006): Further evidence of the integration of securitised real estate and financial assets, in: Journal of Property Research, Vol. 23, No 1/2006, pp. 1-38.

CHAN, S. H./ERICKSON, J./WANG, K. (2003): Real Estate Investment Trusts: Structure, performance and investment opportunities, New York 2003.

CHAU, K. W./McKINNELL, K. G./WONG, S. K./WIE, Q./NEWELL, G. (2010): Impact of corporate governance structures on the relationship between direct and indirect real estate in China, in: Journal of Real Estate Portfolio Management, Vol. 16. No. 1/2010, pp. 9-20.

CHAUDHRY, M. K./MAHESHWARI, S./WEBB, J. R. (2004): REITs and idiosyncratic risk, in: Journal of Real Estate Research, Vol. 26, No. 2/2004, pp. 207-222.

CHEUNG, S. N. S. (1983): The contractual nature of the firm, in: Journal of Law and Economics, Vol. 26, No. 1/1983, pp. 1-21.

CHIN, W./DENT, P./ROBERTS, C. (2006): An exploratory analysis of barriers to investment and market maturity in South-East Asian cities, in: Journal of Real Estate Portfolio Management, Vol. 12, No. 1/2006, pp. 49-57.

CIELEBACK, M. (2004): Agency problems in indirect real estate investing. Paper presented at the European Real Estate Society Conference, 02.06.2004-05.06.2004, Milan, Italy.

CLARKE, T. (2005): Accounting for Enron: Shareholder value and stakeholder interests, in: Corporate Governance, Vol. 13, No. 5/2005, pp. 598-612.

CLARK, J. P./HOLLINGER, R. C. (1983): Theft by employees, Lexington MA 1983.

CLAURETIE, T. M./DANESHVARY, N. (2008): Principal-agent conflict and broker effort near listing contract expiration: The case of residential properties, in: Journal of Real Estate Finance and Economics, Vol. 37, No. 2/2008, pp. 147-161.

CMSA (2006): A report on the study on feasibility and implementation of the appropriate market segments for the capital markets in Tanzania, Capital Markets and Securities Authority, Dar es Salaam 2006.

COASE R. H. (1937): The nature of the firm, in: Economica, Vol. 4, No. 16/1937, pp. 386-405.

COASE, R. (1998): The New Institutional Economics, in: The American Economic Review, Vol. 88, No. 2/1998, pp. 72-74.

COFFEE, J. (2004): What caused Enron? A capsule social and economic history of the 1990s, in: CLARKE, T. (Ed.): Theories of corporate governance, London, pp. 333-358.

COHEN, A. (1969): Customs and politics in urban Africa: A study of Hausa migrants in Yoruba towns, Berkeley, CA 1969.

COLE, R./EISENBEIS, R. (1996): The role of principal-agent conflicts in the 1980´s thrift crisis, in: Journal of Real Estate Economics, Vol. 24, No. 2/1996, pp. 195–219.

COZBY, P. C. (2007): Methods in behavioral research, New York 2007.

CREDIT SUISSE (2011): Global Real Estate: German open-ended real estate funds, (pdf-document), https://fundlab2.credit-suisse.com/researchData/F110214000097.pdf, retrieved: 20.05.2011.

CRESWEL, J. W. (2007): Qualitative inquiry and research design: Choosing among five approaches, London 2007.

CRESWEL, J. W. (2008): Educational research: Planning, conducting, and evaluating quantitative and qualitative research, Upper Saddle River, NJ 2008.

CRESWEL, J. W. (2009): Research design: Qualitative, quantitative and mixed methods approaches, London 2009.

D'ARCY, E. (2006): Markets, market structures and market change: Expanding the real estate research paradigm, in: Pacific Rim Property Research Journal, Vol. 12, No. 4/2006, pp. 446-464.

D'ARCY, E./KEOGH, G. (1997): Towards a property market paradigm of urban change, in: Environment and Planning A, Vol. 29, No. 5/1997, pp. 685-706.

D'ARCY, E./KEOGH, G. (1998): Territorial competition and property market process: An exploratory analysis, in: Urban Studies, Vol. 35, No. 8/1998, pp. 1215-1230.

D'ARCY, E./KEOGH, G. (2002): The market context of property development activity, in: GUY, S./HENNEBERRY, J. (Eds.): Development and developers: Perspectives on property, London, pp. 19-34.

DALBOR, M. C./ANDREW, W. P. (2000): Agency problems and hotel appraisal accuracy: An exploratory study, in: Hospitality Management, Vol. 19, No. 4/2000, pp. 353-360.

DANAHER, T./BENNETT, E. (2004): Deka haemorrhages cash after scandal: Frankfurt corruption troubles cast cloud over Expo Real in Munich, in: Property Week, 08.10.1004.

DANEVAD, A. (2008): Appraisal of future Norwegian Budget Support to Tanzania: Assessment of corruption risk. Report prepared for NORAD, 2008, pp. 1-32 (pdf-document), www.norad.no/en/_attachment/164822/binary/104722?download, retrieved: 05.06.2011.

DANIELSON, M. G./SCOTT, J. A. (2007): A note on agency conflicts and the small firms investment decision, in: Journal of Small Business Management, Vol. 45, No. 1/2007, pp. 157-175.

DAU, R. (2003): Extending social security coverage through Micro-Insurance Schemes in Tanzania. A paper presented at the meeting of Directors of social security organisations in English-Speaking Africa, 07.10.2003-09.10.2003, Banjul, Gambia, pp. 1-12.

DAVIS, E. P./STEIL, B. (2001): Institutional investors, Cambridge 2001.

DAVIS, J. H./SCHOORMAN, F. D./DONALDSON, L. (1997): Toward a stewardship theory of management, in: Academy of Management Review, Vol. 22, No.1/1997, pp. 20–47.

DE LEEUW, E. (2008): Self-administered questionnaires and standardized interviews, in: ALASUUTARI, P./BICKMAN, L./BRANNEN, J. (Eds.): Social research methods, London 2008, pp. 313-327.

DE SOTO, H. (2000): The mystery of capital: Why capitalism triumphs in the west and fails everywhere else?, London 2000.

DECKER K./SAGE, C./STEFANOVA, M. (2005): Law or justice: building equitable legal institutions, New York 2005.

DECUIR-GUNBY, J. T. (2008): Mixed methods research in the social sciences, in: OSBORNE, J. W. (Ed.): Best practices in quantitative methods, London, pp. 125-136.

DEEPHOUSE, D. L./WISEMAN, R. M. (2000): Comparing alternative explanation for accounting risk-return relations, in: Journal of Economic Behaviour & Organisation, Vol. 42, No. 4/2000, pp. 463-482.

DEMSETZ, H. (1967): Towards a theory of property rights, in: American Economic Review, Vol. 57, No. 2/1967, pp. 347-359.

DOBBIN, F./JUNG, J. (2010): The misapplication of Mr. Michael Jensen: How agency theory brought down the economy and why it might again, in: LOUNSBURY. M./HIRSCH, P. M. (Eds.): Markets on trial: The economic sociology of the US financial crisis. Research in the Sociology of Organisations, Vol. 30, 2010 pp. 331-366.

DOLDE, W./KNOPF, J. D. (2010): Insider ownership, risk, and leverage in REITs, in: Journal of Real Estate Finance and Economics, Vol. 41, No. 4/2010, pp. 412-432.

DONNELLY, R./MULCAHY, M. (2008): Board structure, ownership, and voluntary disclosure in Ireland, in: Corporate Governance, Vol. 16, No. 5/2008, pp. 416-429.

DRUCKER, P. (2007): People and performance: The best of Peter Drucker on management, London 2007.

EBOHON, O. J./FIELD, B. G./MBUGA, R. R. (2002): A conceptual analysis of the problems associated with real property development in sub-Saharan Africa, in: Property Management, Vol. 20, No. 1/2002, pp. 7-22.

ECONOMIST INTELLIGENCE UNIT (2009): Tanzania Country Report, London 2009.

EGGERTSSON, T. (1990): Economic behavior and institutions, New York 1990.

EISENHARDT, K. M. (1989): Agency theory: An assessment and review, in: Academy of Management Review, Vol. 12, No. 1/1989, pp. 57 -74.

EPPLI, M./TU, C. (2004): Real estate markets in the United States, in: SEABROOKE, W./KENT, P./ HOW, H. H. H. (Eds.): International real estate: An institutional approach, Oxford, pp. 220-261.

EPRA (2011): German open-ended funds reform limitations now official (website), http://www.europe-re.com/system/main.php?pageid=2616& articleid =17523, retrieved: 06.06.2011.

ESRF (2003): Understanding economic and political reforms in Tanzania, Dar es Salaam 2003.

EVANS, A. W. (1995): The property market-ninety per cent efficient, in: Urban studies, Vol. 32, No. 1/1995, pp. 5-29.

FABOZZI, F./MODIGLIANI, F. (2009): Capital markets: Institutions and instruments, New Jersey 2009.

FECHT, F./WEDOW, M. (2010): The dark and the bright side of liquidity risks: Evidence from open-end real estate funds in Germany (pdf-document), http://ssrn.com/abstract=1572442, retrieved: 18.04.2011.

FEDER, G./FEENY, D. (1991): Land tenure and property rights: Theory and implications for developing policy, in: Word Bank Economic Review, Vol. 5, No.1/1991, pp. 135-153.

FIELD, A. (2005): Discovering statistics using SPSS, London 2005.

FINANCIAL TIMES (2004): Probe into Frankfurt property market scandal, in: Financial Times, 05.09.2004 (website), http://www.ft.com/cms/s/0/b5bbc436-ff55-11d8-be93-00000e2511c8.html#ixzz1OaZm4BxR, retrieved: 20.04.2011.

FISCHER, C. (2004): Projektentwicklung: Leistungsbild und honorarstructur, Koeln 2004.

