THE COMPETITIVE ADVANTAGE IN REAL ESTATE – A FRAMEWORK FOR AFRICA

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PURPOSE: This paper aims to evaluate and explain differences in the investment attractiveness between African countries and to identify which factors act as drivers or constraints of the national real estate competitiveness.

DESIGN / METHODS FOLLOWED/ APPROACH: This paper proposes an application and specification of the widely renowned "diamond" framework by Michael Porter. This is based on intensive analysis of both scientific literature as well as market-based information. In this context, the paper illustrates possible input variables for empirical foundation.

FINDINGS: This paper finds that Michael Porter's "diamond" framework is (with few exceptions that call for adjustment) basically well-suited to study the drivers and constraints of the competitive advantage in real estate for African markets. It reveals that differences between the attractiveness to global investment cash flows mainly arise from disparity in the financing environment, in property rights, in transparency issues and search costs as well as the availability of domestic market strength.

RESEARCH LIMITATIONS / IMPLICATIONS: The sample size and constitution significantly differs within the broad range of underlying literature. Due to the scarce availability of current real estate specific documentation, knowledge from product or also trade markets must be transferred occasionally to the specific analysis of African investment markets, while the equality of conclusions may not be finally resolved.

PRACTICAL IMPLICATIONS: The supposed methodology enables the widespread analysis of African nations with regard to their competitive advantage in real estate. The proposed approach helps practitioners and researchers with identifying the drivers and constraints of competitiveness and investment attractiveness.

ORIGINALITY / VALUE OF WOR: This is the first transnational adaption of the "diamond" evaluation model for competitiveness with regard to African real estate investment markets. This analysis contributes towards a fundamental understanding of national environments and how they impact the real estate related competitive position of the respective country.

Keywords: Competitive Advantage; Market Development; Investment Attractiveness; Competitiveness; Real Estate Public Policy.

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1.Introduction

In his 2012 Strategy toward Sub-Saharan Africa, U.S. President Barack Obama postulated a vision of "[…] Africa as a region of growing opportunity and promise [and] the world's next major economic success story".[2] This vision presents Africa as a regional unit with competitive power and highly developed markets in several industries, which goes beyond the widespread perception of Africa as an economic blank spot and social flash point: it depicts a strong belief connected to a comprehensive industrialization concept. And indeed, the African continent with its huge level of inner diversity shows an overall high rate of urbanization and urban growth, generally increasing incomes, a substantially spreading middle class and infrastructural upgrade already today.[3] These fundamental developments are a good basis for attracting further business and growth within the region.[4]

Still, the investment perspective on Africa is connected to down sides. Uncontrolled economic growth leads to inequality and social challenges. Growth for the pure sake of growth is not sustainable and makes the region just as vulnerable as developed nations in case of another global financial crisis.[5] And finally, Africa's development is limited by a long-lasting debt crisis – a burden that puts investments at risk and scares off domestic and international ventures.[6]

At this point, however, the actual attractiveness of Africa stays obscure with regard to its sectoral distributions.[7] Specifically, African real estate markets are widely considered un-transparent and no general statement on the factual and current investment appeal of its real estate markets can be derived. This is tightly connected to a lack of knowledge on the general development status and the competitiveness of African real estate markets, which is the core aspect and research target of this work.

For a comprehensive evaluation, the appropriate research approach must comprise extensive study and careful interpretation of both literature and market conditions. All these conceptual and substantial aspects must be assessed from different point of views and aligned with the priorities of different management and economic disciplines, including strategic management, national economics, policies as well as investment & finance.

Between those conflicting circumstances, this paper draws on. As a contribution to strategic management concepts and with special focus on the real estate industry, it aims to examine the drivers and constraints of the competitive advantage of African emerging economies. Its goal is to introduce and discuss existing relevant methodology, to elaborate the specific requirements for real estate investment appeal in African emerging economies and to finally identify factors and criteria that help describing the actual market position of these economies.

2. White House (2012).
3. Cf. Ernst & Young (2014), p. 12.
4. Sub-Saharan Africa grows currently by an average of 5 % p.a., cf. World Economic Forum (2013), p. 42.
5. Cf. Berman/Martin (2012), p. 330.
6. Cf. Nicholson/Lane (2012), p. 7.
7. Cf. Nicholson/Lane (2012), p. 16.

In the light of the many insights provided as well as models, structures and characteristics introduced in the course of this paper, it will clarify the research question whether Porter's diamond framework, as postulated in Porter (1990a) and Porter (1990b), fits the specific requirements of African emerging economies to evaluate the respective competitive position in real estate. This is investigated on a conceptual basis incorporating experiences and knowledge from literature on competitiveness, real estate markets in African emerging economies as well as criticisms of existing analysis concepts regarding competitiveness. On that groundwork, a self-researched adjusted framework for investigating African real estate markets and the derivation of policy implications is created.

Therefore, the rest of this paper is organized as follows: section 2 introduces established literature and current research on strategy and competitiveness in order to get a first understanding of the research direction. Section 3 discusses general aspects of competitive advantage and introduces the Porter framework for its evaluation. Section 4 analyses the suitability of the Porter model for African Real Estate, before section 5 suggests an adjusted Competitiveness Model to fit this industry's specific reality and requirements. Ultimately, the paper closes with a conclusion and outlook.

2. A Fundamental Reflection of Strategy and Competitiveness

This section outlines fundamental and current literature in strategy and competitiveness research and gives an overview of different perspectives that have evolved in this context.

Managerial impact on competitiveness

Early publications, such as Mason (1939) or Bain (1956), presumed that (firm) performance was determined just as exogenously as are all industry conditions; managerial action was treated as effectless for the own market strength or position. Although the environment still today plays a significant role for organizational development, these traditional beliefs of industry organization theory were relativized by comprehensive research of Porter (1980); (1990b); (1991). By converging strategic management with industry organization knowledge in these publications, Porter created a new approach assuming that firm performance and industry evolution are mutually reinforcing. He concludes that a bundle of persistent activities is crucial for developing a good market position, although it is typically perceived as a simple result of low-cost supply or the differentiation of offerings.[8] In this context, strategy denotes the reach for a strong, walled off market position.[9]

8. Cf. Spanos/Lioukas (2001), pp. 908-910.
9. Porter's work on strategy and competitive advantage is considered as focusing on rather defensive market activity and that advises against preemptive offensiveness; cf. Sterman et al. (2007), p. 694.

Strategy as the tool for gaining competitive advantage

Barney (1991) postulates that strategy is an underlying theoretical framework by which a high level of performance in relevant industries can be achieved. Correspondingly, strategy is the tool for elaborating a competitive advantage measured by the economic value (for instance, approximated by profit or return figures) in comparison to other competitors. According to Barney, such an outperformance is subject to the availability and acquisition of specific resources and capabilities that exceed the competitors' possibilities.[10]

Three perspectives on strategy in emerging economies

As Hoskisson et al. (2000) summarize, there are three general views on strategy in emerging economies: first, the institutional perspective that emphasizes the linkage between new markets and its surrounding (governmental or legal) institutions, as they act as both constraints and enablers;[11] second, the transaction cost perspective that promotes the analysis of vertical integration as well as the trade-off between external government and internal bureaucratic costs; and finally the resource-based view (RBV) that investigates how competitors differ in their capabilities to achieve sustainable competitive advantage. The importance and applicability of each perspective depends on the respective stage of market emergence – with institutional theory being an early-market model and transaction cost economics and finally RBV being concepts for mature markets.[12] These approaches are less rival, but of complementary nature.[13]

Lessons learned on growth and competitiveness

Specifically for Sub-Saharan Africa, analysis of competitive advantage factors was performed by, amongst others, Adegbesan (2009) and Bartels et al. (2009a), who cover Foreign Direct Investments (FDIs) and strategic factor markets. Specifically, Adegbesan (2009) finds that scarcity of resources, the goodness of their complementarities as well as relative bargaining abilities depict a competitive edge.

