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Assessment of Macroeconomic Variables that Influenced the Participation of Foreign Direct Investors in Nigeria's Commercial Property Market from 2000-2021

Jogunola, Abiodun[1]; Otegbulu, Austin .C[2]. & Umeh, Obinnah .L[2]
[1]Department of Estate Management, University of Ibadan, Ibadan, Nigeria
[2]Department of Estate Management, University of Lagos, Akoka, Nigeria.

Corresponding author: a.jogunola@ui.edu.ng

Abstract
Purpose *- This study aims to assess major macroeconomic variables that influenced the participation of foreign direct investors in Nigeria's commercial property market from 2000 to 2021. It identifies five FIGIP variables essential in determining the health of an economy that foreign direct commercial property investors could use as criteria for making their investment decisions.*
Design / Methodology / Approach*—Secondary data for the study were obtained from the statistical bulletins of the Central Bank of Nigeria (CBN) and the reports of the World Bank. The quantitative data were analyzed using descriptive statistical tools and multiple regression analyses. The study's hypotheses were tested using the Pearson product-moment correlation coefficient.*
Findings *– It was revealed that though Nigeria's GDP is presently the largest in Sub-Saharan Africa and used to be the largest in Africa for the past years, it did not result in the attraction of the highest foreign direct capital to its commercial property sector when compared with nations with lesser GDP size in the region. Furthermore, the study shows that the country's foreign exchange rate (multiple exchange rates) regime (though recently abolished but still thrives) is a significant factor mitigating the attraction of foreign direct investors into Nigeria's commercial property market.*
Research Limitations*—This study considered the commercial property sector; however, the impact of Nigeria's macroeconomic variables on the real estate market's residential and logistics property sectors could be considered for further study.*
Theoretical / Social / Practical Implications*—The national government should be aware of its responsibility to manage the economy so that the country's macroeconomic variables will boost the confidence of foreign direct commercial property investors.*
Originality / Value—*The Nigerian Investment Promotion Commission (NIPC) and the Central Bank of Nigeria (CBN) should find this study's recommendations useful in making important economic decisions.*

Keywords*: Commercial property market, Foreign direct property investment, Macroeconomic variables, Nigeria.*

1.0 Introduction

The world is a global village; hence countries and their citizens engage in beneficial relationships with one another in areas such as security, education, humanitarian support, migration, trade and investment, and many others to pursue economic growth and development. One of the various means of achieving the much-desired economic growth and development is through the inflow of foreign direct investment (FDI). FDI is made directly into a business or a sector by a company from another country, and such a sector that can benefit from FDI is the real estate sector. Investment into the real estate sector could be targeted at the commercial real estate sector and other types of real estate sub-sectors that are of interest to the foreign investor and equally permissible for foreign investment by the targeted host economy.

Globally, one of the top sectors considered for FDI by foreign investors is the real estate sector (UNCTAD-World Investment Report, 2023). The FDI Report, 2015 revealed that in 2014, the global real estate sector was the top sector sought by foreign investors worldwide, ahead of the coal, oil, and natural gas sectors. After that, it came second in 2015 behind the coal, oil, and natural gas sectors, at

14% and 16% ($96.6b & $113.5b) global market share, respectively (FDI Report, 2016). In 2018, the real estate sector still came second behind the coal, oil, and natural gas sectors at 13% ($116.8b capital investment) and 15% ($134.6b) of market shares, respectively (FDI Report, 2019). This, therefore, attests to the importance of the real estate sector among foreign direct investors globally. It also bolsters the fact that since real estate investments are highly capital intensive, most especially funding of big projects, there may be a need for funds syndication from within and outside the host country, hence the importance of the participation of foreign direct real estate investors in every economy including Nigeria.