FLIGSTEIN, N./GOLDSTEIN, A. (2010): The anatomy of the mortgage securitisation crisis, in: LOUNSBURY, M./HIRSCH, P. M. (Eds.): Markets on trial: The economic sociology of the US financial crisis. Research in the Sociology of Organisations, Vol. 30, 2010, pp. 27-68.

FOCKE, C. (2006): The development of German Open-Ended Real Estate Funds, in: Journal of Real Estate Literature, Vol. 14, No.1/2006, pp. 39-55.

FRANK, R. H. (2004): What price the moral high ground?: Ethical dilemmas in competitive environments, Princeton, NJ 2004.

FRESHFIELDS BRUCKHAUS DERINGER (2011): New rules for German Open-Ended Real Estate Funds. February Briefing, (website), http://www.freshfields.com/publications/pdfs/2011/feb11/29898.pdf, retrieved: 23.05.2011.

FRITSCH, N./PREBBLE, J./PREBBLE, R. (2010): Real Estate Investment Trusts in Germany, in: Bulletin for International Taxation, 2010, pp. 320-329.

FUESS, R./ROTTKE, N. B./ZIETZ, J. (2011): What drives CEOs to take on more risk? Some evidence from the laboratory of REITs, in: Journal of Applied Corporate Finance, Vol. 23, No. 1/2011, pp. 80-94.

FUMBUKA, G. (2008): How has the DSE performed in the first 10 years?, in: DSE Journal, No. 35/2008, pp. 39-59.

FURUBOTN, E. G./RICHTER, R. (1998): Institutions and economic theory: The contribution of the New Institutional Economics, Ann Arbor, Michigan 1998.

FURUBOTN, E. G./PEJOVICH, S. (1972): Property rights and economic theory: A survey of recent literature, in: Journal of Economic Theory, Vol. 10, No.4/1972, pp. 1137-1162.

GARMAISE, M. J./MOSKOWITZ, T. J. (2004): Confronting information asymmetries: Evidence from real estate markets, in: The Review of Financial Studies, Vol. 17, No.2/2004, pp. 405-437.

GEHO M. L. (2009): Land as a vehicle for economic development. Paper presented at TNBC Workshop, 23.03.2009, Zanzibar, Tanzania.

GEHO, M. L. (2001): Institutional property investment patterns, diversification strategies and performance measurement in Tanzania: The case of National Social Security Fund. Paper presented at the African Real Estate Society Conference, 23.10.2001-25.10.2001, Arusha, Tanzania.

GEHO, M. L. (2004): Constructing real estate market indices for Tanzania, in: Tanzania Economic Trends Journal, Vol. 17, No. 2/2004, pp. 60-71.

GEHO, M. L. (1997): An analysis of individual property performance and data constraints in the UK commercial property market, Dissertation, Reading 1997.

GELTNER, D. M./MILLER, N. G./CLAYTON, J./EICHHOLTZ, P. (2007): Commercial real estate analysis and investments, London 2007.

GHOSH, C./SIRMANS, C. F. (2006): Do managerial motives impact dividend decisions in REITs?, in: Journal of Real Estate Finance and Economics, Vol. 32, No. 3/2006, pp. 327-355.

GIACALONE, R./GREENBERG, J. (1997): Antisocial behaviour in organisations, Thousand Oaks, CA 1997.

GIBLER, K. M./BLACK, R. T. (2004): Agency risks in outsourcing corporate real estate functions, in: Journal of Real Estate Research, Vol. 26, No. 2/2004, pp. 137-160.

GIGERENZER, G./SELTEN, R. (2002): Bounded rationality: The adaptive toolbox, Boston 2002.

GLAESER, E./LA PORTA, R./DE SILNES, F. L./SCHEIFER, A. (2004): Do institutions cause growth?, in: Journal of Economic Growth, Vol. 9, No. 3/2004, pp. 271-304.

GLAESNER, S. M. (2010): Return pattern of German Open-End Real Estate Funds, Frankfurt am Main 2010.

GLASCOCK, J. L./SIRMANS, C. F./TURNBULL, G. K. (1993): Owner tenancy as credible commitment under uncertainty, in: AREUEA Journal, Vol. 21, No. 1/1993, pp. 69-82.

GOLDSTEIN, A. E. (2004): Regional integration FDI and Competitiveness in Southern Africa, Paris 2004.

GORAN, H. (1999): Top-down democratization in Tanzania, in: Journal of Democracy, Vol. 10, No. 4/1999, pp. 142-155.

GOUGH, K. V./YANKSON, P. W. K. (2000): Land markets in African cities: The case of peri-urban Accra, Ghana, in: Urban Studies, Vol. 37, No. 13/2000, pp. 2485-2500.

GRAFF, R. A./WEBB, J. R. (1997): Agency and inefficiency in commercial real estate, in: Journal of Property Portfolio Management, Vol. 3, No. 1/1997, pp. 19-36.

GREAVER, M. (1998): Strategic outsourcing: A structured approach to outsourcing decisions and initiatives, New York 1998.

GREENBERG, J. (1997): The steal move: Managing the social determinants of employee theft, in: GIACALONE, R./GREENBERG, J. (Eds.): Antisocial behaviour in organisations, Thousand Oaks, CA, pp. 85-108.

GREIF, A. (2006): Institutions and the path to the modern economy, Cambridge 2006.

GUILDING, C./WARNKEN, J./ARDILL, A./FREDLINE, L. (2005): An Agency theory perspective on the owner/manager relationship in tourism-based condominiums, in: Tourism Management, Vol. 26, No.3/2005, pp. 409-420.

GUNASEKARAGE, A/REED, D. K. (2008): The market reaction to the appointment of outside directors: An analysis of the interaction between the agency problem and the affiliation of directors, in: International Journal of Managerial Finance, Vol. 4, No. 4/2008, pp. 259-277.

GUPTA, N. (2005): Partial privatization and firm performance, Journal of Finance, Vol. 60, No. 2/2005, pp. 987-1015.

GYOURKO, J./KEIM, D. B. (1992): What Does the stock market tell us about real estate returns?, Journal of the American Real Estate and Urban Economics Association, Vol. 20, No. 3/1992, pp. 457-485.

HAMILTON, L./WEBSTER, P. (2009): The international business environment, New York 2009.

HAMMERSLEY, M. (2008): Troubles with triangulation, in: Bergman, M. M. (Ed.): Advances in mixed research methods, London, pp. 22-36.

HAN, B. (2006): Insider ownership and firm value: Evidence from Real Estate Investment Trusts, in: Journal of Real Estate Finance and Economics, Vol. 32, No. 4/2006, pp. 471-493.

HANEGRAAFF, W. J. (1996): New age religion and Western culture: Esotericism in the mirror of secular thought, New York 1996.

HARRISS, J./HUNTER, J./LEWIS, C. M. (1995): The New Institutional Economics and Third World development, London 1995.

HART, O. (1988): Incomplete contracts and the theory of the firm, in: Journal of Law, Economics and Organization, Vol. 4, No. 1/1988, pp. 119-139.

HEALEY, P. M./PALEPU, K. G. (2003): The fall of Enron, in: Journal of Economics Perspectives, Vol. 17, No. 2/2003, pp. 3-26.

HEILMAN, B./NDUMBARO, L. (2002): Corruption, politics, and societal values in Tanzania: An evaluation of the Mkapa administration's anti-corruption efforts, in African Journal of Political Science, Vol. 7, No. 1/2002, pp. 2-19.

HELGESON, J. F. (2009): Agent-based modeling for sustainable development, in: GSD Workshop, 02.04.2009-04.04.2009, Venice, Italy.

HELMKE, G./LEVITSKY, S. (2004): Informal institutions and comparative politics: A research agenda, in: Perspectives on Politics, Vol. 2, No. 4/2004, pp. 725-740.

HENISZ, W. J. (2000): The institutional environment for multinational investment, in: Journal of Law, Economics, and Organization, Vol. 16, No. 2/2000, pp. 334-364.

HIGH, C./PELLING, M./GUSZTAV, N. (2005): Understanding informal institutions: Networks and communities in rural development. Paper presented at the Transition in Agriculture, Agricultural Economics in Transition II, Hungarian Academy of Sciences, 28.10.2005-29.10.2005, Budapest, Hungary, pp.1-20.

HM TREASURY (2005): UK Real Estate Investment Trusts: A Discussion paper (pdf-document), http://news.bbc.co.uk/nol/shared/bsp/hi/pdfs/bud05_reits_366.pdf, retrieved: 07.05.2009.

HOBBS, J. E. (1996): A transaction cost application to chain management, Supply Chain Management, Vol. 1, No. 2/1996, pp. 15-27.

HOESLI, M./MACGREGOR, B. D. (2000): Property investment: Principles and practice of portfolio management, London 2000.

HOLLINGER, R. C./CLARK, J. P. (1983): Theft by employees, Lexington, MA 1983.

HOLSTEIN, J. A./GUBRIUM, J. F. (1997): Active interviewing, in: SILVERMAN, D. (Ed.): Qualitative research: Theory, methods, and practice, London, pp. 140-161.

HONORE, A. M. (1961): Ownership, in: Guest, A. G. (Ed.): Oxford essays in jurisprudence: First Series, 1961, pp. 107-147.

HSIEH, C./SIRMANS, C. F. (1991): ‘REITs as Captive-Financing Affiliates: Impact on financial performance, in: Journal of Real Estate Research, Vol. 6, No. 2/1991, pp. 179-189.

HU, D./PENNINGTON-CROSS, A. (2001): The evolution of real estate economy, Journal of Real Estate Portfolio Management, Vol. 7, No 3/2001, pp 169-176.

HUGHES, C./CROSBY, N./MURDOCH, S. (2005): Are property agents to blame for upward only rent reviews? Paper presented at the European Real Estate Society Conference, 15.06.2005-18.06.2005, Dublin, Ireland, pp. 1-18 (pdf-document), http://www.reading.ac.uk/REP/fulltxt/2505.pdf, retrieved: 05.04.2011.

IFC (2007): Voice of women entrepreneurs in Tanzania, Washington DC 2007.