By experiences from India's history as an outsourcing location for IT, Javalgi et al. (2013) show that certain new policies attracted international investors: privatization that lead to foreign investments, significantly decreased bureaucracy for permits and free market structure. Although socio-economic problems are becoming obvious today (including inflation, corruption and a two-tier society), the country could establish competitive advantage from technical know-how, a peer group of world-class universities for this specific field, a long tradition in democracy, viable property rights as well as a high volume in English-speaking population. Additionally, India's cost-competitiveness due to lower wages is identified, but not explicitly exposed.

10. Cf. Barney (1991), pp. 3; ibid., p. 15. This perspective applies from a firm's and a national point of view.
11. Cf. Ahuja/Yayavaram (2011), p. 1633; Hümer/Scheubel/Walch (2013), p. 576.
12. For details including a comparison of advantages and disadvantages of each concept, cf. Hoskisson et al. (2000), pp. 252-256.
13. Cf. Jacobides/Winter (2012), p. 1365.

Other Sources and Measurement of Competitiveness

Rindova/Fombrun (1999) found that models of competitive advantage consider socio-cognitive factors insufficiently, which reflect human interpretations of the market situation such as organizational reputation, individual beliefs or the identity of market participants.

Rooyen/Esterhuizen/Doyer (2001) emphasize the importance of international trade patterns that reflect imports and exports aside of factors like the volatility and trend of the real exchange rate or FDIs to make a statement on the competitive strength or weakness of a national economy.

Hill/Brennan (2000) outline that a region's competitive edge is not found on the supply side or in factor costs or in managerial capabilities only. As it is the final product that shows the competitive strength of a region, it is the ability to combine factors, to develop knowledge and to execute a suitable strategy that creates competitive advantage. Productivity, employment, exports, but also centrality and employment specialization are recommended as measurable proxy variables. The identification of those variables and their consolidation to index values is additionally performed as well as critically discussed in Barkley/Dudensing (2011).

Gaps in strategy and competitiveness research

In spite of these further developed models, literature also reveals blind spots and research gaps in the context of strategy and competitiveness: for instance, Markman/Gianiodis/Buchholtz (2009) outline that the RBV treats resources as valuable, rare, inimitable and non-substitutable, but does not clarify, how versatility and mobility of goods affects strategic orientation and competitive advantage. Yamakawa/Peng/Deeds (2007) add that competitiveness research has so far not paid sufficient attention to new ventures emerging economies, in spite of the well researched fields of entrepreneurship in developed economies, existing competition in emerging economies and foreign entrants entering them.

3. General Aspects of Competitive Advantage

Long before Porter's work on competitive advantage was published, scholarly interest on measuring the competitiveness of nations and markets existed. Specifically, the 1817 model of Ricardo is regarded as one of the most fundamental concepts in economics today.[14] In the context of trade theory, it focuses on the question how relative (comparative) cost advantages lead to cross-border trade. In fact, this approach gives a first intuition on the industry specializations of nations and also implies the level of financial development in the region, as different production patterns result in different demands for external finance.[15] This may have contributed to the situation that the term of comparative advantages has manifested over time to generally describe a better market position in comparison to another player, backed by lower

14. Cf. Edwards/Schoer (2002), p. 1017.
15. Cf. Do/Levchenko (2007), p. 798.

production or transaction cost. For the Southern African region, also real effective exchange rates or wage-productivity ratios are common to indicate a comparative advantage.[16]

3.1. Competitive versus comparative advantage

Against this understanding, however, modern theories postulate that competitive advantage arises not that one-dimensionally and cost-focused, but due to the complex interaction of several additional drivers.[17] Also, not every pioneer (who pockets financial advantages such as experience curve effects or the ideal market space) stays market leader. The concept of competitive advantage acknowledges that effects such as imitation can result in the erosion of the market position.[18] In line with this understanding, Porter constituted a paradigm change, describing that a worse cost position or worse technological background or even exchange rate disadvantages can be compensated by other factors. The pure analysis of comparative advantages will lead to results, which lock emerging economies and low-income countries in their existing situations and can not reveal the upside potential due to future development of competitive advantage.[19] Therefore, focusing on comparative advantages, which are mainly based on historic advantages, is inferior to the framework of competitive advantage, which emphasizes the benefits arising from continuous learning for future challenges, innovation and quality upgrading. Competitive advantage can compete away comparative advantages.[20]

And finally, the following example additionally clarifies the difference: comparative advantages, for instance, consist of the fundamental characteristics of a region (such as waterways leading to big ports, adequate climate or high-quality earth for certain agricultural products) that make the production of goods uniquely cheap or rapid. However, the example of the Dutch flower industry proves that comparative and competitive advantage are not the same: while the Netherlands are the world market leader for cut flowers (a result from its competitive advantage), they do not hold a classical comparative advantage, as many other countries can generate the same quality of flowers and offer at the same price with comparable costs.[21]

3.2. Overview of Porter's diamond framework

A core element of this paper is the detailed analysis and critical appraisal of Porter's diamond framework and its suitability for determining the competitive advantage of nations with regard to the real estate industry in Africa. As the framework is fundamental for further discussion and use, this early section introduces the concept and its underpinnings.

The theory of competitive advantage is a core research field of Harvard Business

16. Cf. Edwards/Schoer (2002), p. 1014.
17. Cf. Barney (1997), p. 185; Kasabov (2013), p. 26.
18. Cf. Boulding/Christen (2008), p. 700.
19. Cf. Bartels et al. (2009b), p. 237; Quraeshi/Luqmani (2011), p. 48.
20. Cf. Barkley/Dudensing (2011), p. 130; Hoefter (2001), p. 43.
21. Cf. Tavoletti/Velde (2008), p. 304. Also Dubai created a huge competitive advantage and emerged as a global metropolitan without comparative advantages, cf. Tiwari/White (2010), p. 37.

School's Michael Porter, who developed and published the model for the examination of successful industries and nations in his book "The Competitive Advantage of Nations" in 1990.[22] This model, while widely accepted and applied, was refined in the years after publication, but stayed the same in its structure and its core findings. Porter says that in the first place, it is innovation and upgrading that drive competitive advantage; therefore, the challenge is not to decrease labor costs or (from a political point of view) to optimize interest or exchange rates, but it is to achieve innovation and to derive the energy and trigger for being innovative. The second finding is, that companies – rather than the nation overall – generate competitive advantage, which may affect other agents within the country.

Based on these perceptions, Porter developed four main drivers in an integrated category set (the "diamond") that aims to answer, why certain industries from certain countries have competitive advantage. The following illustration gives an overview of these factors.

