

Effects of Development Control Policies on Strategic Investor Attraction in the Real Estate Sector in Nairobi City County

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Abstract

The pilot study examined the suitability of research instruments designed to assess the effect of development control policies on strategic investor attraction in the real estate sector in Nairobi City County. A pilot study was conducted using 24 respondents, representing 10% of the sample size, to test reliability, validity, and factor structure before the main data collection exercise. Reliability was assessed using Cronbach's alpha, and all study variables recorded acceptable values above 0.7. Environmental Impact Assessment requirements had the highest reliability score of 0.874, followed by stakeholder engagement policy at 0.867, licensing regulations at 0.796, zoning regulations at 0.785, regulatory transparency at 0.758, and strategic investor attraction at 0.711. Validity was tested using the Kaiser-Meyer-Olkin measure and Bartlett's Test of Sphericity. All KMO values were above the recommended threshold of 0.5, while Bartlett's test was significant at $p = 0.000$ for all variables, confirming that the data were suitable for factor analysis. Factor analysis further showed that most questionnaire items had acceptable factor loadings above 0.5. However, two items under stakeholder engagement policy recorded low loadings of 0.281 and 0.464 and were therefore removed from the main analysis. The findings confirmed that the research instrument was reliable, valid and appropriate for measuring zoning regulations, licensing regulations, stakeholder engagement policy, environmental impact assessment requirements, regulatory transparency, and strategic investor attraction. The pilot results therefore supported the use of the revised questionnaire in the main study.

Keywords: *Development control policies; Strategic investor attraction; Real estate sector; Regulatory transparency; Nairobi City County.*

1.0 Introduction

A pilot study was conducted prior to the actual data collection exercise to assess the suitability of the research tools for this study, which examined the effect of development control policies on strategic investor attraction in the real estate sector in Nairobi City County. According to Castillo-Montoya (2016), a pilot study helps in identifying whether there are flaws or limitations within the data collection tool, allowing necessary modifications before the main study. For this purpose, 10% of the sample size, equivalent to 24 respondents was used for piloting. The researcher conducted reliability, validity testing, and factor analysis to assess the suitability of the research tools before embarking on the actual data collection process.

1.1 Reliability Test

Reliability describes the extent to which measurements are free from error, providing consistent results (Thanasegaran, 2009). It represents the consistency of responses, indicating how consistently an instrument measures under the same conditions across different instances. Cronbach's alpha was computed for all items in the questionnaire to assess this consistency. According to Thanasegaran (2009), Cronbach's alpha is a correlation coefficient between two data sets. Field (2013) noted that scores between 0.4 and 0.7 indicate normal consistency, while scores above 0.7 reflect high consistency. In this study, reliability was assessed using Cronbach's alpha formula, with the calculations performed using SPSS. The reliability test results are presented in Table 1.

Table 1: Reliability Analysis

Variable	Number of Items	Cronbach Alpha	Comments
Zoning Regulations	10	.785	Reliable
Licensing Regulations	10	.796	Reliable
Stakeholder Engagement Policy	10	.867	Reliable
Environmental Impact Assessment Requirements	10	.874	Reliable
Regulatory Transparency	10	.758	Reliable
Strategic Investor Attraction	10	.711	Reliable

The reliability analysis results in Table 1 showed strong internal consistency across all the study variables, demonstrating that the items effectively measured their respective constructs. Zoning regulations recorded a Cronbach's alpha of 0.785, indicating that the items used to measure this variable were consistent and produced stable responses across respondents. Licensing regulations also demonstrated a high reliability level, with a Cronbach's alpha of 0.796, reflecting dependable internal consistency that falls within the acceptable threshold for social science research. These values suggest that respondents interpreted the items within these constructs in a similar manner, reducing the likelihood of measurement errors.

In addition, stakeholder engagement policy had the highest reliability scores at 0.867, signifying excellent internal consistency and confirming that the items consistently captured the intended construct. The results also shows that environmental impact assessment (EIA) requirements recorded a Cronbach's alpha of 0.874, which strongly affirms the reliability of the items measuring

this variable. These high scores indicate that the statements relating to stakeholder engagement and EIA requirements were clearly understood, well-structured, and aligned with the perceptions of respondents, thereby generating dependable data for analysis. The strong reliability in these two variables supports their effectiveness in explaining how policy frameworks influence strategic investor decisions.

