



UNIVERSITY OF NAIROBI

**AN ASSESSMENT OF STRATEGIC MANAGEMENT PRACTICE IN THE
LEASING OF COMMERCIAL PROPERTIES IN NAIROBI CBD, KENYA**

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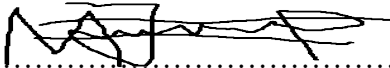
**THIS THESIS IS SUBMITTED IN PARTIAL FULFILLMENT OF THE
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DECLARATION

Student's Declaration

I, MATHERI, JAMES MWANGI, do hereby declare that this is my original work and has not been presented in any other University for the award of degree.

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Supervisor's Declaration

This research project has been submitted for examination with my approval as the University supervisor.



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DEDICATION

To God; Abba Father

I would like to dedicate this project to God the Almighty, for His surpassing grace and unmerited favour in my life.

ACKNOWLEDGEMENTS

I am grateful to the Almighty God for bringing me this far. I attribute the success of this research to the efforts of many people.

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ABSTRACT

Long term wealth is the main motivating factor in commercial real estate investment. Leasing plays a major role in commercial properties long term planning in achieving targeted cashflows and the subsequent returns. Inefficient property management practices have been concluded as leading to diminishing property returns. The lack of strategic direction and therefore key performance indicators leads to little or no value addition thus the casual treatment of the property management profession.

The objectives of the study included To establish the conventional tools of strategic management practice applicable to leasing of commercial properties; determine the extent of applicability of the tools of strategic management practice in leasing of commercial properties within Nairobi CBD; determine the constraints on the practice of strategic property management in the leasing of commercial properties within Nairobi CBD; and design a strategic management framework for the leasing of commercial properties within Nairobi CBD.

The research was confined to Nairobi CBD due to the fact that the city centre presents a mature real estate industry in terms of reviewing strategic property management services. The sample consisted of 35 buildings randomly selected from this target population of 421 commercial buildings in Nairobi CBD as identified in a field study by the author. The sampled buildings within the Nairobi CBD were randomly selected using a google map with satellite aerial images of commercial buildings. The CBD for the purposes of this study was hereby defined as the area between University Way, River Road, Haile Selassie Avenue and Uhuru Highway.

This study involved the use of a semi-structured questionnaire which was administered to managers of commercial properties within Nairobi CBD. The questionnaires contained open and close-ended questions for the purpose of collecting primary data. Secondary data was acquired from real estate journals, unpublished scholarly works and published text books. Data analysis was conducted using SPSS and MS Excel. The descriptive statistics utilized in the study included the mean, frequencies, standard deviation, minima and maxima. Z-test was additionally carried out on the data. Data collected and analysed was represented in form of tables and figures.

This research established that the most applicable tools of strategic management in leasing of commercial properties in Nairobi CBD include Strategic Lease Administration, Strategic Tenants' Screening, Strategic Tenants' Retention and Strategic Property Marketing. Strategic Lease Administration was considered the most applicable tool of strategic management in leasing of commercial properties in Nairobi CBD while Strategic Handover of commercial

spaces was considered as non-applicable in leasing of commercial properties in Nairobi CBD. The findings indicate that these tools are applied on different extent as indicated by huge variations in applicability rating.

The study clearly indicated that property managers are to be blame for not fully embracing strategic management practice in leasing of the commercial properties Nairobi CBD. The constraints on the practice of strategic property management in the leasing of commercial properties within Nairobi CBD included following lack of information, lack of clear policies, lack of experience and inadequate training. Most of these constraints are internal thus within the control of property managers.

The extent of applicability of practice of strategic property management in the leasing of commercial properties within Nairobi CBD was established to be generally low. These affects the quality of tenants, occupancy rates, contract rent level, rental yield and market values of commercial buildings. Based on these findings, the researcher made the recommendations that would help in improving extent of applicability of practice of strategic property management in the leasing of commercial properties within Nairobi CBD: drafting of elaborate property management contracts, ensuring that managers have detailed property management plans, drafting of the property management firm's operations manual to guide the managers and having well-structured lease agreements with a strategic goal.

CHAPTER ONE

INTRODUCTION AND BACKGROUND OF THE STUDY

1.0 Introduction

Real estate as pertains to the land asset is a factor of production and therefore a strategic resource. This is premised by the fact that through real estate, we get housing and premises for various business operations the very pillars of life. Thus, as stated by Ngwira and Manase (2016), there is need to enhance awareness of property as a strategic resource that needs to be actively managed at both corporate and service levels. According to Scarret (2011), strategic property management may be defined as the comprehensive management of one or more property holdings by a process of drafting, adapting and implementing long term business decisions. In a nutshell strategic property management practice involves forethought and constant review against set benchmarks. Haynes and Nunnington (2010) opine that strategy incorporates a number of key concepts;

- The boundaries of the business and where the business is going over a given period
- How it intends to use its resources to compete in the market place.
- Constant environment scanning of the business environment
- Ensuring stakeholder expectations are completely met

The need for strategic property management in Kenya cannot be gainsaid. Various research on the application and assessment of the service have pointed this need by concluding the ineffectiveness of property management in achieving real estate development goals of optimal returns. Through empirical studies conducted by Oundo (2003), Kaaria (2003), Murigu (2005) and Kagiri (2008) inefficient property management practices have been concluded as leading to diminishing property returns. Research dating back in the 90s to post millennium have found property management being mostly routine without a long term strategy. Interestingly, Chomba (1990) arrived at the same conclusion of inefficiency some 20 years ago and this is still being experienced today despite the technological advances in service delivery. The lack of strategic direction and therefore key performance indicators leads to little or no value addition thus the casual treatment of the property management profession.

Strategic property leasing means being proactive in leasing administration by not waiting for improved market rents or a fall in vacancy rates or even market appreciation (Eldred 2012). The leasing function in effect is the bedrock of property management and thus the biggest consumer of strategic direction in a commercial building. Leasing defines the property attributes and

relationships in the business environment this being a key concept of strategy as stated above. How leasing is executed from building design through construction to inception and operation will have an impact on the achievement of intended returns. It is thus imperative strategic management practice be infused on the leasing function early enough and be sustained throughout to achieve optimal returns for the commercial building.

The property management industry is a dynamic one, largely emanating from the fact that property managers control and coordinate the living and working spaces of people. The economic, social, political and cultural facets of both life and work are always changing, thus the dynamism of property management. To be effective the manager has to cope with the rapidly changing economic factors, technology, legislation and socio-political environment. As such it is pertinent on the property manager to employ strategic management so as to fore plan, monitor and implement objectives effectively. Strategic property management ensures the realization of properties maximum value through the property manager understanding the owners and occupiers' objectives as well as the core activities, (Edwards and Ellison 2004).

Leasing plays a key role in meeting the objectives of strategic property management. Leasing helps in securing a tenant and signing a lease which assures the property owner of constant cash inflow. The constant cash inflow is a key factor in achieving the maximum returns from a property. Proper leasing procedure also ensures that the property value is preserved through proper lease administration.

1.1 Problem Statement

By virtue of size and thus their economic significance, commercial properties should be strategically managed. According to the Kenya National Bureau of Statistics report of December 2019, commercial property developments in Nairobi County alone in terms of approved building plans account for in excess of 5 billion Kenya shillings. These are buildings expected to come into the market from the year 2020 to mid-2021 notwithstanding existing stock which is well diversified as noted in various 2019 real estate market publications. In particular, Knight Frank first quarter 2019 report states an increase in the supply of serviced offices due to an increased number of multinational firms setting up in Nairobi as their regional headquarters.

However, as per the empirical studies reviewed in this research, property management practice in Kenya is devoid of strategic direction to the extent that majority of property managers are merely property supervisors. According to Scarret (2011), whereas routine functions that are supervisory in nature are key for management, day to day management and strategic

management are not mutually exclusive; they are best seen as complementary branches with significant areas of unavoidable interaction and overlap. Therefore, routine or operational property management is an integral part of property management as a whole only that it has been contextualized without any strategic direction therefore no value addition.

The leasing function is the core property management function that creates the income stream that was intended when property development was conceptualized. Financial, facilities and service managements all grow out of this function thus its importance and more keenly strategic direction cannot be gainsaid. However, Nyaguthii (2005) found out that less than 20% of property managers surveyed view lease administration as challenging. This is despite the complexity of achieving a tenant mix, sustaining it and being compliant with administrative and legislative policies. Strategic property management practice in leasing calls for competitive alignment of the property in question and as such it is a challenging task.

The need for strategic management of commercial properties has been augmented by empirical studies; for instance, Murigu (2005) found out that long term wealth is the main motivating factor in commercial real estate investment. This is because real estate investment is long-term starting from mostly more than a year of construction towards stabilization in leasing and other management aspects. Achieving long term wealth is majorly dependent on long term planning which is a key pillar of strategic property management. Leasing plays a major role in commercial properties long term planning in achieving targeted cashflows and the subsequent returns. This is through its attributes of well researched tenant mixes, efficient lease terms, renewals and rent reviews. The lack of strategic direction in the attributes of below average occupancies, poor tenant mixes, controlled tenants and lost income through poor management of rent reviews and lease renewals.

Poor leasing practices form a significant part of commercial property management disputes before tribunals and courts thereby creating the risk of investment loss (Kich,2002). Majority emanate from lease terms, rent review and lease renewals. Moreover, the disputes are directly linked to controlled tenancies created by the Landlord and Tenant (Shops, Hotels and Catering Establishment) Act Chapter 301 of the Laws of Kenya which requires commercial spaces with leases not in writing; not exceeding five years; and with definite termination clauses other than for the breach of agreement within five years from the lease start date to be administered by the Tribunal created by the Act. According to Kowour (2012), controlled tenancies have negatively impacted commercial property investment through not supporting short term tenancies, increased lease preparation costs, poor building maintenance and use of extra-legal means to

evade tenancy control. By practicing strategic management, certain attributes within the commercial lease could be red flagged as risky and quick action taken to avoid an acrimonious situation. Alternative dispute resolution mechanisms could also be put in place to save time wasted in judicial processes.

Achieving 100% property occupancies is the goal of any commercial property especially if it is mortgage-financed. As such, marketing to support the same needs to be carried out strategically to maintain competitive advantage. However, strategic imperative in marketing real estate in Kenya is still low. Indeed, Kiptoo (2000) noted that advertising and promotion of a building was being regarded as marketing and thus there was lack of holistic marketing along the realms of client focus, integrated marketing organisation, adequate marketing information, strategic orientation, operational efficiency, and client satisfaction. This is still the case more than 17 years later with Konyimbih (2018) concluding the lack of an integrated marketing communication strategy to deliver a clear, consistent, credible and competitive message about properties and their tenancy facilities.

1.2 Research Hypothesis

Null hypothesis, H₀:

Strategic property marketing is not the most applicable tool of strategic management practice in leasing of commercial properties in Nairobi.

Alternative hypothesis, H_A:

Strategic property marketing is the most applicable tool of strategic management practice in leasing of commercial properties in Nairobi.

1.3 Research Objectives

1. □ To establish the conventional tools of strategic management practice applicable to leasing of commercial properties.
2. □ To determine the extent of applicability of the tools of strategic management practice in leasing of commercial properties within Nairobi CBD.
3. □ To determine the constraints on the practice of strategic property management in the leasing of commercial properties within Nairobi CBD.
4. □ To design a strategic management framework for the leasing of commercial properties within Nairobi CBD.

1.4 Research Questions

- 1.□What are the conventional tools of strategic management practice applicable to the leasing of commercial properties?
- 2.□To what extent are the tools of strategic property management practice applied in the delivery of the leasing function in commercial properties within Nairobi CBD?
- 3.□What are the challenges and constraints in the practice of strategic property management in the management of commercial properties within Nairobi CBD?
- 4.□What is the appropriate strategic management framework for leasing commercial properties within Nairobi CBD?

1.5 The Scope and Area of Study

The research concentrates on the application of strategic property management in the leasing of commercial properties in Kenya through a review of the practice in the City of Nairobi. The study establishes the specific tools of strategic management practice applicable to leasing of commercial properties. The study also determines the extent of applicability of the tools of strategic property management practice in leasing of commercial properties. The constraints on the practice of strategic property management in the leasing of commercial properties have also been established. In addition, the study recommends the appropriate strategic management framework for leasing commercial properties within Nairobi CBD.

The Nairobi City is deemed a sufficient representative of the practice through firstly a well-developed real estate sector in terms of management dynamics. The key element of strategic management is the business environment in terms of formulating strategies that will create a competitive edge. Nairobi city through its well-developed property sector presents a significant commercial property development class for research purposes. As such, for efficient property performance, the need for strategic property management is substantially present here.

Secondly, property management as a service is largely concentrated in Nairobi, Kenya's capital city. According to Kagiri (2008) 80% of registered estate agents are based in Nairobi. Property management firms are the expected centres of strategic property management by virtue of being the primary professionals in the sector. The study focuses on property managers in Nairobi managing commercial properties.

Thus, substantial commercial property development and a diversified one best places Kenya's capital city as the focus of analysing strategic property management practice in leasing. Nairobi also presents a mature commercial property market with keen investors who analyse the impact

of leasing costs to their businesses and thus the need for strategic management of leasing to respond to such.