Determinants of National Competitive Advantage

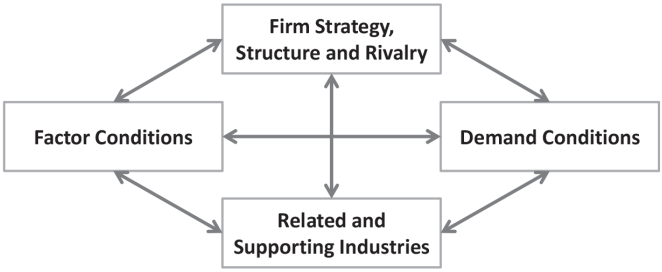

Fig. 1: The Diamond Model of Michael E. Porter
Source: Own Illustration based on Porter (1990a), p. 78.

According to this understanding, high competitive advantage is the result of a well-functioning interaction of these categories. It is crucial to understand that these categories show interdependencies and must be analyzed in one common context, so that no element must be considered solely. The model above illustrates a reinforcing system, which requires ideal conditions in all four categories for the ultimate competitive advantage.[23]

Porter introduces the elements of his diamond model as follows: "1. Factor Conditions. The nation's position in factors of production, such as skilled labor or infrastructure, necessary to compete in a given industry. 2. Demand Conditions. The nature of home-market demand for the industry's product or service. 3. Related and Supporting Industries. The presence of absence in the nation of supplier industries and other related industries that are internationally competitive. 4. Firm Strategy,

22. Cf. Davies/Ellis (2000), p. 1194; Harvard Business School (2015).
23. E.g., good demand conditions may lead to a higher intensity of rivalry, cf. Porter (1990b), p. 72.

Structure and Rivalry. The conditions in the nation governing how companies are created, organized, and managed, as well as the nature of domestic rivalry."[24]

For the application of such criteria, a distinction must be made between basic and advanced factors. According to the model, basic factors (such as GDP growth or adult literacy) do not provide a competitive advantage to the industry as much as those factors that are highly specialized to the industry's needs (for instance, real estate specific education).[25]

And finally, Porter includes two further players in his model of competitive advantage: while not being actual categories, government as well as hazard moderate and influence competitive advantage. Occasional events such as natural disasters impact competitive advantage as well as governmental interventions and fiscal policies.[26]

4. Validating the Porter Model for African Real Estate

The openness of African emerging economies was found to impact both trade and investments in the region: openness appeals to capital inflows, which again are the main determinant of financial development. However, it was observed, that these effects are higher in middle-income countries than in low- and high-income economies.[27] From an investment perspective, the effects of FDIs as well as domestic investments (DI) on growth are higher the more open an economy is. Additionally, FDIs are proven to compensate low DIs, but also to crowd out such domestic activities. Therefore, most African emerging economies do well to open their markets not arbitrarily just in order to blindly attract as many FDIs as possible.[28]

As another barrier to FDIs in African emerging economies, investors in- and outside real estate often criticize a lack of specialized intermediaries (such as consultants or market research firms) as well as substandard contract enforcement. This so-called "soft infrastructure" appears to matter as much to investors as the physical infrastructure in terms of roads, railways etc. Also, the informal character of markets and transactions in these countries is a widespread and considerable attribute of these nations.[29] Therefore, strategies for domestic and foreign market participants often comprise workaround solutions to these deficiencies in African economies.[30]

24. Porter (1990a), p. 78.
25. Cf. Porter (1990b), pp. 76-79; Smit (2010), p. 115.
26. Cf. Porter (1990b), p. 73.
27. Cf. Law (2007), p. 160.
28. Cf. Sala/Trivin (2014), p. 283; Razafimahefa/Hamori (2007), p. 161.
29. Cf. Khavul/Bruton/Wood (2009), p. 1220. The huge portion of informality of African emerging economies appears peculiar to many international investors. Existing reservations against this are, however, often profound and comprise – amongst others – higher cost of debt in these environments, cf. Madestam (2014), p. 160; ibid., p. 164. Also, informal environments do not provide sufficient data for investment evaluation, as they are not sufficiently transparent for research.
30. Cf. Khanna/Palepu/Sinha (2005), pp. 63-66.

For the purpose of analysis, emerging economies provide specific difficulties and challenges to researchers and practitioners: due to only short experience with delivering data on high scientific level, several data problems regularly occur. They involve very limited availability or unavailability of data, insufficient data quality or scope, artificial volatility and low comparability over time due to frequent corrections in the data inquiry methods as well as limited testability.[31] That is why the scope and quality requirement for a valid analysis of competitive advantage according to the unadjusted diamond framework may be barely achievable for these regions.

The rest of this section aims to investigate which aspects matter to international real estate investors on the basis of both theoretical and empirical considerations. It gives first insight into factors that make real estate markets more or less attractive to international capital flows.

4.1. Investor Expectations

The triggering considerations for an investment decision are part of a complex mechanism, which comprises objective and subjective reflections of quantitative and qualitative information. Latest research has proven that this is processed in both a mental and an emotional way.[32] The concepts of traditional finance aim to analyze and make projections on investment decisions by mathematical applications incorporating the investor's rationality, utility function and risk aversion. However, precisely because investments are powered and driven by not only objective, but very different kinds of information, traditional finance is losing relevance compared to behavioral finance. This extension appears expedient, as even simple investment decisions deviated from predictions of the traditional views.[33] As real estate investments do not provide the possibility of arbitrage or divisibility, there is a high level of illiquidity and transaction costs; therefore, the ownership bias and psychological impacts are specifically high and the importance of the emotional and cognitive approach of behavioral finance multiplies.[34] While the points mentioned were derived from theoretical considerations, there is also empirical evidence for investor requirements targeting Sub-Saharan Africa. Accordingly, the following aspects are of major importance (the standard deviation is grey if the importance value is unique).

31. Cf. Young (2012), pp. 696-698.
32. Cf. Baker/Ricciardi (2014), p. 7.
33. Cf. Ackert (2014), pp. 25-26.
34. Cf. Beracha/Skiba (2014), p. 555. The U.S. residential real estate boom preceding the global financial crisis was, besides the unavailability of objective property information, caused by owner's and investor's overconfidence as a psychological bias; cf. ibid., pp. 559-560. Generally, the importance of investor's sentiments is higher in private markets than in public markets due to the higher lack in liquidity of the market, cf. Ling/Naranjo/Scheick (2014), p. 38.

Tab. 1: Criteria for real estate experts to invest in (Sub-Saharan) Africa.

Investment Criterion	Importance (5=very important, 0=not at all important)	Standard deviation (lower, if investor consensus is higher)
Political stability	4.7	0.5
Market Attractiveness: risk/return ratio	4.6	0.6
Assertiveness of law	4.5	0.7
Market growth potential	4.4	0.6
Property Rights (shelter from expropriation)	4.4	0.8
Corruption	4.4	0.9
Market Structure: Good supply & demand fundamentals	4.3	0.7
Investment laws	4.3	0.7
Predictability of future political climate	4.3	0.8
Acquisition by foreigners	4.3	0.9
Market transparency	4.2	0.7
Taxation laws	4.2	0.8
Low level of restrictions for foreign investors	4.2	0.9
Low level of currency risk	4.1	0.8
Business professionalism	4.1	0.9

Source: Own Illustration based on Rothenberger (2010), p. 183.