IFC (2009): Doing business in Tanzania 2010, Washington DC 2009.

IFC (2011) Doing business in Tanzania, Washington DC 2011.

IGLESIAS, A./PALACIOS, R. J. (2000): Managing public pension reserves Part I: Evidence from the international experience, in: Social Protection Discussion Paper Series No. 0003/2000, pp. 1-45 (pdf-document), http://www-wds.worldbank.org/servlet/WDSContentServer/WDSP/IB/2000/12/15/000094946_00111805312189/Rendered/PDF/multi_page.pdf, retrieved: 13.08.2009.

IMPERIALE, R. (2006): Getting started in Real Estate Investment Trusts, Hoboken, NJ 2006.

INREV (2011): Annual Report 2010 (pdf-document), http://inrev.org/index.php?option=com_docman&task=cat_view&Itemid=41&mosmsg=The+document+must+be+approved+before+downloading, retrieved: 24.05.2011.

INTERNATIONAL MONETARY FUND (2010): United Republic of Tanzania: Financial system stability assessment update, IMF Country Report No. 10/177, Washington, DC. 2010 (pdf-document), http://www.imf.org/external/pubs/ft/scr/2010/cr10177.pdf, retrieved: 27.02.2011.

INVESTMENT PROPERTY FORUM (1993): Report on property investment for UK pension funds, London 1993.

INVESTMENT PROPERTY FORUM (2008): Implications for the strategic development of UK REITs from the experience of LPTs in Australia (pdf-document), https://www.ipf.org.uk/membersarea/downloads/listings1.asp?pid=361, retrieved: 20.04.2011.

JAMES, R. W. (1971): Land tenure and policy in Tanzania, Dar es Salaam 1971.

JASSIM, A./DEXTER, C. R./SIDHU, A. (1988): Agency theory: Implications for financial management, in: Managerial Finance, Vol. 14, No. 4/1988, pp. 1-5.

JENSEN, M. C. (1998): Foundation of organisational strategy, London 1998.

JENSEN, M. C./KEVIN, J. M. (1990): CEO incentives: It is not how much you pay, but how, Harvard Business Review, Vol. 68, No.3/1990, pp. 138-153.

JENSEN, M. C./MECKLING, W. H. (1976): Theory of the firm: managerial behaviour, agency costs and ownership structure, in: Journal of Financial Economics, Vol. 3, No. 4/1976, pp. 305-360.

JENSEN, M. C./MECKLING, W. H. (1979): Rights and production functions: An application to labour-managed firms and codetermination, in: Journal of Business, Vol. 52, No. 4/1979, pp. 469-506.

JENSEN, M. C./MECKLING, W. H. (1992): Specific and general knowledge, and organizational structure, in: WERIN, L./WIJKANDER, H. (Eds.): Contract economics, Cambridge, MA, pp. 251-274.

JOHNSON, B./TURNER, L. A. (2003): Data collection strategies in mixed methods research, in: TASHAKKORI, A./TEDDLIE, C. (Eds.): Handbook of mixed methods in social and behavioural research, Thousand Oaks, CA, pp. 297-319.

JOHNSON, N. B./DROEGE, S. (2004): Reflections on the generalization of agency theory: Cross-cultural considerations, in: Human Resource Management Review, Vol. 14, No. 3/2004, pp. 325-335.

JOIREMAN, S. F. (2006): Applying property rights theory to Africa: The consequences of formalising informal land rights. Paper prepared for the 10th Annual Meeting of the International Society for New Institutional Economics, 09.09.2006, Boulder, Colorado, USA (pdf-document), http://www.isnie.org/ISNIE06/Papers06/11.2/joireman.pdf, retrieved: 02.05.2009.

JONES, B. D. (1999): Bounded rationality, in: Annual Review of Political Science, Vol. 2, 1999, pp. 297–321.

JOSEFSSON, E./ABERG, P. (2005): An evaluation of the land laws in Tanzania, Lulea 2005.

JUNKER, L. (2005): Equity carveouts, agency costs and firm value, Wiesbaden 2005.

JUPP, V. (1996): Documents and critical research, in: SAPSFORD, R./JUPP, V. (Eds.): Data collection and analysis, London, pp. 298-316.

KAGARUKI, E. (2010): Process of selling NHC houses must be transparent, in: The Citizen (TZ), 07.08.2010.

KATZ J./SALINAS, E./STEPHANOU, C. (2009): Credit rating institutions: No easy regulatory solutions, in: Public Policy Journal, IFC-World Bank (website), http://rru.worldbank.org/PublicPolicyJournal/, retrieved:02.03.2011.

KAYMAK, T./BEKTAS, E. (2008): East meets west? Board characteristics in an emerging market: Evidence from Turkish banks, in: Corporate Governance, Vol. 16, No. 6/2008, pp. 550-561.

KEOGH, G. (1996): The evolution of the Spanish property market, in: Journal of Property Valuation, Vol. 14, No. 2/1996, pp. 62-77.

KEOGH, G./D'ARCY, E. (1994): Market maturity and property market behaviour: A European comparison of mature and emergent markets, in: Journal of Property Research, Vol. 11, No. 3/1994, pp. 215-235.

KEOGH, G./D'ARCY, E. (1999): Property market efficiency: An institutional economics perspective, in: Urban Studies, Vol. 36, No. 13/1999, pp. 2401-2414.

KIBOLA, H. (2008): The regulation of capital markets in Tanzania: Is there room for improvement, in: DSE Journal, No. 35/2008, pp. 10-29.

KIM, J./MAHONEY, J. T. (2005): Property rights theory, transaction costs theory and agency theory: An approach to strategic management, in: Managerial and Decision Economics, Vol. 26, No. 4/2005, pp. 223-242.

KING, G./KEOHANE, R. O./VERBA, S. (1994): Designing social inquiry, Princeton, NJ 1994.

KIRONDE, J. M. L. (2008): Property and Urban Development: Colonial Legacy on Urbanisation in East Africa, in: Daily News (TZ), 12.09.2008.

KIRONDE, J. M. L./MABERE, R./MUTAGWABA, H. (2003): Re-establishing effective housing finance mechanisms in Tanzania: Potentials and bottlenecks, Nairobi 2003.

KIRONDE, J. M. L. (2007): Race, class and housing in Dar es Salaam: The colonial impact on land use structure, 1891-1961, in: BRENNAN, J. R./BURTON, A./LAWI, Y (Eds.): Dar es Salaam: History from an emerging Metropolis, Dar es Salaam, pp. 97-117.

KLEIN, P. G. (1999): New Institutional Economics, in: Working Paper, No. 530/1999 (pdf-document), http://encyclo.findlaw.com/0530book.pdf, retrieved: 30.10.2009.

KLINGENBERG, B./BROWN, R. J. (2006): Optimisation of residential property management, in: Property Management, Vol. 24, No. 4/2006, pp. 397-414.

KNIGHT FRANK (2007): Africa Report 2007, London 2007.

KNIGHT FRANK (2009): Africa Report 2009, London 2009.

KNIGHT FRANK (2011): Africa Report 2011, London 2011.

KOLB, C. (2007): Corporate governance bei deutschen Immobilienkapitalgesellschaften, Köln 2007.

KOHL, N. (2009): Corporate governance and market valuation of publicly traded real estate companies: A theoretical and empirical analysis, Köln 2009.

KOHL, N./SCHAEFERS, W. (2009): Corporate governance and market valuation of publicly traded real estate companies: Evidence from Europe, in: Journal of Real Estate Finance and Economics, (Forthcoming). (pdf-document), http://ssrn.com/abstract=1389183, retrieved: 23.04.2011.

KONGELA, S. (2005) The dynamics in the real estate investment sector in Tanzania for the Past 20 Years: The case of NSSF and PPF, Dar es Salaam 2005.

KOWTHA, N. R. (1997): Skills, incentives and control: An integration of agency and transaction cost approaches, in: Group & Organisational Management, Vol. 22, No. 1/1997, pp. 53-86.

KRUEGER, A. B./SUMMERS, L. H. (1988): Efficiency wages and the inter-industry wage structure, in: Econometrica, Vol. 56, No. 2/1988, pp. 259-293.

KRUEGER, R. A./CASEY, M. A. (2000): Focus Groups: A Practical guide for applied research, Thousand Oaks, CA 2000.

KRUGELL, W. (2005): The determinants of FDI in Africa, in: GILROY, B./GRIES, T./NAUDE, W. A. (Eds.): Multinational enterprises, FDI and growth in Africa: South African perspective, New York, pp. 49-71.

KUHN, T. S. (1970): The Structure of scientific revolutions, Chicago 1970.

KULKAMI, S. P./HERIOT, K. C. (1999): Transaction costs and information costs as determinants of organisation form: A conceptual synthesis, in: American Business Review, Vol. 17, No. 2/1999, pp. 43-52.

KUMSSA, A./MBECHE, I. M. (2004): The role of institutions in the development process of African countries, International Journal of Social Economics, Vol. 31, No. 9/2004, pp. 840-854.

KURZROCK, B-M./GLAESNER, S./WILKE, E. (2009): Performance of open-ended real estate funds in Germany: Are institutional investors better off than retail investors?, in: Journal of European Real Estate Research, Vol. 2, No. 2/2009, pp. 110-131.

KUSILUKA, M. M. (2008a): Emerging real estate investment opportunities in Africa: The Case of Tanzania. Paper presented at the European Real Estate Society Conference, 18.06.2008-21.06.2008, Krakow, Poland.

KUSILUKA, M. M. (2008b): The role of pension funds in African real estate investment market. Paper presented at the African Real Estate Society Conference, 13.08.2008-16.08.2008, Johannesburg, South Africa.

KUSILUKA, M. M. (2009): Evolution of African real estate market and its potential for international investors. Paper presented at the American Real Estate Society Conference, 01.04.2009-04.04.2009, Monterey, CA, USA.

KUSILUKA, M. M./KONGELA, S./KUSILUKA, M. A./KARIMURIBO, E. D./KUSILUKA, L. J. M. (2011): The negative impact of land acquisition on indigenous communities' livelihood and environment in Tanzania, in: Habitat International, Vol.35, No.1/2011, pp. 66-73.