1.6 Significance of the Study

According to various research conducted by Chomba (1990), Oundo (2003) and Kagiri (2008) that span a period of more than 15 years, there has been little growth in the efficiency of property management services in Kenya. Efficiency and effectiveness arise from proactive strategic management where firms are expected to carve out a market niche for themselves and expand by adding services rather than by competing head on with other firms in the industry, (Lowendahl 2005). Thus, there is need for professional property management firms to adopt strategic management practices towards value addition. Strategic property management will ensure clients experience an all-round professional consultancy anchored on the performance of the business environment and innovative responses to the performance of the real estate market.

In addressing the challenges towards strategic property management in leasing, the research hopes to significantly ignite improvement in the levels of excellent service delivery. The research intends to bring out the value of strategic property management service delivery towards improving professional practice. Professionals are less prone to mistakes and thus through strategic management, property management will be effective in fulfilling the one and important goal of property investment; achieving a return. The research reviews strategic management as it applies to the leasing of commercial property and therefore contributes to both practice and theoretical bases of the profession.

In reviewing the practice of strategic property management, this research brings out the strategic imperatives of the leasing function in commercial property management towards a cohesive whole tailored to maintain and improve property value. In detail, a review of lease administration will develop the need for strategic direction in building tenant relationships through all lease administration aspects of property marketing, tenant screening, tenant retention and innovative leasing structures. The strategic imperative here is the fact that property is largely developed in a competitive environment whereby there are similar developments offering same accommodation details and amenities.

This research also contributes largely to property management theory at tertiary levels of education. At the moment there is very limited literature in property management in Kenya and none on strategic property management. Thus, through theoretical and empirical surveys, this

research contributes hugely into the strategic property management body of knowledge. It offers professionals a framework of strategic property management as well as offer academic insights into strategic property management as distinguished from routine management.

1.7 Organization of the Study

The study is organized into five chapters;

- Chapter One of this study contains introduction; problem statement; research questions; research objectives; research hypothesis; the scope and area of study; and significance of the study.
- Chapter Two covers a review of strategic management literature and relevant research associated with strategic property management addressed in this study. A review of literature on strategic management theory, property management practice, overview of leasing, strategic property leasing and its tools has been conducted. Literature reviewed includes books and peer reviewed journals.
- Chapter Three presents the methodology and procedures used for data collection and analysis. It covers area of the study, research methodology, population for the study, sampling techniques and data analysis tools towards reviewing the level of strategic management application in the subject area identified as the City of Nairobi.
- Chapter Four contains an analysis of the data and presentation of the results. Data shall be obtained from property managers who are the key persons behind the application of property management services. Both qualitative and quantitative approaches will be utilized here.
- Chapter Five offers a summary and discussion of the researcher's findings on the level of strategic management application in the leasing of commercial properties, implications on management practice and recommendations for future research.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

Bless et al (2006) states that the purpose of literature review is to sharpen and deepen the theoretical framework of the research and to identify variables that must be considered in the research. This literature review approach is similar to Okal (2010), Naburi (2017) and Kagiri (2008), in establishing business management theory and application to property management. The imperative here is to establish how does the key components and theoretical basis of strategic management apply to property leasing. Thus, the research explores the key pillars of strategic management and lease administration within this purview.

This chapter further presents the related literature and studies on in-depth research done by different authors on the subject of application of strategic management practice in property leasing. It provides an overview of previous research on strategic management and property management towards establishing a framework for the study that comprises the application of strategic management to property management business. It also presents the synthesis of theoretical and conceptual framework to contextualize the research being done and the definition of terms for better comprehension of the study. Literature reviewed includes books and peer reviewed journals on the subject of strategic management and property leasing on both theoretical and application aspects.

There is need to strategically manage a property leasing function amongst the other core roles. According to Edwards & Ellison (2004), property investment involves large allocations of capital, high transaction costs, illiquidity and the potential for obsolescence. As such, it is imperative for property management to have a long-term overview of all components that contribute to maintaining value, thus necessitating the need for strategic management. The application of strategic management practice to leasing ensures high quality tenancies, high occupancies and cost-effective lease administration. Edwards & Ellison (2004), state the following as the components of strategic property leasing;

- Monitoring the local environment for competition, encroachment etc.
- Adapting to changing occupier needs
- Restructuring property rights to maximize property value
- Regular property appraisal

Strategic management is an offshoot of general management. According to Kazmi (2002), strategic management emphasis is in the environment-organization relationship for the purpose of achieving the objective of continued success and remaining protected from environmental surprises through the adoption of a systematic approach to general management. As such, strategic property management is geared towards comprehensive management of properties through implementing long term business decisions, Scarret (2011) and realization of properties maximum value, Edwards and Ellison (2004). It is through the review of strategic property management literature that connections, contradictions and other relations between different research results will be discovered so as to aid in the collection of primary data, (Bless et al 2006).

2.1 The Concept of Strategy

Strategy is about competing and winning. According to the Harvard Business Review (2011), strategy is the creation of a unique and valuable position involving a different set of activities emerging from three distinct sources:

- i. Serving a few needs of many customers
- ii. Serving broad needs of a few customers
- iii. Serving broad needs of many customers in a narrow market

The need to win against organizational weaknesses and threats is to create a competitive advantage for the firm to maintain loyalty to its products and services, (Chaston 2012). Strategy is about achieving competitive advantage through being different, that is delivering a unique value-added service or product to the customer and positioning yourself clearly and concisely in your industry. According to Peng (2000), strategy is the determination of the basic long-term goals and objectives of an enterprise and the adoption of courses of action and the allocation of resources necessary for carrying those goals. Key points to note from this definition is planning of goals and the commitment to the same through allocation of resources. In determining the goals, the strategy formulator must follow through with the course of action to deliver the goals such that there is tact involved as opposed to being random.

The word strategy can be traced back to the Greek word; ‘strategos,’ meaning, ‘to lead an army,’ or, ‘the art of generalship,’ (Godfrey 2016). Ancient studies on the meaning of strategy are largely military based because ancient organizations like the Roman Empire were militarized. The first treatises that discuss strategy are from the Chinese during the period of 400 – 200 B.C. Sun Tzu’s *The Art of War*, written in 400 B.C. has received critical acclaim as the best work on military strategy, including those that have followed it centuries later,

Horwarth (2006). Whereas the ancient thinking was about defeat of enemies, business strategy borrows heavily from the same concept through the need to win against organizational weaknesses and threats so as to survive. The business world including real estate is a dynamic one therefore requiring the employment of strategy to achieve results.

Strategy is also defined as the pattern of resource and market interactions an organization has with its' environment in order to achieve its overall objective, (MacLennan 2011). This definition moves strategy from within the firm's internal environment as defined by Peng (2000) above to the external environment it operates in. An organization does not operate in a vacuum and therefore it is important to view strategy in a holistic manner encompassing elements of both the internal and external environments. This view is opined by Karami (2016) who states that, " strategy is the pattern or plan that integrates an organization's major goals, policies and action sequences into a cohesive whole." MacLennan (2011) summarizes common themes in strategy definition into two as follows;

- Long term objectives/mission/goals
- Plans/policies for achieving these;
- Managing interactions with the environment
- Market/product scope of business activity
- Resource allocation

Strategy is needed because it reduces ambiguity by highlighting those possibilities that tell organizations what they might, can, want to and should do to create potentials for future success, (Rasche 2008). It is thus important to apply analysis tools for planning objectives, implementing them and monitoring towards an organization strategy formulation because it is a critical thinking process. The sole purpose of strategy is to enable a company to gain, as efficiently as possible, a sustainable edge over its competitors. When no competition exists, there is no need to strategize, (Horwarth 2006).

2.2 Strategic Management Process

Strategic management as defined by Analoui and Karami (2003), is a process designed to satisfy strategic imperatives that push forward the business's vision and mission. Shekhar (2010) also defines strategic management as a combination of managerial decisions and actions that determine the long-term performance of a corporation. All these definitions refer to the firm's survival by indicating that strategic management is about the business's future. Thus, a more inclusive definition of strategic management is, " the process by which organizations determine

their purpose, objectives and desired levels of attainment; decide on their actions for achieving these objectives in an appropriate timescale, and frequently in a changing environment, implement the actions, and assess progress and results, (Thompson and Martin 2005).

It is important to examine the history of strategic management so as to put this definition into context. Strategic management origins are as early as the meaning of strategy itself. The earliest Western text on strategy is “How to Survive Under Siege,” written by Aineias the Tactician circa 550 BC, in which he details many issues of contemporary relevance to strategic management such as deployment of resources, flexibility in planning, the value of “learning” and the importance of gaining advantage, (Godfrey 2016). However, strategic management as a discipline was developed much later. Strategic management origins are in the 1950s and 1960s with the most influential pioneers being Alfred Chandler, Philip Selznick, Igor Ansoff and Peter Drucker after World War II, (Walker 2011). After this period, it has developed into specific works that involve the strategic management process from goal setting, implementation, evaluation and improvement.

Effective strategic management is about cohesiveness and cohesion in the organization structure involving both top management and operations. Strategic management is a top-down management process which should help those involved in daily management build their own objectives and plans to support senior level’s strategy, Witcher and Chau (2010). The strategic management process of firms may differ along operational matrices but not on conceptual basis. There are different models of the strategic management process as proposed by different scholars but they are similar in determining the phases as; strategy formulation, strategy implementation and strategy evaluation, Analoui&Karami (2003). Other authors like Nag (2011) has setting of vision, mission and company objectives as a distinct phase of strategic management process but this can be considered under strategy formulation. Nag (2011) distinguishes three approaches to strategic management process as follows;

- Degree of formalization in the management process; from highly formalized structure to informal unstructured process
- Management-power relationship; from dominant role of strategists to the compromising toils of different degrees to accommodate different interest groups
- Nature of environment facing the organization; from highly complex to simple or stable

The main objective underpinning a business strategic management process is to remain competitive and thus make profits. However, as Hax (2010) puts it, "strategy towards achieving competitive advantage only is dangerous because it makes our competitors the center of the management process." As such the business may end up disregarding other key strategic elements like talent strategic planning to the detriment of its performance. Essentially as opined by Witcher and Chau (2010), strategic management should be geared towards an organization's overall purpose, to ensure that the needs and enablers of the present are balanced with those of the future.

2.3 Steps in the Strategic Management Process

The steps in the strategic management process involve coming up with strategies, implementing the same and evaluating performance either for new strategies or an improvement of the existing ones. According to Hill and Jones (2010), the strategy making process is the outcome of a formal, rational planning process where top management plays the most important role. Essentially, strategic management process is about the survival of the business thus the emphasis on the role of top management in guiding the process. More importantly as stated by Parnell (2014), strategic management is a process that includes top management analysis of the environment it operates in to develop and sustain a competitive edge and as such to avoid strategic problems that can be traced to fundamental misunderstandings associated with defining strategy. Accordingly, as stated by Kazmi (2002), the formal strategic management process has four main steps;

1. □ Establishing the hierarchy of strategic intent
2. □ Formulation of strategies
3. □ Implementation of strategies and,
4. □ Performing strategic evaluation and control

Establishing the hierarchy of strategic intent involves setting the company vision, mission and goals for strategic direction. Therefore, steps 1 & 2 can be merged to become strategic formulation when considered as preliminaries and undertakings of coming up with the strategic direction. This is supported by Analoui & Karami (2003) who state that despite the strategic management process model, the distinct aspects are; strategy formulation, strategy implementation and strategy evaluation. However, in practice, the different phases of strategic management process may not be clearly differentiable from each other and they may exist simultaneously whereby strategic activities gradually emerge from one phase to merge into the

following phase (Kazmi 2002). Thus, businesses must continuously evaluate their environment to shape their strategy as opposed to rigidity in strategic management structures. Essentially as Kazmi (2002) further states; the feedback arising from each of the successive phases is meant to revise, reformulate or redefine the previous phases if necessary.

2.3.1 Strategy Formulation

This is the first step in the strategic management process and it involves developing strategic plans. According to DeMartini (2014), strategy formulation aims at the development of generic, long run, strategic plans specifying the strategic direction and scope which will assure the organization's long-term survival. Strategic planning is a leadership tool that helps leaders set direction, communicate intent, and describe desired behaviors and guide implementation, Axson (2010). Ramasamy (2009) defines planning as an intellectual process of thinking resorted to decide a course of action which helps achieve the predetermined objectives of the organization in future.

Havinal (2009) shares the same thought and adds that the intellectual process in planning involves creativity and an imaginative mind towards better performance. Planning deals with setting out a future course of action and deciding in advance the most appropriate course of actions for achievement of pre-determined goals. This process is essential to an organization's success, because it provides a framework for the actions that will lead to the anticipated results. A good practical example of a framework is as provided by Demasi (2014) for Darebin City Council, "The scale and diversity of Council's property portfolio necessitates a strategic framework for decision making across a range of internal departments linked to Council's annual Capital Works Program, annual budget, Long Term Financial Plan and various departmental Service Asset Strategies". Simply put, Darebin City Council strategy formulation framework here is quality and informed decision making across its many departments.