These expectations of actual professionals and investors do very well reflect the underlying fear of property losses,[35] uncontrollable costs due to political events or disadvantages from the legal system. It is remarkable that the most important matters arise from political and legal issues as well as market characteristics equally. The political and institutional environment apparently depicts a major concern when deciding on a real estate investment in Africa.[36] And in fact, lowering political risks significantly increases the volume of FDI inflows, while lowering financial risks was found not to.[37] Also, market fundamentals such as risk or return matter to all investors in comparison to their investment and risk profile.[38] In this context, real estate investments show a tight proximity to so-called herding activities: while traditional investment analysis would focus on cash flows, discount rates or other fundamentals, it is rather the market sentiment (probable or actual activities of other investors) that is taken as a basis for the own investment decision.[39] Herding is a common phenomenon amongst institutional investors.[40]

35. Cf. Chun/Sa-Aadu/Shilling (2004), p. 317; Sa-Aadu/Shilling/Tiwari (2010), pp. 529-530.
36. Cf. Faria/Mauro/Zaklan (2011), p. 232; Aysan/Nabli/Veganzones-Varoudakis (2007), p. 365. Investors put special emphasis on the predictability of the future political environment as they expect lower monitoring costs and inherent risks, cf. Chung/Zhang (2011), pp. 269-270.
37. Cf. Hayakawa/Kimura/Lee (2013), p. 74. Political risks comprise civil conflicts, corruption and military leadership. Financial risks are risks regarding the solvency and pay-back reliability of a partner.
38. Cf. Benner/Ranganathan (2013), p. 380.
39. Cf. Clayton/Ling/Naranjo (2009), p. 34; Berry (2010), p. 392.
40. Cf. Lakshman/Basu/Vaidyanathan (2013), pp. 205-206. While herding ensures a multipli-

4.2. Macro-structural Determinants of Real Estate Performance

As investment performance is a key concern for real estate investors, all influencing factors must be known and considered before investing. In this context, it is not only the real estate specific aspects and their direct influence, but also general (legal, economic and structural) determinants that affect the investment indirectly, which help understanding the investment.

They fundamentally comprise land registration systems as well as the availability of a functioning property financing or mortgage system.[41]

Land Titles and Registration Systems

Owning real estate and the efficiency of property markets are strongly connected with the question of evidence and formalization.[42] Specifically, foreign investors expect security of ownership, first and foremost in the sense of protection from others' claims or governmental expropriation. Additionally, registered land is then generally rather accepted by third-parties as collateral for credit backing.[43] The situation on land titles and formal ownership has improved in several parts of Africa.[44] Over the last decades, many African nations have formalized property rights by Land Acts or other regulatory institutions to provide a higher degree of public reliance.[45] Uganda, for instance, has distinctly defined ownership rules and procedures for seven different land tenure systems.[46] Ethiopia has performed the largest recent land administration program in Africa and established right certificates (a pre-stage of land titles) at reasonable cost to investors. These property rights were proven to increase tenure security and to attract further investments significantly; [47] also, further attraction is projected if the certificates are getting the chance to be enriched by further actual policies that strengthen their value.[48]

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cation of investment inflows to the target region, it is sometimes criticized for destabilizing markets. The prevailing view is that herding drives asset prices towards the fundamental values and therefore supports the development of unbiased markets in finding the equilibrium, cf. Grundy/Li (2010), p. 2448.

41. Due to spatial limitations, this paper will not further discuss general (real estate non-specific) macro-structural drivers such as overall economic development, construction costs or monetary policy.
42. Cf. Miceli et al. (2011), p. 499.
43. Cf. Awuah/Hammond/Lamond (2013), p. 389.
44. Independent of current improvements, African ex-colonial states show a longer track record in registration which was originally enforced to protect the colonialists' interest, cf. Anim-Odame/Key/Stevenson (2009), p. 64.
45. Informality and privacy of land transactions is not a special 'deficiency' of African emerging economies. Many other interesting investment targets do not have a public land register. For instance, most U.S. federal states do not have a public registration system (such as the Torrens system), but rather simple land title recording for which claims must be clarified in court, cf. Hall et al. (2010), p. 24.
46. Cf. Knight/Herrin/Balihuta (2004), p. 7.
47. Cf. Deininger/Ali/Alemu (2011), pp. 312-313.
48. Cf. Deininger/Ali/Alemu (2011), p. 330.

Property Financing and Mortgage Systems

For real estate specific consideration, the availability of debt capital – as a specific form of capital markets – is of highest interest, as it can make properties available to the mass.[49] This debt capital is globally provided in the predominant form of mortgages. They ensure affordability to domestic investors and fuel property demand in all segments.[50]

This can be observed in developed countries with mature real estate markets, as shown in the following table, which lists mortgage- and debt-related performance indicators.

Tab. 2: Overview of developed nations regarding mortgage market development.

	Mortgage-to-GDP ratio	Typical Loan-To-Value ratio	Typical duration	Equity release used?[51]	Mortgage Market Index[52]
Germany	43 %	70 %	25 years	No	0.29
United Kingdom	74 %	80-90 %	25 years	Yes	0.58
Denmark	85 %	80 %	30 years	Yes	0.82
United States	69 %	80 %	30 years	Yes	0.98

Source: Calza/Monacelli/Stracca (2013), p. 104; Helgi Analytics (2014).

While official data is barely available for most African nations, emerging economies from other geographic regions provide mortgage-to-GDP ratios in the single-digit percentage range and significantly less modalities for designing the mortgage contract. The accessibility of such funds to African investors is a major constraint. On the one hand side, micro-financing institutions are often the only way to receive debt financing for the housing demand of poorer Africans. On the other hand side, regional small banks are stronger drivers of development and growth in the target economy, although multinational subsidiaries do less constrain their credit access in case of a local systemic bank crisis However, their market entry is observed to typically involve a focus on the most profitable borrowers.

To a high degree, the future of African real estate markets will be driven by the affordability of housing to the young generation. With Africa showing young average ages of population and strong family boundaries within, domestic demand of housing will be subject to the income level of young families. Estimates on this proxy are, however, difficult due to the lack of integration of informal sector income data.

4.3. Suitability of Porter's diamond framework

Since the 1990s, there was growing interest in research concepts that deal with the strategic alignment and market orientation of companies. With concepts still today

49. Cf. Oyewole (2010), pp. 246-248.
50. Cf. McCord et al. (2011), p. 412; Anundsen/Jansen (2013), p. 209.

connecting market orientation with firm factors such as incentive systems, organizational structure and management education, there is significant reference to Porter's framework.

Going on, Porter's diamond framework was and still is widely applied by researchers world-wide: the diamond framework analyses comprise, for example, the global automotive industry, real estate markets in Beijing, the Jade industry in Guatemala, and many more. The model was also applied and found evident regarding Tanzania's real estate investment and development market. Independent of specific industries, the model is frequently and fundamentally referenced for the further development of related research, for instance in case of low market development or non-existing markets. While both researchers and practitioners continuously tried to falsify Porter's approach or offered significant criticism (while often actually verifying the framework), actual weaknesses or points of criticism were identified. In addition, the limitations of the framework became obvious in the own application by this author. These aspects are expanded on in the following.

1. All 10 industry case studies in Porter's textbook describe the industry perspective in the national context, which is driven by the interaction of firm characteristics, micro-level decisions and their reinforcement in the industry. The publication, however, does not clarify the actual investor perspective which is largely driven by perceptions of the superior level. Generally, the perspective stays widely unclear.

2. It was found that Porter's diamond framework is limited when applied in rivaling regions with a high level of competitive dynamics. The evolution of new firms, for instance, was identified as an unconsidered driver.

3. From the original publication, it is not evident how the results of the diamond model would change, if the examination object (country or region) did not belong to the industrialized and developed nations. If components of the framework are only weakly developed in a country (such as favorable factor conditions in small open economies) or information respectively data is unavailable, the theory becomes insubstantial.