Aside from some general factors that had been identified as determinants that could attract foreign direct real estate investors to a host country, macroeconomic variables such as large population (huge market size), as well as high GDP (gross domestic product), have also been identified as major attractive factors (Baum, 2008; Salem and Baum, 2016). However, Nigeria has a high population of 223,800,000 people, according to UNFPA (2023), and has the biggest economy in Africa as of 2022, with a GDP of $477 billion (Trading Economics, 2023). Notwithstanding, it has a low inflow of foreign direct real estate investment (Udobi et al., 2016). Against this backdrop, this paper sets out to conduct an empirical assessment of the trends of significant macroeconomic variables in Nigeria from 2000 to 2021 to determine their contribution towards attracting foreign direct investment capital inflow into Nigeria's commercial property market.

1.1 Study Hypotheses

To measure some key variables in the study, the following hypotheses were formulated and tested:
Ho (1): The rate of Nigeria's GDP is insignificant in determining the level of foreign direct capital inflow into Nigeria's commercial property market.
Ho (2): Nigeria's foreign exchange rate is insignificant in determining the level of foreign direct capital inflow into Nigeria's commercial property market.

2.0 Literature Review

2.1 Foreign Direct Investment in Nigeria's Commercial Property Market

According to Dugeri (2011), African property markets, inclusive of its commercial sector, have, over the years, not received its deserved attention from foreign direct property investors relative to the attention received by the Asian and European property markets. This has been traced to certain challenges being faced by the sector in almost all African countries including Nigeria. Some of these include weak microeconomic management, weak protection of property rights, poor governance characterized by political instability, corruption, and insecurity Oyewole, 2013); political risk, banking risk, currency risk, ownership risk, and property market transparency risk Udobi et al, (2016); opaque/low transparent and immature property markets (Dugeri, 2011 and Ogunba, 2014).

Notwithstanding these barriers, Nigeria's commercial office sub-sector was becoming more competitive with the entry into the sub-sector by new investors and existing international brands developing new Grade-A office developments (Emele, Okpaleke, and Umeh, 2014). According to the BOMA office building classification guide of 2012, Class-A or Grade-A office buildings are the most prestigious high-rise buildings with state-of-the-art amenities/facilities built in a prime location or the central business district. They are the most attractive office buildings built with the best quality materials as well as construction methods. As a result of their exceptional qualities, Grade-A office buildings are usually leased to reputable high-net-worth tenants at the highest rental rates in the market.

The second class of commercial property development being considered by the study is retail also known as a shopping mall. Nigeria's retail sector has been identified as a good investment opportunity due to the country's huge and increasing population. As well as its growing urbanization which has boosted developers' confidence thereby resulting in the conceptualization and design of new retail developments (Northcourt, 2020). Consequently, the success recorded by the foreign retail outlets within the few years of operating in Nigeria has led to the development of several outlets across the country by both foreign and local investors.

While the majority of the retail outlets owned by foreign direct property investors are in Lagos and Abuja (Obi, 2019), the office developments owned by foreign direct investors are mostly situated in prime areas of Lagos. Some of the foreign direct investors in Nigeria with commercial developments in both office and retail include; Actis, Novare, Resilient Africa, Lango, Rendevour, Hyprop / Gruppo, as well Sanlam Africa Core Real Estate Investments Ltd. (SACREIL) operating as Lousol Properties Ltd. in Nigeria. With the huge market in Nigeria, 223,800,000 people, and the 7th most populous country in the world (UNFPA, 2023), there is a need for more foreign direct investments in the commercial property market of the country especially for retail developments for the growing middle-class.

2.2 Macroeconomic Variables Impact on Foreign Direct Property Investment in Nigeria

A macroeconomic variable otherwise known as a macroeconomic factor is a condition, phenomenon, or pattern that relates to, or emanates from the whole population in an economy or a large aspect of the country. These variables are crucial to the well-being of the whole economy because they usually have an impact or effect on the larger population rather than on a few populaces. Examples of these variables include the gross domestic product (GDP), interest rate, inflation rate, foreign exchange rate, unemployment rate, national income, and lately, international remittances (Ogonna et al.,2021). Also worth being included is the "capital importation rate" under which foreign direct capital investment comes, because it is equally an indicator of the health of an economy.

These macroeconomic variables are regarded as the main signposts or indicators showing the current trends of national events in the economy and can be positive, negative, or neutral. Consequently, policymakers (government), experts, businessmen (local and foreign investors) as well as consumers must study, analyze and understand these variables to have empirical knowledge of national economic growth.