Before formulating strategy, the firm has to also define its business in terms of vision and mission. A vision statement of a firm answers the question; "what do we want to become?" whilst a firm's mission is the purpose of its existence and it grows from the firm's vision, Ogbor (2009). By stating the vision and mission the firm is able to lay its strategies for business while noting that strategy as earlier defined is about the firm's future. According McDonald (2011) both vision and mission should explicitly reflect the basic beliefs, values and aspirations of the

organization, providing an enduring statement of purpose that distinguishes the organization from its competitors and an important device for coordinating internal activity.

The development of vision and mission involves analysis and appraisal of the business environment. The term business environment denotes the total surrounding having various opportunities and constraints for business and has direct and indirect bearing on its functionality, (Senapati 2015). Managers must develop a complete and thorough understanding of the environmental context to determine the organization's mission and to develop its' strategic, tactical and operational goals and plans, (Griffin 2011).

The environmental context to be scanned for planning refers to those internal and external factors that affect the business decision making. Just as the survival and success of any individual depends on his innate capability (such as physiological and psychological factors) to cope with the environment, the survival and success of a business firm depends on its innate strength (resources at its command, including physical resources, financial resources and human resources) and its adaptability to the environment and the extent to which the environment is favorable to the development of that organization, (Cherunilam 2009).

The results of internal and external environmental appraisals will help the firm determine the strategic options that are available. There are various approaches to both internal and external environmental analysis for strategy formulation. The prominent one is the SWOT analysis which Pahl&Richter (2007) state that it provides a framework of analyzing strengths and weaknesses (internal) and opportunities and threats (external).

More specifically, SWOT analysis is a simple, straight forward framework that provides direction by structuring the fit between what a firm can do and cannot do (strengths and weaknesses) and the environmental conditions working for and against the firm (opportunities and threats); it is especially useful in uncovering competitive advantages, (Ferell and Hartline 2014). According to Sarsby (2016), SWOT analysis has the advantage of being applicable to many levels in the organization from individual to corporate and is also highly visual consequently easy to communicate to other stakeholders. SWOT analysis involves collection and processing of data therefore calling for due diligence. It has the disadvantage in that data may be biased by perceptions and beliefs and consequently underlying principles are ignored leading to invalid strategies, Sarsby (2016).

The PESTLE analysis is a framework to help organizations assess their broad environment whereby it is an examination of the political, economic, socio-cultural, technological, legal and environmental issues in the external business environment (Paul et al, 2014). Whereas PESTLE analysis helps in understanding the business environment better and encourages the development of strategic thinking, it is easy to oversimplify the data being used and subsequently have challenges in anticipating changes in the business environment (Pilinkiene et al 2017). Other approaches to business environment analysis include Porter Five Forces and Value Chain Analysis. Porter's five forces of competitive position analysis was developed in 1979 by Michael E. Porter of Harvard Business School as a simple framework for assessing and evaluating the competitive strength and position of a business organization. According to the Chartered Institute of Management Accountants (2007), the five forces are:

- I. Supplier power. An assessment of how easy it is for suppliers to drive up prices. This is driven by:
 - the number of suppliers of each essential input
 - the uniqueness of their product or service
 - the relative size and strength of the supplier
 - the cost of switching from one supplier to another.
- II. Buyer power. An assessment of how easy it is for buyers to drive prices down. This is driven by:
 - the number of buyers in the market
 - the importance of each individual buyer to the organization
 - the cost to the buyer of switching from one supplier to another.
 - If a business has just a few powerful buyers, they are often able to dictate terms.
- III. Competitive rivalry. The key driver is the number and capability of competitors in the market. Many competitors, offering undifferentiated products and services, will reduce market attractiveness.
- IV. Threat of substitution. Where close substitute products exist in a market, it increases the likelihood of customers switching to alternatives in response to price increases. This reduces both the power of suppliers and the attractiveness of the market.
- V. Threat of new entry. Profitable markets attract new entrants, which erodes profitability. Unless incumbents have strong and durable barriers to entry, for example, patents, economies of scale, capital requirements or government policies, then profitability will decline to a competitive rate.

Value chain analysis is based on the principle that organizations exist to create value for their customers thus in the analysis, the organization's activities are divided into separate sets of activities that add value, CIMA (2007). According to Grant et al (2010), the four critical steps to value chain analysis include;

- The definition of the strategic business unit under analysis
- The identification of key activities
- The definition of product and services
- The determination of the value attached to each identified activity.

The firm now has the baseline adopted from its vision and mission plus analyzed data both from internal and external environments to formulate its strategy. There are different types of business strategies which include corporate level strategies (diversification, strategic alliances), business level strategies (product differentiation, cost leadership) and functional level strategies which focuses mainly on human resource (Dubrin, 2009).

2.3.3 Strategy Implementation

This follows strategy formulation and it basically involves putting strategies into action. According to Analoui and Karami (2003), strategy implementation seeks to create the right circumstances within organizations so that formulated strategies can be executed and this is achieved through developing strategy supportive culture, creating effective organizational structure and motivating individuals to learn new ways of contributing to improved performance. Strategy implementation has the following principal aspects as explained by Hiriyappa (2012);

- Training and skilled staffing in the organization that consciously builds and strengthens strategy supportive competencies and competitive capabilities
- Development of a budget to guide the efficient utilization of resources towards strategic success
- Installation of operating systems and standards targeted towards company personnel carrying out their strategic roles
- Motivating employees to pursue strategies energetically
- Crafting company culture and work climate conducive to strategic direction

As strategy is being implemented, it is important to know whether employees have enough clarity about the vision, the strategic priorities, and the results the company wants to accomplish. Are employees stimulated early in the decision-making process to contribute their

experiences/ideas and do they understand their role in achieving the strategy? This will avoid the following challenges to strategic implementation as identified by (Verweire 2014);

- Too much focus on financials in strategy discussions
- Functional strategies are no substitute for business strategy
- Strategy implementation is too fragmented
- Managers communicate about strategy but forget to translate strategy into action
- Strategy implementation requires leadership capabilities

Successful strategy implementation requires resources, right people and organizational structure. Resource based perspective to strategy implementation is essential because as stated by Lowendahl (2005), “firms have different initial resource endowments and managerial decisions affect resource accumulation and the direction of firm growth as well as resource utilization.” Alkhafaji (2003) identifies corporate resources in terms of financial, physical and human resources as well as organizational systems and technological capabilities. Human resource is of course the key resource in strategic planning as identified variously by Koontz and Weihrich (2007), Havinal (2009) and Koontz (2010). According to Hunt (2014), this realization that people are very often the most important competitive differentiator is forcing organizations to excel in three ways:

1. Maximizing employee performance; as skilled labor becomes scarcer; the cost of qualified employees’ increases therefore companies must realize a high level of return on the sizable investment that they make in people. This means maximizing employee performance.
2. Attracting, developing, and retaining high-performing employees. It is often said that employees are a company’s most valuable asset. This is true if you are talking about high-performing employees. These employees typically generate three times or more revenue than average employees.
3. Identifying and addressing low-performing employees. High-performing employees may be a company’s most valuable asset, but low-performing employees can be a company’s most expensive liability. Low performers damage the revenue stream, decrease the productivity of coworkers, and drive away high-performing employees. Tolerating low performance drags down company profitability, business growth, and employee morale.

Having the right people for strategy implementation is critical. The opposite of this is evident in poor implementation as stated by Parmenter (2015),’even though an organization has a

strategy, teams are often working in directions very different from the intended course.” Thus, effective strategic communication is also an integral part of implementation. According to Holtzhausen and Zerfass (2015), the strategic communication process is typically a communication process that follows from an organization’s strategic plan and focuses on the role of communication in enabling the organization’s strategic goals and objectives. The downside of this is a mismatch of strategy implementation by different departments in the organization. This mismatch is confirmed by Oladokun and Aluko (2015) who in a study of 105 firms found out that, ‘ there is the need for corporate organizations in developing countries like Nigeria to appraise their real estate strategy and realign it with their overall corporate objective for efficient contemporary global practice.’”

2.3.4 Strategy Evaluation

Strategy formulation and implementation processes need to have identified evaluation benchmarks to measure the success of strategies. Rao (2009) identifies the issues under strategic evaluation;

- □ Whether the objectives of the enterprise are appropriate and attainable with given resources;
- □ Whether major policies and strategies are in line with corporate objectives;
- □ Whether the results obtained from the evaluation confirm or negative the assumptions from which strategy flows.

Strategic evaluation involves the management function of control whose elements as identified by Mahajan (2009) include setting performance standards, measuring actual performance and undertaking corrective action. Performance standards are the end process of strategy formulation just before implementation. Parmenter (2015) poses the following questions in formulating key performance indicators, “What should we measure to better manage the delivery of our products and services? “What is important to you? What do you want to measure?”

There are various criteria of evaluating strategic performance against set standards. One such is as proposed by (Rao 2009);

- □ Consistency with the environment: present environmental status?
- □ Are policies in conformity with the appropriateness of given enterprise resources?
- □ Does the implementation of the strategy facilitate the most economical use of scarce resources? Acceptability of degree of risk: In the given attitude of the management

towards risk, to what extent is strategy capable of eliminating risk, or making it possible for the management to bear it?

- Appropriateness of time horizon: does the strategic implementation give due cognizance to the time horizon?
- Workability: does it achieve the enterprise goal?

Strategic evaluation essentially will point out failed or underperforming strategies. According to Bradford (2004), invalid assumptions and environmental changes are the two main reasons that a strategy being implemented may have to change, and thus the focus of strategic evaluation should be on these two factors. The organization can use both quantitative and qualitative criteria for comprehensive assessment of performance. This is elaborated by Tovstiga (2013) who states that, ‘‘strategy is inherently about the future-any projection or extrapolation of data reflecting the organization current situation into the future has a subjective character even if numerically founded.’’

Kazmi (2008) indicates that a set of qualitative criteria for strategic evaluation as to include capabilities, core competencies, risk bearing capacity, strategic clarity, flexibility and workability. This provides the subjective element of strategic evaluation considering the human resource factor in the entire strategic management process. Qualitative criteria commonly used include building quality assessment, serviceability tools and methods, post occupancy evaluation and management by variance tool. According to Katsioloudes (2006), quantitative criteria commonly used to evaluate strategies are financial ratios which strategists use to make three critical comparisons; (1) comparing the company performance over different time periods, (2) comparing the company’s performance to competitors and (3) comparing the company performance to industry averages.

Quantitative criteria complement qualitative measures so as to get a holistic evaluation. Commonly used quantitative criteria generally includes return on investment, return on equity, market share, assets growth, sales growth and debt to equity, (Aswathappa 2006). The importance of evaluation is that, even if data analysis indicates that the selected measures do not exhibit the expected relationship, the results provide a mechanism of for promoting dialogue and debate that underlie effective strategic control, Chapman (2005).

2.4 Overview of Property Leasing

A lease is a contract between an owner of real estate(lessor) and a tenant(lessee) that transfers the right to exclusive possession and use of the owner’s property to the tenant for a specified period of time for a set amount and keeping the rights and obligations of the parties (Nance,

2003). However, for the purpose of this research, a lease is a culmination of several activities and processes that lead to the contract between the lessor and lessee. In a broader real estate business view, leasing encompasses all those processes that lead to the tenant acquiring quiet enjoyment of the property from advertising and promotion, tenant screening, handover, lease administration and lease retention or exit. In essence therefore, the lease is the medium of a real estate negotiation and it defines the contractual relationship between the parties dictating every cashflow event that occurs from the time it is signed until it terminates (Baum & Hartzell, 2012).

Leasing is at the core of strategic property management forming a base for financial management and property services management. Thus, a property strategic intent is better defined at the leasing stage so as to ensure optimal returns because leasing represents the market conditions at the time of negotiations. According to Baum & Hartzell (2012), lease characteristics are dependent upon the market conditions for space at the time it is being negotiated whereby in periods of demand for space or when large amounts of space is available, the tenant's bargaining power increases relative to the landlord and vice versa.

Modern commercial leasing practice in Kenya is adopted from the British system of law as a result of colonization. According to Posner (2002), present English property law originated from the Norman Conquest of Britain in 1066 when King William swept away all existing land claims and assimilated all lands to the crown and introduced a form of feudal system in which all land was held by the King. The King then distributed tenancies of defined parcels of land to favored knights as a reward of services rendered and the Knights did the same to lesser tenants. As such, the concept of property being a bundle of rights transferable between parties, reversionary rights and police powers to the crown were born. This system has subsisted for over 1,000 years since the Norman conquest and forms the basis of property law and thus real estate commerce for a majority of countries albeit with improvements both in law and commercial practice.

