INDUSTRIAL REAL ESTATE MANAGEMENT

IN KENYA

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DECLARATION

I, ANNE KIAMA, hereby declare that this thesis is my original work and has not been presented for a degree in any other university.

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Abstract

The study looks into the Estate Management of industrial real estate in Kenya. Estate Management is the skill of organising or running the real estate property by using the available resources to ensure that the real estate remains an income-producing entity. An estate manager is therefore the person who ensures the smooth operations of this real estate.

Industrial real estate is any land or building used for production processes such as manufacturing, storage and distribution of tangible goods.

The study set out to investigate the functions performed by the real estate manager with emphasis on the Industrial Estate.

It also investigated why there are virtually no land economist estate managers in industrial real estate in Kenya today. This poses a problem because an estate manager is trained (is a Land Economics degree holder) to manager all kinds of real estate. The investigation was carried out by looking at how industrial firms are currently managed, and by whom, their qualifications and problems encountered in their management. It also examined the role played by estate managers in industrial real estate in Kenya and where there was no estate managers, to find out who performed this estate management functions. The study also analysed the maintenance practices of the industrial firms, i.e. the frequency and maintenance problems. The staff welfare aspect was considered as part of management as manifested through the provision of housing, mortgage and medical facilities.

The data collected was mainly though recorded information and interviews.

The findings of the study reveal that estate management is carried out by others other than Land Economics degree holders, and that there is a lack of awareness of the potential of a "trained (a Land Economics degree holder) estate manager.

The study recommended that, for the full potential of an estate manager to be realised, more exposure is needed during the training session, where they can be attached or posted to industrial firms. This will benefit both the student, as he/she tackles the everyday complexity of running an industrial firm, and also benefit the owners or managers of the industrial firms of the full training and potential of an estate manager.

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Dedication

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CHAPTER ONE

INTRODUCTION AND PROBLEM STATEMENT

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Introduction

In the initial stages of economic development the generation of foreign exchange is through export of raw materials, agriculture, minerals and petroleum. Normally, there is a dependence on a limited range of commodities, as is the case in Kenya. Ewing (1968:1) . This dependence has resulted in unstable prices of agricultural products as they are heavily reliant on the elements of climate which are unpredictable. Again, many developing countries have similar produce which results in low prices of the commodities. Hence this in turn leads to the desire for industrialisation by many countries.

Pollack (1971:218) argues that for many developing countries, industrialisation is regarded as the panacea for all economic ills, leading to national prosperity. It is claimed that only industrialisation can break the bonds of subsistence and low living standards, that is more flexible than agriculture, it can stimulate progress in other branches of the economy and is cumulative in its effect. This is true when one compares developing countries with the developed countries. The difference between those countries and the developing countries lies in the fact that developed countries are also industrialised countries. These countries are characterised by high living standards, high income per capita, employment and high gross domestic product. Thus the developing countries all strive for industrialisation as the key to many of the economic problems they face.

Power (1972:1-20) points out that for some countries, like Japan and the United States of America, it appears that every case of successful economic development has been characterised by a very substantial rise in the proportion of output and employment attributed to non-agricultural activities. Also, during a prolonged initial phase of this development, it has been manufacturing and the construction, transport, trade and service activities, related to manufacturing that have grown most rapidly. This is true because many of the developed countries are mostly not leading agricultural exporters. They rely heavily on manufacturing where the final output is of a much higher competition hence high prices. This results in high incomes for the employees of these manufacturing firms.

According to *Kenya Dev. Plan (1989-1993),* the industrial sector has played a key role in achieving fast rates of growth in the economy. The development of this sector will be accorded high priority during this Plan period. This industries and the overall share of gross domestic product (G.D.P.) increased from 8% in 1963 to over 23% in 1987. This impressive performance resulted from the industrial strategy of import substitution, where previously imported items are now being locally produced, together with high tariffs and administrative controls adopted at Independence, *Kenya (1989-1993:7,2).*

In the context of *Sessional Paper No. 1 of 1986* on economic management for renewed growth, the development of the industrial sector occupies the second priority position after agriculture. While agriculture continues to be the base for overall growth, employment and foreign exchange generation, the industrial and commercial sectors will be the main engines for faster growth *(1989-1993:7,3).*

The Government has taken measures which act as incentives for industrialisation in Kenya. Encouragement and protection of foreign investment in industry is one such incentive. For example, all foreign investors are allowed to repatriate annual profits to their countries of origin. The Government also assists investors to undertake new areas of investment in the country; *Waters et al (1988:164).* Waters and Odero, have highlighted various incentives taken by the Government, for instance, the establishment of various industrial finance institutions which provide loans for industrial undertakings. Such institutions are Industrial Development Bank (IDB); Industrial Commercial and Development Corporation (ICDC); Development Finance Corporation of Kenya (DFCK) among others; *Kituuka (1981:50).* The provision of training facilities at all levels is another example. The Government provides training facilities for industrial planners and administrators. For instance, The University of Nairobi provides training for high level industrial engineers (mechanical, civil, electrical), while the polytechnics together with institutions of technology help provide medium level technical education and training of the country's manpower.

The Government has also established the Kenya Industrial Estate (K.I.E.), a parastatal body whose aim is to promote the development of small scale and artisan industries.

Efforts are being made to supply all the necessary infrastructure all over the Republic to supplement other factors of industrial development such as encouragement of banking institutions to extend these facilities to the rural areas. The construction of the Nairobi-Mombasa oil pipeline has helped provide petroleum products readily in abundant supply.

The Government encourages industrial research through the Kenya Industrial Research Development (K.I.R.D.I.), which is charged with the responsibility of conducting research activities in all fields of industry.

There has been establishment of the Kenya Bureau of Standards to control the quality of products, *Waters et al (1988:164).*

Industrial real estate has been defined in several ways. The encyclopaedia of Real Estate terms defines industrial real estate as:

> "An area of land subdivided and developed comprehensively for industrial use. The estate usually has uniformity of appearance under one management" *Abbot (1987:449).*

Kinnard defines industrial real estate as that

> "which includes all land and buildings (often referred to as 'urban space' either utilised or suited for industrial activities. Industry embraces all activities involved in the production, storage and distribution of tangible economic goods rather than intangible services." *Kinnard et al (1973:3).*

For the purpose of this study, industrial real estate will be taken to mean, any area of land or building used for industrial purposes involving activities such as production (manufacturing, storage and distribution of tangible goods.

Estate management on the other hand is a discipline. *Thorncroft (1974:3)* for example, states that management includes the use of other resources such as men, money, materials, besides land and buildings, and its success is gauged not only by the extent to which it achieves its aims, but also by economy of effort and material with which these aims are secured.

The study of real estate management is concerned with principles and techniques by which real estate resources may be most efficiently allocated for use. At *Kinnard et al (1973:3)* points out, the basic economic and market principles that are applicable to real estate analysis in general are equally applicable to industrial real estate. The practice of estate management is not any different from other management practices, as the same resources are always used world wide. The difference is in what is being managed. As with other management practices it is how these resources are utilised, in the right proportions, and at the right time, which will determine the efficiency and goals to be achieved.

Problem Statement

An estate manager is trained to manage almost all types of real estate properties, be they residential, commercial or industrial. Then, why are there virtually no land economic estate managers in industrial real estate in Kenya?

During his training at the University, as an undergraduate, he undertakes a three year course in land economics. These courses are in valuation (of various properties); investment appraisal (that is, the feasibility and viability of intended projects); building construction, building materials; property law, building maintenance; estate management, law of contract and law of torts, theory of structures, just to mention a few. With the first degree in land economics, a land economics graduate is sufficiently equipped to be an estate manager. But the training does not end there. A more thorough training is undertaken at the post-graduate level. There is a more detailed course in estate management, emphasising the functions of an estate manager. Professional examination can also be taken in the valuation and estate management chapter or the maintenance chapter. Hence an estate manager is well equipped to manager all types of properties.

Kituuka (1981:23) states that the role that a land economist plays in industrial properties has been mainly that of "mortgage valuer" - an advisor on the capital value of the real estate pledged as collateral to secure a loan." This poses a problem. As estate managers, they are trained to manage all types of real estate, including industries, but we find that estate managers are not being utilised in industries. Hence they do not use the skills of management they have learnt in industrial properties.

For instance, holders of a land economics degree are employed in the Ministry of Public Works as maintenance officers, or in the Ministry of Lands and Housing as valuers and land officers, but not as estate managers. Where they are employed in the private sectors, in property management firms, they manager only commercial and residential properties. Even institutions dealing with the management and financing of industries do not employ estate managers, or even land economists. Such institutions are Kenya Industrial Estates (K.I.E.) and Industrial & Commercial Development Corporation (I.C.D.C.).

Muteti (1987:40) states that in England, the relevant qualification for entry in estate agency business is a Bsc. in Estate Management. In Kenya, this entails a Land Economics degree, which is an acceptable qualification and is essential for the registration with the Institute of Surveyors of Kenya (ISK). This is a recognised local professional body which includes land surveyors and quantity surveyors. For security reasons, MISK is used by members as an indication of professional competence and the acceptance of ethical standards. The above may be something in the future. The business of estate management is therefore carried out by people who do not possess the above stated qualifications. Many people of all characters and disciplines have been attracted to the real estate business by prospects of quick money. These are non-professionals.

A feasibility team often comprises of the following members (virtually excluding a land economist): industrial economist; market analyst; technologist or engineer specialised in appropriate industry; and an industrial management or accounting expert; *Kituuka (1981:28)*. Kituuka also goes on to add that in the United States of America, valuers have participated in the management of industrial real estate, but in Kenya, this has not been the case, as there is not a single industrial estate that has called for the services of a professional estate manager.

That the role of estate managers was associated with maximisation of income for owners and investors, whose basic objectives was to increase the property's return in investment and to raise the level of its value. He adds that in recent years, estate managers have had to contend with the threat of future energy shortages, thus introducing a new and superficially different criteria of measuring management effectiveness and efficiency. He concludes that most of the industrial plants and buildings owned, operated and managed by their occupants and ordinarily not considered as real estate investment, but as part of the plant equipment and capital required for the conduct of business of the industrial enterprise; *Kituuka (1981:28)*.

In Kenya, the basic objectives of the owner and investor of industries is profit making, that is, profit maximisation and loss minimisation, where the property's return is not as important as the process(es) taking place in them.

Another example given by Syagga states that there is a tendency to justify "why" houses should be properly managed and maintained, but there appears to be very little attention paid to "how to" manager and maintain them. He states that from the landlord's point of view, it is desirable that the properties should be as efficiently and economically maintained and managed as possible; *Syagga (1979:26)*.

Karingithi (1987:87) has examined the role of the estate manager in the management of academic institutions such as the University of Nairobi. The findings were that the estate department is confined to mainly one aspect of estate management, namely maintenance and repair. And that a major failing in the estate management was lack of proper training and qualifications on the part of those directly involved in property management.

From these examples, it can be seen that most of the emphasis of estate management of residential and commercial properties, where the estate manager's role is stressed. Studies undertaken in industrial management usually look at the operational aspects only. *Gachuru (1988:6)* looks at the management operations of Kenya Industrial Estate projects with emphasis on Kenya Industrial Estate, and its role in national development.

Thus we find that estate management functions have been neglected in most industrial properties. The only area in industrial real estate which has been highlighted is on the financial aspect, where the various sources of finance for industrial real estate are explored in depth, and the role that lending institutions play in industries is explained by Kituuka in his industrial real estate lending thesis.

To many people therefore, the idea of estate management of industrial properties has not been fully appreciated. *Mutua (1987:25)* states that most of the people see estate managers simply as agents who can be done away with while to the tenants they are seen as mere rent collectors.

Many of the industrial real estates are managed by the owners or investors. This does not mean that they are not successful, but since an estate manager has professional training in land economics, he perhaps would introduce some new ideas, in the management of the property. As Kinnard points out, the land economist is equipped to manage properties, and has a procedure to follow and staff to maintain as to keep the operations as an effective income producing entity; *Kinnard et al (1973:187).* The fact that owners or investors do run their properties will actually pose a threat to the land economists, as they can render estate managers in industrial property redundant. Neither can it be argued that industries are so few that estate managers cannot be employed. On the contrary, industries are springing up at a very fast rate.

Muteti (1987:45) states that most property owners feel that they are capable of dealing with the problems that may arise during the life of their properties. However, sometimes the property owner is faced with problems such as tenants not paying rent on time, or maintenance requirements such as blocked drains or leaking roofs, which require his immediate action. Such property owners also have other responsibilities elsewhere, for example, if they are in full-time employment. They are therefore forced to hire a professional estate manager to help them run their property.

Most property owners also feel that if they have one or two properties they can easily manage, and they usually do it successfully. It is only when the properties are many and scattered and if the property owner does not entirely rely on them as his only source of income, do they feel the need for the services of an estate manager.

Though the property owners will incur expenses to maintain the property to the standards that the estate manager feel is adequate, this in the long run will ensure that the property continues being an effective income producing entity, hence to the advantage of the owner.

Despite these arguments, the services of estate managers in industrial real estates in Kenya have not been made use of. The emphasis in estate management has been toward residential and commercial properties. It is therefore useful to find out how these industrial real estates are run. Is it that they are so well managed by the property owners that the services of an estate manager are not called for? What special qualities do industrial real estate possess which cannot be successfully handled by a qualified estate manager? That is, which functions does the estate manager perform where one is employed, and if not, what functions does the owner perform? And are they different or similar to those of a qualified professional estate manager? These are some of the issues the researcher sought to investigate.

Objectives

1. To study how industrial real estates are currently managed, who manages them, the academic and other qualifications of those who manage them the functions of these managers, and the problems encountered in their management.

2. To find out what role the estate manager (where they exist) as trained graduates of land economics play in the management of industrial real estate in Kenya. Are estate managers in industrial real estate essential or not to the industrial properties?

3. To find out how these industries look after the welfare of their staff. Are housing, mortgage and medical facilities provided for?

Research methodology

The field survey was carried out between March 1992 and May 1992. The survey included administering questionnaires to managers of the industrial estates, with the aim of finding which industries have estate managers, so as to find out what functions they perform.

A total of 44 (forty-four) industries were sampled using the random tables and the managers of the industries interviewed.

Questionnaires were used as a means of collecting the required data. Both open-ended and closed-ended (guided) questionnaires were used. For the close-ended type of questions, a range of answers were given from which the respondents chose to answer that most closely expressed his opinion while the open-ended type of questions was open for the respondents to give their own opinion or answer if they are not among the choices given.

The close-ended type of questions were used for ease during the data analysis stage as coding would be an easy task. The questionnaires were used mainly to obtain descriptive data through which analysis would reveal what role estate managers would perform in industrial real estate.

The information sought included the various functions carried out by estate managers to find out who carried them out. The questions also touched on the maintenance schedule of the industries and staff welfare.

Oral interviews were also carried out with former land economics students, property caretakers and estate managers.

Descriptive statistics was used for data analysis. Frequency tables were constructed to find out the various percentages.

Study Area: Nairobi Industrial Area

To understand a bit about the Nairobi Industrial Area, the history of Nairobi's growth and development must be the starting point.

Nairobi lies approximately half way from Mombasa at the coast, to Kisumu in the Lake Victoria. As well as being the capital city of Kenya, Nairobi is also the principal urban centre of population; *Njoroge (1985:17).* Nairobi currently registers a population of about 1.5 million.

Historical background of Nairobi

Nairobi came into existence as a result of the building of the Mombasa-Kampala railway around the turn of the 19th century. Nairobi was the last point before tackling the hazardous Rift Valley. It then naturally became a settlement for supplies and storage of equipment, stores were set up, and government officials and railway officials residences were put up here, as Nairobi offered very cool temperatures, undulating slopes and acres of "free" land.