4. One of the most criticized aspects of the model is the only indirect role of government and globalization. It was noted that Porter neglects also the influence of multinational large-scale enterprises in a globalized context. This is further confirmed by criticism that the diamond framework is unable to explain competitiveness regarding specific patterns of higher decisive complexity, such as FDIs or transnational corporations.

5. Porter's model does not acknowledge the perspective of market entry barriers, which have significant impact on the attractiveness and therefore the competitive advantage of a real estate market. If those barriers exist, market development will be decelerated.

6. Porter supposes the maxim that it is innovation or at least continuous upgrading that leads to a competitive advantage. However, the possibility of disadvantageous-

ness of adapting innovation was proven specifically amongst small enterprises. Beyond that, not only innovation, but also standardization was found beneficial for competition and growth. Standardization depicts a cheaper way of upgrading the technological level.

With these points outlined, Porter's diamond framework was adjusted and enriched with new cogitations by several authors. While each of them has – if even a little – enhancement in one or another direction, this paper does not reflect these adjustments due to temporal and spatial constraints. Instead, it will propose an own adjustment in the following.

5. An adjusted Framework for African Real Estate

Based on all findings so far, this section introduces a further developed framework for assessing the competitiveness of African emerging markets in real estate. It introduces those conditions that drive or constrain the competitive edge and aims to allow the identification of interesting investment targets and the general market development level of these markets. It is partly, specifically in some underlying ideas, based on Porter's (1990) framework, but also shows necessary adjustments for a proper evaluation of Africa's real estate competition.

While especially political economists aim to describe or analyze characteristics of nations with reduced and strictly simplified mathematical frameworks, the combination of quantitative and qualitative research and evaluation on the basis of an interactive framework appears more expedient for the joint analysis of governmental environments, investment decisions and strategic competitive advantage, as these frameworks can incorporate less simplified context and also qualitative characteristics of real estate markets.

That is why this paper elaborates a profound symbolic representation of how competitive advantage in African emerging real estate markets can be identified and analyzed. Therefore, it is spoken of a conceptual framework rather than a pure economic model. Still, this framework aims to communicate such a conglomerate of conditions, which can lead to African nations achieving competitive edge in real estate. In order to reasonably reflect economic realities, those conditions are further distinguished in this presented framework:

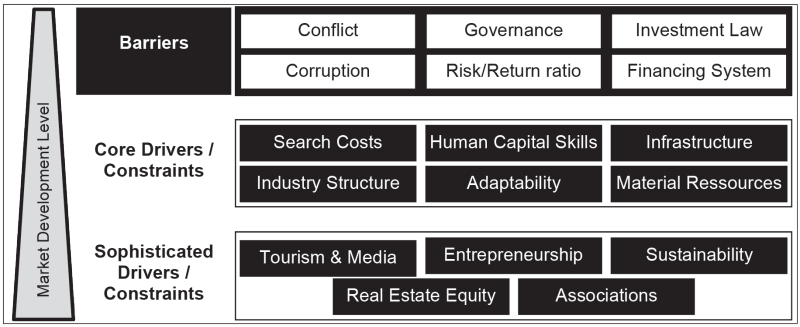
- **Barriers** are conditions that have an absolute, negative impact on the formal outcome. Their presence will very probably lead to a no-go decision by rational investors.
- **Drivers** and **Constraints**, on the contrary, are conditions that are not analyzed for logical reasons, as long as there are substantial barriers to investors. Each of the conditions given can be both a driver and a constraint, which fully depends on the industry's position in this context. Therefore, drivers and constraints must generally be viewed as more relative within the framework, but also in comparison to the characteristics of contingent comparables.

In the context of this model, barriers may be considered as constraints with a higher absoluteness in their impact. In addition, it integrates the perspective of both comparative as well as competitive advantage. This allows describing particular countries regarding their strengths and weaknesses and also enables the elaboration of a relative position compared to other nations. Therefore, the adjusted framework can operate as a country-level diagnostic tool as well as a cross-country benchmarking framework.

Amongst the drivers and constraints of the competitive advantage in African emerging markets, this framework suggests a differentiation of core and sophisticated conditions. This classification is made in order to better reflect the market development level within the comparably low-developed market environments in African emerging real estate. In this region, competitive advantage may be hidden in very detailed conditions. Markets may appear highly comparable and homogenous from a higher level point of view, so that it is important to understand the overall market development: if conditions are positively fulfilled, which are indicative of a higher development level, they are considered to depict a greater competitive edge.

In one fundamental aspect, this suggested framework follows the theory of Porter (1990b) to its full extent. It is assumed that only real estate specific conditions and a good real estate related environment can lead to a competitive advantage of the industry. Therefore basic factors as per the Porter (1990b) definition (such as internet availability, GDP growth and adult literacy or population growth for Africa) are not direct drivers or constraints of the competitive advantage in real estate according to this framework. The following illustration shows the components of the real estate adjusted competitiveness model for Africa.

Fig. 2: Overview of a real estate adjusted competitiveness model for Africa.



Source: Own illustration.

5.1. Barriers to the Competitive Advantage in Real Estate

Barriers depict hurdles that have absolute impact on the investment decision. Barriers will avert market players from market access or investments as their existence causes reservations to an extent which makes investments barely feasible from the beginning.

Conflict

It was found that countries that do not host civil war are more likely to adapt a market-oriented approach. This is due to the tremendous military and political cost of war, which destroy the net impact of market-based structures.[51] This framework expects investors to sense the increased uncertainty in these regions and reflects it as discouragement of private investment. Despite some selected risk-focused investors that perceive those situations as possibly beneficial to incumbent businesses, the chosen approach for this framework is basically recognized.[52] As proxy variables, the so-called Global Peace Index as well as the Terrorism Index can give a good indication for today and the nearer future.

Corruption

From experiences of the last decades, the investor perception of certain regions on the planet follows the "pay to play" principle.[53] From an economic point of view, corruption depicts the use of public power for private benefits and ranges from facilitation fees to greater political corruption up to subversive tendencies.[54] The challenges of corruption are the undermining of political parties, the non-existence of political accountability and the creation of distrustful environments.[55] Specifically for real estate, corruption depicts an investment barrier, as a massive downturn in land transactions was observed in corruptive governmental environments.[56] Nevertheless, land practices are still major venues for corruptive behavior.[57] Therefore, the examination of democracy-related indicators as well as the intensity of the rule of law helps understanding the corruption situation. Specifically, two indicators are suitable in this context, namely the Transparency International's Corruption Perception Index (CPI) and World Bank's Control of Corruption (CC). In the light of the growing interest in anticorruption policy, a mismatch to investor's expectations as well as international regulations and their enforcement, a high corruption level must be considered as a barrier to real estate investment.[58]

Governance & Institutions

Besides direct governmental investments abroad and at home, economic control also comprises the evolution or degeneration of industries in the country.[59] While incentives have promotional impact, it is public sanctioning that creates a barrier in economic activity and that prevents the execution of real estate investments.[60] In

51. Cf. Buera/Monge-Naranjo/Primiceri (2011), p. 2.
52. Cf. Guidolin/Ferrara (2007), p. 1978.
53. Cf. Jeong/Weiner (2012), p. 1363; Kangoye (2013), p. 138; Cuervo-Cazurra/Genc (2008), p. 9.
54. Cf. Kaufmann/Kraay/Mastruzzi (2005), p. 131.
55. Cf. Transparency International (2014).
56. Cf. Bujko et al. (2014), p. 6.
57. Cf. Cai/Henderson/Zhang (2013), p. 515.
58. Cf. Jeong/Weiner (2012), p. 1363.
59. Cf. Vasudeva (2013), p. 1680; Spencer/Murtha/Lenway (2005), p. 330; Page (2011), p. 107.
60. Cf. Li et al. (2009), p. 567; Griffiths/Zammuto (2005), p. 829.

a real estate context, these sanctions are typically expressed in property rights (accounted for as a separate barrier in this model) and the tax regime.[61] For investment performance, it is both the upfront taxation of market entry and the continuous follow-up taxation by property taxes as well as tax deductibility that could prevent investors from entering.[62] From firm level analysis, there is evidence that investors honor good governance quality by increasing their investment share.[63] For analysis and comparison beyond the real estate tax framework, the Ibrahim Index on African Governance (IIAG) comprehensively evaluates the governmental quality and institutional progress annually.