2.4.2 Major Lease Terms Impacting Strategic Management

2.4.2.1 Parties to a Lease

Parties to a lease can be individuals or corporations. Individuals also means sole proprietorships and partnerships. For corporations, the authority to enter into a lease on behalf must be clear and evidenced. According to Senn (2017), the person appointed to sign for the organization

must have the requisite authority and power to enter into the lease because failure to do so creates individual responsibility. It might render the lease null and void too. The clear definition of such responsibility clears any ambiguities in the lease administration especially where there is a dispute. Furthermore, courts have held that corporate status will not protect parent companies when there is a failure to observe legal formalities and disregard of distinctions between parent and subsidiary, Senn (2017)

According to Haynes (2017), the lessee space requirements is a representation of their workspace, brand identity and a place that enables linkages to be made with both their customers and suppliers. Thus, understanding parties to a lease and therefore their space requirements is crucial in strategic leasing since it informs strategy formulation, evaluation and management. It is imperative in formulation advertising and marketing strategies, tenant screening and lease terms negotiation. Moreover, leasing large spaces most often than not involves corporations and as such boards or boards committees therefore the marketing strategy has to be overly convincing. The landlord could also be a corporation whereby leasing decisions can take inordinately long leading to abandonment by prospective tenants. Knowing the approval process will thus quicken the leasing process.

2.4.2.2 Premises

An exact description of the premises being leased is important as it is the one that defines rents and other financial obligations, maintenance obligations and operational considerations especially for retail. According to Rodell (2018), the purpose of defining premises is to accurately and unambiguously describe the property being leases so that it is clear what is being included and what is excluded. It also delineates areas that in exclusive possession of the tenant and common areas. For multi-tenancy buildings, services like plumbing cut across different premises and as such a clear definition of premises aids maintenance of such services. A misrepresentation of the tenant's area may be actionable as a breach of contract or tort and if it is part of a cause of conduct, the tenant might recover not only compensatory damages but also punitive damages, Senn (2017).

As indicated above, leasing represents the market conditions for space at the time the lease is being negotiated. Thus, in business terms the premises is the commodity being traded and as such its' pricing, placement, promotion is key to strategic leasing. According to Grabel (2012), for ease of reference, it is best to generate a vacancy chart that reflects the vacant units and the

corresponding square footage. This will help in generating information to prospective tenants quickly and also help in formulating targeted strategies for instance reserving a certain floor for an educational institution.

2.4.2.3 Rent and Service Charges

The exchange of exclusive possession between the landlord and the tenant is primarily in consideration of the tenant paying rent and meeting other rental obligations like service charge and utility bills. According to Ball et al (1998), rent arises from the distinct patterns of land use competing for the limited supply of land and therefore the willingness to pay a price to secure the ability to generate a profit. The demand and supply of commercial properties in a particular will essentially set the rents being sought and through strategic positioning during leasing, a property will secure the best rent achievable. The lease sets the amount of rent to be paid, form and manner of payment and dealing with breaches to meeting rent and rental obligations. Leases dictate every cashflow event that occurs between the landlord and the tenant from the time the lease is signed until it terminates, Baum&Hartzell (2012).

There are various methods of how the rental figure is determined, as a factor of the premises occupied or as a percentage of the revenue for mostly retail leases. However, rent based on gross sales is fraught with challenges emanating from administrative challenges that need to be put into place to determine the gross sales. Some of these challenges according to Dillman (2007) include the description of the items to be included in the gross sales because it is impossible to predict all methods by which the tenant may generate revenue from the use of the premises, seasonality of retail sales and underreporting of gross sales by tenants. As such, space-based rent calculation is preferred for commercial leasing especially for the study area, Kenya. Property managers are encouraged to utilize established standards in arriving at the GLA (Gross Lettable Area) for tenant as disputes can arise from erroneous measurements or any misrepresentations.

Rental obligations over and above the rent includes service charges. These can vary with some retail establishments including some facilities amortizations in the service charges. According to Young (2014), service charges can be defined as costs incurred by the landlord of any multi-tenanted property in maintaining and managing the range of activities and obligations related to the physical condition, environment and use of both the demise and the common areas and facilities; where such costs are rechargeable to the tenant by virtue of the lease terms.

Apportionment of service charge is a critical area in property management since certain services are utilized at different levels by tenants of the same property. Further, the accrual, payment and audit of service charge is largely a contentious subject and as such the same has to be effectively done to avoid situations involving lack of services or poor services provision. Young (2014), opines for this to happen, the lease must be properly structured as the tenant is obliged to pay service charge on the basis of the terms set out in the lease.

2.4.2.4 Maintenance

Both the landlord and the tenant have varied maintenance obligations once leasing occurs but largely the landlord will be responsible for exterior maintenance and common facilities while the tenant will be responsible for internal repairs. However, it is imperative to note in most instances this obligation is not clear-cut especially in multi-tenanted properties where common fittings and fixtures are found leased premises. According to Bregman (2019), the tenant shall maintain the interior of the leased premises (except the landlord's obligations in the lease) in good repair and condition, reasonable wear and tear and damage by casualty excepted and will so deliver the leased premises to the landlord at the termination of the lease.

Under leasing strategies, tenants are sometimes given rent free periods to carry out fit-outs compatible with their business. The impact of the maintenance clause under such a circumstance regards what happens to the tenant fittings and fixtures on lease termination. Thus, a clear understanding of the maintenance subject in a lease is key in strategic leasing as it informs strategy formulation and management. However, the landlord still has the oversight maintenance role in a demised space. As such according to Bregman (2019), the landlord is expected to make all repairs and alterations required by any laws, ordinances, or regulations of any public authorities to bring the leased premises in conformity with all governmental codes. For a relatively new building, the construction contractor and subsequently the sub-contractors have an obligation to make repairs due to defects in the original construction to a period of minimum a year depending on the building element, fitting or fixture, Halper (2001). This obligation may affect an all repairing lease where the tenant will have to wait on the landlord's contractor to make good and this sometimes maybe become bureaucratic.

2.5 Strategic Property Leasing

Real estate management is experiencing a paradigm shift involving aspects like portfolio design as opposed to building property portfolios after acquisition, clear understanding of risk-return portfolios and consideration of fiduciary markers, (Parker 2011). This calls for strategic property management in portfolio design and review of risk and return qualities through strategic management elements of strategy formulation, implementation and evaluation. Remarkably, in recent years real estate owners and investors have increasingly recognized that investment in properties have to be guided towards maximum cash flows through skilled property management, (Bhalla 2013). The practice of skilled property management is strategic in terms of the goal of earning maximum returns within a business environment that has competing properties.

Property management is intended to optimize the property value over its lifetime. Whether a property is held for investment purposes as an operational asset and whether it is for financial profit or for other objectives, strategic management of property is an effective method of ensuring that it is managed to the maximum value, (Edwards and Ellison 2004). This is well stated by Okal (2010) in that the rental and overall rate of return that an investor earns depends on the competency of the management based on its capability to innovate, respond to competitive conditions and operate and business activity efficiently. Considering the cyclic nature of the real estate market, the lack of a central market, illiquidity and other distinguishing aspects; strategic property management becomes more critical. Bhalla (2013) elaborates this by stating that real estate market differs from other securities markets due to no good system of complete information exchange and unique investment objectives.

Strategic property leasing means being proactive in leasing administration by not waiting for improved market rents or a fall in vacancy rates or even market appreciation, (Eldred 2012). In other words, it is being ahead of the market performance at any given time anchored by effective lease structures. According to Baum and Hartzell (2012), leases are negotiated documents that dictate the rights and responsibilities of the owner of a building and the tenants who occupy space in the building, and also set out the timing and amount of payments that will be passed between tenants and the owner. Although the lease provisions form the basis for the contractual rights and liabilities between the landlord and the tenant, there is an overall business relationship between the parties which is an interdependent one whereby the landlord depends on the tenant to keep his building leased and cash flow coming in, and the tenant depends on the landlord to maintain the physical structure and the common areas, (Grabel 2012).

Property leasing is the precursor to management in defining the relationship between the landlord and the tenant. Grabel (2012) states that emphasis on the overall business relationship as what underpins a lease is basically the goal of strategic property leasing. Strategy has earlier been defined as futuristic and therefore strategic leasing looks at the relationship created in a holistic manner as opposed to the black and white lease provisions. This relationship view is contrary to past practices as noted by Sayce et al (2006) whereby in the past the need of investors to be responsive was limited as demand tended to outstrip supply and additionally the prevailing lease structures produced a relationship between the landlord and the tenant that was antagonistic and distant. This premise in Kenya is best presented by Kich (2002) who found out that it takes as long as 10 years to resolve a lease termination dispute in the Business Rent Tribunal.

Grabel (2012) and Sayce et al (2006) above have put emphasis on the establishment of a long-term relationship as a basis of strategic property leasing management. Key strategic structures in leasing advertising and marketing, the subsequent lease administration and lease performance evaluation will deliver on strategic leasing intent. Indeed, according to Baum (2009), alpha which is excess return earned by a property over and above the market risk adjusted benchmark, can arise from tenant relationship management, strategic leasing and marketing. All these strategic property leasing aspects can occur at the property or portfolio inception, management, disposal and improvements. For instance, marketing management and tenant screening are critical whenever there is a property vacancy which can arise from a new property, an exiting tenant or redevelopment.

2.5.1 Strategic Property Marketing

Marketing is the activity, set of institutions, and processes of creating, communicating, delivering and exchanging offerings that have value for customers, client's partners and the society at large, American Marketing Association (2010). Indeed, according to Egan & Thomas (2011), strategic marketing management is the process of defining, anticipating and creating customer needs and organizing all the company assets and resources to satisfy them for the greater profit of the customer and the firm. Strategic marketing is critical during all stages of property leasing strategic management from strategy formulation, implementation and eventually evaluation. Marketing anchored by research provides strategic basis, delivers the chosen strategy and also aids in evaluating performance and important feedback which guides future strategic management.

Essentially according to Drummond et al (2008) strategic marketing aims to deliver the following;

- I. □ Segmentation-the process of breaking the market down into groups displaying common characteristics, behaviors and attitudes
- II. □ Targeting-this involves evaluating and selecting marketing segments. It aims to look for opportunities which are sustainable. Where long term relationships with customers can be built
- III. □ Positioning-establishing a distinctive superior position relative to competitors

Marketing research is critical in property leasing strategy formulation. The leasing process begins with marketing the subject property to attract prospective tenants based on an inclusive market research. According to Eldred (2012) through market research you can design your property services and operations to gain competitive advantage. This in essence forms the basis of strategy formulation whose elements as earlier detailed by Senapati (2015) and Pahl and Richter (2007) indicate the business environment the firm operates in has a major bearing on the strategy being sought. Market research for strategic leasing will provide the firm with the data needed to formulate its strategies. The firm aligns the research along the company vision, mission and objectives.

Market research helps in getting valuable insight in the business environment the firm is operating in. According Reed and Sims (2015), real estate market research can be considered at two levels;

1. □ Based on a relatively broad market view point without a specific individual property
2. □ Based on the perspective of actual real estate market in which a given property competes

Either of the two will inform the leasing strategy to be adopted rather than sifting through a lot of data without any goals. The importance of a strategic approach here is elaborated by Orr et al (2003) stating that studies have demonstrated that marketing of unique durable goods like property is a complex process where buyers and sellers have to make decisions under uncertainty. Strategic market research is used to keep companies informed of emerging and future trends in occupier development and investment markets by considering issues such as demographic change, spotting new market niches and opportunities to maintain competitive advantage, (Reed and Sims 2015).

Market research can be conducted through both primary (interviews, surveys and observation) and secondary approaches (published data). Eldred (2012) gives an example whereby through research, inquiry and thought a typical rental property was remodelled to appeal to students who placed a high value on quietness, aesthetics, cleanliness and security leading to improved rentals and returns. Market research will give insight to property leasing metrics like acceptable occupancy levels and individual tenancy tastes and preferences that will help model the leasing strategy. For instance, according to Baum and Hartzell (2012), depending on the property being considered an occupancy level of between 75-90% is acceptable to break even.

According to Reed and Sims (2015), an understanding of the local economy is critical when identifying any potential long-term threats or opportunities as well as the potential size of the market; for instance, employment has a direct influence on the consumer's spending potential and is directly related to how much floor space is needed for commercial, retail and industrial properties. Consumer spending effect on leasing as explained here varies within different time periods and therefore it is incumbent on the property manager to review the same and other economic aspects regularly so as to maintain the strategic imperative. A good source will be publications by Kenya National Bureau of Statistics (KNBS) which publishes monthly reports on inflation, consumer price indexes and economic indicators.

Property leasing market research should inform cash flows to be adopted for the leasing process up to the maximum lease periods envisaged. According to Glickman (2014), property leasing costs are substantial and as such an analysis of lease expiration schedules should be conducted with a view of gaining insight of new rents, term, tenant allowances and vacancy periods through a review of market dynamics. Market research will also identify tenant retention strategies which form an integral basis of lease administration. According to Haynes and Nunnington (2010), innovative ways of securing tenants and thus increasing landlord's investment value include flexible lease terms, quality fully serviced facilities, minimum initial investment and maximum flexibility for occupation risks.

An important element of the leasing strategy is the marketing medium or media to carry out effective leasing ideally identified when formulating the leasing/marketing plan. The importance of a marketing plan is as stated by Gray and Mitham (2009), "whether you are seeking tenants for a single unit or several units in a residential apartment block or a non-residential tenant for retail or warehouse space; a solid marketing plan will help you address the specific needs of your situation." Various leasing methods include radio, video, advertising

signboards, show suites, exhibitions, conferences, seminars and subliminal promotion such as references in literature or the press, Isaac et al (2010).