It has been established that when economic growth is improved in a stagnant economy, the standard of living of the citizens equally improves (Ogonna et al. 2021). This points to the fact that investment in any sector of the economy including the property sector would affect the economic growth indices of such a country positively. Furthermore, it is evident from the literature that macroeconomic variables such as the gross domestic product (GDP), inflation rates, interest rates, foreign exchange rates, etc. do influence property returns in an economy (Ojetunde et al, 2011; Ojetunde 2013; Jogunola et al. 2018; Elile et al. 2019; Ekwebelem & Emoh, 2020). This usually occurs when there are changes in macroeconomic policies that affect real estate markets/businesses. These policies could either make funds available for real estate developments or make the same to be scarce, thereby resulting in an increase or decrease in property supply which could also have an impact on demand. Consequently, these changes affect property rental or sales values thereby impacting on rate of returns on property business.

Similarly, an empirical study carried out by Ogonna et al. (2021) to investigate the influence of some macroeconomic variables on property investment in Nigeria from 1981 to 2017 showed that there is a significant long-run relationship between real estate investment, and rate of interest, inflation rate, money supply, and the foreign exchange rate. The study therefore submitted that macroeconomic factors have a strong influence on property investment in Nigeria, and have indeed impacted the sector.

Therefore, spending in the property market as a producer (property developer) or consumer (occupier/tenant) shows the feedback reaction to macroeconomic policies of the government. Ekwebelem and Emoh (2020) submitted that the influence of macroeconomic variables on property returns can either be in the short or long-run. For instance, for foreign direct investors whose investment is usually long-term in nature, there is the need for them to do a long-term plan of 10-20 years which will require using the macroeconomic variables of their host economy.

However, since the property market of a nation cannot operate in isolation from the global property market, it is evident that global policies such as the increase or decrease in oil production quota may in one way or another affect economies around the world thereby impacting on the property market of such nations. Consequently, the local property market is an aspect of the global investment market, and the effect of global investment decisions is meant to affect the property market of an open economy such as Nigeria, as was the case during the global recession of 2008. Hence, the important roles of macroeconomic variables in an economy's property sector cannot be overemphasized.

Such macroeconomic variables that have been identified to have a significant impact on foreign direct real estate investment in Nigeria Agunuwa, Inaya, and Proso (2017); Emmanuel, Ike, and Ahasan (2019) and assessed by this study are the **FIGIP**-Variables; **F**oreign exchange rate, **I**nterest rate, **G**ross domestic product, **I**nflation rate, as well as **P**opulation size (representing the market size of Nigeria). According to Morgan, Farris, and Johnson (2022) larger market is usually measured by the population size or the GDP of a country because it has a higher potential for demand for services, or sales from FDI investments and is connected with an increase in FDI inflow.

3.0 Methodology

This section presents an analysis of secondary data of macroeconomic variables that influenced the inflow of foreign direct investment into Nigeria's commercial property sector to ascertain the variables that are significantly responsible for influencing foreign direct investors' decision to invest in Nigeria's commercial property sector from 2000 to 2021 (uninterrupted democratic period). Foreign direct investors prefer a stable democratic economy to military rule.

The variables considered are foreign exchange rates (FOREX); the interest rates (INT-RT); the gross domestic product (GDP); inflation rates (INF-RT); as well as the population size (POPLN) representing Nigeria's market size. These five independent variables are identified as the FIGIP variables in the study. Where F stands for FOREX, I for INT-RT, G for GDP, the second I for INF-RT, and P for POPLN. While the FDI-C (foreign direct capital inflow into Nigeria's commercial property market) is the dependent variable.
Data for the study variables contained in Table 1 were analyzed with the Ordinary Least Square (OLS) statistical tool. Also presented are the descriptive analysis of the data and their graphical illustrations. Other tools employed are the multiple regression analysis as well as the Pearson product-moment correlation. The results of the analyses are presented in subsequent tables, with Table 1 showing the data used for the study:

Table 1
The FIGIP-VariablesNigeria's Macro-Economic Variables and FDI Inflow into its Commercial Property Market From 2000-2021

Year	FDI into Commercial property market (₦'million)	Foreign Exchange Rates (US$=₦)	Interest Rates (%)	Gross Domestic Products (₦'billion)	Inflation Rates (%)	Population figures (million)
2000	3,995.90	101.77	21.3	6,897.48	6.9	122.28
2001	4,211.90	111.49	23.4	8,134.14	18.9	125.39
2002	4,293.90	120.65	24.8	11,332.25	12.9	128.6
2003	4,545.80	129.22	20.7	13,301.56	14	131.9

Year	FDI into Commercial property market (₦'million)	Foreign Exchange Rates (US$=₦)	Interest Rates (%)	Gross Domestic Products (₦'billion)	Inflation Rates (%)	Population figures (million)
2004	5,194.10	133	19.2	17,321.30	15	135.32
2005	6,713.30	131.1	17.9	22,269.98	17.9	138.87
2006	10,461.10	128.14	16.9	28,662.47	8.2	142.54
2007	12,030.20	125.07	16.9	32,995.38	5.4	146.34
2008	12,702.50	117.78	15.1	39,157.88	11.6	150.27
2009	9,413.85	147.22	19	44,285.56	12.6	154.32
2010	6,125.20	148.31	17.6	54,612.26	13.7	158.5
2011	7,655.30	151.83	16	62,980.40	10.8	162.81
2012	9,978.30	155.45	16.8	71,713.94	12.2	167.23
2013	8,577.70	155.25	16.7	80,092.56	8.5	171.77
2014	8,714.00	156.48	16.5	89,043.62	8.1	176.4
2015	5,454.80	191.8	16.8	94,144.96	9	181.14
2016	8,395.00	253.09	16.9	101,489.49	15.7	185.96
2017	30,190.10	305.29	17.6	113,711.63	16.5	190.87
2018	16,669.40	305.58	16.9	127,736.83	12.1	195.87
2019	7,514.30	306.42	15.4	144,210.49	11.4	200.96
2020	7,879.20	358.31	13.6	154,252.32	13.2	206.14
2021	936.6	401.98	11.5	176,075.50	17	211.4

Sources: (i) CBN Statistical Bulletins (2010, 2016, 2020, 2021); (ii) World Bank (www.data.worldbank.org/indicator)

4.0 Analysis and Discussion

This empirical section begins with the statistics summary of all the variables in Table 1 as presented below:

Table 2:
Descriptive Statistics of the Study Variables

	FDI-C	FOREX	GDP	INF-RT	INT-RT	POPLN
Mean	8711.475	187.9650	67928.27	12.34545	17.61364	162.9491
Median	7767.250	150.0700	58796.33	12.40000	16.90000	160.6550
Maximum	30190.10	401.9800	176075.5	18.90000	24.80000	211.4000
Minimum	936.6000	101.7700	6897.480	5.400000	11.50000	122.2800
Std. Dev.	5910.361	89.53288	51429.70	3.649622	2.972140	27.73838
Skewness	2.263747	1.147273	0.564726	-0.053894	0.598278	0.197454
Kurtosis	9.108209	2.903459	2.188791	2.229788	3.711124	1.814858
Jarque-Bera	52.99105	4.834744	1.772578	0.554441	1.775988	1.430471
Probability	0.000000	0.089156	0.412183	0.757888	0.411480	0.489077
Sum	191652.5	4135.230	1494422.	271.6000	387.5000	3584.880
Sum Sq. Dev.	7.34E+08	168338.9	5.55E+10	279.7145	185.5059	16157.77
Observations	22	22	22	22	22	22

Source: Author (2022)

Table 2 shows the summary of descriptive statistics of the variables. It shows the existence of wide variations between the FDI-C and GDP as depicted by the mean values and standard deviation during the study period. The analysis revealed that the standard deviations of the FDI-C and GDP have been unusually high. This depicts a high degree of volatility in the variables during the period under investigation. The analysis was also fortified by the value of the skewness and kurtosis of all the variables involved in the model to know the direction in the variance between the mean and median moving. All the distributions are positively skewed except INF-RT, which is negatively skewed. Variables with a value of kurtosis less than three called platykurtic (light or thin-tailed) and FOREX, GDP, INF-RT, and POPLN qualified for this during the study period. This implies that the variables lack outliers and are therefore normally distributed. On the other hand, variables whose kurtosis value is greater than three are called leptokurtic (heavy-tailed), both FDI-C and INT-RT fall into this category. These variables have outliers that have some departure from normality.