KVALE, S. (1996): Interviews, London 1996.

KWAKU, K. (2007): The investment climate and choices for pension funds in Africa, in: African Growth Agenda Newsletter, July – September 2007, Tygervalley SA 2007.

LACOUR-LITTLE, M. (2009): The pricing of mortgages by brokers: An agency problem? Journal of Real Estate Research, Vol. 31, No. 2/2009, pp. 235-264.

LACOUR-LITTLE, M./CHUN, G. (1999): Third party originators and mortgage prepayment risk: An agency problem?, in: Journal of Real Estate Research, Vol. 17 No. 1-2/1999, pp. 55-71.

LA PORTA, R./DE SILANES, F. L./SHLEIFER, A./VISHNY, R. W. (2000): Agency problems and dividend policies around the world, in: the Journal of Finance, Vol. 55, No. 1/2000, pp. 1-33.

LAM, T./ZHANG, H./BAUM, T. (2001): An investigation of employees' job satisfaction: The case of hotels in Hong Kong, in: Tourism Management, Vol. 22, No. 2/2001, pp. 157-165.

LANG, L./POULSEN, A./STULZ, R. (1995): Asset sales, firm performance, and the agency costs of managerial discretion, in: Journal of Financial Economics, Vol. 37, No. 1/1995, pp. 3-37.

LARSSON, P. (2006): The challenging Tanzanian land law reform: A study of the implementation of the Village Land Act, Dissertation, Stockholm 2006.

LAUTH, H. (2004): Formal and informal institutions: On structuring their mutual co-existence, in: The Romanian Journal of Political Sciences, No. 1/2004, pp. 67-89.

LEE, M./LEE, M. (2005): Corporate real estate sales and agency costs of managerial discretion, in: Property Management, Vol. 25, No. 5/2005, pp. 502-512.

LEE, S. (2001): The risk of investing in real estate markets of the Asian region, in: Working paper in Land Management & Development No. 06/2001, University of Reading, pp. 30-59

LEVINE, M./UERGE-VORSATZ, D./BLOK, K./GENG, L./HARVEY, D./LANG, S./ LEVERMORE, G./MONGAMELI MEHLWANA, A./MIRASGEDIS, S./NOVIKOVA, A./RILLING, J./YOSHINO, H. (2007): Residential and commercial buildings, in: METZ, B./ DAVIDSON, O. R./BOSCH, P. R./DAVE, R./MEYER, L. A. (Eds.): Climate change 2007: Mitigation. Contribution of Working Group III to the Fourth Assessment Report of the Intergovernmental Panel on Climate Change, Cambridge, pp. 387-446.

LEVITIN, A. J./TWOMEY, T. (2011): Mortgage servicing, in: Yale Journal on Regulation, Vol. 28, No. 1/2011, pp. 1-90.

LEWIS, J./RITCHIE, J. (2008): Generalising from qualitative research, in: LEWIS, J./RITCHIE, J. (Eds.): Qualitative research practice: A Guide for social science students and researchers, London, pp. 263-286.

LIAO, H./MEI, J. P. (1999): Institutional factors and real estate: A cross country study, in: International Real Estate Review, Vol. 2, No. 1/1999, pp. 21-34.

LIM, L. C./MCGREAL, S./WEBB, J. R. (2006): Perception of real estate investment opportunities in Central/South America and Africa, in: Journal of Real Estate Portfolio Management, Vol. 12, No 3/2006, pp. 261-276.

LIND, H. (2008): Price bubbles on the housing market: Concept, theory and indicators, in: Working Paper No. 58/2008, Stockholm, pp. 1-17 (pdf-document) http://www.infra.kth.se/se/byfa/publikationer/engelskaUppsatserOchRapporter/58.pdf, retrieved: 12.10.2010.

LINDBERG, L. (2002): Property investment vehicles: An international comparison, Stockholm 2002 (pdf-document), http://www.infra.kth.se/se/byfa/publikationer/examensarbeten/2002/172.pdf, retrieved: 20.02.2009.

LING, D. C./ARCHER, W. R. (2005): Real estate principles: A Value approach, New York 2005.

LING, D. C./ARCHER, W. R. (2007): Real estate principles: A Value approach, New York 2007.

LIST, T. (2009): Germany investors rediscover domestic market, in: DIJKMAN, M./WACHTER, A. (Eds.): Germany Real Estate Year Book 2009, the Hague 2009, pp. 34-39.

LIU, G. S./SUN, P. (2005): The class of shareholdings and its impact on corporate performance: A case of shareholding composition in Chinese public corporations, Corporate Governance: An International Review, Vol. 13, No. 1/2005, pp. 46-59.

LOADER, R. (1997): Assessing transaction costs to describe supply chain relationship in Agri-food systems, in: Supply Chain Management: An International Journal, Vol. 2, No. 1/1997, pp. 23-35.

LWIZA, D. B./NWANKWO, S. (2002): Market driven transformation of the banking sector in Tanzania, in: International Journal of Bank Marketing, Vol. 20, No. 1/2002, pp. 38-49.

MALPEZZI, S. (2000): Tales from the real side: The implications of urban research for real estate finance in developing and transition economies. Paper presented at the conference on Housing Policy in the New Millennium, 02.10.2000-03.10.2000, Washington, USA, pp.-139-173.

MAPUNJO, J. (2010): Synopsis of business environment in Tanzania. Paper presented at Investors symposium, Dar es Salaam 20.12.2010 (pdf-document), http://www.tzonline.org/pdf/business_environment_-_presentation_final_200307.pdf, retrieved: 25.06.2011.

MARSH, G. A./ZUMPANO, L. V. (1988): Agency theory and the changing role of the real estate broker: Conflicts and possible solutions, in: Journal of Real Estate Research, Vol. 3, No. 2/1988, pp. 151-164.

MARSHALL, C./ROSSMAN, G. B. (2006): Designing qualitative research, Thousand Oaks, CA 2006.

MARTIN, P. R./BATESON, P. P. G. (1986): Measuring behaviour: An introduction guide, Cambridge 1986.
MATOTOLA, U. (2009): Construction of property indices in Tanzania, Dar es Salaam 2009.

MAYER, C./PENCE, K./SHERLUND, S. M. (2009): The Rise in Mortgage Defaults, in: Journal of Economic Perspectives, Vol. 23 No. 1/2009, pp. 27-50.

MBELE, A. S. (2009): The need for institutional changes in real property transaction in Tanzania: Case study Dar es Salaam, Stockholm 2009.

MCBURNEY, D. H. (1998): Research methods, Pacific Grove, CA 1998.

MCGREAL, S./PARSA, A./KEIVANI, R. (2002): Evolution of property investment markets in Central Europe: Opportunities and constraints, in: Journal of Property Research, Vol. 19, No. 3/2002, pp. 213-230.

MCHECHU, N. K. (2007): Promotion of housing financing in Tanzania: Prospects and problems. Paper presented at the Tanzania Institution of Valuers and Estate Agents Workshop, 29.06.2007, Dar es Salaam.

MCHECHU, N. K. (2008): Prospects for mortgage finance in Tanzania. Paper presented at the conference of Financial Institutions, 06.11.2008-07.11.2008, Arusha, Tanzania.

MCLEAN, B./NOCERA, J. (2010): All the devils are here: The hidden history of financial crisis, New York 2010.

MENSAH, S. (2003): Corporate governance in Africa: The role of capital market regulation. Paper presented at the 2nd Pan-African Consultative Forum on Corporate Governance, 21.07.2003-23.07.2003, Nairobi, Kenya, pp. 1-23.

MEREDITH, M. (2006): The State of Africa: A History of fifty years of independence, New York 2006.

MFEA (2008): The Economic Survey 2007, Ministry of Finance and Economic Affairs Tanzania (pdf-document), http://www.tanzania.go.tz/economicsurveyf.html, retrieved: 30.04.2011.

MILLER III, S./SHLMAN, M. (1999): Tanzania investor roadmap, in: Report prepared for USAID/Tanzania (pdf-document), http://pdf.usaid.gov/pdf_docs/PNACE386.pdf, retrieved: 12.11.2010.

MITTELMAN, J. H. (1978): Underdevelopment and nationalisation: Banking in Tanzania, in: The Journal of Modern Africa Studies, Vol. 16, No. 4/1978, pp. 597-617.

MIZRUCHI, M. S. (2010): The American corporate elite and the historical roots of the financial crisis of 2008, in: LOUNSBURY, M./ HIRSCH, P. M. (Eds.): Markets on trial: The economic sociology of the US financial crisis. Research in the Sociology of Organisations, Vol. 30, 2010, pp. 405-441.

MNALI, J. M. (2008): Investment climate and opportunities in Tanzania. Paper presented at the CDM Workshop, 21.01.2008, Dar es Salaam, Tanzania.

MOHAMMAD, J./HABIB, F. Q./ZAKARIA, S. (2010): Organizational citizenship behavior and commitment: Do age and tenure make any difference?, in: Business Management Quarterly Review, Vol. 1, No.3/2010, pp. 29-49.

MoLHHSD (2008): Resettlement policy framework, Dar es Salaam: Ministry of Lands, Housing and Human Settlements Development 2008.

MoLHHSD (2011): Budget Speech for MoLHHSD for the year 2011/2012. Speech presented to Parliament on 15.08.2011, Dodoma, Tanzania 2011.

MOORTHY, M. K./SEETHARAMAN, A./SOMASUNDARAM, N. R./GOPALAN, M. (2009): Preventing employee theft and fraud, in: European Journal of Social Sciences, Vol. 12, No. 2/2009, pp. 259-268.

MOOYA M. M./CLOETE, C. E. (2007): Informal urban property markets and poverty alleviation: A conceptual framework, in: Urban Studies, Vol. 44, No. 1/2007, pp. 147-165.

MOUSTAKAS, C. (1994): Phenomenological research methods, Thousand Oaks, CA 1994.