These methods have to marry with an effective well-informed marketing team. According to Sirgy (2014), the real estate marketer has to become intimately familiar with the physical, technological, economic, psychological, social and cultural features of the property in question. This will avoid situations like the one facing serviced apartments where Kinuthia (2016) found out challenges of a highly fragmented subsector and low awareness of the product despite the advantage of a hybrid between the residential apartment subsector and the hotel market thereby giving a higher return compared to normal residential leasing.

In conclusion, the objective of strategic marketing is to communicate that the subject property is a good environment from which to run a business, since in addition to its locational benefits there are both a property manager and in particular a property administration that are fair and reasonable and will work with the lessee to solve any problems that arises, Grabel (2012). This cannot be gainsaid especially with the ever-changing commercial property market that is prone to social, political and economic shocks like the present Covid19 pandemic that has almost obliterated leasing space demand with the ability to work from home.

2.5.2 Strategic Tenants' Screening

Property managers must screen all applicants/tenants/occupants 18 years of age and older through a tenant screening process. For commercial properties, screening must include credit, criminal, tenancy and business history. Tenants are to be selected based on the criteria set by the leasing agent. Grabel (2012) and Sayce et al (2006) put emphasis on the establishment of a long-term relationship as a basis of strategic property leasing management. Tenant screening is the starting point of establishment of a long-term relationship which is meant to deliver on strategic leasing intent. According to Baum (2009), alpha which is excess return earned by a property over and above the market risk adjusted benchmark, can arise from tenant relationship management, strategic leasing and marketing.

2.5.3 Strategic Handover

The property manager should endeavor to ensure a speedy and smooth handover of the premises to tenants. The property manager should inspect the property together with the tenant and fill the following documents (handover schedules).

The handover process should be simple, easily implementable and effective in meeting the intended objectives. Strategic handover entails capturing the information required in relation to the property and tenant. This can easily be achieved by developing a checklist of the details required for handover. The contents of the check list will depend on the type of the property, location and design.

2.5.4 Strategic Lease Administration

Accordingly, strategic marketing and positioning of a property above leads to effective leasing thereby creating the need for lease administration. According to Cotts et al (2010), lease administration is meeting tenant needs and ensuring they comply with lease terms and managing pertinent aspects like rent reviews, termination and lease renewals. Lease administration also involves tenant selection and documentation. For instance, a retail property manager must select tenants suitable for each type of centre and consider the appropriate tenant mix and also understand the desires of retail tenants regarding non-competition from like tenants, group or common advertising and common area maintenance, (Spada 2009).

Strategic leasing requires non-restrictive leasing documentation anchored on relationship building with the tenant. According to Eldred (2012), long lists of authoritarian do's and don'ts intimidate tenants and tear down trust and cooperative spirit; the more pages your lease entails and the more arcane its language, the more likely your tenants (or their lawyers) will find some word or clause to argue about. Leases should be innovatively structured to achieve the strategic goal of constant scanning of the business environment for maximum returns. A strategic approach is as described by Grabel (2011) involves staggering the lease terms to avoid the risks associated with a heavy concentration of leases maturing in one year because staggering the lease expiration dates gives the developer a safety valve in terms of occupancy.

Essentially, while carrying out lease administration the analysis of leasing performance is a critical role to effect strategic leasing. For instance, Santucci (2013) gives the following benchmarks as an analysis of unachieved occupancy levels;

- Was the problem the number of vacancies or the average length of each vacancy?
- Was the waiting list adequate throughout the year?
- Were there high number of refusals once offers are made?
- Was there a particular size or location of a unit that created a large part of the problem?
- Was there new competition in the neighborhood say affordable units that were better located, larger, more attractive or equipped with more amenities?

- Were there events in this property or its ‘neighborhood that make people reluctant to live here?

Results of leasing performance analysis will shape leasing strategy to continuously be in response to the property business environment especially the relationship created between the landlord and a tenant through a lease. The importance of this relationship has been emphasized variously by Grabel (2012) and (Sayce et al 2006). The effect of the leasing relationship is as stated by McMahan (2006), “the bottom line is that a building location is fixed but a tenant location isn’t or at least not when the lease comes up for renewal; therefore tenants who believe they are receiving fair value are more likely to stay or consider other locations in the building provided their space requirements are met.”

Obtaining constant feedback from tenants helps augment the tenancy relationship and ultimately lease administration. Information obtained from surveys, constant tenant interaction in the normal course of management and the property manager observations can help benchmark strategic property leasing. Benchmarking according to Haynes & Nunnington (2010) is the process of identifying, sharing and using knowledge and best practices and it presents a management tool for enhancing an organization’s performance and competitiveness. That is identifying the knowledge from tenancy interactions from non-complex matters as queries of rental balances to complete tenancy survey which could be internal or outsourced and benchmarking with industry best practices. A good example of tenant information use is a question raised by Kariuki, Nzioki&Murigu 2014),” at the occupation stage, are tenant’s or occupier’s needs captured? Could ‘green lease’ be relied on to reduce environmental damage?”. Such an intent is a good strategic basis for tenant space utilization and the subsequent impact on building returns.

2.5.5 Strategic Tenants Retention

Strategic tenants’ retention is key in ensuring that the property appreciates in value through high occupancy rates. The property manager must understand the nature and extent of the management services that the tenants expects to ensure higher retention rates. The property management plan is the vehicle by which the property manager and the owner reach agreement about those services. Directly related to the property management plan provided by the property manager to the property owner is the property manager's set of operational procedures. The property management firm should have a detailed operations manual in place before generating a management plan and entering into a management agreement. The operations manual refers to the procedures for collecting information and processing that information that underlies the

management plan and the management agreement. The operations manual should aim at ensuring high rates of tenants' retention.

The property manager should constantly undertake SWOT analysis of the property in order to improve on service delivery to tenants. The property strengths and opportunities available should be used as a marketing and tenants' retention tool. The property manager ought to formulate and implement a clear strategy on how the property weaknesses and potential threats can be addressed to remain competitive. Improved service delivery is paramount in achieving higher retention rates.

There is need for detailed evaluation of the property management services. The evaluation forms should be detailed enough to capture the key issues of concern. At the evaluation can be done regularly say on quarterly basis or semi-annually or at the expiry of the tenancy period.

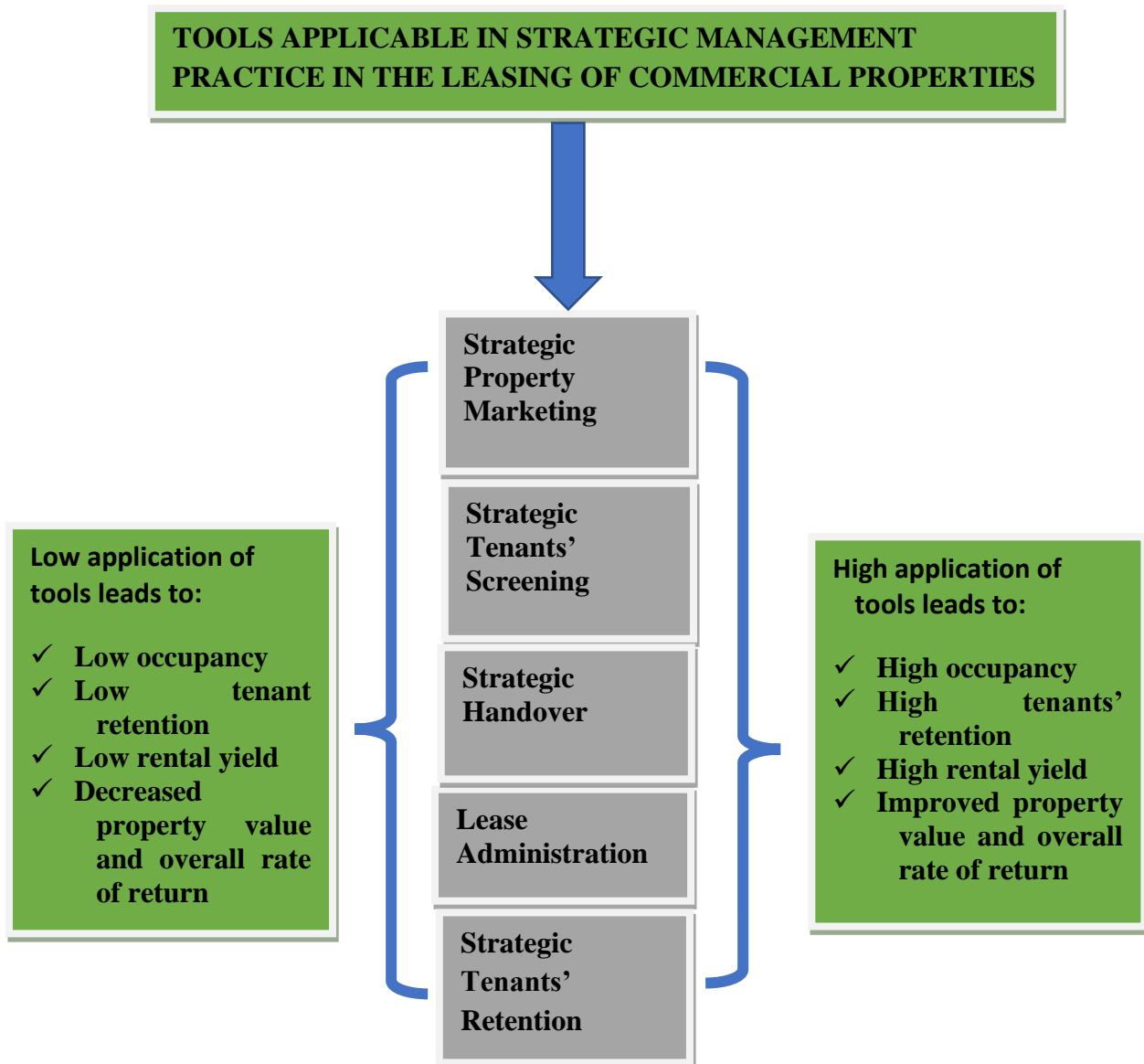
2.6 Conceptual Framework

Akinwunmi. (2009) argues that a model is a diagrammatic presentation which describes the underpinnings of a theory base. Alternatively, a model can be used to describe relationship between variables illustrated graphically. A model helps in understanding a complex relationship between variables.

Formal strategic management process has four main steps comprising of establishing the hierarchy of strategic intent; formulation of strategies; implementation of strategies and performing strategic evaluation and control. The four steps should be utilized in the leasing of commercial properties to achieve the long-term investment goals of real investors and developers.

Leasing of commercial properties should incorporate strategic management in the various ways including strategic property marketing, strategic tenants' screening, strategic handover, strategic lease administration and strategic tenants' retention. These strategic practices will result into high occupancy; high tenants' retention; high rental yield; and improved property value and overall rate of return as shown in Figure 2.1.

Figure 2.1: Conceptual Framework



Source: Author (2021)

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

This chapter covers the research methodology of this study. It outlines the area of study, research design, population sample and sampling technique, types of data, the methods of data collection and analysis. According to Creswell (2014), research design is the type of inquiry within quantitative and qualitative and mixed approaches that provide specific direction in research. As such, this chapter explains how the necessary data and information to address the research objectives and questions was collected, presented and analysed. Reasons and justifications for the research design, research instruments, data sources, data collection techniques, data presentation techniques and analytical techniques used are given.

The study seeks to empirically establish the level of application of strategic management in the leasing of commercial properties in Kenya. Strategic property management involves formulating plans for excellence in business performance through review of the property management business environment and thus creating a competitive edge. It is comprehensive property management geared towards maintaining investment value over the long term as opposed to routine management that offers basic services. It therefore calls for planning of property management service, organizing and controlling the practice and reviewing service levels towards gaining pertinent feedback for improvement. This is done through strategy formulation, implementation and evaluation.

Application of strategic property management in leasing has been analysed by conducting a survey of commercial buildings through descriptive methods using both qualitative and quantitative approaches. The respondents were property managers both in house and agency based. Property managers are the key resource persons and therefore it is important to review their understanding of strategic property management to establish the level of application of the same. Essentially through their daily work they ensure that property investment value is maintained thus their competencies will be important in applying strategic management of the properties under their care.

3.1 Background of the Area of Study

The research is on the application of strategic property management in Kenya through a review of the practice within Nairobi City. The city is deemed a sufficient representative of the practice

through firstly a well-developed real estate sector in terms of management dynamics. Indeed according to Kumar (2017), in 2015 and 2016 Nairobi was ranked top 20 in the City Momentum Index (CMI) which tracks the speed of change in a city's economic base whereby the index puts forth the idea that the foundation of highly dynamic cities emerges from such factors as speed of innovation through adoption of technology, and creation of cutting edge businesses along with new building construction, property price movement and investment in real estate from cross border investors and corporations. Secondly, property management as a service is largely concentrated in Nairobi, Kenya's capital city. According to Kagiri (2008) 80% of registered estate agents are based in Nairobi.

More importantly in view of the essence of strategic property management in maintaining property value, Nairobi has the most sophisticated property development and thus property market. We recently have REITS and real estate companies listing in the Nairobi Stock Exchange thereby introducing innovative capital funding into property development. Therefore, in consideration of the principles of strategic management that are geared towards competitive advantage, Nairobi presents the best study area.