Regulatory transparency and strategic investor attraction also demonstrated acceptable reliability levels, with Cronbach’s alphas of 0.758 and 0.711, respectively. These values show that both constructs were measured consistently and that the questionnaire items provided reliable results. These scores fall within the recommended threshold of above 0.7 for high reliability, as noted by Field (2013). The results show that all variables in the study were above the acceptable internal consistency benchmark, confirming that the instrument used for measuring development control policies and strategic investor attraction was reliable and suitable for the main analysis.

2.0 Validity Test

Validity in relation to questionnaires denotes the ability of the research instruments to measure what it purports to measure (Graue, 2015). The study used construct and content validity to ascertain the validity of the questionnaire that was administered to the respondents. This was so as to ensure that the information being assessed closely ties to the conceptual framework for this study. Kaiser-Meyer-Olkin (KMO) was used to determine whether the responses generated were valid based on their values. For a data set to be regarded as valid and appropriate for statistical analysis, the value of KMO should be greater than 0.5 (Field, 2013). The results of the KMO and Bartlett's Test of Sphericity (significance) are summarized in Table 2.

Table 2: Validity Test

Variable	KMO	Significance
Zoning Regulations	.584	.000
Licensing Regulations	.511	.000
Stakeholder Engagement Policy	.749	.000
Environmental Impact Assessment Requirements	.674	.000
Regulatory Transparency	.614	.000
Strategic Investor Attraction	.593	.000

The results of the validity test presented in Table 2 indicate that the questionnaire used in this study demonstrated strong construct and content validity. All the variables recorded KMO values above the acceptable threshold of 0.5, which is the minimum requirement for sampling adequacy as recommended by Field (2013). Stakeholder engagement policy reflected the highest KMO value at 0.749, indicating excellent sampling adequacy and confirming that the items measuring this construct were well suited for factor analysis. Environmental impact assessment requirements and regulatory transparency also demonstrated strong validity, with KMO values of 0.674 and 0.614 respectively, showing that the items for these variables effectively captured the underlying policy dimensions. Zoning regulations and strategic investor attraction registered KMO values of 0.584 and 0.593 respectively, while licensing regulations recorded a value of 0.511 all surpassing the 0.5 benchmark, thereby confirming that these constructs were adequately measured by the instrument.

In addition, Bartlett's Test of Sphericity yielded a significance level of 0.000 for all variables ($p < 0.05$), confirming that the correlation matrices were not identity matrices and that the items were sufficiently correlated to justify factor analysis. The combined results of the KMO and Bartlett tests provide strong evidence that the questionnaire accurately captured the constructs reflected in the conceptual framework, ensuring that the data generated was appropriate for advanced statistical procedures. This validation supports the integrity of the measurement tool and confirms that the items used in the questionnaire reliably represented the dimensions of development control policies, regulatory transparency, and strategic investor attraction in Nairobi City County.

3.0 Factor Analysis

According to Comrey and Lee (2013), factor analysis is a term that represents a large number of different mathematical procedures for analyzing the interrelationships among a set of variables and for explaining those relationships in terms of a reduced number of variables, called factors. In the study factor analysis was conducted on all items for each of the variables. Cooper and Schindler (2011) suggested that variables with factor loading of 0.7 are acceptable. However a minimum of 0.4 value of factor loading is also allowed as suggested by other researchers. Similarly, Tabachinick and Fidell (2007) described factor loading as follows, that are, 0.32 (poor), 0.45 (fair), 0.5 (good), 0.63 (very good) or 0.7 (excellent). Factor analysis for the study was carried out in order to check for any correlated variables for redundancy in data to be reduced. It also helped to analyze the structure of the interrelationships by defining the factors.

3.1 Factor Loading for Zoning Regulations

Factor analysis was carried out on the statements of zoning regulations. According to Tabachinick and Fidell (2007), variables with factor loading values greater than 0.5 are considered good. Factor loading for zoning regulations are presented in Table 3.