Risk and Return

For rational investors, two figures are essential with regard to the investment: the (expected) return and its underlying risk.[64] The trade-off between these fundamentals in consideration of the investor's own risk preference is essential for investment choices.[65] Generally, disadvantageous investments will be avoided, as they lead to negative values of return and money is lost. From those investments that are absolutely profitable, investors aim to realize the investment with the highest relative profitability, being for instance the highest Net Present Value or Internal Rate of Return of certain alternatives. In this logic, the investment risk is contained in the comparable return expectation or discount rate.

Dependent on the contract design, the actual return for African real estate investments may be subject to high currency exchange risks. To avoid this, the quotation of rents in USD is possible, which transfers the currency risk to the domestic tenant. For the measurement of risk and returns, empirical data can be derived from the market. This includes prime rents and prime yields, the effective tax rate, the inflation rate as well as (if available) volatility data.

Investment Law

As an umbrella term, investment law sums up several legal aspects that are of high priority to investors. By excluding foreign ownership/shareholding or formal land, countries create a significant investment barrier in their real estate markets. A lack in actual rights or enforcement creates incalculable risks in terms of expropriation. The other way round, strong property rights increase respective loan volumes for real estate and are attracting investments, even in non-prime locations.[66] Relevant foundation for the analysis is formally provided in underlying acts, such as the local Investment Promotion Act, Investment Act or local Land Act.

Financing System

Financial systems and the access to finance are regarded as general hurdles for any

61. Cf. Deininger/Feder (2009), p. 234; Sinn (2003), p. 32.
62. Cf. Kongela (2013), pp. 121-122.
63. Cf. Chung/Zhang (2011), pp. 269-270.
64. Cf. Abddul-Rasheed/Tajudeen (2006), p. 177; Chun/Sa-Aadu/Shilling (2004), p. 296.
65. Cf. Ackert (2014), p. 27; Spulber (2002), p. 353.
66. Cf. Field (2005), p. 289; Zarutskie (2013), p. 393.

economic development and poverty reduction in African emerging economies.[67] Also due to synergies with other industry functions, an efficient and functioning real estate financing system is essential for the development of a competitive industry.[68] However, equity portions in African real estate financing are tremendously high. This is often powered by savings of decades, supported by remittances[69] and also further driven by a disadvantageous monetary policy – all pleading for a low market development level. In this environment, real estate often cannot realize investment-supporting effects such as leverage on the equity return. Therefore, deficient mortgage financing system must be considered as a barrier specifically to domestic investors.[70]

5.2. Core Drivers and Constraints

Core drivers and constraints describe which conditions support or cut off the evolution of competitive advantage in African emerging economies. These are intended to be analyzed for markets of both low and also comparably high market development levels.

Search Costs

Following the transaction cost approach, investors tend to prefer investments with acceptable transaction costs.[71] Clearly, upfront expenses for identifying and acquiring an adequate investment target must be minimized and information asymmetries reduced so that financial and nonfinancial objectives can be optimally achieved.[72] The matter of search costs in a real estate market can lead to a competitive advantage if there is good soft infrastructure with sustainable potential for fair pricing.[73] In this sense, soft infrastructure comprises the market presence and activity of consultants, the availability of capable intermediaries and country- or even industry-specific promotion agencies.[74] Consultants and intermediaries with international orientation and expertise are of specific value and importance. They all are intended to decrease uncertainty in the search process and to avoid investments in dealer markets.[75]

Human Capital Skills

High quality and reliability in investments and a strong progress in the real estate

67. Cf. Asiedu et al. (2013), p. 295; Beck/Demirguc-Kunt/Honohan (2009), pp. 120-121; Beck/Demirguc-Kunt/Peria (2007), p. 235; Boateng/Abdulrahman (2013), p. 145.
68. Cf. Campbell (2012), p. 29.
69. The aggregate volume of remittances is significant enough to be an indicator for economic cycles in African economies, cf. Carling (2009), p. 594. They are used to compensate economic shocks and stimulate growth, cf. Singh et al. (2011), p. 333; Posso (2012), p. 38; Cruz (2011), p.193. Lower income levels benefit from remittances, while high proportions are remitted from migrants who were comparably wealthy before, cf. Chen/Kagochi (2013), p. 77; Annim (2012), p. 17.
70. Cf. Scholten (2000), p. 361.
71. Cf. Foss/Foss (2008), p. 192.
72. Cf. McCann/Vroom (2014), p. 17.
73. Cf. Hsieh/Moretti (2003), p. 1118.
74. Cf. Harding/Javorcik (2013), pp. 339-340; Leonidou/Palihawadana/Theodosiou (2001), p. 21.
75. Cf. Spulber (2002), p. 353.

industry are facilitated by education, the capabilities and the mobility of personnel involved.[76] In this context, the analysis of basic and general skills such as adult literacy or primary education is insufficient for determining competitive advantage in real estate. Instead, it is the evolution of real estate specific skills and productivity that drives the market development.[77] These comprise professional knowledge as well as managerial qualities.[78] Their lacking depicts a constraint for vertical integration in the value chain and for competitiveness.[79] Relevant proxy variables comprise real estate related degrees, the annual number of graduates in related tertiary education and the average years of industrial training for craftsmen. Generally, data availability in this context is insufficient as data are not collected centrally, so that a perception of low skills follows from estimation, while actual capability development becomes barely observable.[80]

Industry Structure

Its structure in a potential target country allows a statement on the circumstances as well as the business conduct in the particular industry. This comprises concentration tendencies, monopolies, but also general characteristics such as the integration of family-run businesses or small-sized companies, for which knowledge on their specific competitive behavior, innovativeness and financial access exists.[81] While large market players are typically believed to have fewer constraints in achieving competitive advantage from technology or innovation, they still can become weak competitors over time.[82] In addition, information on the industry structure allows insight on the actual market orientation of the nation's real estate environment. Also, indications on the structure of employment can be derived.[83] Investors are expected to give preference to real estate investment environments without dealer's markets, low concentration, high innovative power and a market-driven approach.