In 1926, a Mr. F.W. Johnson of Kimberley, South Africa, came to Nairobi as a town planning consultant. He prepared the first physical plan of Nairobi with definite zoning arrangements for the entire municipality. One of the main innovations in his plans was the establishment of an "industrial area" south of the railway station, which confined all industrial development to that zone; *Kingoriah (1980:218),*

The earliest references to industrial development in the present industrial area occurred in 1917. The W. Jameson plan, published in 1929, suggested broad confinement of industries to the south of the railway station. However, by 1939, very few industries had located in this sector. This was true because the British government colonial development policy had not fully adjusted to the concept of industrial development in Kenya, even that of agricultural processing industries, was slow despite the colony's vigorous agricultural activities. However, there was a general agreement among the municipal and government officials that future industrial development in the municipality would be located in this southern sector of the town. *Kingoriah (1980:221)* states that, by 1939, the general location of the industrial area was known in official circles, and some industries of the main industrial area were defined by a town planning panel comprised of central government, Nairobi City Council, representatives of Kenya and Uganda Railways and Harbour Corporation. The panel set aside 234 hectares of land lying east of the commercial street industrial area to be used exclusively for industrial development. The master plan refined zoning recommendations and specified types of industries to be located in each specific part of this general industrial area.

Currently, Nairobi has the highest concentration of industries in Kenya, and as *Ogendo (1978:44)* argues, industries will locate in Nairobi, where there are benefits of agglomeration. Hence being the industrial pivot, the Nairobi Area leads all other parts of Kenya in its industrial location. This general tendency of the entrepreneurs, whereby they are more attracted to locate their industries within Nairobi Area, is prompted by their preference to locate their industries in areas where industrial concentration is already high. So the resultant industrial agglomeration economics are sufficiently obvious, thereby eliminating costs which would otherwise be incurred in researching in alternative locations elsewhere outside Nairobi Area.

<u>The Nairobi Industrial Area</u>

The largest single industrial area in Kenya, the Nairobi Industrial Area, employing a quarter of Kenya's total industrial area by its population and extent in relation to the rest of the city, makes it an ideal study on the role of an estate manager in industrial real estate.

Nairobi Industrial Area has been chosen as it is the oldest established industrial area, with the highest concentration of industries of various sizes and operations; *Mwangi (1975:8)*. Being the oldest established industrial area, it is naturally assumed that it would have been an established pattern of management practice, which the researcher would use as a sample for the fieldwork.

Organisation of the Study

The study is divided into five chapters.

Chapter One ; begins with a preamble which states briefly the importance of industrialisation to a country's economy; the priority accorded to industrialisation in Kenya by the Government, as contained in Kenya's Development Plan (1989-1993); the measure taken by the Kenyan Government to encourage industrialisation. The problem statement is also contained in this chapter which also highlights the purpose of the study and the research methodology.

Chapter Two ; contains the theoretical framework, for the study examining industrialisation and estate management, industrialisation history and policy, factors necessary for industrial development and the effects of industrialisation. Contained in much more detail are topics on estate management, functions of an estate manager, kinds of industrial real estate, characteristics of industrial real estate and industrial real estate needs.

Chapter Three ; gives a brief overview of estate management practices of some established industrial concerns in Kenya including a commercial property and residential.

Chapter Four ; deals with the research findings, the treatment of the data in response to the study objectives.

Chapter Five ; is the final chapter and contains the findings of the study, the conclusions which can be drawn from the study. Recommendations are also given in this chapter.

CHAPTER TWO

THEORETICAL FRAMEWORK:

INDUSTRIALISATION AND REAL ESTATE MANAGEMENT

CHAPTER TWO

THEORETICAL FRAMEWORK

Introduction:

Most of the developing countries were initiated into industrialisation through colonisation, and Kenya was no exception. The colonies were important as sources of raw materials, and also provided a market for the manufactured goods. The productions from the colonies were mainly agricultural produce. Industries were set up for primary production of these agricultural outputs, before they were exported for further processing.

Van Zwanenberg (1972:1) points out that economic development and industrialisation go together. Kenya and the rest of East Africa were forcibly integrated into the world of economy through the colonial experience. The process of economic development is not simply the production of cash crops for exports, nor is it the processing of export crops and the production of consumer luxuries. Economic development is synonymous with industrialisation which is a revolutionary process.

Power (1972:1-20) states that up to 1940, the imperial policy had been straight forward; it was against the development of industry in the colonies which provided a captive market for goods and capital. After 1945 (after the second world war) this remarkable, conservative approach to colonial economies was altered and economic development on a number of different fronts, particularly industry began to be encouraged. One of the possible reasons for this change was that during the war, civilians in East Africa has found themselves short of goods previously imported. Also another possible reason was that military equipment used in small scale manufacture was purchased by enterprising Asians immediately after the war. The Asians initially started with simple processing units such as cotton ginneries, coffee hullaries and factories for production of crude oil and soap from locally grown cotton seed.

Kenya's Industrial Policy

Kenya' industrial policy came out a decade after independence (in 1963). The Government at that time was not addressing itself to the industrialisation needs of the country. Emphasis has always been on agriculture which is the mainstay of the economy. During the 1960's, a comment run:

> "Over the period of the plan, the structure of the Kenyan economy is not to be changed much. Kenya is not aiming for a radical reconstruction at present. The continuing predominance of agriculture and the lack of emphasis on industrial expansion is surprising even though in Kenya the industrial sector is relatively endowed and diversified" *Heyer (1960:32).*

From the comment above, the thinking of the Government at that time is clearly illustrated, emphasis is laid on agriculture, and industry is seen as secondary, whose role is not appreciated. This is emphasised also in the development plans that follow (1964-1970, 1970-1974, 1974-1978 and 1979-1983). Kituuka stresses this fact when he states that the first Development Plan 1964-1970 focused only on rapid growth as the main objective. The second Plan 1970-1974, is noted to have attempted to give direction to growth, emphasising rural areas but still with no adequate clearly spelt out policy guidelines. It is only in the Third Development Plan (1974-1978), and the Fourth Development Plan (1979-1983), that well defined policy guidelines on industrial development have featured concisely; *Kituuka (1981:49-119).* Among the Government industrial objectives stated in the Development Plant (1979-1983), just to mention a few; productions for domestic and foreign imports; encouragement of creation of more employment opportunities both in the rural and urban areas, to cope with increasing number of people entering the employment market and unemployed school leavers; and generally to promote the absorption of as many employees as possible in productive work;

Kituuka (1981:50). In the current Development Plan, incentives are to be given to investors interested in industrial ventures. Industrial research institutes have also been established, for instance, the Kenya Industrial Research and Development Institute (K.I.R.D.I.). Financial lending institutions have also come up, for example, Industrial Commercial and Development Corporation (I.C.D.C.) to deal with industries. The Government is doing all it can to try and industrialise the informal sector or the "jua kali" artisans, by providing them with expert advise, finance, working sheds, holding seminars and workshops.

Factors necessary for Industrial Development

For industrialisation to take place, certain factors have to be taken into consideration. State investment in industries is often very limited because of the need to develop other sectors of the economy such as agriculture, education and defence.

Developing countries depend on foreign investments in order to develop industries. Hence the need for political stability, *Chand et al (1991).* This is very important as a lot of capital is invested in industrial development. If the investors are wary of the political climate, they would rather invest elsewhere, therefore, the political climate has to be conducive to investors. Industries can only be established if sufficient capital is available which is important for the purchase of equipment for day to day running of the industry, for purchase of raw materials, to pay for transport, for expert advise, for labour, among other things. Thus capital becomes very necessary although in many third world countries, there is shortage of it.

In countries where most people depend on agriculture, there are very few workers with background of industrial development. The Kenyan Government is now doing all it can to train its people in industrial management, through universities and polytechnics; *Chand et al (1991).* Expert and technical know-how therefore becomes an important factor in industrial development.

The development of industries and the degree of industrialisation in a country depend upon the Government policies. There are certain economic or political reasons which may encourage or discourage the development of industries; *Chand et al (1991)*. Where the Government policy is nationalisation, this acts to deter potential investors who are mostly foreigners.

Other factors include good communication network, availability of power, as industries cannot develop without power, availability of a market with high purchasing power and the availability of cheap raw materials.

Industrial Real Estate

Kinnard & Messner, experts in industrial real estate, state that industrial real estate is different from other types of real estate because of the manner in which it is used, the type of user occupying it, and the processes which it houses; *Kinnard (1973:3)*. This view is upheld by *Seldin (1970)* who points out that industrial property is more heterogeneous that any other kind of real estate. The diversity is due to differences among the various properties that fall into the classification and because the rented markets vary quite widely. The heterogeneity sets industrial real estate apart from other types of real estate. While one industry manufactures, another will deal with only assembly, another storage and distribution. Thus, each industry will differ from another. Others argue that industrial property is the least popular with institutional investors due to the high element of risk and the final use of the end product; *Estates Gazette (1984:433)*. This is because most industries are special purpose, that is, built or tailored to the specific needs of the process that will be carried on. Change of use in almost impossible. Therefore, if there is no demand for the kind of process in the industry, the industrial property will remain vacant for a long time.

Others argue that improved real estate (that is, with man-made features) requiring the least management is commercial or industrial property under long-term lease. In this case, the yield or rate of return is estimated and projected when the lease is negotiated. The principle variable is the value of the property at the end of the lease term. This type of investment is generally considered to be most secure, but with the lowest yield to the investor. The only advantage in the management of industrial real estate as compared to other types of real estate, that one is dealing mainly with only one tenant over a long period of time. But otherwise, industrial real estate will require more repair and maintenance due to heavy wear and tear. This is important especially if the industry is dealing with processing, where chemical substances are used. Chemicals usually have a corrosive effect on surfaces it comes in contact with, therefore wearing out the surface if proper care and attention is not paid.

The basic principle of industrial estate management are the need to assemble facts in order to decide the best course of action and also to keep physical, functional and economic efficiency of premises under surveillance. This is in order to adapt and improve, whenever necessary, the industrial estate management. Industrial estate management is a service business to facilitate the efficient and prompt allocation of the inventory of industrial space among interested potential users. The office must be geared to solve every problem that industry may present, through intelligent and effective application of a combination of knowledge, integrity through discipline and hard work.

The advantage of sound business administration apply with equal force to all forms of business enterprise. In the management of industrial estate, there are advantages and savings to be gained from the pursuit of well recognised business principles in the following respects: selection of competent and experienced management either on industrial or property management firm; the installation of an efficient operating organisation; the employment of effective accounting and budgeting controls; the maintenance of revenues and rent methods; the use of proper personnel policies in hiring and training, supervising and compensating employees; *Gachuru (1985:9)*.

Gachuru states further that efficient management will not only reduce costs as such, but can affect savings at many points. Good manager will be rejected in many intangibles, the general appearance and orderliness of the property, the attitude of employees, smoothness in building operation and the prompt meeting of complaints and emergencies. Good management cuts cost and also improves tenant relationship, establishes a favourable reputation for the property and thereby contributes to the high rent levels and lower vacancy rates in industrial premises.

The character of industrial estate management is very largely determined by the size of the estate control. The organisation, management techniques and policies appropriate to a large estate are unlikely to suit a small one. There is legal, economic and physical size. Large estates are hard to manage and organise. For small estates, the estate manager can ensure personally that his policies are put into effect. Too often, the management organisations on a large estate is forced to operate with a high degree of standardisation so that the decisions are frequently stereotype instead of industry tailored to meet the facts of the particular situation.

Kinds of Industrial Real Estate

An industry will be located where it minimises cost and where its location is most optimal, that is, having easy access to the raw materials, labour and market. An industrialist will look for an area with a good transportation network, plenty of water supply, and access to sources of energy. Primarily, it offers accessibility to important resources and markets and provides adequate space on which buildings are to be placed. The building or improvements should contribute directly to the success of the industrial operation by providing the most efficient environment possible. Both the industrial land and industrial buildings may be analysed in terms of the degree of adaptability to more than one use; *Kinnard et al (1973:18).* He adds that industrial sites may be grouped as general purposes, special purpose and single purpose, and this also applies to industrial buildings. These include warehouses, offices and other non-manufacturing structures as well as manufacturing plants.

General purpose industrial buildings are those with a wide range of alternative uses. They are often constructed on speculation and generally are adaptable to light manufacturing, assembly and storage. Special purpose buildings are those with physical characteristics or facilities suitable to a restricted range of industrial processes. Single purpose industrial buildings are those adaptable to only one particular process, or even one particular firm; *Kinnard et al (1973:18).*

CHARACTERISTICS OF INDUSTRIAL REAL ESTATE

Industrial real estate has some characteristics which sets it apart from other types of real estates, although some of the characteristics are common to all types of real estate.

Fixity of location is one such common characteristic, i.e. it is immovable. Fixity of location of income and services from industrial real estate means that investors must be attracted into the market in most cases. As moving industrial equipment and inventory is extremely expensive, most industrial organisations choose to minimise their geographic movements as much as is consistent with efficient and profitable operations.

Industrial real estate is highly sensitive to shifts in the market and in technology. As a result real estate runs a high risk of functional obsolence. Technological change in industrial processes as well as in construction or designs can render industrial real estate facilities functionally obsolent quite rapidly. This both increases investment risks and requires adaptability on the part of the management. Accordingly rapid recovery of capital invested in potentially obsolent assets becomes a major consideration in industrial real estate investment decisions, even more so than other types of real estate investment; *Kinnard et al (1973:19).* Thus industrial real estate have to be ware of new changes around them, and adapt to these changes, otherwise industries might find themselves rendered useless and obsolete.

Industrial real estate requires heavy investment in funds or working capital, a relatively large commitment of funds on the part of the owner-occupant. Consequently, tenant occupancy and ownership by a third party (equity investor) is common. Thus in many industrial real estate transactions, the requirements of three rather than two groups of participants must be met, the user, the equity investor and the lender; *Kinnard et al (1973:19).* Venturing in industrial real estate requires very large sums of money, which have to be borrowed, hence a lot of money is tied down. Though this is the same for almost all types of real estate, a long time elapses before profits are realised.

Another characteristics of industrial of real estate involves fixed charges, (property taxes and insurance at least), for the owner, whether it is occupied or not. Therefore, the general market acceptability of real estate is often measured by its convertibility or adaptability to other uses, is a major consideration for the equity investor. Thus special purpose or single purpose industries are infrequently traded, when the rate of turnover is relatively slow. Therefore, the liquidity risk associated with investment in industrial real estate is relatively high. General purpose industries which can be easily adapted are more in demand and their turnover is slightly higher; *Kinnard et al (1973:19).*

Industrial real estate is commonly a single tenant real estate. To this extent, the management of the business occupying the space are intimately related to the income generated to pay for the occupancy of the space. As compared with many other types of investment particularly non-real estate investment, industrial real estate exhibits a high degree of sensitivity to taxes and government regulations; *Kinnard (1973:19).* This is true as concerns zoning and waste disposals. Industries cannot be located anywhere, they have to adhere to particular zoned areas. As concerning disposals of their waste materials, the government is strict since their effluence is usually an environmental hazard unless it is first treated.

Industry needs real estate in order to house its facilities, its operations, its offices, its inventory and its employees.

Customs facilities is one such need. No industry is identical to another, each industry will have its own unique characteristic. That is, no matter how standardised the industrial process of a particular firm may appear, it has characteristics that distinguish it from all other industrial operations. Another need is financing. Where industrial real estate is owned or leased, the occupants' major desire is often to minimise the amount of capital invested in real estate. Therefore, financing or leasing arrangements that offer the safe release of funds which might otherwise be used for working capital or production purposes, are actively sought by the industrial firms.