Table 3: Factor Analysis for Zoning Regulations

Statement	Factor Loading
I am satisfied with the current land use restrictions in Nairobi's real estate sector.	0.856
The building height limits in Nairobi are clear and easy to follow.	0.780
The density allowances in Nairobi allow me to maximize my investment potential.	0.894
I find the zoning laws in Nairobi to be straightforward and well-defined.	0.852
I feel that the zoning regulations promote sustainable urban development.	0.786
The zoning laws in Nairobi provide sufficient clarity for my real estate projects.	0.797
Zoning law changes in Nairobi are implemented in a transparent manner.	0.592
I often face challenges due to restrictive land use regulations in Nairobi.	0.948
I believe the predictability of zoning regulations in Nairobi is important for my investments.	0.706
I have no difficulty working within the building height regulations for my projects.	0.771

The results in Table 3 show that all the statements regarding zoning regulations had factor loading values greater than 0.5, making them suitable for further statistical analysis. Following the

guideline by Tabachinick and Fidell (2007), all statements were retained since each loading exceeded the recommended minimum threshold. The highest factor loading was recorded for the statement “I often face challenges due to restrictive land use regulations in Nairobi”, with a loading of 0.948, indicating that this item was the strongest indicator of perceptions related to zoning regulations. Similarly, the statements “The density allowances in Nairobi allow me to maximize my investment potential” (0.894) and “I am satisfied with the current land use restrictions in Nairobi's real estate sector” (0.856) demonstrated high loadings, confirming their strong contribution to explaining the zoning regulation construct.

The lowest factor loading was observed for the statement “Zoning law changes in Nairobi are implemented in a transparent manner”, with a loading of 0.592. Although this was the lowest among the items, it still surpassed the acceptable threshold of 0.5 and was therefore retained for the analysis. Other items, such as “I find the zoning laws in Nairobi to be straightforward and well-defined” (0.852), “The zoning laws in Nairobi provide sufficient clarity for my real estate projects” (0.797), and “I feel that the zoning regulations promote sustainable urban development” (0.786), also showed strong factor loadings. All ten items were thus maintained, ensuring that the zoning regulations variable was comprehensively measured in alignment with the conceptual framework of the study.

3.2 Factor Loading for Licensing Regulations

Factor analysis was carried out on the stated questions of licensing regulations. As indicated by Tabachinick and Fidell (2007), variables with factor loading values greater than 0.5 are considered good. Factor loading for licensing regulations are presented in Table 4.

Table 4: Factor Analysis for Licensing Regulations

Statement	Factor Loading
I find the process of obtaining permits for real estate projects in Nairobi to be straightforward.	0.862
The compliance costs associated with licensing in Nairobi are reasonable.	0.904
The approval process for real estate projects in Nairobi is efficient.	0.910
I feel confident that my projects will be approved within a reasonable timeframe in Nairobi.	0.791
The licensing regulations in Nairobi are clear and easy to understand.	0.871
I experience minimal delays when applying for real estate permits in Nairobi.	0.808
The compliance costs do not significantly impact my investment decisions in Nairobi.	0.582
The licensing authorities in Nairobi are responsive to my queries and concerns.	0.929
I believe that Nairobi’s approval process is transparent and free of corruption.	0.801
I feel that the duration of the approval process in Nairobi is reasonable for most real estate projects.	0.664

The results in Table 4 show that all statements measuring licensing regulations had factor loading values above the acceptable threshold of 0.5, making them appropriate for further statistical analysis in line with the recommendation by Tabachinick and Fidell (2007). The highest factor loading was observed for the statement “The licensing authorities in Nairobi are responsive to my

queries and concerns”, which recorded a value of 0.929. This indicates that the responsiveness of licensing authorities was the strongest indicator of how respondents perceived the licensing regulation environment in Nairobi. Such a high loading demonstrates that this item played a central role in explaining the construct and was therefore highly relevant for inclusion in subsequent analysis.

The lowest factor loading was recorded for the statement “The compliance costs do not significantly impact my investment decisions in Nairobi”, with a loading of 0.582. Although it was the lowest among the items, it still surpassed the recommended minimum threshold of 0.5, meaning it remained valid for retention. Its inclusion contributes to a balanced understanding of licensing regulations, particularly regarding cost-related perceptions. All items met the required standard and were retained, reinforcing the adequacy of the instrument in capturing the licensing regulation construct in the study.

3.3 Factor Loading for Stakeholder Engagement Policy

Factor analysis was carried out on the statements of stakeholder engagement policy. As indicated by Tabachnick and Fidell (2007), variables with factor loading values greater than 0.5 are considered good. In this study, factor loading was done to each statement. This was to determine their factor loading for stakeholder engagement policy. Table 5 shows factor loadings for stakeholder engagement policy.