Infrastructure

The exceptional importance of infrastructure for economic growth was widely researched and overwhelmingly confirmed. With regard to the evolution of the real estate industry, infrastructure as the physical environment is regarded as a still more important driver due to its underlying enabling function.[84] Infrastructure comprises mobility projects, such as roads or railways, and other public connection of new land areas.[85] The volume of urban roads is of special interest, because improved access to

76. Cf. Campbell/Coff/Kryscynski (2012), p. 377; ibid., pp. 391-392.
77. Cf. Wolff (2003), p. 91; Weinstein/Worzala (2008), p. 410.
78. Cf. Apgar (2009), pp. 103-104; Zatzick/Iverson (2006), p. 1009.
79. Cf. Kapoor/Adner (2012), p. 1242.
80. Cf. Fukunishi (2009), pp. 331-332; Arikan/McGahan (2010), p. 16.
81. Cf. Fry/Volz (2013), p. 111; Brouthers/Nakos/Dimitratos (2014), p. 24; Acquaah (2011), p. 123; Carnes/Ireland (2013), p. 1413; Lichtenthaler/Muethel (2012), pp. 1247-1248. Shimomura/Thisse (2012), p. 342; Masulis/Pham/Zein (2011), pp. 3596-3597; Patel/Fiet (2011), p. 1193.
82. Cf. Barnett/McKendrick (2004), pp. 536-537.
83. Cf. Magruder (2012), p. 163.
84. Cf. Calderon/Serven (2010), p. i14.
85. Cf. Finkenzeller/Dechant/Schäfers (2010), p. 264; Perkins/Fedderke/Luiz (2005), pp. 223-

developable land lays the foundation for the further expansion of properties.[86] Railroads connect spatially distributed settlements and also enable synergies between these locations. Infrastructure therefore launches the circulatory of real estate market development and depicts an outstanding indicator for the future of the industry and its competitive position. For a general measurement, World Bank provides the Rural Access Indicator (RAI) that represents the accessibility of non-urban land and summarizes factors such as the road and rail network. For an in-depth view, additional raw data on road, rail and electric supply (telecommunication) appear considerable.

Technological and Managerial Adaptability

In the long run, investors have no interest in funding technological obsolescence, or projects in weak management environments or without sufficient understanding of quality.[87] Therefore, the presence of current real estate development projects that feature state-of-the art construction is an important indicator to evaluate whether the real estate market is able to assimilate to actual and contemporary investor demand and its changes.[88] The competitive advantage is fueled by current experiences of the market and its track record with such high-quality buildings that match actual market demand. Also, their adequate communication matters.[89] Competitiveness analysis should consider current developments of upscale shopping malls and other high-class buildings as a proxy for the achieved market standards.

If available, also general data on building permits are a strong indication and proxy for formal construction activity with a higher technological level, planning effort or quality increase.

Material Resources

The fundamental perspective of the resource-based view expresses how extraordinarily important the availability of relevant production-related resources is for the successful evolution of a competitive industry. And certain commodities were a major driver of Africa's success already so far.[90] Therefore, the price and scarcity of property-contained commodities and its development over time appears significant.[91] Trade accounts for African emerging economies show that only few of them have natural advantages due to independence in the extraction of real estate commodities, so that most rely on imports of rare components and the exogenously given price. A competitive advantage arises not from the pure richness in a natural resource, but if a region has easy and cheap own access to required goods and the

224.
86. Cf. Yamins/Rasmussen/Fogel (2003), p. 80.
87. Cf. Doraszelski/Markovich (2007), pp. 588-590; Douglas/Judge (2001), p. 158; ibid., p. 162; Vorhies/Morgan (2005), pp. 91-92; Wu (2012), p. 944.
88. Cf. Reeves/Deimler (2011), p. 137.
89. Cf. Kalra/Li (2008), p. 180; Zarantonello/Jedidi/Schmitt (2013), p. 54; Marinov/Marinova (2012), p. 328.
90. Cf. Beny/Cook (2009), p. 273; Gunton (2003), p. 91.
91. Cf. Schmidt/Keil (2013), p. 222; Markman/Gianiodis/Buchholtz (2009), p. 439; Eso/Nocke/White (2010), p. 541.

capacity export them. Quantified data is regularly reported regarding materials such as cement, plaster, asbestos, wood, base metals, as well as earth and stone. As most of the African emerging economies show trade deficits with regard to real estate specific commodities, the consideration of the their imported amounts in comparison to their population gives a good understanding of the demand and activity of real estate markets. In addition, the trade deficit per capita indicates the actual dependency of foreign deliveries more precisely and comparably.

5.3. Sophisticated Drivers and Constraints

Sophisticated drivers and constraints describe how the development of a competitive advantage in African emerging economies is promoted or hindered. They have highest expressiveness for markets of rather high market development levels.

Tourism Level & Media Coverage

Socio-cognitive factors such as individual belief and past experiences that shape investment decisions were found to be under-represented in competitiveness models so far.[92] Consequently, analysis should consider the perception of an investment target on the basis of general belief and news arriving from the investment region. Media coverage and the attractiveness of the region as a touristic domicile stand proxy for the chance of a positive evolution in real estate.[93] In this context, media coverage can be estimated by two approaches:

1. Data requests on Google Trends will provide the latest international and domestic interest in topics regarding an investment targets, which can either depict drivers of competitiveness or constraints (for instance, if triggered by general Afro-pessimism).
2. Data requests covering keyword combinations in media search, such as the BBC archive, reveals which kind of news arrives at the side of foreign investors.

In addition, the level of touristic attractiveness is measured by touristic basic data such as the number of overnight stays in comparison to the domestic population. With regard to tourism, Africa has attracted grown interest as tourist inflow on continent level increased from 24.5 million visitors in 1995 to more than 66 million in 2010.[94] Touristic activity additionally creates new demand for properties (e.g. hotels or holiday housing) and provides financial capacity.

Entrepreneurship

Through the last decades, researchers and practitioners created a comprehensive agenda on entrepreneurship as a new field of management and economics.[95] A positive impact of entrepreneurial activity on several economic aspects, including national wealth, innovation and market development levels, was frequently confirmed

92. Cf. Rindova/Fombrun (1999), p. 705.
93. Cf. Kulchina (2014), p. 603; Fernando (2012), p. 38.
94. Cf. African Develoment Bank (2014).
95. Cf. Burg/Romme (2014), pp. 371-372; Naude (2010), p. 11.

for developed economies.[96] For African markets, no definite interpretation exists yet: special emphasis should be put on entrepreneurship, however, as it was found an option to decrease unemployment and poverty sustainably.[97] Although scientific data and evidence for African emerging economies are still missing, the general attitude towards entrepreneurship and its economic impact is positive also for and lower developed economies in general.[98] Still, Porter's diamond framework does not involve the specific effect of new firms that enter the market, leaving out the potential from additional market players over time. However, researching and understanding the impact of entrepreneurship is crucial for its effectiveness.[99] In this context, the competitive advantage is driven by a prevalent entrepreneurial spirit in the real estate industry, as increasing entrepreneurship is observed in the context of higher FDIs.[100]

Real Estate Equity Instruments

Not only is the accessibility of (debt) financing an indicator for higher competitiveness in real estate, but so is the utilization of advanced equity instruments in the region.[101] Specifically, markets that already have modern legal and investment constructs such as public listed (real estate) firms, funds or a Real Estate Investment Trust (REIT) show higher market development levels as they provide entry and management advantages to investors.[102] They comprise the liquidity of investments as well as financial incentives such as income payouts. Also, an evidently higher level of innovativeness acts as a driving force.[103]

Sustainability

This framework postulates that all elements of sustainability and the triple-bottom line of real estate, including for instance also biodiversity, community issues and climate change, drive the question of competitiveness in real estate markets.[104] Generally speaking, it is about the motivation for voluntary alignment of investor expectations and the individual interest of environment and society at the investment target.[105] While several African emerging economies have other priorities than ensuring sustainability in real estate now, this approach will not be the monopoly of developed nations forever.[106] On a firm level, a high awareness for sustainability was