The Jarque-Bera test shows that the data set of FDI-C is not normally distributed since the probability value which is zero is less than 5%. This indicates an inconsistency in the capital importation into the country by foreign direct investors. However, the data sets of other variables are normally distributed ($p>0.05$) because their probability values are more than 0.05.

In summary, the descriptive statistics revealed that most of the data sets are normally distributed. This is so because the probability values of five out of the six variables exceed 5%.

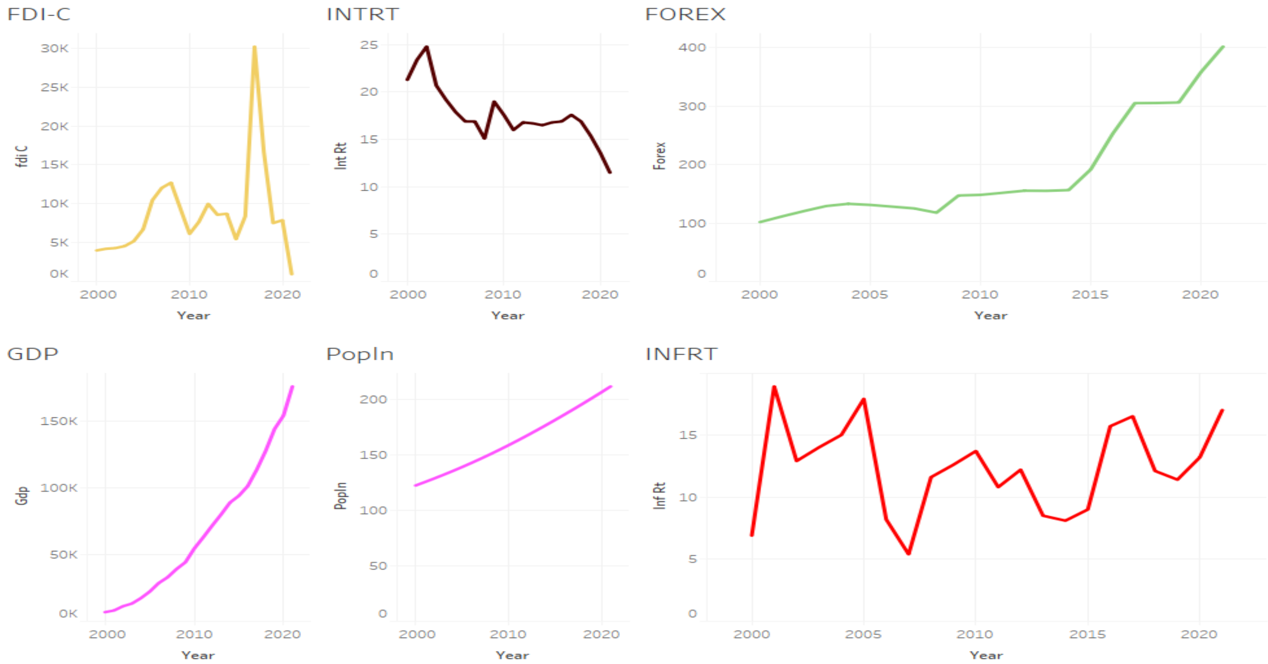

Fig. 1: Graphical illustration of the variables
Source: Author (2022)

Table 3
Multiple Regression Analysis Showing the Relationship Between Foreign Exchange Rates, Interest Rate, Gross Domestic Product, Inflation Rates, and Population Size with Foreign Direct Investment Capital Inflow into Nigeria's Commercial Property Market.