Table 5: Factor Analysis for Stakeholder Engagement Policy

Statement	Factor Loading
Public participation in planning for real estate projects in Nairobi is well-integrated.	0.281
Decision-making processes for real estate projects in Nairobi are transparent and accessible.	0.464
Conflicts in real estate developments in Nairobi are resolved fairly and efficiently.	0.749
Local communities have a real say in the planning stages of real estate projects in Nairobi.	0.819
Stakeholder consultations are genuinely considered before decisions are made in Nairobi’s real estate sector.	0.909
The government’s transparency in real estate decisions builds my confidence as an investor.	0.785
Disputes in the real estate sector in Nairobi are resolved with clear and fair mechanisms.	0.768
Engaging stakeholders early in planning leads to better project outcomes in Nairobi.	0.909
The decision-making process for real estate projects in Nairobi feels clear and unbiased.	0.785
I believe stakeholder engagement in Nairobi’s real estate sector creates a stable investment environment.	0.768

The results in Table 5 show that the majority of the statements measuring stakeholder engagement policy recorded factor loadings above the acceptable threshold of 0.5, making them suitable for

further statistical analysis as recommended by Tabachnick and Fidell (2007). The highest factor loadings were observed for the statements “Stakeholder consultations are genuinely considered before decisions are made in Nairobi’s real estate sector” and “Engaging stakeholders early in planning leads to better project outcomes in Nairobi”, both with strong loadings of 0.909, indicating that these items were the most influential in explaining the stakeholder engagement construct. Other statements, such as “Local communities have a real say in the planning stages of real estate projects in Nairobi” (0.819), “The government’s transparency in real estate decisions builds my confidence as an investor” (0.785), and “Disputes in the real estate sector in Nairobi are resolved with clear and fair mechanisms” (0.768), also demonstrated high factor loadings, confirming their relevance and contribution to measuring stakeholder engagement policy effectively.

Two statements, however, did not meet the minimum threshold for retention. The statement “Public participation in planning for real estate projects in Nairobi is well-integrated” recorded a factor loading of 0.281, while “Decision-making processes for real estate projects in Nairobi are transparent and accessible” had a loading of 0.464. Since both values fall below the recommended cutoff of 0.5, these items were deemed unsuitable for inclusion in the main analysis. Consequently, the two statements will be deleted and will not form part of subsequent statistical procedures. The remaining eight items, all of which are above the required threshold, will be retained to ensure that the stakeholder engagement policy construct is measured reliably and accurately in alignment with the study’s conceptual framework.

3.4 Factor Loading for Environmental Impact Assessment Requirements

Factor analysis was carried out on the statements of environmental impact assessment requirements. As indicated by Tabachnick and Fidell (2007), variables with factor loading values greater than 0.5 are considered good. In the study, factor loading for environmental impact assessment requirements are presented in Table 6.

Table 6: Factor Analysis for Environmental Impact Assessment Requirements

Statement	Factor Loading
The scope of EIA reports required for real estate projects in Nairobi is clearly defined.	0.805
The cost of EIA compliance is reasonable for most real estate projects in Nairobi.	0.838
EIA approval processes in Nairobi are completed within a reasonable timeframe.	0.890
The quality and detail of EIA reports required in Nairobi are sufficient for making informed investment decisions.	0.814
I find the cost of EIA compliance to be an obstacle to some of my real estate projects in Nairobi.	0.738
Timely EIA approval is critical for keeping my real estate projects on schedule in Nairobi.	0.703
The EIA approval process in Nairobi is straightforward and transparent.	0.792
I feel confident that EIA requirements in Nairobi protect the long-term value of my investments.	0.819
The cost of EIA compliance does not significantly impact the overall profitability of my real estate investments.	0.795
I believe the current EIA process in Nairobi supports sustainable development while balancing investor interests.	0.592

The results in Table 6 show that all the statements measuring environmental impact assessment (EIA) requirements recorded factor loadings above the recommended threshold of 0.5, making them appropriate for further statistical analysis in line with Tabachinick and Fidell's (2007) guideline. The highest factor loading was observed for the statement "EIA approval processes in Nairobi are completed within a reasonable timeframe", which recorded a value of 0.890. This indicates that respondents strongly associated the timeliness of EIA approvals with their overall perception of EIA requirements, making this the most influential item in representing the construct.

The lowest factor loading was recorded for the statement "I believe the current EIA process in Nairobi supports sustainable development while balancing investor interests", with a loading of 0.592. Although it was the lowest among all items, it still surpassed the acceptable minimum threshold of 0.5 and therefore remained valid for inclusion in the main analysis. Collectively, these results confirm that all statements aligned well with the underlying construct and were retained to support a comprehensive assessment of EIA requirements in Nairobi's real estate sector.