3.2 Research Design

According to Oundo (2011), the nature of the research problem and objectives determine the research design. The research seeks to review in detail the current practice of property management within the context of strategic management. For instance, how do property managers formulate their leasing strategy in a competitive property market that involves property development with similar attributes and amenities? Therefore, this study deems the descriptive method of research as the most appropriate research design to analyse the practice of strategic property management in Kenya. The choice is informed by similar studies in property management that utilize the same design such as Gitonga (2016), in investigating the responsiveness of property management firms to the increasing expectations in the property management sector and McAllister (2011) in modelling commercial real estate management. As widely accepted, the descriptive method of research is a fact-finding study that involves adequate and accurate interpretation of findings. Cooper and Schindler (2003) further state the objectives of descriptive studies as follows;

- Descriptions of phenomena or characteristics associated with a subject population
- Estimates of the proportions of a population that have these characteristics

According to Maximiano and Victoria (2007), the descriptive method is used to discover facts on which professional judgment can be based and it involves the description, recording, analysis and interpretation of what it is. Descriptive research describes a certain present condition (Monsen and Horn 2008). As such the method is appropriate to this study since it aims to describe the present condition of strategic property management practice in the leasing of commercial properties in Kenya. Specifically, a direct-data survey through questionnaires is the approach for study. The survey respondents who answered the questionnaires were given ample time to assess strategic property leasing practices and through their own experiences with the practice identify its strengths and limitations.

3.3 Population, Sample Size and Sampling Technique

According to Kumar (2008) and Khan (2008); all items in any field of inquiry constitute a population. The population of the study was commercial properties in Nairobi Central Business District for several reasons;

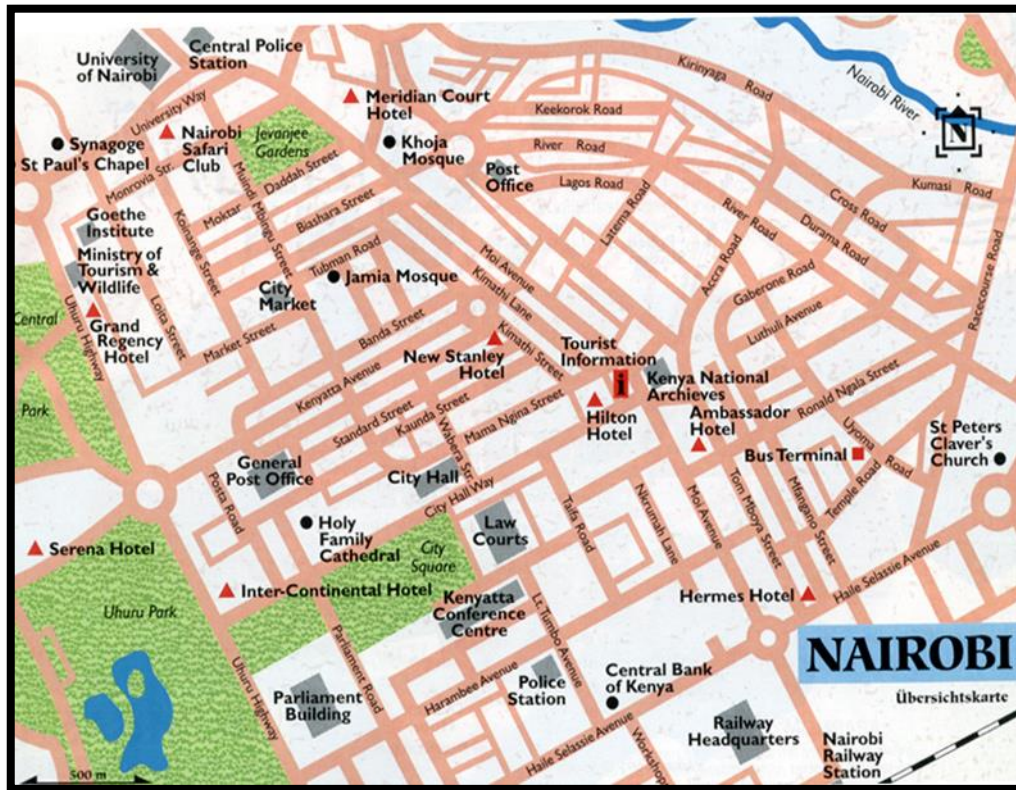
- Commercial property management is backed by long term leasing, not less than five years as per the Landlord and Tenant (Shops, Hotels and Catering Establishments) Act Cap 301 of the Laws of Kenya. This will give a good review of strategy in application considering strategy is futuristic as identified in the literature review.
- In light of the research questions identified in this research, commercial property management presents more aspects for study in terms of marketing, tenant screening and lease administration that creates the strategic need.
- Specialized and contemporary real estate investment currently is largely in commercial property management, for instance REITS

The sample was chosen from commercial properties in Nairobi CBD. The sampling technique adopted for this research will involve random sampling. The sampled buildings within the Nairobi CBD were randomly selected using a google map with satellite aerial images of commercial buildings.

The research was confined in Nairobi due to the fact that the city presents a mature real estate industry in terms of reviewing strategic property management services. Nascent real estate sectors outside Nairobi may not present a good review due to the long-term nature of strategic property management. The sample consisted of 35 buildings randomly selected from this target population of 421 commercial buildings in Nairobi CBD as identified in a field study by the

author. The CBD for the purposes of this study was hereby defined as the area between University Way, River Road, Haile Selassie Avenue and Uhuru Highway.

Figure 3.1: Map of Nairobi CBD



Source: Authors Construct from Google Maps, (2021)

The sample of 35 buildings is within recommended sample size for this type of research design. According to David and Sutton (2004), a sample size should be not less than 30 below which it will be difficult for the researcher to undertake statistical analysis. According to Kumar (2008), the rationale of sampling is that many a time it is not possible to examine every item in the population and it is possible to obtain sufficiently accurate results by studying only a part of the population. The thirty-five commercial buildings studied are a representative of the target population as a sample of less than thirty may not represent the characteristics of the population in question.

3.4 Types of Data

In terms of primary data, the study employed both qualitative and quantitative approaches. The quantitative approach focused on obtaining numerical findings while the qualitative approach of the study focused on personal accounts, observations, description and individual insights of the respondents. This study employed the combined approach so as to overcome the limitations

of both approaches. The secondary data on the other hand, was derived from the findings as stated in published economic and real estate reports and literature related to the research problem. Quantitative data considered include real estate market values and general economic statistics. We have empirical studies and literature within the research study area that gave pertinent secondary data. Qualitative data included ranking of strategic management tools.

3.5 Data Collection Methods

A self-administered survey questionnaire by the researcher was given to the respondents to answer. The respondents were given at least seven days to complete the survey questionnaire upon request. The respondents included property managers and property owners as determined in the population and sample design section. After collecting the questionnaires, the responses were tallied, computed, analysed, and recorded. Both qualitative and quantitative data on strategic management practice in the leasing of commercial buildings was collected.

3.6 Variable Identification, Description and Measurement

The level of strategic management application in leasing practice was measured through the analysis of strategic property marketing, strategic tenants' screening, strategic handover, strategic lease administration and strategic tenants' retention considered to be core property management functions. Property marketing strategies and lease administration practice complement each other in leasing in that marketing obtains the leases and effective administration sustains them. However, strategic property leasing as compared to operational property management is that leasing is responsive to market movements and essentially out-perform the market when effectively executed. In essence and as identified in literature review, strategic property leasing practice measured strategies adopted from property marketing, strategic tenants' screening, strategic handover, strategic lease administration and strategic tenants' retention. Scores were set to determine the level of application of strategic property leasing practice with a higher score indicating strategic management as opposed to routine management.

A four-point Likert scale was used to measure the applicability of strategic management tools in leasing of commercial properties. A numerical scale of 1 – 4 representing the two extremes of “not frequent” and “very frequent” was devised as follows:

1. □ - Not Frequent
2. □ - Less Frequent
3. □ - Frequent

4.□– Very Frequent

The applicability of tools was ranked using mean ratings of the variables.

3.7 Data Analysis and Presentation

Data collected for the purposes of this study was analysed with the aim of addressing the objectives of the study and to test the hypothesis of the study. The data collected from the field survey was examined, categorized and tabulated into meaningful forms for analysis. According to Sapsford and Jupp (2006), this stage involves devising a good form in which to reproduce data so that it can provide a fair summary of what has been studied and can readily be analyzed to answer the researcher questions.

Through the determined measures, the analysis considers the application of strategic property management practice in the leasing of commercial properties in Kenya. In a nutshell, what is the strategic approach to leasing and in particular to strategic property marketing, strategic tenants' screening, strategic handover, strategic lease administration and strategic tenants' retention? Questionnaires were reviewed to determine accuracy so that incomplete ones can be coded and set aside.

Analysed data was presented in the form of tables and figures where the latter may constitute graphs and pie charts. The sample being studied consists of commercial buildings in Nairobi CBD as defined under the area of study. As such, data collected involves the application of various strategies towards property management and corresponding building management with identified strategic management standards. Interval and nominal scales of up to four was developed to rate the level of strategic management practice per property.

3.8 Hypothesis Testing

Each of the five strategic management tools had two hypotheses. On one hand, the null hypothesis (H_0) is that the strategic management tool is not applicable to leasing of commercial properties. On the other hand, alternative hypothesis (H_1) is that the strategic management tool is applicable to leasing of commercial properties. Failing to accept the null hypothesis in any of the tools implies accepting the alternative hypothesis. Assuming that the attributes of the sampled commercial properties represents the entire population of properties in Nairobi CBD and that the population obeys the normal distribution, the population mean score is **2.5** on the 1-4 rating scale. Talukhaba (1999) defines the population mean as a point higher than less significant on the decision scale and forms the decision point. Subsequently, any strategic

management tool with a mean score of above **2.5** is considered to be applicable to leasing of commercial properties.

There was need to set confidence level in order to eliminate or minimize type I or alpha error and type II or beta error in identification of strategic tools. Type I error entails the researcher concluding that a particular strategic tool is applicable when actually it is which might mislead him/her to reject the null hypothesis when it is true. On contrary, type II error occurs when a certain tool is not applicable effective when it is actually applicable thus resulting into accepting the null hypothesis when it is false (Naburi, 2017).

Talukhaba, (1999) advises that type I error can be minimized or avoided by setting a lower confidence level of 95% while type II error's solution is a higher confidence level of say 99%. The researcher considered committing type I error as less harmful than committing type II error since this research was social-economic in nature. The researcher therefore set a lower confidence level of 95% in the Z – test analysis of the variables and the one-tail Z-test was selected in the analysis. Any score of above the population mean score of 2.5 was considered applicable.

Z-test analysis aiming at eliminating or minimizing errors was conducted on the strategic management tools. Given the socio - economic nature of this research, a confidence level of 95% was set and the one-tail Z-test was selected in the Z – test analysis of the variables.

The Z-value for each tool was calculated using the formula adopted from Mark (2006):

$$z = (\bar{x} - \mu) / \left(\frac{\delta}{\sqrt{n}} \right)$$

Where;

Z = calculated z-value

\bar{x} = mean variable score for each tool

μ = population mean score which is 2.5 for the subject population

n = sample size

The Z-value calculated for each strategic management tool was compared with Critical Z – value at the 95% confidence level and in a one tail Z – test which is **1.65** as shown in Table 3.1.

Table 3.1: Critical Value of Z

Probability (level of significance)	One-tailed test
0.05 (95% confidence level)	1.65
0.01 (99% confidence level)	2.33
0.001	3.09

Source: Adopted from Mark (2006)

Where the computed Z-value for each strategic management tool is greater than 1.65, the researcher will be confident that the respective tool is applicable to leasing of commercial properties.

3.8 Summary

The chapter started by describing the area of the study. Nairobi CBD has been selected as the case study because of being the capital city of Kenya. Besides, it has very many commercial properties. Research design is outlined in this chapter. The target population comprised of all commercial properties. Respondents in this study have also been provided. In addition, the chapter highlights the procedure for data collection and an outline of the method of data analysis.