MPOGOLE, M./KONGELA, S. (2009): Impact of peripheral urban land acquisition on indigenous communities' livelihood and environment around Uluguru Mountains, Morogoro, Tanzania, in RICS Research paper series, 2009, pp.1-49.

MPOGOLE, M. K. (2006): An evaluation of property as an investment medium for pension funds in Tanzania, Dar es Salaam 2006.

MURDOCK, C. W. (2010): How Incentives Drove the Subprime Crisis: Selected Works of Charles W. Murdock (website), http://works.bepress.com/charles_murdock/13/, retrieved: 06.05.2011.

MURPHY, K. (1993): Honesty in the workplace, Pacific Grove, CA 1993.

MWAMBALASWA, C. (2003): Pension fund investment in real estate: A case study of National Social Security Fund in Tanzania, Stockholm 2003.

MWAMOTO, R. T. (2003): An Analysis of investment performance of pension funds in Tanzania: A comparative case study of the NSSF and the PPF, Dar es Salaam 2003.

NAGAR, V./NANDA, D./WYSOCKI, P. (2003): Discretionary disclosure and stock based incentives, in: Journal of Accounting and Economics, Vol. 34, No. 1-3/2003, pp. 283-309.

NAREIT (2004): Frequently asked questions about Real Estate Investment Trusts, New York 2004.

NAREIT (2011): REIT Watch: A monthly statistical report on the REIT industry, January 2011 Report, (pdf document), http://returns.reit.com/reitwatch/rw1101.pdf, retrieved: 20.06.2011.

NAUBEREIT, P./GIER, S. (2002): An institutional economic analysis of securitization in real estate. Paper presented at the Pacific Rim Real Estate Society, 21.01.2002-23.01.2002, Christ Church, New Zealand.

NDISSI, J. (2003): Development of government securities in Tanzania. Paper presented at Word Bank workshop on developing government bond markets in sub-Saharan Africa, 16.06.2003-19.06.2003, Johannesburg, South Africa.

NELSON, A. J./RAKAU, O./DOERRENBERG, P. (2010): Green buildings: A niche becomes mainstream, in: Deutsche Bank research paper (pdf-document), http://www.dbresearch.com/PROD/DBR_INTERNET_ENPROD/PROD0000000000256216.pdf, retrieved: 04.12.2010.

NEUSNER, J./CHILTON, B. (2005): Altruism in world religions, Washington, DC 2005.

NEWELL, G./ACHEAMPONG, P./DU PLESSIS, P. (2002): The real estate markets in South Africa, in: Journal of Real Estate Literature, Vol. 20, No. 2/2002, pp. 279-294.

NGANGA, S./JAIN, V./ARTIVOR, M. (2003): Corporate governance in Africa: A survey of publicly listed companies. Research paper, London Business School 2003, pp. 1-46 (pdfdocument),http://www.thaigoodgovernance.org/upload/content/133/Corporate%20Governance%20In%20Africa.pdf, retrieved: 12.02.2010.

NGEREGERE, F. (2008): A century of government regulated land access in Tanzania. Paper prepared for workshop on Land Administration in Africa (Teleconferencing), 12.05.2008–15.05.2008.

NGOWI, H. P. (2005): Institutional reforms to attract FDIs as a strategy for economic growth. Paper presented at AAPAM Annual Conference, 07.03.2005-11.03.2005, Mombasa, Kenya, pp. 1-24 (pdf-document), http://unpan1.un.org/intradoc/groups/public/documents/aapam/unpan025714.pdf, retrieved: 30.09.2009.

NHC (2010): Strategic Plan for 2010/11-2014/15. Plan presented to the members of Parliament, 04.07.2010, Dodoma, Tanzania.

NICHOLSON, G. V./KIEL, G. C (2007): Can directors impact performance? A case-based test of three theories of corporate governance, in: Corporate Governance, Vol. 15, No. 4/2007, pp. 585-608.

NIEHOFF, B. P./PAUL, R. J. (2000): Causes of employee theft and strategies that HR managers can use for prevention, in: Human Resource Management, Vol. 39, No. 1/2000, pp. 51-64.

NORTH, D. C. (1990): Institutions, institutional change and economic performance, New York 1990.

NORTH, D. C. (1992): Transactions costs, institutions, and economic performance. Occasional Paper No. 30/1992, pp. 5-32. (pdf-document), http://pdf.usaid.gov/pdf_docs/PNABM255.pdf, retrieved: 20.07.2009.

NORTH, D. C. (1994): Economic performance through time, in: American Economic Review, Vol. 84, No. 3/1994, pp. 359-368.

NORTH, D. C. (2003): The role of institutions in economic development. Discussion paper series, No. 2/2003, pp. 1-10 (pdf-document), http://www.unece.org/fileadmin/DAM/oes/disc_papers/ECE_DP_2003-2.pdf, retrieved: 20.07.2009.

NORTH, D.C. (2005): Understanding the process of economic change, Princeton 2005.

NSSF (2007): Annual report for the financial year ending June 2007, Dar es Salaam 2007.

NSSF (2008): Annual report for the financial year ending June 2008, Dar es Salaam 2008.

NTIYAKUNZE, S. K. (2011): Conflicts in building projects in Tanzania: Analysis of causes and management approaches, Dissertation, Stockholm 2011.

NYANDUGA, B. T./MANNING, C. (2006): Guide to Tanzanian legal system and legal research, in: GlobaLex (website), http://www.nyulawglobal.org/globalex/tanzania.htm, retrieved: 13.08.2009.

OECD/IEA (2007): Mind the gap: Quantifying principal-agent Problems in energy efficiency, Paris 2007.

OFFE, C. (2006): Political institutions and social power: Conceptual explanation, in: SHARPIRO,I./SKOWRONEK, S./GALVIN, D. (Eds.): Rethinking political institutions: The Art of the State, New York, pp. 9-31.

OKEAHALAM, C. C. (2004): Corporate governance and disclosure in Africa: Issues and challenges, in: Journal of Financial Regulation and Compliance, Vol. 12, No. 4/2004, pp. 359-370.

OKPALA, D. C. J. (1986): Aspects of urban housing and human settlements policies and strategies in Africa, in: Habitat International, Vol. 10, No.3/1986, pp. 203-223.

OKPARA, J. O. (2004): The impact of salary differential on managerial job satisfaction: A study of the gender gap and its implications for management education and practice in a developing economy, in: the Journal of Business in Developing Nations, Vol. 8, 2004, pp. 65-92.

OKPARA, J. O. (2005): Gender differences and job satisfaction: A study of university teachers in the United States, Women in Management Review, Vol. 20, No. 3/2005, pp.177-190.

OLENASHA, W. (2005): Reforming land tenure in Tanzania: For whose benefit? Hakiardhi Report, Dar es Salaam 2005.

OOI, J. T. L. (2001): Dividend payout characteristics of UK property companies, in: Journal of Real Estate Portfolio Management, Vol. 7, No. 2/2001, pp 133-142.

PADILLA, A. (2002) The property economics of agency problems. Mises Institute Working Papers, pp. 1-57 (pdf-document), https://www.mises.org/journals/scholar/Padilla3.pdf, retrieved: 06.07.2010.

PALMER, D./MAHER, M. (2010): A normal accident analysis of the mortgage meltdown, in: Lounsbury, M./Hirsch, P. M. (Eds.): Markets on trial: The economic sociology of the US financial crisis. Research in the Sociology of Organisations, Vol. 30, 2010 pp. 217-254.

PARKER, D. (2010): REIT investment decision: A multi step process? Paper presented at the PRRES Conference, 24.01.2010-27.01.2010, Wellington, New Zealand, pp.1-14.

PARKIN, M./POWEL, M./MATTHEWS, K. (2008): Economics, Essex 2008.

PEDERSEN, R. H. (2010): Tanzania's land law reform: The implementation challenge. Working Paper No. 37, Danish Institute for International Studies 2010.

PEJOVICH, S. (2006): The effects of formal and informal institutions on social stability and economic development, in: ROY, K. C./SIDERAS, J. (Eds.): Institutions, globalisation and empowerment, Northampton, MA, pp. 56-74.

PERETZ, N. (2009): Growing the energy efficiency market through third-party financing, in: Energy Law Journal, Vol. 30, No. 2/2009, pp. 377-403.

PERROW, C. (2010): The meltdown was not an accident, in: LOUNSBURY, M./ HIRSCH, P. M. (Eds.): Markets on trial: The economic sociology of the US financial crisis. Research in the Sociology of Organisations, Vol. 30, 2010, pp. 307-328.

PFEFFER, T. (2009): A sector and company based analysis of links and time lags between real estate market cycles, earnings, and pricing of REITs, Köln 2009.

PHENG, L. S./TAN, V. P. L. (1995): Ethical expectations in Singapore real estate industry, in: Property Management, Vol. 13, No. 4/1995, pp. 5-12.

PIVO, G. (2010): Owner-tenant engagement in sustainable property investing, in: Journal of Sustainable Real Estate, Vol. 2, No. 1/2010, pp. 183-199.

POAC (2011): Taarifa ya hesabu za mashirika ya umma kwa mwaka wa fedha ulioishia 30 Juni 2009 (in Swahili). Report presented to the Parliament of Tanzania by the Chairman of the Parliamentary Public Corporations Accounts Committee, April 2011, Dodoma, Tanzania.

POLLARD, G. (1994): Social attributes and job satisfaction among newsworkers, in: International Communication Gazette, Vol. 52, No. 3/1994, pp. 193-208.

POPOV, E. V./SIMONOVA, V. L. (2006): Forms of opportunism between principals and agents, in: International Advances in Economic Research, Vol. 12, No. 1/2006, pp. 115-123.

PPF (2005): Annual Report for the year ending December 2005, Parastatal Pensions Fund, Dar es Salaam 2005.

PUNCH, K. F. (2008): Introduction to social research: Qualitative and quantitative approaches, London 2008.