3.5 Factor Loading for Regulatory Transparency

Factor analysis was carried out on the statements for regulatory transparency. As indicated by Tabachinick and Fidell (2007), variables with factor loading values greater than .5 are considered good. In the study, factor loading for regulatory transparency are presented in Table 7.

Table 7: Factor Analysis for Regulatory Transparency

Statement	Factor Loading
The land use and zoning regulations in Nairobi are clear and easy to understand.	0.938
Information on development control policies is easily accessible from the Nairobi City County offices.	0.776
Enforcement of real estate regulations is uniform and consistent across all sub-counties in Nairobi.	0.757
I can predict how development approvals will be handled based on previous experience with planning authorities.	0.872
The process of applying for building and zoning permits is transparent and timely.	0.778
There is fairness in how planning decisions are made and communicated to real estate investors.	0.904
Policy updates and changes are communicated clearly and in good time.	0.880
My investment decisions are positively influenced by the availability of up-to-date planning documents.	0.773
Feedback from real estate stakeholders is considered when making regulatory changes.	0.820
I trust the regulatory institutions to uphold transparency in the approval of development projects.	0.641

The results in Table 7 show that all statements relating to regulatory transparency recorded factor loadings above the acceptable threshold of 0.5, confirming their suitability for further statistical analysis in line with the recommendation by Tabachinick and Fidell (2007). The highest factor loading was observed for the statement "The land use and zoning regulations in Nairobi are clear

and easy to understand”, which recorded a strong loading of 0.938. This indicates that respondents viewed clarity of land use and zoning regulations as the most influential indicator of regulatory transparency, making it the dominant contributor to the construct.

The lowest factor loading was recorded for the statement “I trust the regulatory institutions to uphold transparency in the approval of development projects”, with a value of 0.641. Although this was the lowest among the items, it still exceeded the minimum recommended threshold of 0.5, and therefore remained valid for retention. Therefore, all statements were appropriate for measuring the regulatory transparency construct and were retained to ensure assessment of how transparency influences strategic investor attraction in Nairobi’s real estate sector.

3.6 Factor Loading for Strategic Investor Attraction

In this study, factor analysis was carried out on the statements used to measure strategic investor attraction which was the dependent variable. Tabachinick and Fidell (2007) affirmed that, variables with factor loading values greater than .5 are considered good. The study’s factor loading for strategic investor attraction are presented in Table 8.

Table 8: Factor Analysis for Strategic Investor Attraction

Statement	Factor Loading
The volume of real estate investment projects in Nairobi has increased over recent years.	0.503
The number of new investors entering Nairobi's real estate market is steadily growing.	0.840
I am satisfied with the overall investment climate in Nairobi's real estate sector.	0.711
The returns on real estate investments in Nairobi meet my expectations.	0.765
The infrastructure development in Nairobi attracts more real estate investors.	0.826
I believe that Nairobi’s real estate sector is competitive compared to other cities in East Africa.	0.893
Real estate investment in Nairobi provides long-term financial security.	0.852
I have observed a high level of satisfaction among investors in Nairobi’s real estate sector.	0.776
The transparency of investment opportunities in Nairobi makes it an attractive market.	0.861
I feel confident in the future growth and sustainability of real estate investments in Nairobi.	0.796

The results presented in Table 8 show that all statements used to measure strategic investor attraction recorded factor loadings above the recommended 0.5, confirming their validity for further statistical analysis based on Tabachinick and Fidell’s (2007) guideline. The highest factor loading was observed for the statement “I believe that Nairobi’s real estate sector is competitive compared to other cities in East Africa”, which recorded a strong loading of 0.893. This indicates that respondents strongly associated regional competitiveness with the overall attractiveness of Nairobi’s real estate sector, making this the most influential indicator within the construct. Statements such as “The transparency of investment opportunities in Nairobi makes it an attractive

market” (0.861) and “Real estate investment in Nairobi provides long-term financial security” (0.852) also demonstrated high loadings, further strengthening the construct’s measurement.

The lowest factor loading was recorded for the statement “The volume of real estate investment projects in Nairobi has increased over recent years”, with a loading of 0.503. Other items, such as “The number of new investors entering Nairobi's real estate market is steadily growing” (0.840) and “I feel confident in the future growth and sustainability of real estate investments in Nairobi” (0.796), also contributed strongly to the construct. Based on these factor analysis results, all statements effectively captured different dimensions of strategic investor attraction, supporting their retention for subsequent statistical analysis in the study.

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