Dependent Variable: FDI-C
Method: Least Squares
Date: 10/01/22 Time: 17:25
Sample: 2000-2021
Included observations: 22

Variable	Coefficient	Std. Error	t-Statistic	Prob.
FOREX	116.0759	48.94762	2.371431	0.0306
GDP	-0.775446	0.214865	-3.608996	0.0024
INF-RT	-442.5807	362.1697	-1.222026	0.2394
INT-RT	361.2928	582.9711	0.619744	0.5442
POPLN	1179.828	309.9011	3.807111	0.0015
FDI-C	-153583.7	43616.45	-3.521235	0.0028

Variable	Coefficient	Std. Error t-Statistic	Prob.
R-squared	0.508626	Mean dependent var.	8711.475
Adjusted R-squared	0.355071	S.D. dependent var.	5910.361
S.E. of regression	4746.460	Akaike info criterion	19.99519
Sum squared residue	3.60E+08	Schwarz criterion	20.29274
Log likelihood	-213.9471	Hannan-Quinn criter.	20.06528
F-statistic	3.312348	Durbin-Watson stat	2.053187
Prob. (F-statistic)	0.030458		

As presented in Table 3, Forex (β =116.08, t=2.37, p=0.03) and population (market) size (β = 1179.83, t= -3.81, p=0.00), contributed positively and significantly to the foreign direct capital inflow into Nigeria's commercial property market during the period under consideration. However, gross domestic product (β = -0.775, t=-3.61, p=0.00) contributed negatively and significantly during the period. On the other hand, inflation rate (β =-442.58, t= -1.22, p=0.24) contributed negatively and insignificantly to the foreign direct capital inflow into the commercial property sector. Lastly, interest rate ((β =361.29, t= 0.620, p=0.54) contributed positively but not significantly to foreign direct investment inflow into Nigeria's commercial property market during the period under review. Also, as it can be seen in Table 3, that market size (β = 1179.83), interest rate (β = 361.29), and foreign exchange rates (β = 116.08) all have the highest regression weights, indicating that these variables contributed more to the foreign direct capital inflow to the sector than other independent variables. However, in order to independentlyanalyse the significance importance of two key variables, the GDP, and foreign exchange rate, the study's two hypotheses were tested:

4.1 Test of Hypothesis 1

Ho (1): The rate of Nigeria's GDP is insignificant in determining the level of foreign direct capital inflow into Nigeria's commercial property market.

In testing the hypothesis, the Pearson product-moment correlation coefficient was employed as presented in Table 4:

Table 4

The Relationship between GDP and Foreign Direct Capital Inflow into Nigeria's Commercial Property Sector

	N	Mean	Std. Dev.	Correlation coefficient (r)	p-value
GDP	22	67928.27	51429.7	0.218	0.078
FDI-C		8711.48	5910.36		

The results of the correlation analysis in Table 4 show that the mean score value and standard deviation of the GDP are 67928.27 and 51429.70 respectively, while that of the FDI-C are 8711.48 and 5910.36 respectively. The correlation coefficient (r) is 0.218, $p=0.08>0.05$ when tested at a 5% (0.05) significant level. This result implies that there was an insignificant relationship between GDP and foreign direct commercial property capital inflow during the period under consideration. Therefore, we fail to reject the null hypothesis, that is, it is accepted. This means Nigeria's GDP size did not give it any advantage in attracting foreign direct capital into its commercial property market during the study period. In 2022, among the Sub-Saharan African countries, Nigeria has the highest GDP of $473b, and the least FDI inflow of $2b. While other countries with lesser GDP sizes such as South Africa with a GDP of $405b has an FDI inflow of $9b; Ethiopia ($127b / $3.7b); and Senegal ($28b / $2.6b) [World Bank (2023); UNCTAD (2023)]. This shows that Nigeria's huge GDP does not translate to its being the most attractive economy to foreign investors in Sub-Saharan Africa. This is contrary to the submission of Morgan et al. (2022) that GDP is a significant determinant of FDI inflow.