Market advice is also another need. The industrial firm is not usually in the real estate business. Even these organisations with active full time estate departments cannot be sensitive to all regional variations or to developments in all aspects of real estate. For instance in financing, development and zoning, they need information and advise with respect to such developments but even more they need in-depth insights into the market conditions that assist in business decisions and their timing; *Kinnard et al (1973:20).*

The real estate manager is the agent of the owner. An agent is vested with general power involving the exercise of judgement and discretion. He is usually empowered to transact all business connected with the property entrusted to him. The estate manager is generally authorised to negotiate leases, collect rents, make ordinary repairs, keep the premises in a rentable condition, pay taxes and many other additional services. The manager may be authorised to keep the property insured and take care of tax matters. However in all activities, he must comply with the instructions of the owner; *Weimer et al (1972:510).*

What then is estate management? As stated earlier, Estate Management is the skill of managing real estate property through use of resources, such as money, material, human labour and techniques, so as to make the property income producing entity of highest output with minimum cost. Estate management is the art or science of directing, administering, planning, supervising and co-ordination the responsibilities of those who own, lease, finance, occupy or use real estate in order to achieve a pre-determined objective, usually the maximisation of the use and benefit to be derived from it. Estate Management includes the control of the daily running of the property, the planning and analysis of the present and future economic benefits to be obtained from ownership of real estate, and the co-ordination of the responsibilities of those involved in real estate, and where applicable, the maintenance of good landlord and tenant relations; *Abbot (1987:313).* This view has been supported by another author *Thorncroft (1974:3)* who defines estate management as the direction and supervision of an interest in landed property with the aim of securing optimum returns.

Kinnard et al (1973:3) shares the same view, where he states that the study of real estate is concerned with principles and techniques by which real estate resources may be most efficiently allocated for use. For there to be efficient running of the real estate, there must be proper proportions. This is through proper planning, organising, directing and controlling the various resources so as to achieve the objective(s) of the owner/investor. Whereas the definition above is inclined toward business management, there is not difference as to its application in estate management. What draws a distinction is the focus of what is being managed, and in this respect, it is the real estate portfolio of an organisation, company or institution.

Objectives of estate management vary with owners, type of real estate and size of real estate. <u>One of the main objectives of estate management is to obtain maximum financial benefits.</u> This is true for properties which are managed in order to produce a flow of income over its lifetime. Most buildings are put up at exorbitant costs, and estate management is necessary in order to repay the capital outlay put into it. Development funds are often borrowed, which makes efficient management necessary for realisation of this objective.

Another objective is <u>efficient management</u>. This is when the actual business management principles are applied in estate management to realise set objectives and at the same time lower possible cost. The organisational structure of an estate management department has to be deliberately designed to achieve the efficient running of the property affairs.

<u>Prolonging the life of the building</u> is another objective. Proper care should be taken of the property in order to realise their full economic life. Neglected properties may dilapidate, posing a threat to the users, and also making the owner liable, as in the case of public health authorities. Proper maintenance is therefore a major function of estate management. Obsolescence both structural and functional in estate

management may arise in certain cases, and the estate management department should watch over changing tastes and preferences of the users of the building managed. Management is important to be able to accommodate changes in use according to tastes. As stated above, obsolescence is a threat to buildings, thus the manager should also be alert to any changes taking place so that the building continues to serve the users as best as it can; *Macey (1965:3)*. Macey also adds another objective which is the enhancement of the environment and general neighbourhood. This is important especially as more and more people are becoming environment conscious. An estate manager should be a guardian of the environment at all times. Buildings and lands should not be allowed to deteriorate to an extent of becoming an environmental hazard. Proper disposal of garbage should be done especially in towns where garbage collection is a problem.

Tenant welfare is another objective of estate management. It is the desire of any building owner, that those who occupy their buildings should derive maximum enjoyment in their stay. This applies to any real estate property.

Legal objectives also need to be satisfied in any estate that is being managed. There are stature that relate to property, public health law (Public Health Act, Cap 242), landlord and tenant stature (Landlord and Tenant Act, Cap 296) contractual arrangements between various people involved which must be upheld. Estate management is therefore a skilled profession requiring much experience and knowledge of many subjects. *Leach (1964:154)* states that a good working knowledge of many branches of the Law is indispensable. Since an estate manager has to deal with many statutes, he has to know how they work. A wide knowledge of property value and building construction is necessary. In managing blocks of flats and offices, some knowledge of such plants and central heating ventilations and their operations is required, together with the ability to administer staff. Expert management is thus to be recommended, but it costs money. The small investor who favours real property might ell consider investment in a property company where he will get the benefit of expert management. According to *Leach (1964:155)*, with bigger holdings, management becomes more than a full time job for any one person. Thus a properly prepared management agreement with a competent firm of estate agents is advisable.

Estate management is far more complex than people believe. Although it is possible to generalise, the circumstances relating to different properties, type of property, type of interest and ownership and functions, vary so widely that one may find it necessary in practice to create a unique system for a particular set of circumstances. Efficient management is dependent upon the receipt, analysis and understanding of adequate information. Information has to flow from users to managers, from manager to owner and vice versa, so that nothing is overlooked. If the manager is far removed from the users, then there will be breakdown of communication. The complaints of users will never reach the manager in good time, resulting in dissatisfied tenants and this could lead to tenants leaving the premises to look for better accommodation elsewhere. The further away the manager is from the functioning enterprise in responsibility and attitude, the less detailed is the information required.

Estate management principles are not rules of "do's" and "dont's" as they can never be practically applied to real estate, for each situation and circumstance of real estate is unique. And what may apply in one situation may not be applicable in another. If there were only one set of rules, anybody could virtually manage the property, for all it would take is a matter of studying the rules and applying them Although *Thorncroft (1974:3)* argues that such rules do not exist, some of them are obvious and not exclusive to estate management, for example, the need to assemble facts in order to decide on the best course of action, the need to keep the physical functional and economic efficiency of premises under surveillance in order to adapt and improve where necessary. But Thorncroft qualifies this when he states that estate management will never be a mechanical process of following set rules. Judgement, practical experience and specialist knowledge are also required.

The principle of estate management are the major consideration which should guide decisions; *Thorncroft (1974:3)*. There are still others who are of the same opinion as supported by an issue of the Estates Gazette. They advocate for corporate planning management, and believe there are two levels of management. According to this issue of Estates Gazette 1976, estate managers should be educated on the fundamental difference between the two distinct levels of property management that is the concerned with all the stuff that fills the text books. Furthermore, if an estate manager is confined to such a role (following only set rules), the dangers are two fold. Firstly, he will have little responsibility for contributing toward greater cost effectiveness in the organisation concerned while the executive may have little notion as to how much money they are losing. Secondly, if the property manager is bright, he may soon regard himself as running a private property empire within the organisation, with the consequence that conflicts would arise between the property interests and the principal interests of the organisation; *Estates Gazette (1976).* The issue continues, that if the property manager is a manager in the corporate sense then he is primarily a manager who happens to be qualified in property. It is therefore essential to integrate the estate management function with the corporate management function. The relative success or failure of numerous commercial and industrial concerns is largely attributed to the extent to which this integration has been exercised or not. Corporate planning is based on the theory that companies exist to make money for their shareholders, the test of a company's success being the rate of earnings on capital employed. Clearly therefore, unless the property manager is a member of the corporate planning team, they will avoid obsolescence of products or technology. This is a highly specialised approach, but the application is universal. Wherever real estate accounts for a substantial proportion of the assets, property management should be a vital aim of the executive. This type of corporate planning management is only applicable to property companies with very large holdings, where the company has to account to the shareholders who expect a return on their shares. But for a small investor, this does not apply even though the estate manager has to show some returns. The level of estate management as stated earlier will depend greatly on the type and size of the estate so as to incorporate other aspects of management which can be combined with estate management functions. Thus the scope of estate management continues to grow as management becomes more sophisticated. *Weimer et al (1972:508)* states that the performance of the managerial function with regard to real estate resources should be done by specialised individuals or firms, rather than the owner of the property. It is increasing in scope and importance because of the growing complexities of tax, legal and management factors. Another issue of the Estate Gazette states that formerly management was mainly as administrative function. But today management practice is associated with the performance of the properties in investment terms, and due to this close interaction, the property manager is one of the most appropriate persons to judge in the acquisition or retention of particular property investment; *Estate Gazette (1984:42)*.

The Theory and Practice of Estate Management

An estate manager is a person who looks after the interests of a real estate property owner. He is appointed by the owner of the real estate property to manage or run the property on his behalf, and remit the profits to him for a fee. This is because most real estate property owners find it difficult to manage their own properties themselves, as they have other commitments to take care of. But when he appoints an estate manager, the gives him control of his property in return for some economic benefits.

An estate manager has been defined as;

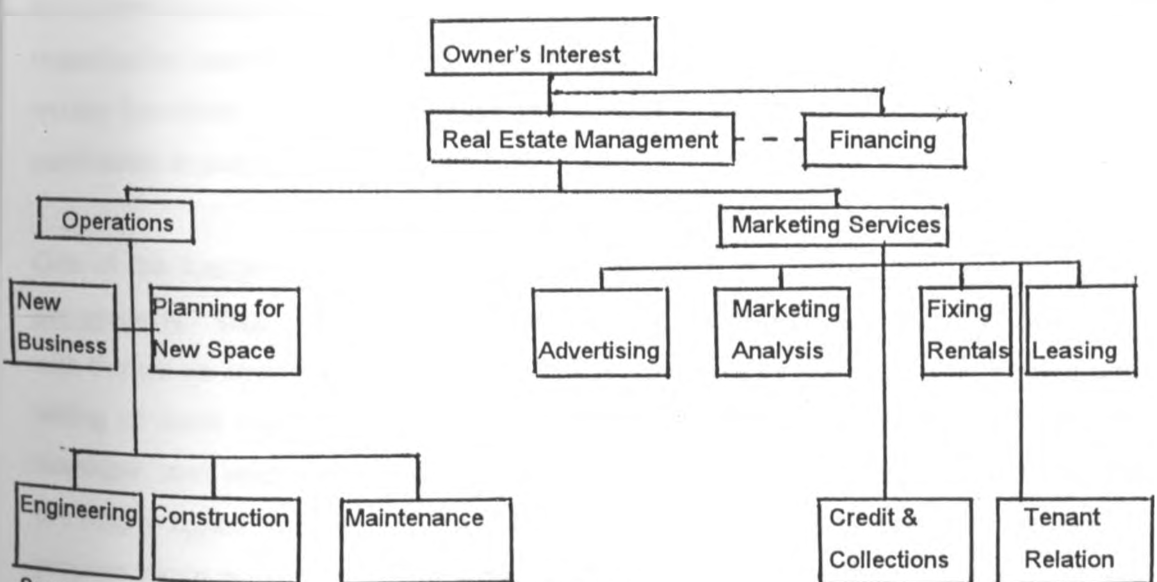
> "as a person who is retained to manage real estate, so as to ensure that the best use, profit or benefit is derived from the real estate". *Abbot (1987:313)*

Functions of an Estate Manager

An estate manager has many functions he can perform, depending on the type of client, size of the estate and the objectives of the client. In the performance of his functions he sets his objectives and therefore has to fulfil them. The particular objective will decide which functions he will perform and their priority. For instance, where the objective is to prolong the life of the building, one of his main functions will be to ensure proper repair and maintenance, improvement or renovations, so that the building will be of the standard required. It will be up to the manager to decide when the inspections of the building will take place, what the maintenance schedule will be like, the frequency of inspection, and to set aside the budget for repairs and maintenance. Where the objective is to secure maximum financial benefit, then he has to ensure the building is fully let, assess the rent through valuation of the property, and look for tenants to occupy the premises. He has to ensure that tenants obligations are met to avoid high turnover of tenants which would lead to voids. As an estate manager, he also has his own office to administer. He has to be able to keep accurate records and accounts to show expenditure and receipts, and to employ and train employees.

Wiemer et al (1972:510) states that the functions performed by the estate manager include the general management process of establishing objectives, planning to achieve them, organising resources and controlling operations. The estate manager also performs the functions of planning space, marketing property services, conserving the property and its surrounding and among other things, the maintenance of accurate records and accounts. The manager is expected to keep the owner informed regarding the property and its operations and to consider with him any significant changes in policy.

Real Estate Management Diagram



Source: *(A. Weimer, H. Moyt & G. Bloom 1972:511)*

Figure 2:1

Weimer expresses this in a diagram, which he calls the real estate management diagram in figure 2:1 above. (pg.)

Weimer provides that in the performance of his functions, the estate manager must consider the interests of three parties; the owner/client/investor; the tenants; and the members of the community in which the property is located. The owner is concerned with potential changes in the value of the property and is interested in securing a reasonable return on his investment. The tenant(s) are interested in the space and equipment provided, their conditions, maintenance, their cost to them and the special services and conveniences which may be provided. The community has a continuing interest in property management policies, since they will have a direct bearing in the advance or decline of the property involved and its environment; *Weimer et al (1972:512)*. This means that the estate manager has to be careful how he takes into account three interests. In most cases it is usually the client's/owner's interest and those of the tenants that are taken into account without considering the general community. Tenants usually take top priority as they are the means of achieving the objectives which the investor/owner has set, so a lot of attention is paid to their needs.

An estate manager's functions are wide, but the scope will depend on the type of organisation one is dealing with, and therefore it is better to consider the general estate functions. Special mention will be made where an estate manager can participate in industrial real estate.

One of the functions of an estate is finding tenants, or in short, <u>leasing and letting the property</u>. This can be in a new building where the estate manager is entrusted with the whole space, the marketing process, followed by the stages of leasing and letting of such can occur in a building which is being managed already by the manager, and voids arise due to tenants leaving. The manager should advertise the empty space, receive applications, scrutinise them, and instruct the lawyers to prepare lease documents, where he writes letters of offer stating the terms of the tenancy. The process of finding tenants is more tedious in a new building than existing ones. The responsibility none the less lies with the estate manager.

Kinnard et al (1973:183) states that industrial leasing is based upon exactly the same principles and techniques that underlie leasing of other type of real estate. The unique problems which distinguish industrial real estate leasing are essentially; leasing unimproved land; leasing new structures built to suit the tenant; and leasing existing industrial building which require adaptation to new use. The leasing of industrial real estate consists of firstly, examining the property to ascertain what its uses area and finding a suitable tenant or tenants after showing the property to prospective tenants. This is then followed by negotiating the terms of the lease and having the lease signed by all parties. In order to do an effective job of leasing, the estate manager must be sensitive to the market. He must know the uses to which the property can effectively be put, and what type of tenant is most likely to be attracted to the space in question.

Establishing rental schedules is the next function which the estate manager must undertake. Weimer points out that once a building, regardless of type, is constructed, the manager must fix a rental schedule and enter the market; *Weimer et al (1972:513)*. This could arise when the lease has to be renewed, or where there are tenant disputes on what is to be paid. Thus critical determination of rent has to be done. Valuation skills are applied and the estate manger should be cautious on the statutes regarding rent. Hence the other function of the estate manager is interpretation of statutory documents. This may specify particular methods of rent assessments especially in controlled tenancy.

Rent collection is one of the functions performed by the estate manager, in properties leased. This occupies a great proportion of his time in management, and is necessary if the financial objective is to be realised. Problems of rent collection may cripple a potentially viable property investment. The manager must design the appropriate methods of collection so that it is done with minimal cost. It should be timely remitted to the landlord to enable him to meet his financial obligations.

Maintenance is another important function. It is important because it fulfils a main estate management objective of prolonging the life of the building. *Macey (1965:5)* advocates for the estate manager to have a maintenance schedule. This means that he must follow a regular program for making repairs and replacement budgets, and prepare specifications for maintenance works and estimates of probable costs. Another author, *Weimer et al (1972:521)* points out that estate managers should be able to diagnose the defects which require to be put right or prevented. Thus for industrial properties where there is a lot of heavy use, wear and tear, the estate manager needs to make regular inspections, and carry out repairs promptly. Otherwise a major defect could halt operations.