PwC (2008a): Doing business guide: Tanzania, Dar es Salaam 2008.

PwC (2008b): Into Africa: Investment prospects in the sub-Saharan banking sector (pdf-document), http://www.pwc.com/en_GX/gx/financial-services/pdf/pwc_into_africa.pdf, retrieved: 23.08.2009.

PYHRR, S. A./COOPER, J. R./WOFFORD, L.E./KAPLIN, S. D./LAPIDES, P. D. (1989): Real estate investment: Strategy, analysis, decisions, New York 1989.

PYLYPCHUK, I. (2010): German open-ended funds: Changing regulations for changing times (website), http://portal.cbre.eu/portal/page/portal/research/publications/fpr_emea_viewpoint_goef_chaging%20_regulations_autumn_2010.pdf, retrieved: 10.05.2011.

PYLYPCHUK, I. (2008): German open-ended funds: Past, present and future, pp.1-16 (pdf-document), www.cbre.eu/researchreportviewer/.../ReportViewerServlet*?p*, retrieved: 10.04.2011.

QUIGLEY, J. M. (2002): Transaction costs and housing markets. Working Paper Series No. W02-005, University of California, Berkeley 2002.

RATCLIFFE, J./STUBBS, M. (2001): Urban planning and real estate development, London 2001.

REBERNIK, M./BRADAC, B. (2006): Cooperation and opportunistic behaviour in transformational outsourcing, in: Kybernetes, Vol. 35, No. 7-8/2006.

RENAUD, B. (2003): Speculative behavior in immature real estate markets: Lessons from the 1997 Asia crisis, in: Urban Policy and Research, Vol. 21, No. 2/2003, pp. 151-173.

RIDLEY, M. (1996): The origins of virtue, London 1996.

ROBBINS, S. P./ODENDAAL, A./ROODT, G. (2007): Organisational behaviour: Global and Southern African perspectives, Cape Town 2007.

ROBSON, C. (2002): Real world research, Oxford 2002.

ROMA-TAS, A./HISS, S. (2010): The role of ratings in the subprime mortgage crisis: The art of corporate and the science of consumer credit rating, in: LOUNSBURY, M./HIRSCH, P. M. (Eds.): Markets on trial: The economic sociology of the US financial crisis. Research in the Sociology of Organisations, Vol. 30, 2010 pp. 113-153.

ROSENBERG, S. B./CORGEL, J. B. (1990): Agency costs in apartment property management contracts, in: AREUEA Journal, Vol. 18, No. 2/1990, pp. 184-201.

ROSS, S. A. (1973): The economic theory of agency: The principal's problem, in: American Economic Review-Papers and Proceedings, Vol. 63, No. 3/1973, pp. 134-139.

ROSSITER, J. (2007): Knight Frank Launches $ 350 million African Property Fund, in the Times Online, 24.09.2007 (website), http://timesonline.co.uk/tol/business/industry_sectors/construction_and_property/article2517813.ece, retrieved: 20.06.2008.

ROTHENBERGER, S. (2010): Foreign real estate investment in sub-Saharan Africa: A Behavioural approach in countervailing the investment stigma by image analysis and exploration of the Tanzanian real estate market, Dissertation, Köln 2010.

ROTTKE, N. (2004): Investitionen mit real estate private equity, Köln 2004.

ROWLAND, P. J. (1997): Property investment and their financing, Sydney 1997.

ROWLAND, P. (1998): Testing for agency costs in property transactions. Paper presented at the Pacific Rim Real Estate Society conference, 19.01.1998-21.01.1998, Perth, Western Australia.

SALAMI, S. O. (2008): Demographic and psychological factors predicting organisational commitment among industrial workers, Anthropologist, Vol. 10, No. 1/2008, pp. 31-38.

SANDERS, A. (2008): The subprime crisis and its role in the financial crisis, in: Journal of Housing Economics, Vol. 17, No 4/2008, pp. 254-261.

SANGA, C. (2004): Land Sector as an impediment to mortgage finance in Tanzania. Paper presented at 3rd FIG regional conference, 03.10.2004-07.10.2004, Jakarta, Indonesia.

SAROGLOU, V./PICHON, I./TROMPETTE, L./VERSCHUEREN, M./DERNELLE, R. (2005): Prosocial behavior and religion: New evidence based on projective measures and peer ratings, in: Journal for the Scientific Study of Religion, Vol. 44, No. 3/2005, pp. 323-348.

SCHAEFERS, W./KOHL, N./SCHULTE, K.-W. (2008): Corporate governance bei Real Estate Investment Trusts, in: BONE-WINKEL, S./SCHAEFERS, W./SCHULTE, K.-W. (Eds.): Handbuch Real Estate Investment Trusts, Köln 2008, pp. 233-249.

SCHULTE, K.-W. (2007): Der deutsche REIT: Lektion 1 - Immobilienwirtschaftliche Einführung in das Thema deutscher REIT, Duesseldorf 2007.

SCHULTE, K.-W. (2012): Foreword, in JUST, T./MAENING, W. (Eds.) Understanding German real estate markets, Berlin 2012, pp. v-vi.

SCHULTE, K.-W. (2008): Immobilienoekonomie, 4th edition, Munich 2008.

SCHULTE, K.-W./SCHAEFERS, W. (2008): Immobilienoekonomie als wirtschafliche Disziplin, in: SCHULTE, K.-W. (Ed.): Immobilienoekonomie, 4th edition, Munich 2008, pp. 47-70.

SCHULTE, K.-W./SCHULTE-DAXBOEK, G. (2008): Aus-und Weiterbilding fuer Immobilienberufe, in: SCHULTE, K.-W (Ed.): Immobilienoekonomie, 4th edition, Munich 2008, pp. 71-90.

SCHULTE, K.-W./KOLB, C. (2008): Ethik fuer Immobilienberufe, in: SCHULTE, K.-W. (Ed.): Immobilienoekonomie, 4th edition, Munich 2008, pp. 91-114.

SCHULTE, K.-W./BECKER, M. (2006): German real estate investment market update, in: EPRA News, No. 17/2006, pp. 17-18.

SCHULTE K.-W./KOLB, C. (2004): Corporate governance in the real estate industry. Paper presented at the American Real Estate Society Annual Meeting, 21.04.2004-24.04.2004, Captiva Island, FLA.

SCHULTE, K.-W./SCHEFERS, W. (Eds) (2004): Handbuch Corporate Real Estate Management, Köln 2004.

SCHULTE K.-W./ROTTKE, N./PITSCHKE, C. (2005): Transparency in the German real estate market, in: Journal of Property Investment and Finance, Vol. 23, No.1/2005, pp. 90-108.

SCHULTE, K.-W./ROTHENBERGER, S. (2010): Wann kommen internationale Investoren nach Afrika?, in: MIPIM-Special, Immobilien & Finanzierung 05-06/2010.

SCHULTE, K.-W./SCHAEFFERS, W. (2006): Corporate real estate management, Köln 2006.

SCHULTE, K.-W. (2002): Real estate education in Europe: Germany, in: SCHULTE, K. W. (Ed.): Real estate education throughout the world: Past, present and future, Norwell, Massachusetts, pp. 125-147.

SCHULZ-GEBELTZIG, H./WOERNER, C./MITARBEITER, W. (2002): German law restructures Open-Ended Funds, in: AFIRE Newsletter, September- October 2002.

SCHWARTZ, M. S./DUNFEE, T. W./KLINE, M. J. (2005): Tone at the top: An ethics code for Directors?, in: Journal of Business Ethics, Vol. 58, No.1-3/2005, pp. 79–100.

SCOTT, W. R. (2005) Institutional theory: Contributing to a theoretical research program, in: SMITH, K. G./ HITT, M. A. (Eds.): Great minds in management: The process of theory development, Oxford, pp. 460-485.

SEBASTIAN S. (2011): Is the German open-ended real estate fund an anachronistic investment vehicle?, in: EPRA News, Issue No. 38/2011.

SEBASTIAN, S./TYRELL, M. (2006): Open-ended real estate funds: Danger or diamond?. Working Paper No. 168, Goethe University, Frankfurt 2006.

SEEK. N. N. (1996): Institutional participation in the Asia Pacific Real Estate markets: Are benefits worth the risks?, in: Journal of Real Estate Finance, Vol. 12, No. 4/1996, pp. 51-58.

SEN, G. (2006): Informal institutions and gender equality. Paper prepared for OECD Informal Institutions and Development Seminar, 11.12.2006-12.12.2006, Paris, France.

SHAPIRO, S. P. (2005): Agency theory, in: Annual Review Sociology, Vol. 31, 2005, pp. 263-284.

SHEN, W./LIN, C. (2009): Firm profitability, state ownership, and top management turnover at the listed firms in China: A behavioural perspective, in: Corporate Governance: An International Review, Vol. 17, No. 4/2009, pp. 443-456.

SHIN, H./KIM, Y. H. (2002): Agency costs and efficiency of business capital investment: Evidence from quarterly capital expenditures, in: Journal of Corporate Finance, Vol. 8, No. 2/2002, pp. 139-158.

SHIVJI I. G. (1998): Not yet democracy: Reforming land tenure in Tanzania, Dar es Salaam 1998.

SHLEIFER, A./VISHNY, R. W. (1997): A Survey of corporate governance, in: Journal of Finance, Vol. 52, No. 2/1997, pp. 737-783.

SILVERMAN, D. (2008) Interpreting qualitative data: Methods for analysing talk, text and interaction, London 2008.

SIM, L./ZHU, J./ZHANG, X. (2003): Perception of the real estate investment environment by main actors and players: The Case of Singapore. Paper presented at the Pacific Rim Real Estate Society 9th Annual Conference, 19.01.2003-22.01.2003, Brisbane, Australia.

SITTA, S. J. (2005): Integrity environment and investment promotion: The case of Tanzania. Paper presented at the conference on Alliance for Integrity: Government & Business Roles in Enhancing African Standards of Living, 07.03.2005-08.03.2005, Addis Ababa, Ethiopia.