4.2 Test of Hypothesis 2

Ho (2): Nigeria's foreign exchange rate is insignificant in determining the level of foreign direct capital inflow into Nigeria's commercial property market.
Similarly, in testing hypothesis 2, the Pearson product-moment correlation coefficient was employed as presented in Table 5:

Table 5
The Relationship between Foreign Exchange Rate and Foreign Direct Capital Inflow into Nigeria's Commercial Property Sector

	N	Mean	Std. Dev.	Correlation coefficient (r)	p-value
Forex	22	197.97	89.53	0.230	0.063
FDI-C		8711.48	5910.36		

As presented in Table 5, a non-significant relationship is observed between foreign exchange rate, and foreign direct commercial property capital inflow ($r= 0.230$, $p=0.063>0.05$) when tested at a 5% (0.05) significant level. This implies that Nigeria's foreign exchange rate was insignificant in determining the level of foreign direct capital inflow into Nigeria's commercial property market during the study period, the null hypothesis is therefore accepted. This result is obvious as the Naira (Nigeria's currency) has consistently lost its value over the years in the forex market. Hence, the forex situation in Nigeria may need to be more attractive to foreign direct commercial property investors. However, the result differs from the findings of Agunuwa et al. (2017), and Emmanuel et al. (2019), as the two studies found both variables to be significant to each other in Nigeria.

This finding implies that since foreign direct real estate investors import capital from overseas into the Nigerian economy, the exchange rate at the inception may favour them. However, as the value of the Naira has consistently been falling against the foreign currencies, the tide may turn when the foreign investors begin to operate in the country earning Naira as they will need more Naira to exchange for the equal amount of foreign currency they may have brought into the country. Moreover, if eventually, they need to repatriate funds (foreign currency) overseas, it may be challenging to get the same at the "official rate," which is lesser, but at the "black market" rate, which will be higher, thereby making it higher to re-pay their offshore loans or meet their offshore obligations (if any). Already, the forex situation is causing issues among foreign airlines in Nigeria, leading to the exit of some of the airlines from the country (Moses-Ashike, 2023; Okamgba, 2023).

A stable foreign exchange rate gives foreign direct investors the confidence to plan and reduce the risk in their investments. As earlier mentioned, it is common for large-scale (or long-term) investors, such as property investors, to plan for 5-15 years, and sudden changes in policies, such as unstable foreign exchange rate policies, could negatively affect their investments or investment plans.

5.0 Conclusion and Recommendations

Even with the importance of foreign direct investment to an economy, the study on the influence of macroeconomic variables on foreign direct capital inflow into Nigeria's commercial property sector is still at an emerging stage among researchers in the country. Understandably, several barriers can push foreign direct commercial property investment away from the country, so scholars must conduct adequate research to empirically identify these barriers as carried out on macroeconomic variables by this study and proffer workable recommendations to policymakers and other property market participants. It is essential for all stakeholders in the property sector, especially the government that is constantly talking about diversification of the Nigerian economy to earn more and adequate foreign exchange for economic growth and development, to see the real estate sector of the economy as an area to earn the much-desired scarce foreign exchange.

The empirical analysis of this study reveals that despite the size of the Nigerian economy, which having the biggest economy in Sub-Saharan Africa in terms of its GDP size (as of 2022) and a large market due to its huge population, its commercial property sector is still not benefitting adequately from the global share of foreign direct investment. Therefore, there is a need for the effective management of the nation's economy and, by extension, the macroeconomic variables, especially the foreign exchange rate, to boost foreign direct investors' confidence in the economy. While the Nigerian Investment Promotion Commission (NIPC) has its role to play in terms of creating an enabling environment for foreign investments to be attracted to the economy, the Central Bank of Nigeria (CBN) equally has a massive task of permanently abolishing the multiple exchange rates (the CBN lower "official exchange rate," and the ever-existing higher "black market exchange rate") to have a realistic single exchange rate that will make the "forex black market" never to thrive again.

A stable foreign exchange policy and environment will help foreign direct commercial property investors adequately plan their finances/investments. Policymakers should look inward to study the peculiarities of the Nigerian economy/environment before rolling out necessary policies to boost foreign direct capital inflow into the nation's commercial property sector.

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