<u>Insurance</u> is another such function. The property being managed should be insured against, for instance, fire, natural hazards, theft, public liability, etc. The manager should make sure that there is an adequate cover for these potential losses. The premiums for industrial real estate will vary much depending on use. Industries with greater risk of fire outbreak, for instance, chemical industries, furniture, oil refining industries, will have very high insurance premiums as they are very prone to fire outbreaks. The estate manager must have this in mind when looking at the uses which industrial properties can be put.

<u>Valuation</u> is another function of estate management. The estate management office is also responsible for valuations for the purpose of letting, insurance, rating, where the managed property is concerned. *Kinnard et al (1973:415)* points out that the techniques and methods of real estate valuation are basically not different for industrial real estate from other types of real estate, especially income producing properties. When industrial real estate is to be bought or sold, there must be some agreement between buyer and seller on the transaction price. When industrial space is to be leased, the rent must be agreed upon, and it will often be calculated as a percentage of either cost or the value. When industrial real estate is to be financed with a mortgage, the lending institution must have an indication of the worth of the property. This helps to establish the limits on the amount of loan that can be granted.

In all the phases of industrial activity, the questing of value is fundamental to nearly every action or decision that is taken by any participant in the transaction. It is important that the manager be familiar with the forces that combine to influence the value of industrial real estate. Kinnard states that coupled with this basic understanding, there must be a working knowledge of the techniques and methods of value estimation utilised by the professional real estate appraiser. Much of what the real estate appraiser does for the potential purchaser or investor is as much investment analysis as it is the valuation of physical real estate; *Kinnard et al (1973:415)*.

Development work is also a role in which the estate manager may need to play. The estate manager, although marginalised in the design team, has a key role to play in the development of any project. He should be responsible for feasibility studies and planning, and should work as a team with planners, architects and engineers in the design process. According to Kinnard, the estate manager in industrial real estate may find himself in the position of a principal in a pioneering entrepreneur undertaking. To this extent, he is actually creating value by providing new market opportunities where previously they did not exist; *Kinnard et al (1973:181)*. This is supported by the Estate Gazette, which says that as acquisition of new investment becomes more difficult, the property manager finds himself increasingly involved in re-development and refurbishment of buildings in the existing portfolio. The rewards to be obtained from exploitation of opportunities in this way can be very attractive indeed; *Estate Gazette (1984:42)*.

Another function which the estate manager will perform is instruction lawyers. Estate managers are professionals who should liaise with other professionals with ease on behalf of the building owner. Among the most common professionals that come in contact with estate management are the lawyers. Instructions to lawyers would include the preparation of lease documents, taking legal action on behalf of the owner against rent defaulters, and standing in for the client whenever a legal tussle arises between him and one of his subjects or business acquaintances; *Macey (1965:6)*.

Payment of charges like rent, street charges, electricity, water, service charges, are the responsibility of the estate manager. The rental remittance at the end of every month should be a net figure having taken into account all such charges and outgoings, including the management fees.

Information handling is the responsibility of the estate manager. The estate management office has to keep up-to-date records of the estates managed in terms of stock types and total numbers, rent received, list of arrears, maintenance needs and procedures of execution, financial records, among others. He should also keep account books. The information needed by a property manager acting in-house for a multiple retail chain could be very different from that required by a surveyor in a private managing firm, having mixed property portfolio for a number of different clients each with different ownership aims. But everyone involved in property investment and management is only too well aware of the need to keep to up-to-date records of all property within a portfolio; *Estate Gazette (1980:78).*

Public relations is also a role which the estate manager can play. The goodwill that the landlord enjoys should arise from the way the estate manager deals with the general public as well as other offices and professionals related to his work. Tenants, together with those he liaises with shall be happier staying in or dealing with the property. He should liase with government officers and especially the lands office in solving most of the land issue that may arise.

Management of records and accounts is also important to an estate manager. In order to control effectively, a manager needs adequate record of all transactions and accurate accounts of all operations. Weimer points out that without adequate and accurate accounting methods, it is impossible for the manager to render proper reports to the owner. Without proper accounting, he cannot determine the success of the policies he is following, and he will lack precise knowledge of the points to which savings can be effected; *Weimer et al (1972:525).*

The estate manager is also responsible for the administration of his office. The estate management organisation may grow to some size which makes efficient running impossible or non-automatic, if not well administered. The staff and equipment such as motor vehicles under the department must be taken care of properly. Management skills of organising, planning, directing and staffing must be ushered in if the manager is to do well.

Overseeing or monitoring observance of covenants of the lease is the responsibility of the estate manager. The tenants may fail to oblige to the terms of the lease and commit acts of omission under the terms of the lease. This should be prevented by the estate manager.

In summary, we see that an estate manager can play very many roles. His scope is wide and combines several disciplines.

Estate management in Kenya is not old. Professional training in the university started in the early 1970's. Most people are now realising the importance of real estate to a country as part of the nation's wealth. Many people therefore strive at least to own one permanent house, in spite of the exorbitant cost of putting one up. This is because real property appreciates in value with time and will provide a steady flow of income over a long period, hence it is also an investment. As more people put up properties, the need arose for proper management of these properties by professionals for profits to be realised, and therefore the need for estate managers arose. Property management companies were founded by individuals who were professionally competent in handling the landlord's interests, that is, the property. Such companies are Lloyd Masika, Lonhro (K), Tysons Ltd., etc. just to mention a few.

The players in estate management are mainly two; the landlord and the tenant(s). The landlord owns the property and his interests are handled by the estate manage who acts on his behalf, either employed specifically to run the property, or through a property management company. The estate managers deal with matters pertaining to the building (property) and with tenants. The landlord's aim in leasing out the property is to realise some returns to repay the loan used in putting up the property. Tenants are important as they are the source of income in the form of rent, which is paid for occupying the space in the landlord's property.

The advantages of estate management are numerous and include firstly, prolonging the life of the building through proper care and maintenance to ensure the property continues being an effective income producing asset.

Accruing maximum facilities benefits is another advantage. This is because the property is an investment and generates some income, which after repaying the loan and other expenses, the landlord is able to enjoy the profits. Estate management also ensures that the tenants are kept happy and enjoy their stay on the property.

Estate management fees range form 8-10% of the monthly rent. This tends to be very expensive especially for small investors who find it cheaper and more economical if they manage the properties themselves. Only landlords with large properties find it important to have an estate manager, and are well able to afford the fees.

Therefore, properties with estate managers tend to have a much higher value due to the standards which the estate managers have set, which ensures high value. The high value is also due to the cost of management which has to be included.

In Kenya we find that estate managers mainly deal with commercial and residential type of properties. This is because these properties have many transactions taking place and are presently in high demand. These properties (commercial & residential) entail leasing, and especially for an office block or a block of flats, which involves many tenants. Therefore the need for management arises. For instance, a commercial block will normally have different types of tenants. A rent collection procedure must be established to ensure that all tenants pay rent in good time, and that they are no rent arrears. Apportionment of service charges to different tenants must be worked out, and this is done by the estate manager.

Normally office blocks and blocks of flats are not owned by an individual, but either by a co-operative, a group of people, a company, etc. And their aim is to be able to repay their loan so that they can accrue some financial benefits. They normally appoint an estate manager to run their property.

Muteti (1987:17) states that in speaking of the "profit aim" of estate management, it is necessary to not that they need not always be directly financial. The enjoyment of an owner-occupier of his house or shop or factory, which would otherwise cost him rent, is obviously a profit return. Also, it is important to recognise that estate management may be only subsidiary to a wider profit making activity. For example, the shop keeper or factory owner rarely regards the management of his premises separately from the running of his business. The Property assets themselves may even show loss in the account books, but their primary role is their contribution toward the overall success of the business.

CHAPTER THREE

ESTATE MANAGEMENT PRACTICES AMONG SOME ESTABLISHED INDUSTRIAL CONCERN: A COMMERCIAL PROPERTY AND A RESIDENTIAL IN KENYA

Estate Management Practices among Industrial Concerns in Kenya

Introduction

A few corporations and an industry have been studied briefly to find out if they do practice estate management, and the procedure and methods, if any, used.

This overview will give an insight into the kind of practice expected in the industrial real estates visited, with the aim of establishing a given procedure in the management of industrial properties.

Estate Management in the Kenya Railways Corporation

The functions of Railway estate management is relegated to a section which falls under a department whose head and duties are of a different professional discipline, i.e. not a land economic degree holder. Operations of the section fall under estate management, leasing, valuations and rating, conveyancing and keeping of records.

a) Estate Management

Estate management involves the administration of industrial lands and it forms the bulk of the Corporation's lands and estates. The industrial land is either Railway-owned or Government owned, the difference being that all the benefits accruing the land goes to the Corporation. The management of Government-owned land is assigned to Railways for administration on an agency which is renewable every 5 (five) years. Under this management agency, the surplus revenue after all costs of administering the land have been deducted, is paid to the Government. Day-to-day management of industrial land revolve around the observance of the conditions of the lease which include rent collection, processing of lessee's application to transact on the land for subleases, transfers, charges, subdivisions, consolidation and extension of leases. The major emphasis in the estate management has been the rail borne generating capacity of plot occupants. It has become increasingly difficult to ensure that enough freight form the industrial areas is committed to rail.

There is need for management of industrial estates by the Corporation to be reviewed or diversified to ensure economic benefits are sustained.

b) Leasing

(i) Properties. Leasing is the second most involving aspect of Railways estate management. Leasing involves letting of the Corporations property and also leasing properties from outsiders such as houses, go-downs and offices.

In both cases the user departments of the Corporation decide on what premises are surplus to their needs and assign these to the estate section for letting and in the same way will state their extra requirements for the section to identify and lease the spaces so required. The estate section is charged with the responsibility of negotiating the terms of lease agreement, preparation of the lease and its management which includes rental payment or receipts, handling of tenants or landlords' complaints and co-ordinating maintenance and repair works.

(ii) Temporary Occupation Licence S(T.O.Ls.)

Kenya Railway has a large number of T.O.Ls all over the system. T.O.Ls are granted mainly to people who require space within the station area to stack goods that are destined for rail transportation or for light manufacturing or other uses that do not hamper the character of the surroundings adversely. T.O.Ls are also granted to people who have trespassed on the railway land boundaries as a way of protecting the Corporation rights over the land. The licences are usually for an indefinite period, they cannot be assigned and can be terminated by either party serving the other a notice period of 3 months. The section determines the rents and in consultation with other departments of the Corporation vet applications.

(iii) Wayleaves, level crossings, cattle crossings and cultivation rights; Wayleaves, level crossings, cattle crossings and cultivation rights are the type of easements encountered by Railways and their number is quite substantial due to widespread and large extent of railway land. Wayleaves cover service lines such as power lines, water pipes, sewer, telephone, oil pipe lines and other conveyor pipes. These normally affect all types of land including the roads or paths across the railway line. Easements are second parties rights created on the land. In effect therefore they sterilise the land in that the land owner is not at liberty to deal with the land without recognition of their presence. The section of estate management scrutinises all applications in conjunction with other Railway departments and bearing in mind that some applicants such as power, telephone, public water supply, etc. have statutory rights to granting wayleave, they ensure that a little Railway land is transversed by the way leave and does not hamper the foreseeable future use of the land affected.

iv) Siding agreements: Private sidings are availed to applicants in occupation of non-rail served premises wishing to be availed sidings. The estate management section's role in processing the application is in liaising between the civil engineering, the traffic and the applicant. Thereafter the siding agreements are drawn by the section and the management on day-to-day basis which includes collection of siding fees and dealing with complaints.

c) Valuation and Rating

The estate section of Kenya Railways does all the property valuation work for the Corporation, as well as deal with various local authorities on site rates over Railway land throughout the country.

Kenya Railways pays site rates to fifty-five (55) rating authorities. Entries in the Railway column are checked for all the new valuation rolls issuing in areas where Railways has land. Valuations are then carried out to ascertain the correct values of the parcels entered against Kenya Railways. The estates section is responsible for collecting the site rates from the lessee and licences. The estate section advises the Corporation on site rates payment to local authorities.

d) Conveyancing

Conveyancing work involves the processing of legal documents relating to the transfer of property.

e) Keeping of land records

Kenya Railways estate management has its records on approximately thirty thousand (30,000) files in form of correspondence file covers, registers, record cards and plans. There is duplication of information for ease of references.

Estate Management in the Kenya Industrial Estates

Kenya Industrial Estates (K.I.E.) was established in 1967. K.I.E. has been part and parcel of the government policy to provide the indigenous Kenyans with an opportunity to participate in industrial development.

In the management of K.I.E. estate, decisions are guided by the right principles of estate management, these being associated with acquisition of property, conversion, or preservation, development, exploitation by running down or wasting, and the sale of the estate and therefore realisation of the assets. All the main decisions in industrial estate management must be in one of the above but there are other elements that must be disentangled in the study of every decision. K.I.E. being a public body has a variety of standing orders, memoranda and other recorded statements which constitute the aims and purposes of management. An industrial estate plan is essential for effective management. The result of preparing a plan is to register and conduct the estate. With clear guide as to purpose, the danger of contradictions which is always present ever in the smallest undertaking lessened. The estate plan clarifies policy decisions and therefore helps to inform all those concerned with estate regarding their individual purpose and function. This includes not only the staff but tenants and outside specialists who contribute or are part of the management.

K.I.E. falls under group management. In this system, the property is divided on geographical basis into groups of estates of a size which is manageable. A qualified industrial estate manager is in charge. His work is administration and control of staff. The responsibility of the group is to take over new industries, revenue and rent collection, and the ordering and checking of repairs and the supervision of industrial estates. The group office is under a central office which is responsible for general administration, policy matters and co-ordination. The central office is headed by a qualified managing director and deals with all the industrial estate matters.

The group system has several advantages. It gets the industrialists into closer touch with the manager responsible for the estate which is more satisfying to the clients. It also offers officials an opportunity to acquire experience in all aspects of management. The junior staff also get better channels to learn because of better contact between them and their supervisors.

However, there are also some disadvantages with this system. The regional manager may spend more time directing work to his junior possible leaving very little time for contact with clients. This method also leads to inconsistencies especially where group managers are given authority to make decisions to facilitate their work. Also, the allowed flexibility in the administration, although good in itself often tends to be abused.

In its endeavour to meet its set out objectives, i.e. of assisting local entrepreneurs, K.I.E. has set up 30 offices throughout the country with Nairobi as headquarters, from which the branches are managed. The location of the industrial estate is important. This is the general situation and accessibility of the estate in relation to the demand for its use. It is also the position or the actual situations of the industrial estate in the context of its immediate environment. The physical characteristics, the form and the quality of the estate in respect of its layout structure and design are other important characteristics in the management of industrial estates.

The Organisation Structure

Although lending to small and medium scale enterprise is a risky task, K.I.E. continues to take it up with a view to stimulate growth and development in Kenya as a whole, as more and more industrial enterprises are created and managed by indigenous Kenyans. The whole K.I.E. management is vested in its board of directors while the day-to-day management is the responsibility of the Managing

Director who is the chief executive, assisted by the Operations Manager. The activities of K.I.E. at the head office are handled by many departments as one unit;

i) Projects preparation and appraisal department; this is in charge of preparations of feasibility studies on specific project ideas and also appraisal of projects to be assisted. This is done in order to ensure that investments on the viable projects are based on sound economic, financial and technical analysis.

ii) Projects implementation and technical supply department; this department is engaged in project implementation.

iii) Supervision, review and entrepreneur training department; this helps entrepreneurs in overcoming problems faced by them after commissioning of the projects. The department also deals with preparation of review papers containing proposals for counter-valuation and re-schedulement of loans.

iv) Finance Department; it deals with all financial and accommodation functions for head office and field offices.

v) Legal Department; The department is responsible for preparation of loan documents, legal action against chronic defaulters as well as providing general legal advice to the institution.

vi) Personnel/Administration Department; deals with all staff matters.

vii) Internal audit department; ensures that the working of various departments of the organisation is conducted as per rules and regulations set out by the board. Reports are made and submitted to the managing director.

viii) Credit control department; deals with debt collection and also rent collections

ix) Technical services centre; this section works at a profit and provides required services to all unit manufacture, machinery and spare parts.