SJOESTEDT, M. (2007): Land policies and property rights in sub-Saharan Africa: A comparative study of credible commitments. Paper presented at the 48th ISA Convention, 28.02.2007-03.03.2007, Chicago, USA.

SMITH, A. D. (2010): Agency theory and the financial crisis from a strategic perspective, in: International Journal of Business Information Systems, Vol. 5, No.3/2010, pp. 248-267.

SMITH, J./HESHUSIUS, L. (1986): Closing down the conversation: The end of the quantitative-qualitative debate among educational enquiries, in: Educational Research, Vol. 15, No. 1/1986, pp. 4-12.

SMITHSON, J. (2008): Focus Groups, in: ALASUUTARI, P./BICKMAN, L./BRANNEN, J. (Eds.): Social research methods, London 2008.

SOLT, M. E./MILLER, M. G. (1985): Managerial incentives: Implications for financial performance of Real Estate Investment Trusts, in: AREUEA Journal, Vol. 13, No. 4/1985, pp. 404-423.

SOTELO, R. (2008a): The economics of REITs, in: SOTELO, R./McGREAL, S. (Eds.): The introduction of REITs in Europe: A global perspective, Bergisch Gladbach, pp. 12-25.

SOTELO, R. (2008b): The introduction of REITs in Germany, in SOTELO, R./McGREAL, S. (Eds.): The introduction of REITs in Europe: A global perspective, Bergisch Gladbach, pp. 1118-141.

STEINBERG, W. (2008): Student Study guide to accompany statistics alive, London 2008.

STUBKJAER, E./FRANK, A./ZEVENBERGEN, J. (2007): Modelling real property transactions, in: ZEVENBERGEN, J./FRANK, A./STUBKJAER, E. (Eds.): Real property transactions: Procedures, transaction costs and models, Amsterdam, pp. 3-24.

SUAREZ, J. L./VASSALLO, A. (2005): Indirect investment in real estate: Listed companies and Funds. Working Paper No. 602, University of Navarra, Barcelona 2005.

SVENSSON, J. (1998): Investment, property rights and political instability: Theory and evidence, in: European Economic Review, Vol. 42, No. 7/1998, pp. 1317-1341.

TABELLINI, G. (2008): Presidential address: Institutions and culture, in: Journal of the European Economic Association, Vol. 6, No. 2-3/2008, pp. 255-294.

TAMAGNO, E. (2000): Investing social security funds: Principles and considerations. Paper presented at the ISSA conference, 20.11.2000-22.11.2000, Bangkok, Thailand, pp.1-15 (pdf-document), http://caledoninst.dreamhosters.com/oldsite/WWW/Publications/PDF/tomagno.pdf, retrieved: 12.03.2008.

TASHAKKORI A./TEDDLIE, C. (2008): Quality of inferences in mixed methods research: Calling for an integrative framework, in: BERGMAN, M. M. (Ed.): Advances in mixed research methods , London, pp. 101-119.

TEDDLIE, C./TASHAKKORI, A. (2009): Foundations of mixed research: Integrating quantitative and qualitative approaches in the social and behavioural sciences, Los Angeles 2009.

TEMEL-CANDEMIR, N. (2005): Agency theory: An extended conceptualisation and reformulation, Dissertation, Queensland 2005.

THE REPORT OF THE PRESIDENTIAL COMMISSION OF INQUIRY AGAINST CORRUPTION (1996): Report prepared for the Government of the United Republic of Tanzania and the World Bank, Dar es Salaam 1996.

THRALL, G. I. (2002): Business geography and new real estate market analysis, Oxford 2002.

TIC (2006): Tanzania investment guide: Investment opportunities, Dar es Salaam 2006.

TIC (2008): Tanzania investment guide 2008 and beyond, Dare es Salaam 2008.

TIWARI, P./WHITE, M. (2010): International real estate economics, Hampshire 2010.

TU, Y./BAO, H. X. (2009): Property rights and housing value: The Impacts of political instability, in: Real Estate Economics, Vol. 37, No. 2/2009, pp. 235-257.

UNCTAD (2007): FDI from developing and transition economies: Implications on development: Word investment report 2006, New York 2007.

URT/PCCB (2009): National governance and corruption survey 2009, Dar es Salaam 2009.

UTHERFORD, R. C/SPRINGER, T. M./YAVAS, A. (2005): Conflicts between principals and agents: Evidence from residential brokerage, in: Journal of Financial Economics, Vol. 76, No. 3/2005, pp.627-665.

VAN DER KRABBEN E./LAMBOOY J. G. (1993): Theoretical framework for the functioning of Dutch property market, in: Urban Studies, Vol. 30, No. 8/1993, pp. 1381-1397.

VAN EES, H./GABRIELSSON, J./HUSE, M. (2009): Toward a behavioural theory of boards and corporate governance, in: Corporate Governance: An International Review, Vol. 12, No. 3/2009, pp. 307-319.

VIRULY, F. (2009): Market Institutions and the future course of the South African property market. Paper presented at the European Real Estate Society Conference, 24.06.2009-24.06.2009, Stockholm, Sweden.

VITIKAINEN, A. (2007): Transaction costs concerning real property, the case of Finland, in: ZEVENBERGEN, J./FRANK, A./STUBKJAER, E. (Eds.): Real property transactions: Procedures, transaction costs and models, Amsterdam, pp. 101-117.

WAGNER, S. L./RUSH, M. C. (2000): Altruistic organizational citizenship behavior context: age and disposition, in: The Journal of Social Psychology, Vol. 140, No.3/2000, pp. 379-391.

WALTERS, M. (2002): Transaction costs of collective action in Hong Kong high rise real estate, in: International Journal of Social Economics, Vol. 29, No. 4/2002, pp. 299-314.

WANGWE, S./LWAKATARE, M. (2004): Innovation in rural finance in Tanzania. Paper prepared for the 3rd Annual Conference on Microfinance, 15.03.2004-17.03.2004, Arusha, Tanzania, pp. 1-18.

WHITEHOUSE, E. (2007): Pensions and investments: International experience. Paper presented to the GIP Unlisted Securities Markets Conference, 28.08.2007-30.08.2007, Windhoek, Namibia.

WILLIAMS, J. (1998): Agency and brokerage of real estate assets in competitive equilibrium, in: Review of Financial Studies, Vol. 11, No. 2/1998, pp. 239-280.

WILLIAMSON, C. R. (2009): Informal institutions rule: Institutional arrangements and economic performance, in: Public Choice, Vol. 139, No. 3-4/2009, pp. 371-387.

WILLIAMSON, O. E. (1975): Markets and hierarchies: Analysis and anti-trust implications, New York 1975.

WILLIAMSON, O. E. (1979): Transaction cost economics: The governance of contractual relations, in: Journal of Law and Economics, Vol. 22, No. 2/1979, pp. 233-261.

WILLIAMSON, O. E. (1985): The economic institutions of capitalism: Firms, markets, relational contracting, New York 1985.

WILSON P. J./ZURBRUEGG, R. (2003): Isolating Important driving forces in indirect real estate markets, in: Journal of Real Estate Management, Vol. 9, No 3/2003, pp. 205-218.

WORLD FINANCE (2011): DSE integrates with East African Exchanges, in: World News Media 2011, pp. 140-141.

WORZALA, E./SIRMANS, C. F./LIZIERI, C./SCHULTE, K.-W./OOI, J./HORDIJK, A./NEWELL, G. (2006): An international comparative study of the pension plan community and real estate investment. Research report prepared for the Pension Real Estate Association (PREA), Hartford 2006, pp. 1-95 (pdf-document), http://www.rst.nus.edu.sg/enewsletter/docs/pensionplancommunity.pdf, retrieved: 16.05.2011.

WORZALA, E. M./BAJTELSMIT, V. L. (1993): Real estate allocation in pension fund portfolios, in: Journal of Real Estate Portfolio Management, Vol. 1, No. 1/1993, pp. 25-38.

YAKASAI, G. A. (2002): Corporate governance in a third world country with particular reference to Nigeria, Corporate Governance: An International Review, Vol. 9, No. 3/2002, pp. 238–253.

ZHU, J. (1999): The transition of China’s urban development: From plan-controlled to market-led, Westport, CT 1999.

ZIETZ, J./NEWSOME, B. (2001): A note on buyer's agent commissions and sale price, in: Journal of Real Estate Research, Vol. 21, No. 3/2001, pp. 245-254.

BISHER IN DIESER REIHE ERSCHIENEN:

Band 1 Stephan Bone-Winkel
Das strategische Management von offenen Immobilienfonds
unter besonderer Berücksichtigung der Projektentwicklung von Gewerbeimmobilien
ISBN 978-3-932687-15-0

Band 2 Matthias Thomas
Die Entwicklung eines Performanceindexes für den deutschen Immobilienmarkt
ISBN 978-3-932687-23-5

Band 3 Wolfgang Schäfers
Strategisches Management von Unternehmensimmobilien
Bausteine einer theoretischen Konzeption und Ergebnisse einer empirischen Untersuchung
ISBN 978-3-932687-24-2

Band 4 Daniela Kirsch
Public Private Partnership
Eine empirische Untersuchung der kooperativen Handlungsstrategien in Projekten der Flächenerschließung und Immobilienentwicklung
ISBN 978-3-932687-27-3

Band 5 Sven-Eric Ropeter
Investitionsanalyse für Gewerbeimmobilien
ISBN 978-3-932687-30-3

Band 6 Gerrit Leopoldsberger
Kontinuierliche Wertermittlung von Immobilien
ISBN 978-3-932687-28-0

Band 7 Kerstin Hiska Brade
Strategischer Marketing-Planungsprozeß für Büroimmobilien
ISBN 978-3-932687-34-1

Band 8 Björn Isenhöfer
Strategisches Management von Projektentwicklungsunternehmen
ISBN 978-3-932687-35-8

Band 9 Christoph Buse
Strategisches Management von industrieverbundenen Wohnungsunternehmen
ISBN 978-3-932687-39-6