CHAPTER FOUR

DATA ANALYSIS AND PRESENTATION

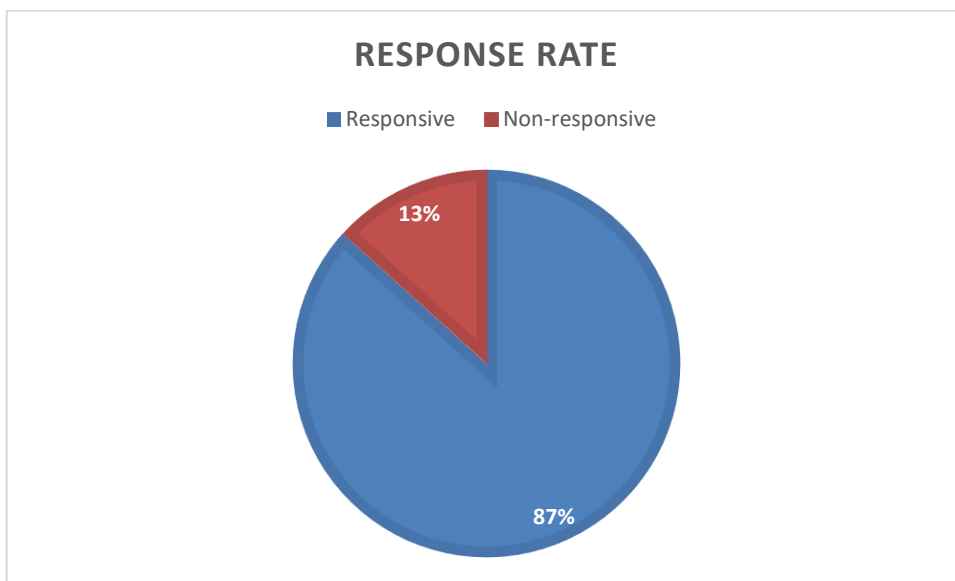
4.0 Introduction

This chapter analyses and presents the data obtained from the field study. The data collected aimed at assessing Strategic Management Practice in the Leasing of Commercial Properties in Nairobi, Kenya. The field research was carried out in August and September 2021.

4.1 Respondents' Background Information

A total of 35 questionnaires were administered in Nairobi CBD but the researcher managed to obtain 30 completed questionnaires. This indicates a response rate of 86.7% as shown in Figure 4.1. Mugenda and Mugenda (1999) highlights that a response rate of at least 70 per cent is very good.

Figure 4.1: Response Rate

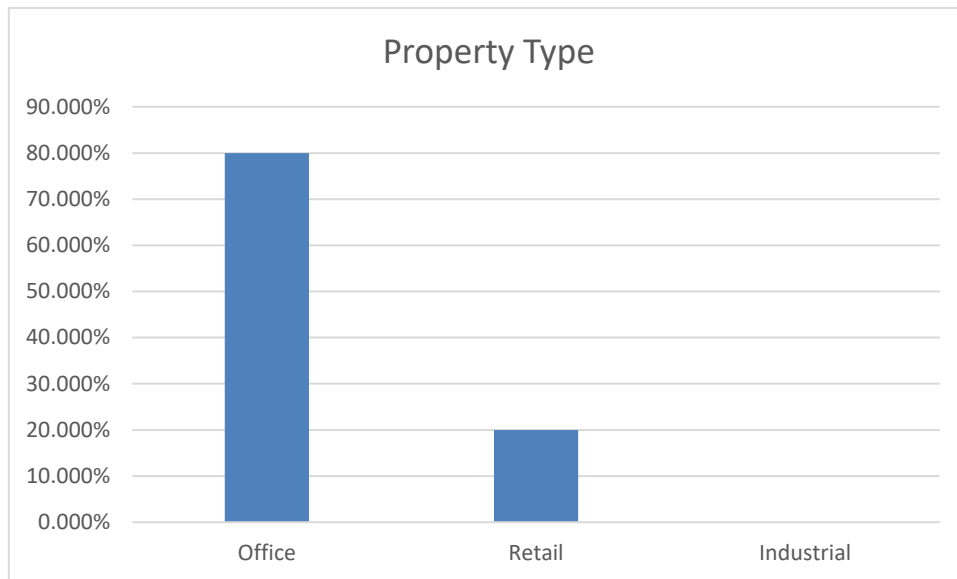


Source: Field Survey (2021)

4.2 Property Type

The research findings indicated that 80 per cent of the properties are office buildings while 20 percent were retail as illustrated in Figure 4.2. Most of the buildings in town have office spaces which are either owner-occupied or tenant-occupied. Retail property type is associated with shops within the CBD. Industrial property category had nil response indicating that there are no warehouses/go-downs in Nairobi CBD.

Figure 4.2: Property Types



Source: Field Survey (2021)

4.3 Average Property Values

Figure 4.3 shows the average property values in Nairobi CBD. The market value of most of the properties in Nairobi CBD ranges from a low of Kshs. 100M to a high of Kshs. 300M (43.0% of properties). The second biggest category of property values in the subject area is in the range of Kshs. 300M to Kshs. 500M (32.0%) followed by the category of above Kshs. 500M which accounted for 18.0% of the commercial properties in Nairobi CBD. There are very properties with a market value of less than Kshs. 100M (at 7.0%). Strategic property management enhances property values thus assuring the property owners of higher returns.

Figure 4.3: Average Property Values



Source: Field Survey (2021)

4.4 Strategic Management Tool

The researcher approached 35 respondents in order to establish strategic management tools applicable to leasing of commercial properties in Nairobi CBD. The respondents identified the following tools of strategic management tools applicable to leasing of commercial properties in Nairobi CBD:

- a) Strategic Property Marketing
- b) Strategic Tenants' Screening
- c) Strategic Handover
- d) Strategic Lease Administration
- e) Strategic Tenants' Retention

The respondents were required to rate the applicability of strategic management tools in leasing of commercial properties in Nairobi CBD on a 4-point horizontal numerical scale. The total number of completed questionnaires were 30. The results of the value rating of applicability of the five (5) strategic management tools as rated by respondents varies considerably as discussed below:

As shown in Table 4.1, out of the 30 respondents, 13 or 43.3% of the respondents rated the tool 'Strategic Property Marketing' as very applicable in the scale of 1-4. 16.7% rated the tool as "applicable" while 26.7% and 13.3% rated the tool as 'less applicable' and 'not applicable' respectively.

Table 4.1 Rating of Strategic Management Tool

	Strategic Management Tool	Rating	Frequency	Percentage
1	Strategic Property Marketing	4	13	43.33%
		3	5	16.67%
		2	8	26.67%
		1	4	13.33%
2	Strategic Tenants' Screening	4	18	60.00%
		3	5	16.67%
		2	3	10.00%
		1	4	13.33%
3	Strategic Handover	4	7	23.33%
		3	9	30.00%
		2	8	26.67%
		1	6	20.00%
4	Strategic Lease Administration	4	19	63.33%
		3	6	20.00%
		2	3	10.00%
		1	2	6.67%
5	Strategic Tenants' Retention	4	15	50.00%
		3	7	23.33%
		2	6	20.00%
		1	2	6.67%

Source: Field Survey (2021)

The tool ‘Strategic Tenants' Screening’ was considered to be very applicable by 18 or 60.0% of the respondents while about 5 or 16.7% of the respondents identified this tool as applicable. This tool was rated as ‘less applicable’ by 3 respondents or 10.0% while 4 or 13.3% graded it as ‘not applicable.’

The tool ‘Strategic Handover’ was ranked as very applicable by 7 or 23.3% of the respondents while 30.0% rated this tool as applicable in the scale of 1-4. The tool rated to be less applicable and not applicable by 26.7% and 20.0% of the respondents respectively.

Strategic Lease Administration as a tool of strategic management was considered to be very applicable by 63.3% of the respondents while 20.0% rated this tool as applicable in the scale of 1-4. The tool was ranked to be less applicable by 10.0% of the respondents and not applicable by 6.7% of the sampled commercial properties.

The tool ‘Strategic Tenants' Retention’ was considered to be very applicable by 50.0% of the respondents while about 23.3% of the respondents considered this factor as applicable. This tool was considered as ‘less applicable’ by 20.0% of the respondents or while 6.7% rated it as ‘not applicable.’

The means of the value ratings were calculated for each tool in order to rank them according to their applicability as shown in Table 4.2. The table shows the mean ranking of applicability of each tool, the minimum and maximum value score for each tool and the standard deviation. The maximum value indicates the highest possible score awarded for each strategic management tool by the respondents while the minimum value indicates the lowest rating. The standard deviation indicates the variations of the value score for each tool.

Table 4.2: Mean Rating of the Applicability of Strategic Management Tools

	Strategic Management Tool	Mean Rating of Effectiveness (On a 4-point scale)	Minimum	Maximum	Standard Deviation
1	Strategic Property Marketing	2.90	1	4	0.60
2	Strategic Tenants' Screening	3.23	1	4	0.72
3	Strategic Handover	2.57	1	4	0.53
4	Strategic Lease Administration	3.40	1	4	0.52
5	Strategic Tenants' Retention	3.17	1	4	0.48

Source: Field Survey (2021)

From Table 4.2, property managers of commercial buildings in Nairobi CBD considered the Strategic Lease Administration (\bar{x} =3.40) as the most applicable tool of strategic management in leasing of commercial properties in Nairobi CBD. Leases for commercial properties should be innovatively structured to achieve the strategic goal of maximum returns on investment.

Strategic Screening of Tenants was rated as the second most applicable tool (\bar{x} =3.23). Strategic tenant screening is the starting point of establishment of a long-term relationship which is meant to deliver on strategic leasing intent.

Respondents ranked Strategic Tenants' Retention as third most applicable tool of strategic management in leasing of commercial properties in Nairobi CBD (\bar{x} =3.17).

Strategic Property Marketing was also found to be applicable tool of strategic management in leasing of commercial properties in Nairobi CBD (\bar{x} =2.90). Strategic Property Marketing

anchored by research provides strategic basis, delivers the chosen strategy and also aids in evaluating performance and important feedback which guides future strategic management.

Strategic Handover as tool of strategic management in leasing of commercial properties in Nairobi CBD was also considered applicable at $\bar{x}=2.53$.

The mean rating of applicability of each tool was found to be more than the population mean (2.5). Consequently, the study established that the following tools are applicable in leasing of commercial properties in Nairobi CBD (in the order of priority):

- a) Strategic Lease Administration
- b) Strategic Tenants' Screening
- c) Strategic Tenants' Retention
- d) Strategic Property Marketing
- e) Strategic Handover

Z-test analysis aiming at eliminating or minimizing errors was conducted on the strategic management tools in order to conclusively isolate the applicable tools. Given the socio - economic nature of this research, a confidence level of 95% was set and the one-tail Z-test was selected in the Z – test analysis of the variables. The Z-test analysis applied in order to conclusively accept or fail to accept the null hypothesis. The Z-score was calculated for each tool as shown in Table 4.3.

Table 4.3: The Calculated Z-Score

Strategic Management Tool	Mean Rating of Importance (On a 4-point scale)	Population mean	Standard Deviation	Sample size	Z score
Strategic Property Marketing	2.90	2.50	0.60	30.00	3.65
Strategic Tenants' Screening	3.23	2.50	0.72	30.00	5.56
Strategic Handover	2.57	2.50	0.53	30.00	0.69
Strategic Lease Administration	3.40	2.50	0.52	30.00	9.53
Strategic Tenants' Retention	3.17	2.50	0.48	30.00	7.58

Source: Field Survey (2021)

The Z-score calculated for each tool was compared with Critical Z – value at the 95% confidence level and in a one tail Z – test which is **1.65**. Where the Z-value computed for each tool was bigger than critical Z-value at the stipulated confidence level, the null hypothesis was rejected and conclusion made that strategic management tools are applicable in leasing of commercial properties in Nairobi CBD as indicated in Table 4.4.

Table 4.4: Z- Test of Statistical Significance

Strategic Management Tool	Critical Z- Value at 95% Confidence Level (One- Tail)	Calculated Z Value	Hypothesis Testing	Remarks
Strategic Property Marketing	1.65	3.65	Fail to accept null hypothesis	Strategic management tool is applicable to leasing of commercial properties
Strategic Tenants' Screening	1.65	5.56	Fail to accept null hypothesis	Strategic management tool is applicable to leasing of commercial properties
Strategic Handover	1.65	0.69	Accept null hypothesis	Strategic management tool is NOT applicable to leasing of commercial properties
Strategic Lease Administratio	1.65	9.53	Fail to accept null hypothesis	Strategic management tool is applicable to leasing of commercial properties
Strategic Tenants' Retention	1.65	7.58	Fail to accept null hypothesis	Strategic management tool is applicable to leasing of commercial properties

Source: Field Survey (2021)

From the above analysis, four (4) strategic management tools had their computed Z- scores being statistically greater than the Critical Z- value. The null hypothesis (H_0) was rejected in the four tools. Consequently, Strategic Lease Administration, Strategic Tenants' Screening, Strategic Tenants' Retention and Strategic Property Marketing tools are applicable in leasing of commercial properties in Nairobi CBD.

4.5 Constraints on Hindering the Practice of Strategic Property Management

As illustrated in Table 4.5, Lack of Information was rated as the most significant constraint which hinders the practice of strategic property management with a mean rating of $\bar{x} = 2.97$. This was followed by Lack of Clear Policies ($\bar{x} = 2.80$), Lack of Experience ($\bar{x} = 2.70$) and Inadequate Training ($\bar{x} = 2.57$). Insufficient Funds was ranked as an insignificant constraint with a mean rating of $\bar{x} = 2.17$ which was less than the population mean of 2.5.