The objectives of an industrial estate must be well defined to be distinct enough for decisions to be weighed. Realistic aims must be set as a target to measure progress. The extent of decentralisation of power will depend on circumstances but typically the managing director will be concerned with the implementation of long term estate plans, and the regional estate managers with medium terms. The degree of autonomy enjoyed by the subordinate estate managers will also be set by their powers to authorise expenditure and settle claims without the need for superior approval.

The K.I.E. regional managers are also concerned with day-to-day problems and carrying our policies while the managing director, besides initiating long term decisions which will only be required occasionally will be chiefly occupied with the approval of action proposed by regional and estate managers and in co-ordination. The problems of co-ordination and uniformity in industrial estate management control, depend on communication within the estate organisation. The responsibility for obtaining uniformity of management rests at the top of the organisation structure which from time to time issues directives through the estate organisation, indicating how specific situations are to be met.

Estate Management in Kenya Breweries Limited (KBL)

Kenya Breweries Limited is a manufacturer of beverages popularly know as lager. The company can have its history traced back to 1923 when there existed 3 breweries, namely: Tusker Brewery, the Allsopps Brewery and the City Brewery. The Tusker Brewery expanded rapidly enough to purchase the other two breweries, Allsopps and City Breweries; and the Kenya Breweries Limited came into existence. This led to a rapid expansion of buildings and other landed property and this expansion lately got a further boost when Kenya Breweries Limited merged with the East African Breweries. This is where we can start to trace the history of estates department in the K.B.L.

The initial buildings came about as a result of efforts to develop housing for Asian communities at the Allsopps and at Tusker Breweries. Engineering service department was then put in charge of certain aspects of repair for a long time up to only 30 years ago, when it was decided that a housing section be created to do the co-ordination of these functions. Maintenance was not being satisfactorily done by the engineers, and a housing manager was appointed.

Kenya Breweries Limited, recognises the importance of housing as a basic human need and as a means of enhancing the productivity of its employees. In 1976, the then Managing Director of the Company, Mr. S. Matiba, in a seminar on Housing Administration said that:-

> "We have housed our employees not out of necessity, but because it makes sound business sense in that it assists production when an employee is not worried over the welfare of his family." *Kioni (1990:111)*

The Company's housing policy has enable it to provide housing for most of its workers. The bulk of the brewery staff is housed at Ruaraka in stone built flats or houses.

Types of stock/estates managed by the estate department

There are four categories of company (KBL) owned or leased buildings, namely;

a) Production building complexes: these companies of the Tusker Brewery, Barley Syrup Plant and Maltings in Nairobi, Mombasa Brewery in Mombasa, Kisumu Breweries in Kisumu, and the Molo Drying Plant and Storage.

b) Staff Housing: which involves a total of 1,068 company owned and 48 company leased housing units in the next category.

c) Offices and other auxiliaries and these scattered all over the country.

d) The other types of property are plots and depots; There are 47 KBL's depots all over the country and of these, only 15 are company owned; the rest are company leased. For land, Breweries has substantial land.

Objectives and Policies of the Estate Management in KBL

The estates department of KBL is one of the very many departments of the Company. Its' operations are first to be compatible to, and second to assist the other departments towards the overall corporate objectives realisation beyond the departmental level.

Financial management aspect of the estate department in the KBL is one-sided. Lots have to be controlled and proper budgeting done, but the department is not expected to make profit in return. It only has to account for its operations in keeping the Company's buildings in good shape in efficient use.

The department works in close co-operation with the others especially production units which are supposed to be responsible for their own maintenance but are still co-ordinated by the estates department. Each production unit and the relevant department manages its own maintenance work to conform with the set up monthly budget by estate department. But each budget proposals are worked out in conformity with key ratio's established by the finance department. Financial reports are expected from each budget vote at the end of every month. The estate department is in charge of co-ordination; *Muchanga (1990).*

The main aim of the department is to keep the Company's assets in order functionally and allow them offer longest service possible to minimise costs of setting up new ones unnecessarily, that is, since the Company KBL houses it's staff, it does not collect rent, neither does it lease it's premises to outsiders, hence the financial objective is not realised.

Functions of the Estates Department

The functions of the estate department in Kenya Breweries are limited in scope by the non-profit motives of the department and the sharing of certain estates management functions with other departments of the Company. This is in respect to handling of general welfare by the personnel department so that the estates department can only be called upon to repair, in case of damage to structure hampering comfortable stay of the housed employees.

In maintenance, the factory buildings, complexes and other industrial processes units are taken care of by the Engineering and Development Service Department ESDD. The maintenance policy is aimed at ensuring proper standards as set up for foods and beverages' manufacturers. This keeps the Company out of the way of the Factories Act (Cap 514) and the Public Health Act of 1972 (Cap 242). The property manager heads the estates department which takes care of the Company leased and owned houses, head office buildings, the clinic, company hostel, club house, sports pavilion, all company depots/godowns in the country and the Allsopps stores and office complex.

The main functions of the Estate Manager are thus;

a) Negotiating the lease; either in respect to newly developed properties which the company wants to use or in the management of the existing leased properties.

b) Monitor payments of rent by the Company to other organisations whose properties the KBL uses. The Company has rented buildings all over the country together with depots. Ground rents on leased land have to be paid.

c) Upkeeping with the valuation roll and raising objections in case of excess rates than envisaged.

d) The department is responsible for the acquisition and disposal of new and old properties respectively.

e) Protect the Company property and ensuring where compulsory acquisition is involved that the Company gets a fair and just compensation.

f) Together with the personnel department, the estate department assists in allocation of houses to the Company's staff but housing is strictly separated from social welfare. There are two (2) allocation committee's, namely;

(i) The unionisable staff housing committee, where three of its members are from the estates department and allocation is based on the points scored based on years of experience, marital status, number of children, etc.

(ii) Ways and means committee, for the management of staff housing for senior officers, branch managers, and this committee sits every 2nd Thursday of the month and is chaired by the company secretary.

g) The department is responsible for repairs and general upkeep of buildings and prepare them for inspection by the public health authorities. The department checks on deterioration, and after ever 2 years there is an inspection of all the buildings of the Company by estates department. The department recovers maintenance requisitions from other departments and arranges for their execution.

h) Update records of the Company's landed property. Stock is also kept by the estates department.

The Estate Management Structure

The department is led by a Property Manager who is answerable to the Finance Director. A new structure has been proposed and already placed before the Management Board for consideration. This shall flow as follows: (pg. 83).

The Estate Management Structure of Kenya Breweries Ltd.

Figure No. 3:1

(Source: Muchanga (1190:25)

This structure to be retained in Nairobi.

Maintenance as a function of the KBL Estate Department

There are 2 departments involved in the property maintenance in KBL;

1) Engineering and Development Service Department (EDSD) which is responsible for the production plants and new projects.

2) The estate department is responsible for the rest of buildings maintenance. Both routine and preventive maintenance Consultancy fall under the breakdown maintenance. Buildings uses are supposed to keep requisition books where maintenance requests are placed, and then entered into a manual record sheet.

Priorities are determined by the officers in charge of the units or departments.

Every department works within a specific budgeting period and maintenance planning should be synchronised with this. Financial control is necessary and a return report is expected for every month from every department. Certain works are contracted whereas others are executed by own staff in the Company.

Estate Management in the Kenya Pipeline Company

The Kenya Pipeline Company is wholly owned by the Kenya Government and was incorporated in 1973. However, like many other corporations in Kenya, it is run on a commercial basis with clear motives of profit making. In 1978, the pipeline was commissioned for pumping refined productions from the Kenya Petroleum Refinery in Mombasa to a terminal in the industrial area in Nairobi with a branch in Embakasi Airport. Intermediate pump stations are provided at three locations. Pumpstation (PS) 3 at Maungu, PS 5 at Mtito Andei and PS 7 at Sultan Hamud. The four pumpstations PS 1, PS 3, PS 5 and PS 7 are all essentially identical with the exception of PS 1 which has additional equipment associated with being the first pumping station on the line. PS 1 in addition to the required pumping machinery also houses offices and workshop facilities to supprot the maintenance of the pipeline. The future pumping stations PS 2, 4, 6 and 8 are simply fenced and guarded compounds. Most of their intermediate pump stations, both operational and future stations, are situated in small market centres and some in totally remote areas. Out of necessity therefore, the Company had to provide suitable houses for the personnel manning all these stations.

At pumpstations one (PS 1) which is located adjacent to Kenya Petroleum Refinery at Mombasa, the Company has a housing estate with 100 houses for staff working at that station. At the intermediate operational pump stations, that is, 3, 5 and 7, each has 15 houses for the station workers and plans are underway to increase this number. Each of these houses has 3 bedrooms, a sitting room and dining room, kitchen, toilet and a bathroom. They are also fully furnished. The Company has also provided social halls and canteens at PS 1, PS 5 and PS 7 for its workers.

At the pumpstations, that is PS2, PS 4, PS 6, PS 8, there are four houses at each station for guards who ensure the safety of the pipe and other equipments fixed at this points for future development.

The Company policy on housing is to provide housing at every post. It is in line with the policy that the Company put up a housing estate alongside Outering Road (Nairobi), i.e. the Kenya Pipeline Embakasi housing estate comprising of 292 houses of different sizes for the company staff working at the Nairobi Terminal (PS 10), Embakasi Terminal (PS 9) and those working in the Head Office. Nairobi area constitutes more than half the company employees. The Company also acquired a 20-acre piece of land along the Limuru Road for the construction of staff houses which comprises of 3 houses for the top company management.

The Embakasi housing estate is also provided with playing grounds, a social hall and a canteen. In Eldoret, the company has a piece of land measuring 20 acres for its future oil project. There are also houses for people managing the depots.

The table below shows the distribution of houses owned and managed by the Company.

Figure No. 3:2

Buildings owned by Kenya Pipeline Company

Station		Stores	Dwelling Units	Machine Rooms	Canteen Social Hall	Clinic Dispen-sary
PS 1	Mombasa	3	100	3	1	1
PS 2	Samburu	-	4	-	-	-
PS 3	Maungu	1	15	2	1	-
PS 4	Manyani	-	4	-	-	-
PS 5	Mtito Andei	1	15	2	1	-
PS 6	Kibwezi	-				

Station		Stores	Dwelling Units	Machine Rooms	Canteen Social Hall	Clinic Dispensary
PS 1	Mombasa	3	100	3	1	1
PS 2	Samburu	-	4	-	-	-
PS 3	Maungu	1	15	2	1	-
PS 4	Manyani	-	4	-	-	-
PS 5	Mtito Andei	1	15	2	1	-
PS 6	Kibwezi	-	4	-	-	-
PS 7	Sultan Hamud	1	15	2	1	-
PS 8	Ulu	-	4	-	-	-
PS 9	Embakasi	1	4	1	-	-
PS 10	Nairobi	3	292	3	1	1

Source : Compiled by J. Kioni

Source : Kioni (1990:89)

The Estate (PS 10) of Kenya Pipeline Company has 292 housing units. This is the major housing estate of the Company. The estate comprises of bungalows, for the high income employees, maisonettes for the middle income employees, and flats for low income employees. There are 44 bungalows, 56 maisonettes and 192 flat units.

The Company has no estate management department, instead the management of the housing estate has been left in the hands of the Company's personnel officers. And since the housing estate is relatively new, (constructed in 1984), most of the facilities are still functioning and have not called for major maintenance works.

Some of the estate management functions carried out are;
House Allocation, Maintenance and Security.

a) House Allocation: The Kenya Pipeline Company adopted a mixed development approach for its housing estate where low, middle and high income earners are housed in flats, maisonettes and bungalows respectively in the same estate. Hence the house allocation procedure is based on the job grade. The conditions include paying electricity and water bills, keeping one's staircase and compound clean, no subletting, forfeiting all house allowance and the immediate reporting of any defects notice.

b) Maintenance; Although the Company is responsible for the internal and external maintenance of the houses, usually there are no house inspections carried out, neither is there a programmed maintenance policy for the houses. The maintenance work only arises when reported by the house occupants. The speed and quality of maintenance is also poor. The slow speed of maintenance is caused by the lengthy procedure adopted by the Company. After a defect has been reported, maintenance work must be sanctioned by the head office. Since there is no labour directly available for the maintenance of the estate, the speed of the work is indirectly done by workloads of the other departments under which the maintenance men fall. The maintenance men are not answerable to the estate officer supervising them and in most cases consider maintenance work in the estate extra duties. This results to poor maintenance work. The general playgrounds, other than being inadequate, are poorly maintained with overgrown grass and broken basketball rings. The estate has no hose reels and fire extinguishers are not provided. Garbage collection is done once a week by the City Commission, and at other times once a fortnight, hence garbage accumulation is inevitable.

3.5 Estate Management Operations of a Commercial Block - Unga House

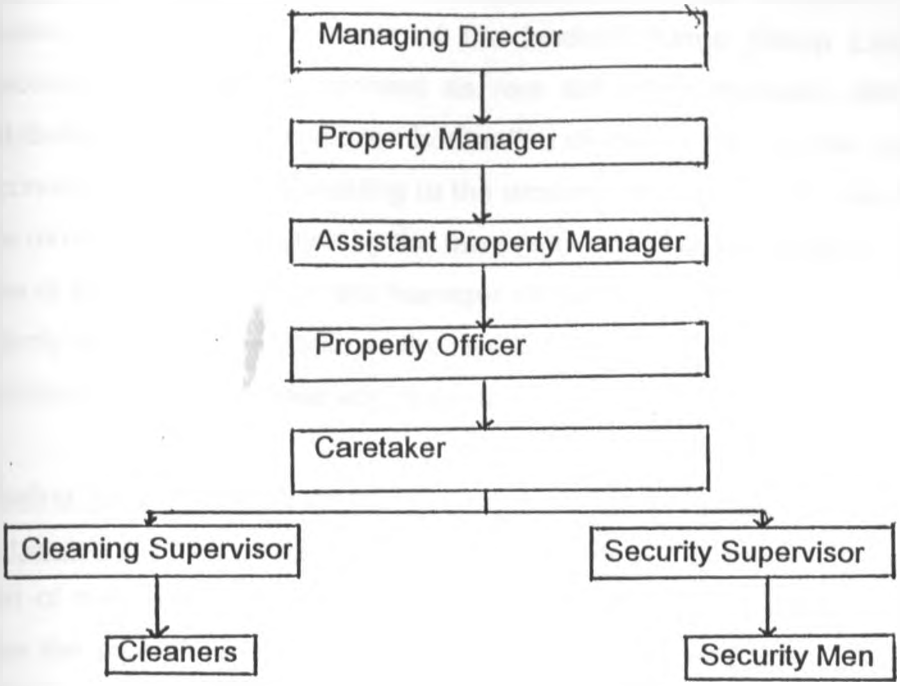
General Description: Unga House is situated in Westlands about 3 km. from Nairobi City Centre. It consists of 10 floors, 4 shop floors and 6 office floors. It is owned by the Unga Group Limited. The building houses over fifty tenants.

The Property Management Structure

The Property Manager is the overall in charge of the building. He supervises the rest of the staff and is answerable to the landlord (managing director of Unga Group Limited).

Property Management Structure - Unga House

Figure No. 3:3



Source: Compiled by Kioni

Qualifications of the Property Manager;

Possess a Master of Arts degree in Housing Administration from the University of Nairobi, with first degree holder in Bachelor of Arts in Land Economics.