Band 10 Nicole Vaaßen
Gewerbliches Immobilienleasing
Eine quantitative und qualitative Analyse aus Sicht des Leasingnehmers
ISBN 978-3-932687-40-2

Band 11 Arno Väth
Die Grundstücks-Investmentaktiengesellschaft als Pendant zum REIT
Entwicklung einer Konzeption auf der Basis der KAGG-Novelle '98
ISBN 978-3-932687-41-9

Band 12 Petra Straßheimer
Internationales Corporate Real Estate Management
Implikationen der Internationalisierung von Unternehmen auf das betriebliche Immobilienmanagement
ISBN 978-3-932687-51-8

Band 13 Markus Hens
Marktwertorientiertes Management von Unternehmensimmobilien
ISBN 978-3-932687-52-5

Band 14 Barbara Pierschke
Die organisatorische Gestaltung des betrieblichen Immobilienmanagements
ISBN 978-3-932687-71-6

Band 15 Victoria Walbröhl
Die Immobilienanlageentscheidung im Rahmen des Kapitalanlagemanagements institutioneller Anleger – eine Untersuchung am Beispiel deutscher Lebensversicherungsunternehmen und Pensionskassen
ISBN 978-3-932687-78-5

Band 16 Ramon Sotelo
Ökonomische Grundlagen der Wohnungspolitik
ISBN 978-3-932687-80-8

Band 17 Marcel Crommen
Finanzierung von Unternehmensimmobilien
Eine Shareholder Value-orientierte Analyse
ISBN 978-3-932687-79-2

Band 18 Marcus Cieleback
Bausparen und Optionstheorie
ISBN 978-3-932687-86-0

Band 19 Antje Schulz-Eickhorst
Die Bauherren-Architekten-Beziehung
– eine institutionenökonomische Problemanalyse mit Lösungsansätzen
ISBN 978-3-932687-87-7

Band 20 Jeannette Werner
Die Besteuerung von Gewerbeimmobilien in Europa
Effektive Steuerbelastung und Steuerbeständigkeit in einem Fünf-Länder-Vergleich.
ISBN 978-3-932687-88-4

Band 21 Irene Hagemeier
Der Einsatz staatlicher Instrumente in der Wohnungs- und Bodenpolitik des 20. Jahrhunderts
Deutschland, Spanien, Schweden und die USA im Vergleich
ISBN 978-3-932687-95-2

Band 22 Ludwig Vogel
Projektentwicklung von Factory Outlet Centern
– eine akzeptanztheoretische Untersuchung
ISBN 978-3-932687-97-6

Band 23 Felix Iblher
Internetbasierte Immobilienfinanzierung
Auswirkungen des Electronic Business auf die Finanzierung privater Wohnimmobilien
ISBN 978-3-932687-96-9

Band 24 Jan Gerhard
Immobilienportfoliomanagement mit Immobilienindex-Derivaten
– eine kritische Analyse und Bewertung der Einsatzmöglichkeiten immobilienindexbasierter Finanzinstrumente auf dem deutschen Markt.
ISBN 978-3-932687-98-3

Band 25 Pamela Busz
Seniorenimmobilien als Investitionsobjekte
– Entwicklung und empirische Analyse eines Beurteilungsmodells
ISBN 978-3-89984-106-0

Band 26 Carsten Fischer
Projektentwicklung: Leistungsbild und Honorarstruktur
ISBN 3-89984-114-5

Band 27 Christian Ecke
Strategisches Immobilienmanagement der öffentlichen Hand
ISBN 978-3-89984-119-0

Band 28 Ira Blumenthal
Anforderungen an ein Marketingkonzept für Facilities-Management-Dienstleistungsunternehmen
– Ein Vergleich zwischen Theorie und Empirie
ISBN 978-3-89984-120-6

Band 29 Nico Rottke
Investitionen mit Real Estate Private Equity
– Herleitung eines anreizkompatiblen Beteiligungsmodells unter Berücksichtigung der Transaktionskosten- und Agency-Theorie
ISBN 978-3-89984-126-8

Band 30 Christoph Pitschke
Die Finanzierung gewerblicher Immobilien-Projektentwicklungen unter Basel II
ISBN 978-3-89984-125-1

Band 31 Martin Wernecke
Büroimmobilienzyklen
ISBN 978-3-89984-131-2

Band 32 Frank J. Matzen
Unternehmensbewertung von Wohnungsbauunternehmen
ISBN 978-3-89984-138-1

Band 33 Christian Focke
Gewerbeimmobilien-Investments in Polen
ISBN 978-3-89984-140-4

Band 34 Marc Breidenbach
Real Estate Securitisation
ISBN 978-3-89984-139-8

Band 35 Sonja Gier
Bereitstellung und Desinvestition von Unternehmensimmobilien
ISBN 978-3-89984-153-4

Band 36 Andrea Pelzeter
Lebenszykluskosten von Immobilien
– Einfluss von Lage, Gestaltung und Umwelt
ISBN 978-3-89984-156-5

Band 37 Kaja Beidatsch
Geographic Selection
– Auswahl von Zielmärkten im Portfoliomanagement
ISBN 978-3-89984-157-2

Band 38
Verena Sturm
Erfolgsfaktoren der Revitalisierung von Shopping-Center
– ein Turnaround-Management-Ansatz
ISBN 978-3-89984-159-6

Band 39
Matthias Zimmermann
Projektentwicklung im Immobilienbestand
ISBN 978-3-89984-160-2

Band 40
Christoph Holzmann
Entwicklung eines Real Estate Confidence Indicator zur kurzfristigen Konjunkturprognose auf Immobilienmärkten
ISBN 978-3-89984-158-9

Band 41
Christian Kolb
Corporate Governance bei deutschen Immobilienkapitalgesellschaften
ISBN 978-3-89984-164-0

Band 42
Christian Flüshöh/Daria Stottrop
Büroflächenbestand – Grundlagen, Daten und Methoden
ISBN 978-3-89984-166-4

Band 43
Philip Boll
Investitionen in Public Private Partnership-Projekte im öffentlichen Hochbau unter besonderer Berücksichtigung der Risikoverteilung
Eine theoretische und empirische Untersuchung der Anforderung privater Investoren
ISBN 978-3-89984-177-0

Band 44
Philip Hofmann
Immobilien-Projektentwicklung als Dienstleitung für institutionelle Auftraggeber
ISBN 978-3-89984-178-1

Band 45
Kilian Mahler
Logistikimmobilien: Optimierung des Investment- und Logistikerfolges
ISBN 978-3-89984-187-9

Band 46
Nicolai Gerstner
Entscheidungsprozesse in Unternehmen bei der Anmietung von Büroimmobilien
ISBN 978-3-89984-194-7

Band 47
Philipp Naubereit
Harmonisierung internationaler Immobilienbewertungsansätze
ISBN 978-3-89984-188-6

Band 48
Markus Staiber
Immobilienbewertung in der Kreditwirtschaft
Vorschläge zur Prozessoptimierung
ISBN 978-3-89984-201-2

Band 49
Tobias Pfeffer
Performance of REITs
A Sector- and Company-based Analysis of Links and Time Lags between Real Estate Market Cycles, Earnings, and Pricing of REITs
ISBN 978-3-89984-189-3

Band 50 Nicolas Kohl
Corporate Governance and Market Valuation of Publicly Traded Real Estate Companies
A Theoretical and Empirical Analysis
ISBN 978-3-89984-210-4

Band 51 Thorsten Bischoff
Public Private Partnership (PPP) im öffentlichen Hochbau: Entwicklung eines ganzheitlichen, anreizorientierten Vergütungssystems
ISBN 978-3-89984-212-8

Band 52 Jenny Arens
Strategisches Reputationsmanagement in Unternehmen der Immobilienbranche
ISBN 978-3-89984-225-8

Band 53 Philipp Feldmann
Die strategische Entwicklung neuer Stadtquartiere
-unter besonderer Berücksichtigung innenstadtnaher oder innerstädtischer, brachgefallener Industrieareale
ISBN 978-3-89984-225-6

Band 54 Alexandra Stock
Risikomanagement im Rahmen des Immobilien-Portfoliomanagements institutioneller Investoren
ISBN 978-3-89984-228-9

Band 55 Sven A. Teichmann
Integriertes Facilities Management in Europa
Theoretische Konzeption, empirische Untersuchung und Marktanalyse zur Gestaltung und Steuerung von Wertschöpfungspartnerschaften im internationalen Kontext
ISBN 978-3-89984-230-2

Band 56 F. Ferdinand Spies
Ökonometrische Modelle zur Prognose von Büromieten
ISBN 978-3-89984-229-6

Band 57 Johannes Högner
Private Investitonen in die Verkehrsinfrastruktur
ISBN 978-3-89984-250-0

Band 58 Steen Rothenberger
Foreign Real Estate Investment in Sub-Saharan Africa:
Stigma by Image Analysis and Exploration of the Tanzanian Real Estate Market
ISBN 978-3-89984-257-9

Band 59 Michael Trübestein
Real Estate Asset Management für institutionelle Investoren
Eine theoretische Konzeption und empirische Untersuchung aus Sicht institutioneller Investoren in Deutschland
ISBN 978-3-89984-259-39

Band 60 Stefanie Forster-Kraus
Der Einfluss der Demographie auf die Erschwinglichkeit von Wohnraum in Deutschland – eine theoretische und empirische Analyse
ISBN 978-3-89984-264-7

Band 61 Helmut Schleich
Sustainable Property Portfolio Management – with Special Consideration of Energy Efficiency Improvements in the Property Portfolio Stock
ISBN 978-3-89984-267-8

Band 62 Claudia Nebauer
Immobilien-Controlling für institutionelle Investoren –
eine theoretische und empirische Untersuchung
ISBN 978-3-89984-311-8

Band 63 Moses Kusiluka
Agency Conflicts in Real Estate Investment in Sub-Saharan Africa
Exploration of Selected Investors in Tanzania and the Effectiveness of Institutional Remedies
ISBN 978-3-89984-317-0