96. Cf. Isenberg (2010), p. 42; Glaeser/Kerr/Ponzetto (2010), p. 152; Sautet (2013), p. 391.
97. Cf. Brixiova (2013), p. 193. While selected positive benefits are measured from entrepreneurial activity in Africa, they turn out lower than in relatively rich countries, cf. Alvarez/Barney (2014), p. 160; Stel/Carree/Thurik (2005), p. 318. One reason for this is, that informality of business registration and informal entrepreneurship complicate the measurement of impacts in Africa, cf. Munemo (2012), pp. 10-12; Adom/Williams (2012), p. 13.
98. Cf. Habiby/Coyle (2010), p. 75; Galor/Michalopoulos (2012), pp. 776-777.
99. Cf. Alvarez/Barney (2014), p. 160; Isenberg (2010), p. 41.
100. Cf. Kim/Li (2014), p. 211.
101. Cf. Yartey (2009), pp. 53-54; Sosa (2014), p. 2; Ofori-Dankwa/Julian (2013), p. 1434.
102. Cf. Le/Ooi (2012), pp. 608-609.
103. Cf. Wu (2012), p. 944.
104. Cf. Walker (2008), p. 124; Breuste/Qureshi/Li (2013), p. 677; Juan et al. (2010), p. 222; Chay/Greenstone (2005), pp. 418-419.
105. Cf. Gottschalg/Zollo (2007), p. 433; Julian/Ofori-Dankwa (2013), pp. 1325-1326.
106. Cf. Haanaes (2013), pp. 110-111.

already found to eliminate capital constrains.[107] On the market level, investors will prefer markets and portfolios with lower operating costs through energy-efficiency awareness or in properties with stable integration into the neighborhood and a long-term horizon. Also, transparency from public and governmental dialogue reduces the risk-related cost premium. Sustainability, therefore, is more than a PR gimmick in the real estate context.[108]

Regarding proxies for measurement, the Global Reporting Initiative provides criteria and a reporting structure primarily for companies and (non-governmental) organizations. However, for the competitiveness of an industry and its attractiveness to investors, the perspective of governments and regulators appears more relevant. Therefore, the 2012 United Nations Conference on Sustainable Development ("Rio+20"') put special emphasis on the governmental agenda for sustainability and its promotion.[109] For the suitable use as proxy variables, it must be considered that sustainability comprises environmental, social and governance aspects.

Associations

Business professionalism and education, or in general words the strength of knowledge exchange, were found essential factors for an investment decision.[110] While schools or universities provide underlying skills, the industry itself ensures its competitive advantage by fostering active participation in networks, groups or associations that bundle industry-specific activities.[111] All of them are embedded in the market and have a reinforcing functionality. These memberships or engagements in relevant organizations signal efforts for being up-to-date in the real estate environment and the ability to cope with current challenges and developments.

6. Conclusion and Implications

Undoubtedly, many African nations have shown good progress in their economic development. While both developing and developed nations suffered from major setbacks and still today struggle with the consequences of the global financial crisis, Africa's economic development led to a higher demand for residential real estate, quality retail properties, high-end offices and hotels even during the last years. However, this development of real estate markets is not equally distributed over the whole continent. Several political, social and economic barriers as well as different drivers and constraints led to a situation where some countries develop competitive advantage in real estate and other countries do not. Analyzing these strengths and weaknesses is crucial for potential market participants, such as project developers, marketers and consultants, but first of all, domestic and international real estate investors. One existing framework for such analysis is the diamond framework of Michael Porter. This paper investigated, whether his framework fits the specific re-

107. Cf. Cheng/Ioannou/Serafeim (2014), p. 16.
108. Cf. Apgar (2009), pp. 105-107.
109. Cf. Global Reporting Initiative (2014).
110. Cf. Rothenberger (2010), p. 183.
111. Cf. Guler/Guillen (2010), p. 390.

quirements of African emerging economies to evaluate the respective competitive position in real estate.

This study affirms the general applicability and adequacy of Porter's framework for elaborating the competitive advantage in real estate and also a general suitability for African real estate markets. In-depth analysis of the framework and relevant literature has shown that the framework's generalist approach, the logic in argumentation and the intelligence in structure withstands almost all existing criticism and counter-concepts. Also, the majority of investor requirements is covered by its general ideas and underpinnings.

Nevertheless, in its details, Porter's model calls for adjustments in order to more specifically reflect what drives and constrains the competitive advantage in African emerging real estate markets. These comprise mainly the specification of actual industry-specific analysis criteria, in connection with the research for appropriate proxy variables. Additionally, new findings from management and competition research such as entrepreneurship or sustainability had to be integrated. Therefore, this work suggests an adjusted analysis framework for the competitive advantage in African real estate markets, as illustrated in the following table.

Tab. 3: Components of the Adjusted Competitiveness Framework.

Barriers	Conflict, Corruption, Governance & Institutions, Risk / Return ratio, Investment Law, Financing
Core Drivers / Constraints	Search Costs, Industry Structures, Human Capital Skills, Adaptability, Infrastructure, Material Resources
Sophisticated Drivers / Constraints	Tourism & Media, Entrepreneurship, Sustainability, Real Estate Equity Instruments, Associations

Source: Own illustration.

Further research

On the basis of the insights and findings of this paper, additional directions for further related research were identified. For instance, the real estate specificity of impacts from investments was found to be under-researched and effective directions as well as functional chains within the real estate industry are not finally described. Furthermore, it appears expedient to further investigate the reasons and possible solutions for the improvement of data availability in African emerging markets, ideally with a specific focus on real estate related analysis data. Current management and investment trends, such as entrepreneurship or crowd funding are suggested to deserve further research attention in a specific real estate context and with regional orientation in both developed and developing markets. And ultimately, the empirical application of either Porter's diamond framework or the adjusted analysis framework postulated in this paper could reasonably unveil the drivers and the constraints that lead to possible real estate investments in the region.

Limitations of the study

The significance and expressiveness of this study may be restricted due to underlying limitations of the research approach or methodology. First, country analysis by this and all

existing frameworks so far heavily relies on composite indices, which were found to be subpar for the derivation of actual policy changes.[112] In addition, the sample size and constitution significantly differs within the broad range of underlying literature. For that reason and at the current availability of research, knowledge from different countries, from firm-level findings, from product or also trade markets had to be transferred occasionally to the specific analysis of African investment markets, while the equality of conclusions may not be finally resolved.

Also, the selection of different literature may have lead to a difference in the theoretical fundament or specifically in the setup of the adjusted analysis framework. Generally, the data availability is problematic, so that for certain African markets, especially with widely under-developed real estate markets, analyses will be limited in their comparability. Additionally, the study is based on a very generalizing perspective on the African continent as, for the purpose of simplification, country-specific aspects may have been disregarded. Furthermore, the study focuses on political, economic and social drivers (with the highest emphasis on economy and real estate), but under-recognizes cultural or historic aspects. This could lead to bias due to the omission of possibly relevant aspects that drive the competitive advantage in real estate.

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112. Cf. Barkley/Dudensing (2011), p. 140.

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(Footnotes)

1. Cf. Calza/Monacelli/Stracca (2013), p. 103; equity release depicts a dynamic collateral concept: in case of increasing asset values, the additional wealth may be used as further collateral for another credit.
2. Sorted by IMF Mortgage Market index from lowest to highest mortgage market development level.