Functions; The main function is rent collection. This is important to be able to realise the financial objective of the landlord (Unga Group Limited). This is becoming increasingly important as rent defaulters increase, although this was attributed largely to the economic situation of the country, as the country faces an economic recession. According to the property manager, rent collection is seen as the most important function by the owners/investors of the buildings. But this is just one of the many functions the manager performs, and should not be accorded more priority than other functions, as the rent is dependent also on other attributes of the buildings such as the aesthetic appearance.

Dealing with tenants is another function which the property manager performs. Public relations becomes very important as a lot of diplomacy is called upon on the part of the property manager. There are always difficult tenants in any building, thus the property manager has to be able to deal with them. It is also through contract with tenants that other complaints which have not been attended to can be brought up. For instance, if a complaint was made about a leaking roof, and the person responsible for the repairs has not carried them out, then the property manager will know how to discipline the responsible person.

Maintenance and repairs are also the responsibility of the property manager. Though he does not carry out the maintenance and repair, he has established a maintenance schedule, where each cleaner is allocated a section of property and is responsible for the area's repair, maintenance and cleanliness. When there is a complaint, it is easy to locate the responsible person.

Advertising the premises is another function. This says the property manager has become very important, if rents are to be paid. For instance, if the shop tenants cannot pay the rents because of lack of customers in their shop (which is a common complaint), then the property manager in conjunction with the landlord have to undertake a major public relations campaign, advertising the shops within the building and what they sell. The advertising could be carried out on television, radio and newspapers. This is a very expensive venture. Incentives are created by the shop tenants to attract customers, such as instant prizes for shopping worth a certain amount of money.

The property manager carries out valuation for the buildings especially for insurance purposes, e.g. insurance against fire or theft.

Administration of the property manager's office is also performed. The property manager will keep records of the lease documents of the tenants, rent payable and when it is due. He sends reminders of rent to be paid to late tenants. The property management office has a secretary and receptionist, and a tenant can always book an appointment to see the property manager, or know where to take their rents.

Apportioning service charges for the various tenants is also the responsibility of the property manager. Security of the building is also important, and the property manager has to ensure that tenants' belongings are safe.

There are problems that are encountered in management of the building. One of the problems experienced is vandalism. This is due to the proximity of a nearby retail market. Door handles are stolen, glass panes on staircases broken. Though this has lessened with the increase of security personnel, it is difficult to keep track of all people entering the building.

The finish of the building presents a problem as the tile finishes on the floor have to be polished everyday, and this is very expensive. This problem is attributed to the fact that when the building was being constructed, no estate managers or property managers were included in the design team, and the practicability of the type of finish suitable was neglected.

3.6 <u>Estate Management Operations of a Residential Block of Flats - Chester House</u>

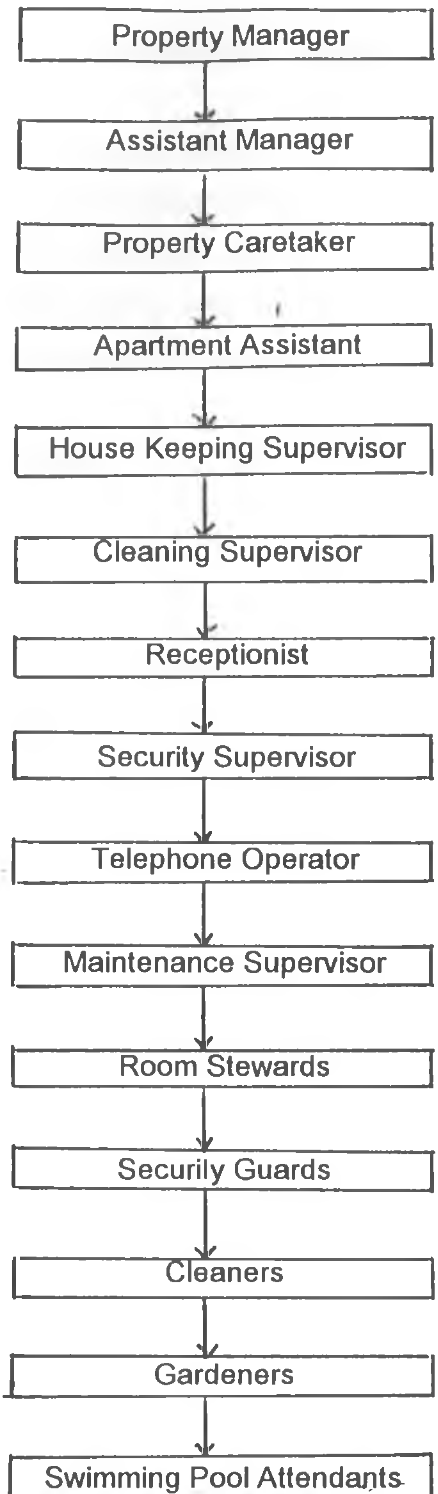
<u>General Description</u>: Chester House is located in Nairobi on Koinange Street. It consists of shops, offices and restaurants on the first 3 floors and residential flats from 4th floor to the 20th floor.

<u>The Property Management Structure</u>

This block of flats is managed by a property management company, Lloyd Masika Management Limited. The company runs this residential block on behalf of its client (landlord).

Figure No. 3:4

Property Management Structure of Chester House



Source: Lloyd Masika Management Limited Records 1992

Qualifications of the Property Manager:

O' level Certificate holder; Experience - over 10 years.

Assistant Manager A Land Economics degree holder.

Functions: The Manager and his assistant are at the head office of the Company. They are in charge of letting and leasing of the property. They draw up the tenancy agreement. Rent collection is also their responsibility. They collect rent and deal with rent defaulters, who after giving them the required notice and informing their lawyers, auction the tenants property to recover rent.

Staff motivation and supervision is also part of the functions they perform. They have to ensure that staff know their duties and perform them to the best of their ability.

The property caretaker's office is situated in Chester House. The caretaker is in charge of the building, identifies defects and attends to repairs and maintenance. Inspections are done daily and routinely, for instance, cleaning the common areas like the corridors and staircases, windows, etc. is done daily. Routine maintenance is done every two years, e.g. painting and redecorating.

Tenant welfare is another function performed by the Managing Company. The tenants have to be kept satisfied with premises leased to them. Any complaint that arises is attended to immediately. A tenant request book is given to every new tenant, where defects are reported and made good. The tenants have a maintenance obligation, that by the end of their lease, the tenant should make good any defect/s which are not structural as stipulated in the tenancy agreement, for example, painting, which should be done seven days prior to the end of the tenancy.

Cleanliness is very important, and this is the responsibility of the property caretaker, as a well-cleaned place is said to be well-managed. The cleaning materials used should be the correct ones, and the caretaker has to ration them so that they are not misused by the cleaning staff.

Security is also important, and is a prime function in any residential building so as to protect the personal belongings of the tenants.

The problems experienced in the management of this residential building include rent defaulters. Some tenants do not pay their rent, and their belongings are attached so that they can be auctioned to recover the rent.

Some illegal activities are also carried out by some tenants, but when discovered, their leases are terminated immediately.

Thefts in the building also occur, though they have tried to solve the problem by having increased security guards and allowing only visitors with appointments into the building.

3.7 SUMMARY

In the preview of the organisation taken, each of them have no set out rules that they follow. The management standards maintained for all the organisations are different. Commercial and residential type of real estate tend to have a higher standard of estate management than industrial. This could be attributed largely to the fact that this type of real estate are open to public scrutiny, that is unlike industrial real estate where the processes taking place are hidden.

Commercial and residential properties are advertised, and therefore have to maintain a high standard to attract reputable tenants. A lot of care and attention is taken with the aesthetic appearance. Another factor is also that more land economists have been employed in this sector of real estate, and can therefore apply their training. The principles of estate management are followed here more closely. For instance, methods of rent collection, procedure of dealing with rent defaulters, maintenance among others.

With industrial organisations studied, except for the Kenya Breweries Limited which has an established estate management department that seems to adhere to some guidelines. With the other establishment, a rule of thumb procedure is followed.

As the property manager of Unga House stated, the Land Economics course sets a guide as to how real estate should be managed. It does not give set rules, but guiding principles, which are very important. But a manager with no Land Economics background will have a lot of problems and will follow the rule of thumb procedure. For example, in maintenance, causes of defects will be known by the Land Economics degree holder. But a manager without this training will be at a loss as to the cause, and may take a wrong remedial action, which will aggravate the problem. And also when it comes to dealing with the laws relating to property, like the Rent Restriction Act (Cap 296), the Landlord and Tenant Act (Cap 301) unless one has prior training, a manager will not know how these laws will affect property.

Therefore the question of land economics estate managers arises. Some land economists were interviewed as to why they do not manage industrial real estate. The reasons given by a property management company was that no industry has approached them. Another land economist stated that industrial real estate did not realise the potential of the estate manager and unless the industrialists were made aware, will not be utilised in the industrial sector. When asked if they could manage industrial real estate, a land economist said they do not know as they have never been asked, but would be challenge. Another land economist responded that industrial real estate prefer to have technical managers because of the nature of the machinery which is given top priority. What happens to the rest of the estate is a question which owners and investors have not addressed themselves to.

Therefore if a land economist can manage commercial and residential properties and follow the principles of estate management, and be able to do so successfully, then a land economist degree holder should also be able to manage industrial real estate which is like any other real estate, and successfully at that.

This is because the management principles of residential, commercial and industrial real estate are the same. Differences arise from the type of use that each is put. In industrial real estate, there is heavy use of machinery, and various processing activities taking place unlike in commercial and residential property.

CHAPTER FOUR

RESEARCH FINDINGS

Research Findings

Introduction

This Study had the initial purpose of finding out how industries are managed, who manages them, what are their qualifications, what functions the managers perform, and if there are any problems in the management of their industries.

Secondly, the Study also intended to find out what role estate managers play in the management of industrial real estates in Kenya, that is, whether estate managers in industries are essential or not.

Thirdly, to find out how these industries tend their staff. Are facilities such as housing, mortgage and medical provided for?

Research Methodology

This section examines the fieldwork approach (the sampling method), procedures and the problems encountered during the field survey.

The aim of the field survey was to investigate the industries with estate managers so as to find out what functions those estate managers perform. Secondly, to investigate the industries without estate managers to find out who does their estate management functions. The researcher also investigated the maintenance of the industries, because this is an important aspect of management, and looked at the existing and possible benefits for staff members, in this case mainly the provision of housing, medical and mortgage facilities.

A total of 44 industries were sampled and managers/investors interviewed. Their sizes ranged from small scale, to medium scale, to large scale, in terms of the number of people employed. The sampled industries had been targeted in the following manner. Firstly, the directory of industries of 1987 compiled by the Kenya Industrial Research and Development Institute (K.I.R.D.I.) was used as it has a list of all manufacturing industries in Kenya. All the industries situated in the Nairobi Industrial Area were noted. They numbered 126. The industries had been classified into groups in terms of the number of employees ranging from A to F, but for purposes of this study, the researcher grouped the industries into three (3) categories, for ease of work in the following manner:

Small scale industries	-	5 - 49 employees
medium scale industries	-	50 - 199 employees
Large scale industries	-	200 and over employees

Of these, 84 industries were small scale, and only 21 were needed. This is 25% of the population. This was taken because a sample size is representative of 1/4 or more of the population is taken and given the time and the financial constraints, the researcher found it feasible to take the minimum number permitted in any scientific research to give a good representation. The 21 industries were chosen by giving each industry a number, then using random tables, the 21 were selected. Random tables were used so that each industry would have an equal chance of being chosen so that the researcher is not biased toward some industries.

The same procedure was used for the medium scale and large scale industries. The only difference was that the sample size was 1/2 of the population as the researcher expected to find the type of answers required within the range of industries. Of this, the medium scale industries were 12, and large scale industries, 11.

The procedure was as follows: the sample industries were divided according to roads, as it would be easier for the researcher, who would concentrate on the industries on that road. The researcher would then go to the targeted industries and explain the purpose of the visit , aim of the research, and what the researcher was hoping to come up with.

The number of industries interviewed on each street were as follows:

Title: Table showing the number of industries interviewed on each street

Table No. 4:0

Road	Number of Industries Interviewed
Addis Ababa	1
Bandari	4
Bamburi	1
Bondo	1
Busia	3
Butere	1
Changamwe	1
Chogoria	1
Commercial	3
Dakar	3
Dar-es-Salaam	2
Dunga	1
Enterprise	4
Funzi	1
Gilgil	1
Homabay	3
Isiolo	2
Jirore	2
Kitui	3
Likoni	6
	44

Source: Compiled by researcher

The first five weeks were hence devoted to familiarising with industries, booking appointments (23 cases), or leaving questionnaires behind to be collected at a later agreed date (of these there were 15 cases). The next four weeks were spent collecting questionnaires that had been left, replacing lost or misplaced ones, (of these there were 5 cases) and generally giving a reminder to the respondents who had forgotten to fill the questionnaire to kindly do so.

A number of problems were encountered during the fieldwork. The field work happened to coincide with the nationwide power rationing of 1992. As a result of the power rationing, as almost all the industries required power, each industry was working hard to maximise power when the supply was available. For this reason, managers who were respondents could not avail themselves to the researcher when asked to. This was because when power was on, the managers were very busy in the factories supervising to beat the deadline so that output would not decline. When the power supply was off, the managers were not on duty and did not report to work. Hence even booking appointments was not easy, as the hours of power rationing also alternated each week between morning hours and afternoon hours. Thus out of the 44 sampled industries, 21 were administered on the spot, 23 appointments were made for a more convenient time. Of these 23, 15 were self administered. This was also due to the reason that some of them needed to be approved by a higher authority, like the managing director, board of directors or directors. Some questionnaires were left overnight, other times for as long as a week awaiting approval.

Another problem was that of physical addresses. The directory of industries from which the sample was drawn was not accurate. Most of the industries had moved or changed location without leaving a forwarding address, and hence could not be traced. Though this problem was solved by taking another industry on the same street at the researcher's discretion, it broke the sampling procedure. This was also used for the industries that turned the researcher away.

Some managers of the industries promised to post their questionnaires after they had filled them, but out of the 6 industries, only one fulfilled this promise. Hence forcing the researcher to look for alternative industries and thus breaking the sample frame.

Data Analysis

All the required data for these purposes was collected and the analysis done in the chapter accordingly. However, it was not possible to analyse the data in terms for the exact order of the study objectives, simply because some information overlapped with information for other purposes.

The first step was to find out how industrial real estates are managed in the study area.

4a. Employment of Managers in Industrial Real Estate

The aim of this was to find out how the present managers acquired their current positions. The following table shows these details for the 44 managers interviewed.

Table 4:1 Process of Becoming a Manager

Process of Becoming a Manager	No. of dependants	%
I was employed as a manager	17	38.6
I am the owner of the industry	16	36.4
Through Promotion	10	22.7
I have experience in dealing with buildings	1	2.3
	44	100.0

Source: Compiled by the author

From the above figures, it is observed that industries are run (managed) by manager of the industrial firms who have been employed as managers primarily to look after the industries on behalf of the owner.

This group accounted for 38.6% of the total number of managers interviewed. Where there were no managers employed, the owners of the industries took upon themselves to perform the functions of the management. There were 36.4% of such cases. The next group of managers is by promotion from lower ranks (clerks, foremen, supervisors, etc.) and this accounted for 22.7%. About 2.3% is accounted for managers with experience in buildings.

This has an effect on performance, in terms of the average daily output, measured in terms of Kenya Shillings (Kshs.).

For ease of analysis, there will be two groups of persons who manage industrial real estate; the owner and the manager, which will include all the types of managers, either through employment or through promotion, and through experience in buildings.

Table 4:2 Type of group who manage

Type of group who manage	%	Average daily output (Kshs).
Owners	36.4	78,869.4
Managers	63.6	160,525.0

(Source: Oral interviews from managers and owners of the firms)
(Source: Compiled by the author)

The average daily output for industries run by managers is approximately Kshs. 160,525.10, while for industries run by owners, is Kshs. 78,869.4. Therefore it is observed that industries managed by managers (63.6%) have an average daily output which is higher than for industries run by owners. This is the implication therefore of having industries run by owners, or by managers as reflected in the average daily output.