Consequently, the study established that the Practice of Strategic Property Management in leasing of commercial properties in Nairobi CBD is hindered by following constraints (in the order of significance):

- a) Lack of Information

- b) Lack of Clear Policies
- c) Lack of Experience
- d) Inadequate Training

Table 4.5: Constraints on the Practice of Strategic Property Management

	Constraints on the Practice of Strategic Property Management	Rating	Frequency	Percentage	Weighted Mean	Mean Rating of Significance (On a 4-point scale)
1	Inadequate Training	4	9	30.00%	1.200	2.57
		3	6	20.00%	0.600	
		2	8	26.67%	0.533	
		1	7	23.33%	0.233	
2	Insufficient Funds	4	4	13.33%	0.533	2.17
		3	6	20.00%	0.600	
		2	11	36.67%	0.733	
		1	9	30.00%	0.300	
3	Lack of Experience	4	8	26.67%	1.067	2.70
		3	10	33.33%	1.000	
		2	7	23.33%	0.467	
		1	5	16.67%	0.167	
4	Lack of Clear Policies	4	11	36.67%	1.467	2.80
		3	8	26.67%	0.800	
		2	5	16.67%	0.333	
		1	6	20.00%	0.200	
5	Lack of Information	4	12	40.00%	1.600	2.97
		3	8	26.67%	0.800	
		2	7	23.33%	0.467	
		1	3	10.00%	0.100	

Source: Field Survey (2021)

4.6 Hypothesis Testing

The main objective of the study was to assess applicability of the tools of strategic management practice in leasing of commercial properties. The study sought to establish the specific tools of strategic management practice applicable to leasing of commercial properties; determine the extent of applicability of the tools of strategic management practice in leasing of commercial properties; determine the constraints on the practice of strategic property management in the leasing of commercial properties and recommend improvements to existing strategic property management tools applicable in the leasing of commercial properties.

The Null Hypothesis (H_0) was that strategic property marketing is not the most applicable tool of strategic management practice in leasing of commercial properties while Alternative hypothesis, H_A , was that strategic property marketing is the most applicable tool of strategic management practice in leasing of commercial properties.

The study established that Strategic Lease Administration as a tool of strategic management practice in leasing of commercial properties had the highest mean value rating ($\bar{x}=3.40$) and biggest Z-score (9.53) (bigger than Critical Z – value at 95 per cent confidence level in a one tail Z – test. The Null Hypothesis is thus rejected and the Alternative Hypothesis is accepted.

4.7 Results and Discussions

Through empirical studies conducted by Oundo (2003), Kaaria (2003), Murigu (2005) and Kagiri (2008) inefficient property management practices have been concluded as leading to diminishing property returns. Research dating back in the 90s to post millennium have found property management being mostly routine without a long term strategy. The empirical studies reviewed in this research indicate that property management practice in Kenya is devoid of strategic direction to the extent that majority of property managers are merely property supervisors.

Contrary to the conclusions of the various publications, the findings of this study established that property managers are employing various tools of strategic management in leasing of commercial properties in Nairobi CBD. The applicable tools include strategic lease administration, strategic tenants' screening, strategic tenants' retention and strategic property marketing. Most of the property managers have begun appreciating the need for long-term strategic planning of property portfolios. This explains the move by the property managers to use tools such as strategic lease administration, strategic tenants' screening, strategic tenants' retention and strategic property marketing in leasing of commercial properties in Nairobi CBD.

This study established that property managers of commercial buildings in Nairobi CBD considered the strategic lease administration as the most applicable tool of strategic management in leasing of commercial properties. This is in agreement with Nyaguthii (2005) findings which established that less than 20% of property managers view lease administration as challenging. Leases for commercial properties should be innovatively structured and administered to achieve the strategic goal of maximum returns on investment.

Strategic handover is not viewed as a tool of strategic management in leasing of commercial properties in Nairobi CBD. This is in contrary to the global property management practice as identified in the literature. The property managers are yet to appreciate the role of a detailed and strategic handover in leasing of commercial properties in Nairobi CBD and the resultant impact on maintenance of buildings.

Routine or operational property management is an integral part of property management as a whole but should be contextualized within a given strategic direction to ensure value addition.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction

This chapter presents the summary of the findings, discussions, conclusions and recommendations based from the responses from the field study. This research aimed at assessing strategic management practice in the leasing of commercial properties in Nairobi CBD. The objectives of the study included:

- 1.□To establish the conventional tools of strategic management practice applicable to leasing of commercial properties.
- 2.□To determine the extent of applicability of the tools of strategic management practice in leasing of commercial properties within Nairobi CBD.
- 3.□To determine the constraints on the practice of strategic property management in the leasing of commercial properties within Nairobi CBD.
- 4.□To design a strategic management framework for the leasing of commercial properties within Nairobi CBD.

5.1 Summary of Major Findings

From the data analyzed, the study identified the various conventional tools of strategic management practice applicable to leasing of commercial properties in Nairobi CBD. These tools include: strategic property marketing, strategic tenants' screening, strategic handover, strategic lease administration and strategic tenants' retention. Property managers considered these tools to be key in leasing of commercial properties.

The study also sought to determine the extent of applicability of the tools of strategic management practice in leasing of commercial properties within Nairobi CBD. The study found out that four tools are applicable in leasing of commercial properties in Nairobi CBD. They include following tools (in the order of priority): Strategic Lease Administration, Strategic Tenants' Screening, Strategic Tenants' Retention and Strategic Property Marketing. Strategic Lease Administration was considered the most applicable tool of strategic management in leasing of commercial properties in Nairobi CBD. Leases for commercial properties should be innovatively structured to achieve the strategic goal of maximum returns on investment.

Strategic Handover of commercial spaces was considered as non-applicable in leasing of commercial properties in Nairobi CBD.

The study further sought to determine the constraints on the practice of strategic property management in the leasing of commercial properties within Nairobi CBD. The study established that the practice of strategic property management in leasing of commercial properties in Nairobi CBD is hindered by following constraints (in the order of significance): lack of information, lack of clear policies, lack of experience and inadequate training.

5.2 Conclusions

This research established that the most applicable tools of strategic management in leasing of commercial properties in Nairobi CBD include Strategic Lease Administration, Strategic Tenants' Screening, Strategic Tenants' Retention and Strategic Property Marketing. Strategic Lease Administration was considered the most applicable tool of strategic management in leasing of commercial properties in Nairobi CBD while Strategic Handover of commercial spaces was considered as non-applicable in leasing of commercial properties in Nairobi CBD. The findings indicate that these tools are applied on different extent as indicated by huge variations in applicability rating.

The study clearly indicates that property managers are to be blame for not fully embracing strategic management practice in leasing of the commercial properties Nairobi CBD. The constraints on the practice of strategic property management in the leasing of commercial properties within Nairobi CBD include following lack of information, lack of clear policies, lack of experience and inadequate training. Most of these constraints are internal thus within the control of property managers.

5.3 Recommendations

The extent of applicability of practice of strategic property management in the leasing of commercial properties within Nairobi CBD is generally low. These affects the quality of tenants, occupancy rates, contract rent level, rental yield and market values of commercial buildings. Based on these findings, the researcher makes the recommendations that would help in improving extent of applicability of practice of strategic property management in the leasing of commercial properties within Nairobi CBD:

1. Elaborate Property Management Contracts

The property management agreement is a formal, legal contract defining the relationship between the owner and the manager for a specific property. The contract creates the manager's legal authority for the operation of that property and relies on the basic principles of contract law. The property owners should ensure that they engage qualified property managers with proven track record of achieving strategic goals. The property management contracts should be well and clearly structured to outline the leasing related duties of property manager with a focus on strategic management practice. This will ensure that there is clarity in expectations right from the onset of the commercial property management contract.

2. Property Management Plan

The property manager must understand the nature and extent of the management services such as leasing that the owner wants. The property management plan is the vehicle by which the property manager and the owner reach agreement about those services. Usually the management plan addresses the owner's objectives and participation in the management, analyses of the local economy and the neighbourhood, the competition, consumer preferences, property maintenance requirements, tenant policies, financial management, administration and staff and reporting requirements. This plan should include leasing function from a strategic point of view. There is need for SMART objectives and execution plans on strategic property marketing, strategic tenants' screening, strategic handover, strategic lease administration and strategic tenants' retention.

3. The Property Management Firm's Operations Manual

Directly related to the property management plan provided by the property manager to the property owner is the property manager's set of operational procedures. The property management firm should have a detailed operations manual in place before generating a management plan and entering into a management agreement. The operations manual refers to the procedures for collecting information and processing that information that underlies the management plan and the management agreement. The operations manual should address such issues as strategic property marketing, strategic tenants' screening, strategic handover, strategic lease administration and strategic tenants' retention in equal measure.

4. Well Structured Lease Agreements

A lease agreement is contract between the landlord and tenant which conveys to the lessee (tenant) the right to possess and use the lessor's property for a particular period. A lease

agreement is drafted by the landlord to protect this/her interest in the property. The leases should be well structured to guarantee the lessee use of the premise while ensuring that strategic management practice in the leasing of commercial properties is factored in alongside guaranteeing the lessor regular payments from the lessee for a specified duration. Strategic lease administration ensures that both the lessee and the lessor uphold the terms of the contract throughout the lease period.

There is need to for property managers to shift from operational to strategic management practices in leasing of commercial buildings. This shift will ensure that returns from commercial properties are optimized.

5.4 Limitations of the Study

These limitations encountered during this study include:

- a) Some questionnaires were not returned by the respondents.
- b) Limitation of time necessary to conduct the research.
- c) Limited access to property managers who were the key respondents.
- d) The research was conducted out under limited financial resources.

5.5 Areas of Further Research

The researcher recommends the following areas for further research:

1. Investigation into the Impact of Strategic Leasing in Returns Optimization of Commercial Properties.
2. Examination of the Effects of Legislative Framework Strategic Leasing of Commercial Properties in Nairobi CBD.
3. Examination of the Role of Fourth Industrial Revolution in Strategic Leasing of Commercial Properties.

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RESEARCH QUESTIONNAIRE

Dear Respondent

Preamble

My name is Matheri James Mwangi, a final year student in the University of Nairobi pursuing Masters of Arts in Valuation and Property Management. I would like to request your assistance in data collection for my Research Titled: An Assessment of Strategic Management Practice in the Leasing of Commercial Properties in Nairobi CBD. The information provided will ONLY be utilised towards achieving the objective of this research and will be treated with utmost confidentiality. I kindly request you to fill it to the best of your capability.

SECTION I: PROFILE OF THE RESPONDENT

Complete this section by filling in the spaces provided.

1. Name of the respondent.....(*optional*)

2. Name of the firm

3. Property Type

a) Industrial

b) Office

c) Retail

4. Property portfolio value under management (Approximate Kshs)

Less than Kshs. 100M

Between Kshs. 100M and 300M

Between Kshs. 300M and 500M

Above Kshs. 500M

SECTION II: TOOLS OF STRATEGIC MANAGEMENT PRACTICE

A. Specific Tools of Strategic Management Practice Applicable to Leasing of Commercial Properties

1. Kindly indicate your level of agreement on the following as tools of strategic management practice applicable to leasing of commercial properties. The responses are ranked on a scale of 1 to 4 (1-Strongly Disagree, 2-Disagree, 3-Agree, 4- Strongly Agree). *Please tick as appropriate.*

No.	Tools of strategic management practice applicable to leasing of commercial properties.	Rating			
		1	2	3	4
1	Strategic Property Marketing				
2	Strategic Tenants' Screening				
3	Strategic Handover				
4	Strategic Lease Administration				
5	Strategic Tenants' Retention				

2. Please specify any other tools applicable to leasing of commercial properties.

B. Applicability of the Tools of Strategic Management Practice in Leasing of Commercial Properties

(a) What is the extent of applicability of the tools of strategic management practice in leasing of commercial properties These are ranked on a scale of 1 to 4 (**1-Low Extent, 2-Moderate Extent, 3-Great Extent, 4- Very Great Extent**) *Please tick as appropriate.*

No.	Tools of strategic management practice applicable to leasing of commercial properties.	Rating			
		1	2	3	4
1	Strategic Property Marketing				
2	Strategic Tenants' Screening				
3	Strategic Handover				
4	Strategic Lease Administration				
5	Strategic Tenants' Retention				

C. Constraints on the practice of strategic property management in the leasing of commercial properties

1. What is the significance of the following constraints on the practice of strategic property management in the leasing of commercial properties? These are ranked on a scale of 1 to 4 (**1-Not Significant, 2-Significant, 3- Very Significant, 4- Extremely Significant**) *Please tick as appropriate.*

No.	Constraints on the practice of strategic property management in the leasing of commercial properties.	Rating			
		1	2	3	4
1	Inadequate Training				
2	Insufficient Funds				
3	Lack of Experience				
4	Lack of Clear Policies				
5	Lack of Information				

2. Please briefly outline other constraints on the practice of strategic property management in the leasing of commercial properties;

.....
.....
.....
.....
.....

D. Improving the tools of strategic management practice applicable to leasing of commercial properties

1. Are you satisfied with the following tools of strategic management practice applicable to leasing of commercial properties?

No	Tools of strategic management practice applicable to leasing of commercial properties.	Yes	No
1	Strategic Property Marketing		
2	Strategic Tenants' Screening		
3	Strategic Handover		
4	Strategic Lease Administration		
5	Strategic Tenants' Retention		

2. Kindly recommend improvements to existing strategic property management tools applicable in the leasing of commercial properties;

.....
.....
.....
.....

THANK YOU FOR YOUR RESPONSE