4b. <u>The Second step was to find out their qualifications</u>

The aim of this was to find out whether industrial real estates are managed by qualified estate managers, i.e. having a land economics degree. The table below shows these details.

Table 4:3 Qualification of Managers

Qualifications	No. of respondents	%
No academic qualifications in Land Economics	15	34.1
On job experience (training)	9	20.5
University graduates	8	18.1
Diploma graduates	5	11.4
Professional Certificates	5	11.4
O & A level certificate holder	2	4.5
	44	100.0

Source: Complied by the author

The qualifications above are very varied. The majority of those who manage the industries have no academic qualifications, i.e. Land Economics, and these accounts for 34.1% of the managers interviewed. The next group are those who have gained experience on the job, i.e. on job training, and they accounted for 20.5%. These could be those who have been promoted, for instance clerks, supervisors, foremen, etc. University graduates accounted for 18.1%. These were graduates in Bachelor of Commerce, Bachelor of Education, Bachelor of Arts, and Bachelor of Science.

Those who have undergone professional courses accounted for 11.4%; these courses were in engineering, accounting, etc. Diploma certificate holders also accounted for 11.4% for instance, in accounts and food technology.

From the qualifications observed from the table, there are no trained estate managers, i.e. those who have a land economics degree, or any qualification relating to property management. Therefore to manage an industrial concern, one need only to be either the owner, or be employed as a manager, or get promoted.

4c. The next step was to find out what functions the managers perform

The purpose of this was to find out the main functions performed by managers of industrial concerns. Below is a table showing the various functions performed, and the percentage of managers interviewed who perform each function.

Table 4:4 Functions performed by managers

Functions	No. of Respondents	%
General Office administration	21	47.7
Staffing	12	27.3
Accounting	8	18.2
Sales	7	16.0
Public Relations	6	13.6
Production	6	13.6
Maintenance	6	13.6
Supervision	6	13.6
Purchasing	6	13.6
Marketing	6	13.6
Staff Welfare	5	11.4
Co-ordinating of various processes (activities)	4	9.1
Financing & Budgetary Control	3	6.8
Security	3	6.8
Industrial Relations	2	4.5
Advisory	2	4.5
Dealing with legal matters	2	4.5
Training	1	2.3
Human Resource management	1	2.3
Planning	1	2.3
Inspections	1	2.3
Installations	1	2.3
Credit Control	1	2.3
Export	1	2.3
Negotiations	1	2.3
Job Evaluations	1	2.3

Source: Compiled by the author

From the table it can be observed that the most common function which is performed by majority of the managers (48.7%) is general office administration. Staffing is another important function and accounts for 27.3% of the functions performed, without which there would be not organisation.

Accounting is another function as it shows the organisation how well its business is operating and whether there are losses or profit. This accounts for 18.2%. Sales accounts for 16% of the functions performed as most industries produce or manufacture a product which has to be sold. Public relations, maintenance, supervision, purchasing, marketing and production each account for 13.6%, while staff welfare is performed by 11.4% of the respondents. Co-ordination of the various activities accounts for 9.1% while financing and budgetary control and security each account for 6.8%. Industrial relations, advisory and dealing with legal matters is each performed by only 4.5% of the managers interviewed. Other miscellaneous functions performed include training, human resource management, planning, inspection, installation, credit control, export, negotiations and job evaluation, where each account for 2.3%.

From this, it can be observed that managers perform some of the functions of an estate manager, though not consciously, such as staffing, accounting, maintenance, etc. But the managers perform the functions only in relation to their business enterprise and not in relation to estate management. Therefore, it can be stated that estate management has principles of business administration incorporated into it.

4d. The next step was to find out the problems encountered in management of these industries

The purpose of this was to find out whether the problems experienced by the (general) managers are similar to the problems experienced by estate managers, for instance poor maintenance, voids and vacancies.

The following table shows the main problems experienced.

Table 4:5 Problems of Management of Industries

Problem	No. of respondents	%
Lack of funds	18	40.9
No problem experienced	10	22.7
Lack of professional know-how	7	15.9
Lack of raw materials	2	4.5
Owner/Investor not bothered	2	4.5
Product is difficult to sell	1	2.3
Lack of customers	1	2.3
Lack of space for expansion	1	2.3
Restriction on imports by the Government	2	4.5
	44	100.0

Source: Compiled by the author

From the above figures, the main problem is lack of funds. This accounts for 40.9%. About 22.7% stated that they experienced no problems at all in their management. 15.9% accounted for those whose problem was lack of professional know-how. This could mean that if professional expertise was available, the industry would run smoothly. And if funds were availed, then no problems would be experienced by the 40.9%. For the 22.7% who have no problems, it implies that they have funds available, and professional know-how and therefore their operations are running smoothly. Lack of raw materials and lack of interest or concern on the part of the owner, each accounted for 4.5% of the problems. Since the owners are not interested in the management of their business enterprises, employees too would naturally lack an interest, and would not put much effort in their work. This could result in laziness, idleness and time loss, and therefore losses would be experienced. The other minor problems were; difficulties in selling the product(s), lack of customers, lack of space for expansion, and restriction on imports by the government, and each of these accounted for 2.3%.

4e. The next issue that would logically follow is suggesting methods of how to solve these problems. This was to provide recommendations which the respondents felt would solve their problems. The table below gives suggestions offered.

Tabel 4:6 Recommendations to the Problems

Recommendations	No. of respondents	%
More funds should be availed for business	15	34.1
Offered no solution	11	25.0
Use of qualified staff	8	18.2
Owners should manage the business themselves	3	6.8
Relocation of site	2	4.5
Revival of the Economy	2	4.5
More support from funding institution	1	2.3
Diversification of product	1	2.3
Relaxation of imports by Government	1	2.3
	44	100.0

Source: Compiled by the author

The solutions offered for the problems cited earlier are that; 34.1% would like more funds to be availed to them. 25% offered no solution, while 18.2% would like to use qualified staff. 6.8% felt that if their owners managed their business (industries) then there would be no problems for them. Relocation of site and revival of the economy was a solution offered by 4.5% of the respondents. While diversification of products, relaxation of imports by Government, and more support from funding institutions each accounted for 2.3%.

The implication gathered from the solutions given is that there would be no problems, if the recommendations are followed in the management of industrial real estate. But the recommendations can only work if they are all combined together, for instance, if funds are availed and there is no professional know-how , then the funds might be misappropriated, and the problem would still persist. But if each of the recommendations is taken in isolation then it would not work; they all have to be combined together though in differing proportions, to provide a suitable environment for the industries to operate. There would be no problems in management of industrial real estate.

The next stage was to find out whether an estate manager has any role to play in the management structure. This was done through the following steps:

1. <u>To establish whether there were estate managers in industrial real estate</u>

The aim of this was to find out what role the estate manager plays, if they are employed in industries, and if there are any estate managers, qualified (land economics degree holders) or not.

The table below shows industries with estate managers and those without. (Estate managers taken to mean those with a Land Economics degree).

Table 4:7 Industries with Estate Managers

	No. of respondents	%
Industries with estate managers	0	0
Industries without estate managers	44	100
	44	100

Source: Compiled by author

Of all the cases interviewed, none has an estate manager within their management structure. This implies that industries do not have estate managers. This means that there is no role for an estate manager in industrial real estate, i.e. his services and professional expertise are not required and have no place in industries. This situation is prevalent generally in most industries in Nairobi.

2. <u>The next step was therefore to find out why the services of an estate manager had not been called for</u>

This could give an insight as to why there are no estate managers in industries. The table below gives this reasons.

Table 4:8 Reasons for lack of estate managers

Reasons	No. of respondents	%
Do not need them	21	47.7
Not aware of the role they play in industry	11	25.0
Do not know where to find them	4	9.1
Lack of sufficient work to occupy a full time estate manager	4	9.1
Do not consider them qualified for industry	1	2.3
Never thought of them	2	4.5
Contracted to an estate agency	1	2.3
	44	100.0

Source: Compiled by author

Many of the respondents felt that they did not need the services of an estate manage. This group accounted for 47.7%. They felt that they could manage the industry without an estate manager since they had the experience. 25% stated that they were not aware of the role that an estate manager can play in the industry. This implies that they do not know what an estate manager is supposed to do, what his functions are, what his training is supposed to do, what his functions are, what his training encompasses and what expertise he has with him. 9.1 % accounted for those who did not know where the services of an estate manager could be found. That is, they had no idea where to look for or hire an estate manager's service.

Therefore, even if they could have wanted to use or employ the services of an estate manager, they were at a loss as to where to find them.

A percentage of 9.1 felt that the operations of the industries were too small to warrant the services of an estate manager since the industries lacked sufficient work to occupy a full time estate manager, who would not be fully utilised. This again shows the lack of awareness that the managers had about the training of estate managers, as most of them assume that the estate manager's work is only in letting and rent collection.

A percentage of 4.5 never thought about an estate manager in the sense that it was a totally new idea to them This could imply that estate managers have shied from industries such that they have not made their presence felt as they have not penetrated the industrial sector. Another reason could be that estate management is an area that is still relatively new to industries who believe that since they are mechanised, a land economist degree holder would be way out of his depth trying to manage an industrial real estate. The managers are perhaps unaware that industrial real estate does not only entail looking after and repairing of machinery but there are other functions in estate management such as valuation and insurance which can be better handled by one qualified person.

A percentage of 2.3 % were contracted to an estate agency therefore saw no need for an estate manager since the agency performed the estate management functions.

3. <u>To find out if an estate manager is essential or not to industries.</u>

The aim of this was to find out whether they are required in industries. This was done through seeking the opinions of the 44 managers who were interviewed.

Table 4:9 Opinion on the importance of an estate manager

Opinion	No. of respondents	%
Not important	30	68.2
Essential	9	20.5
Very essential	3	6.8
Don't know	2	4.5
	44	100.0

Source: Compiled by author

A percentage of 68.2 felt that estate managers are not important in industries. Various reasons were given for this; the respondents felt that their operations were too small, and only very large industries could require estate managers. Others felt that estate managers are not well equipped to manage industries due to the different activities which take place, they lacked the qualifications and experience. Another reason given was that the managers and owners can run their industries themselves effectively and efficiently and therefore do not need an estate manager.

For those who felt that estate managers are essential, their main reason was that estate managers are trained in maintenance among other things. They can therefore look after maintenance of the building and machinery. They felt that an estate manager will only deal with the estate management aspects, hence specialised and can therefore work more effectively.

4c. <u>The best person to manage an industrial real estate</u>

The aim of this was to find out who in their opinion can most effectively manage industries, i.e. the most competent person who would ensure that the industries do not face any problems, or who could tackle any problem/s that may arise, and also ensure that the industries are making profits. This rating of the most competent person would also know how the managers regard or rate the estate manager. The table below shows their responses as far as their preferences are concerned.

Table 4:10 Opinion on the most suitable manager for Industrial Real Estate

Type of Manager	No. of respondents	%
Owner of Industry	16	36.3
Manager of the firm	11	25.0
Estate Manager	6	13.6
Mechanical/Technical Manager	5	11.4
Factory Manager	2	4.5
Administrative Manager	1	2.3
A Property Management Company	1	2.3
Production Manager	1	2.3
Managing Director	1	2.3
	44	100.0

Source: Compile by author

A percentage of 36.3 felt that the owner of the industry is the best person to manager an industrial real estate and he has an interest of the company at heart, so he will do all he can to ensure that the operations of the industry run smoothly as he has a higher stake than the rest of the employees. 25% of the respondents felt that the manager, i.e. one who is specifically employed to manage the industry, is the most suitable person. The argument being that since he is a professional, he would know where and how best to minimise cost to achieve high net returns. 13.6% of the respondents felt that an estate manager is the best person to manage an industrial real estate. This is because he has the necessary training and qualifications. 11.4% accounted for those who felt that a mechanical or technical manger is the most suitable person as the industries have a lot of machinery and equipment, whose operations may require a qualified technician. 4.5% of the respondents felt that a factory manger would be the best person as he is intimately involved in the production process. Some of the respondents felt that an administrative manager or production manager, or a managing director would be the best type of manager for industrial real estate, each of this accounted for about 2.3%.

5. <u>Performance of estate management functions</u>

The aim of this was to identify who among the members of staff perform the estate management functions, because it was found out that there are no estate managers in industrial real estates. Below is a table showing the various functions, and which members of staff perform the function.

Table 4:11 Performance of the Estate Management function

Function	Member of Staff	No. of Respondents	%
a) Insurance	Insurance firm	17	38.6
	Owner/Investor	12	27.3
	Manager of the firm	6	13.6
	Accountant	3	6.8
	Personnel/Administrative Manager	2	4.5
	Finance Manager	3	6.8
	Company Secretary	1	2.3
b) Valuation of buildings and machinery	Valuation firm	30	68.2
	Owner of the industry	10	22.7
	Manager of the firm	3	6.8
	No valuations carried out	1	2.3
c) Staffing	Personnel Manager	10	22.7
	Owner of the industry	17	38.6
	Manager for the firm	14	31.8
	Managing director	2	4.5
	Production manager	1	2.3
d) Maintenance & repair of building	Maintenance officer	13	29.5
	Foreman	10	22.7
	Contract Labour	14	31.8
e) Maintenance & repair of machinery	Any member of staff	1	2.3
	Mechanical/Technical manager	15	34.1
	Contract Labour	17	38.6
	Factory manager	5	11.4
	Manager of the firm	2	4.5
	Accountant	1	2.3
	Workshop manager	1	2.3
	Engineering department	1	2.3
	Factory engineer	1	2.3
	Maintenance officer	1	2.3

Table 4:11 continued

Function	Member of Staff	No. of Respondents	%
f) Insurance	Factory Manager	17	38.6
	Fire firm/brigade	12	27.3
	Foremen	6	13.6
	Owner of industry	3	6.8
	Accountant	2	4.5
	General Manager	3	6.8
	Factory Engineer	1	2.3
	Administrative Manager	30	68.2
	Manager of the firm	10	22.7
g) Production	Production Manager	3	6.8
	Factory Manager	1	2.3
	Owner/Investor	10	22.7
	Manager of the firm	17	38.6
	Foreman	14	31.8
	No Production	2	4.5
h) Sales & Marketing	Sales Manager	1	2.3
	Marketing Manager	13	29.5
	Owner/Investor	10	22.7
	Manager of firm	14	31.8
	Production manager	1	2.3
	Technical Manager	15	34.1
	General Manager	17	38.6
i) Management of records & accounts	Accountant	5	11.4
	Owner of the industry	2	4.5
	Manager of the firm	1	2.3
	Auditing Firm	1	2.3
	Administrative Manager	1	2.3
	Finance Manager	1	2.3

Table 4:11 continued

Function	Member of Staff	No. of Respondents	%
j) Payment of Bills e.g. electricity, water, service charges, etc.	Accountant	31	70.5
	Manager of the firm	4	9.1
	Owner of the industry	7	15.4
	Administrative Manager	2	4.5
k) Financing	Owner/Investor	34	6.8
	Manager of the firm	6	2.3
	Managing Director	3	68.2
	Directors of the Industry	1	22.7
h) Research	Research Officer/Manager	1	6.8
	Research firm	1	2.3
	Manager of the firm	7	22.7
	Owner/Investor	8	38.6
	Production Manager	3	31.8
	General Manager	5	4.5
	No research undertaken	19	2.3

Source: Compiled by the author

From the above figures, it is observed that no one particular person performs the estate management function. These functions are carried out by a variety of people, forming a wide spectrum. The implication of this is that industries can do well without an estate manager, as members of staff have been assigned these duties to perform. That is, for the functions that the estate manager is supposed to perform, are still performed but not by one individual, every person in the management structure contributes to the performance of these functions. These functions are scattered among various people, whereas employing an estate manager can help ease their work as he would be employed specifically to do all these functions which he is trained to do.

6. <u>The next stage was to find out how these industries look after their staff, in terms of provision of facilities such as housing, medical and mortgage</u>

This is because staff welfare is an aspect of management which should be taken into account, as provision of these facilities are motivation to the staff members.

For the provision of housing facilities, the table below gives the responses gathered.

Table 4:12 Provision of housing facility

Housing Staff	No. of respondents	%
Provided	3	6.8
Not provided	22	50.0
Provide housing allowance	19	43.2
	44	100.0

Source: Compiled by author

From the table, only 6.8% of the industries interviewed house members of their staff. Majority of them are not provided with housing and have to look for their own accommodation. This accounts for 50%/. 43.2% account for those who are provided with housing allowance, then have to look for their own accommodation. The implication of this is that as far as provision of housing is concerned, housing members of staff is not a priority of the management. Thus the workers have to look for their own accommodation. This could have a negative effect on the performance of the employees, as some of them have to live far from their work places and have either to walk long distances or use a high percentage of their salary on transport. The worker's output could hence be affected, whereby it would drop, as the worker has other worries on his mind; either he is tired from the long walk, or on how to afford the high cost of transport.

The next step was to establish which members of staff are housed; the aim of this was to find out those who are eligible for housing. Below is a table showing the members of staff that are housed.

Table 4:13 Members of staff housed

Housed Members of Staff	No. of respondents	%
Permanent Staff	2	4.5
Senior Management	5	11.4
Junior Staff	1	2.3
Provided with housing allowance	36	81.8
	44	100.0

Source: Compiled by author

Of those who are housed, 4.5% are permanent staff. These are unionised employees. 11.4% accounts for senior management, these are heads of department, general managers, the managing director. 2.3% of the industries provide housing for Junior staff (e.g. drivers). The housing aspect of staff welfare is hence not important in the management of industries.

7. Provision of medical facilities

The aim of this was to find out if industries provide medical facilities to staff members, as part of their management of staff welfare.

Table 4:14 Provision of Medical Facility

Provision of Medical Facilities	No. of respondents	%
Provide	28	63.6
Do not provide	16	36.4
	44	100.0

Source: Compiled by author

A percentage of 63.6% of the managers interviewed provide medical facilities to their members of staff. And only 36.4% do not provide medical facilities. This shows that as far as the health of the workers is concerned, this has been given some priority. Although this could have been prompted by the fact that since industries deal with a lot of heavy machinery and manual work, accidents are bound to occur within the premises of the industries, and this has necessitated the provision of medical facilities.

8. Provision of mortgage facilities

The aim of this was to find out, apart from providing the very basic facilities, such as housing and medical, if industries also offer non-essential facilities such as mortgages.

Table 4:15 Provision of Mortgage Facilities

Provision of Mortgage Facilities	No. of respondents	%
Provide	3	6.8
Do not provide	41	93.2
	44	100.0

Source: Compiled by author

Only 6.8% of the industries provide mortgage facilities for their staff. While 93.% do not provide mortgage/financing facilities. The staff are therefore usually members of a co-operative or a union where, after contributing for some time, can qualify for a loan.

9. <u>The next stage is to find out how maintenance is carried out in the industries</u>
The first step was to find out how industrial real estate is maintained. This was to establish the industries which have a maintenance timetable for their machinery and buildings. The table below gives the details.

Table 4:16 Maintenance Timetable

Maintenance Timetable	Available	No. of Respondents	%
Machinery	Yes	27	61.4
	No	17	38.6
		44	100.0
Building	Yes	17	38.6
	No	27	61.4
		44	100.0

Source: compiled by the author

61.4% of the industries had a maintenance timetable for their machinery, and 38.6% did not have. While for building only 38.6% had a maintenance timetable, while 61.4% did not have. The implication of this is that machinery is given more importance in industries, hence more attention is given to their maintenance than buildings. The role of maintaining buildings is left to other concerns or until the need arises to repair and maintain a building when it becomes a threat to the operations and occupants of the building/s.

10. Maintenance Inspection

The aim was to find out how regularly inspections were carried out so that if there is to be proper maintenance, inspection has to be done to reveal the defect.

The table below gives the frequency of inspections.

Table 4:17 Maintenance Timetable

Item	Frequency	No. of Respondents	%
(i) Machinery	Weekly	10	22.7
	Monthly	9	20.5
	Twice a year	5	11.4
	Annually	1	2.3
	None unless defect occurs	15	34.1
	Daily	3	6.7
	Whenever there is a break in production e.g. power failure, lack of raw material	1	2.3
		44	100.0
(ii) Buildings	Weekly	1	2.3
	Monthly	1	2.3
	Twice a year	4	9.1
	Annually	10	22.7
	None unless defect occurs	28	63.6
		44	100.0

Source: compiled by author

Again it appears inspections are done more frequently for machinery than for buildings. For machinery, managers inspected their machines every week (22.7%), while only 2.3% did the same for buildings. Similarly, monthly inspections for machinery were done by 20.5% while only 2.3 % of managers inspected their buildings only when defects were observed, while the corresponding figure for machinery was 34.1% almost half of the one for buildings.

Other industries waited until there was a break in production for them to inspect their machinery, as they were idle. This accounted for 2.3%. This means that if there was no break in production, which is supposed to be the ultimate ideal, then inspections would never be carried out.
Hence from table 10 we can see the priority that is accorded to machinery over buildings. Buildings per se were considered important, only as far as they provide for the machines.

CHAPTER FIVE

CONCLUSIONS AND RECOMMENDATIONS

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Introduction

Estate Management is the skill of managing the real estate property by using available resources such as money, men, material, human labour and technique to make the estate give its fullest potential value. Estate Management involves directing, administering, planning, supervising and co-ordination the responsibilities of those who own, lease, finance, occupy or use real estate in order to realise a pre-determined objective. An estate manager is the person responsible or in charge of the estate. In Kenya, estate management is practised by either or employing an estate manager to look after the property on behalf of the owner, where he is answerable to the owner as his employer. In other cases the services of a property management company are used, where the company looks after the interest of the owner(s) of the property for a fee.

The objectives of the study were to find out why there are hardly any estate managers in industrial real estate in Kenya. The study set to find out firstly, how industrial real estates are currently managed, who manages them and their qualifications, and any problems encountered in their management.

Secondly, to find out what role estate managers play in industrial real estate in Kenya, that is, whether estate managers are essential to industries or not. Finally, to find out how staff welfare is, and if facilities such as housing, mortgages and medical are provided for.

In this study, industrial real estate has been taken to mean any area of land or building used for industrial purposes involving activities such as production, storage and distribution of tangible goods.

The central theme of the study was that there are not trained estate managers (that is, land economics degree holders) in industrial real estate in Kenya. Industrial real estate has been neglected as far as estate management is concerned. This raises a problem since an estate manager is trained to manage all kinds of real estate, including industries, yet this is not the case. Industrial real estate in Kenya has been managed primarily by the owners/investors of the industries.

The respondents of this study were managers of industrial firms. A number of estate management functions have been dealt with in detail, namely insurance, valuation, repair and maintenance, management of records and accounts, payment of charges, for instance, ground rent, electricity and water bills. A few established industrial concerns have also been examined, to give an insight into their estate management practices as a preview which can act as a basis for other industries wishing to set up an estate management department. Since industrial real estate is a type of property like any other real estate, then estate management practice should also be applicable because an estate manager is trained to manage all types of real estate.

Conclusions

1. It was found that despite the presence or availability of trained estate managers, there were no cases found of employed estate manager within the industrial firms sampled. The reasons why this was so was that industrial firms within the sample stated that they can do well without estate managers and therefore did not need them. Another reason given was that industrial firms were not aware of the role that estate managers play in industries, that is, potential of an estate manager. Another reason was that some respondents did not know where they can find estate managers and that there was lack of sufficient work to occupy a full time estate manager. The respondents also did not consider the estate manager qualified to manage industry and another reason given was that some of them had contracted to an estate agency.

2. The research however found that there are basically two groups of persons who manage industrial real estate, the owners of the industrial firms and the managers of the firms specifically employed to act on behalf of the owners. None of them were qualified estate managers, that is, holders of land economics degree.

3. It was found that the functions performed by the managers are various and include general office administration, staffing, accounting, sales, public relations, production, maintenance, supervision, purchasing, marketing, co-ordinating various activities, financing and budgetary control, security, industrial relations, advisory function, dealing with legal matters. Other minor functions were training, human resources management, planning, inspection, installing, credit control, export, negotiations and job evaluations.

4. The qualifications of those who manage industrial real estate are varied, and had no common academic qualification in terms of property management. It was found out that while academic qualifications were varied, 34.1% had no academic qualifications, while 20.5% had on job experience (training). University graduates were 18.1% of the respondents and none had a land economics degree. 11.4% were diploma certificate holders and another 11.4% had undertaken professional courses, while 4.5% were 'O' and 'A' level certificate holders.

5. The research also found out that there were several problems encountered in the running of these industries. The main problems were; lack of funds for the firms, lack of professional know-how, lack of raw materials, lack of interest on the part of the owner. Other problems included; difficulty in selling the products, lack of customers, lack of space for expansion, restriction on imports by the government.

   The solutions offered implied that once all the recommendations were applied, then no problem would arise. This solutions were; availing funds for the business, use of qualified staff, owners should manage the business themselves, relocation of site, more support from funding institutions, diversification of products and relaxation of imports by the Government.

6. The research found out that estate managers were not considered essential to industries. 20.5% felt that estate managers are essential while 6.8% felt that estate managers are very essential. 4.5% did not know whether they found an estate manager essential to industries or not.

7. It was found that members of staff perform the estate management functions as part of their job. That is, the estate management functions are carried out unconsciously by the employees, not aware that the duties they perform such as maintenance, payment of bills (water and electricity), management of records and accounts, financing are functions of estate management.

8. Another finding of the research was in maintenance where it was found out that;
   a) 61.4% of the respondents kept a maintenance timetable for their machinery, while 38.6% did not, and that 38.6% keep a maintenance timetable for their buildings, while 61.4% did not keep one for their buildings.
   b) It was also found that inspections for machinery are more frequent than for buildings. Machine inspections weekly were 22.7% while for the same buildings, it was 2.3%. Similarly, monthly inspections for machinery was more frequent while for the same buildings it was 2.3%.
   c) It was found that managers waited for the defects to appear in buildings before inspections were carried out, while machinery waited for breakdown of machinery to occur. Those who inspected daily for machinery were 6.7%, while for buildings, none at all. Machinery inspection annually was carried out by only 2.3% while for buildings it was 22.7%.

9) The research also found out that the cause of maintenance problems. For machinery, use, wear and tear was the main problem evident in idle machines

which were not out of order. While for the buildings, use, wear and tear was also the main problem, evident in worn out floor tiles, signs of leakage, paint peeling, etc. Other problems were lack of funds for repair and maintenance of machinery. Another cause of maintenance problems was that inspections were not done in time for both machinery 11.4%, and for buildings 11.4%. Lack of spare parts for machinery was another problem, while for buildings, it was lack of building materials. Breakdown of communication from the management was another cause. It was also found that some industries did not experience any problems with their machinery, or their buildings.

10. Another finding was on the staff welfare aspects. This were facilities in housing, mortgage and medical. It was found that 6.5% of the industrial firms housed their staff while 43.2% were provided with housing allowance, the rest 50% were not provided with either housing or house allowance. In the provision of mortgage facility, it was found that only 6.8% of the industrial firms do provide mortgage facilities while the rest 93.2% do not. And with medical facility 63.6% provided their staff with medical facility, while 36.4% were not provided for.

It can be concluded from t he study that industrial estate management is being carried out unprofessionally by managers without a land economics background. This is so because of lack of awareness of the existence and potential of an estate manager within an industrial real estate. A rule of thumb procedure is being used without any considerations for professionalism, as none of the persons who manage these industrial firms have any estate management qualifications (that is, a land economics degree)

It can therefore be concluded that the functions performed by the managers/owners are functions of business administration. They do not include estate management functions.

Due to the various qualifications, among them managers, industrial real estate are managed by persons who have no professional training in the estate management.

It can also be concluded that due to lack of professionalism, various problems are encountered as there are no principles which the managers can be guided by or adhered to. For instance, the main problem encountered in the management of these industries is lack of funds (40.9%). An estate manager knows the potential industrial lending institutions which cater exclusively for industrial firms or methods of saving the scarce funds available.

The estate manager does have role to play in industrial real estate, but since there has not been exposure or awareness of his services, he has not been able to utilise his knowledge and skills.

It can also be concluded that estate management practice carried out in industries, by the fact that various estate management functions are performed by the employees. Though these functions are not carried out by one person, or even one department, but by various people within the industries. Hence there is a role for estate manager to participate in industrial real estate.

In the maintenance aspect of the industries, machinery takes prominence at the expense of building maintenance, where it is carried out when a defect occurs. This is another aspect which is carried out unprofessionally, as the industrial firms wait for failure to occur with their machinery and buildings before taking any action.

Maintenance problems arise mainly due to lack of proper maintenance at the early stages. Use, wear and tear was the main problem for both building and machinery. This is because of the constant use of building and machinery, and since there are no funds (which was cited as another problem) set aside for maintenance and repair of buildings and machinery, this problem becomes serious, as worn out parts cannot be replaced hence the machinery is just idle and production cannot be carried out.

It can also be concluded that staff welfare is not an important aspect of industrial real estate management. Apart from provision of medical facilities, which is a necessity due to the fact that heavy and dangerous machines are used and accidents are bound to occur within the premises. Thus the provision of this facility becomes mandatory. Otherwise other facilities are not provided for, and the staff have to make their own arrangement for accommodation (housing) and for mortgage or loans.

Recommendations

To manage industrial real estate, professionally qualified estate managers have to be employed. Thus awareness has to be created for the industrial firms by training institutions. One way of doing this is having the students on attachment in industries during which they write a project paper of the particular industry they are, hoping the industries will permit this. This will provide the necessary exposure to both students and the managers/owners of the industries of the potential of an estate manager.

For industrial real estate to be run more effectively and efficiently, estate management functions must be incorporated in industrial firms. One way of doing this is setting up an estate management department or section with qualified estate managers to head the department.

To alleviate some of the problems experienced such as lack of funds, the industrial real estate can take loans by mortgage from lending financial institutions which deal with industries such as Industrial and Commercial Development Corporation, Development Finance Company of Kenya, Kenya Industrial Estates, among others which also provide expert advice on the management of the loan.

Where there is lack of professional know-how, professionals who have undergone training and qualified from known institutions can be hired or employed in the various departments.

Marketing the services of an estate manager is another recommendation which can be undertaken by the training institutions such as the universities. Workshops and seminars can be used as a means to create awareness to the industrialists who could participate in these workshops and seminars.

Since the estate management functions are carried out by various people in the industries, it can be recommended that all the various estate management functions should fall under a department which can be created for instance, the estate's department for more efficiency and effectiveness under the supervision of a qualified head of department (e.g. estate manager) with assistants who are qualified.

For maintenance, the recommendation given is that maintenance schedule should be established for all industries in both machinery and buildings. This will ensure regular inspections so that any defect can be detected at its early stages, so that the life of both machinery and building can be prolonged.

Another recommendation is setting aside a maintenance budget would alleviate maintenance problems as once inspections are done, repair can be undertaken as funds are available.

On staff welfare, it should not be ignored as it acts as an incentive for the employees when they know that their affairs are the concern of the management. For example when it comes to loans, the management should liaise with the lending institutions with the industries as guarantors of the loan and an agreed amount to be deducted from the employees salary and forwarded to the lending institutions to repay the loan.

In the case of housing facility, the industry can lease houses for its staff and then not pay any housing allowance.

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