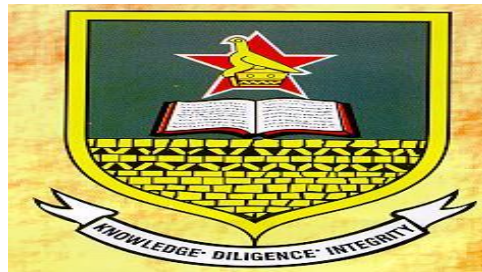


**UNIVERSITY OF ZIMBABWE**  
**FACULTY OF COMMERCE**  
**GRADUATE SCHOOL OF MANAGEMENT**  
**MASTER IN BUSINESS ADMINISTRATION**



**STRATEGIES FOR GAINING AND SUSTAINING PROPERTY MANAGEMENT  
MANDATES IN ZIMBABWE'S REAL ESTATE INDUSTRY**

**A dissertation submitted to the University of Zimbabwe Graduate School of  
Management (GSM) in partial fulfilment of the requirements of the Master degree of  
Business Administration**

**By**

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## **DEDICATION**

This is dedicated to all my family members. Without you this study would not have been possible.

## DECLARATION

**Student's Declaration** - I, **Cre mio Kazembe**, do hereby declare that this dissertation is the result of my own investigation and research, except to the extent indicated in the acknowledgements, references, and by comments included in the body of the report, and that this dissertation is therefore my original work and has not been presented in part or in full for any other degree in any other University.

Signature .....

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**Supervisor Declaration** – I, DR. G. MUPONDA, confirm that the work reported in this dissertation was carried out by the candidate under my supervision as the University supervisor. This dissertation has been submitted for review with my approval as University Supervisor.

Signature .....

Date .....

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## ACKNOWLEDGEMENTS

There are a number of people who without them, this dissertation might not have been written and to whom I am greatly indebted. Firstly I would like to acknowledge my supervisor, Dr. G. Muponda for the direction he provided in this dissertation. His insightful comments were extremely inspirational and enriching.

I would also like to thank my family, especially my wife Sichieni Phiri and my lovely daughter Aisha Kazembe as well as my parents, for they endured my prolonged weekend's absence from their lives over a two year period, as a result of my pursuit of the Master in Business Administration degree.

I would also like to thank the Almighty for giving me the courage and determination to complete the degree program. Lastly, I would like to express my gratitude to all the real estate firms that allowed me to conduct the interviews at their institutions.

I thank you all for making my journey worth travelling.

## ABSTRACT

Real estate agents firms in Zimbabwe like Knight Frank Zimbabwe are losing property management mandates to subsidiary property investors' in-house management teams, contrary to the trend worldwide, where most corporates are now outsourcing corporate real estate functions such as property management. The purpose of the study was therefore, to investigate strategies that can be used by estate agents' property managers to gain and sustain property management mandates in Zimbabwe.

The research approach was both quantitative and qualitative. Seven interviews were carried out with senior property managers in-order to investigate the problems and strategies to sustain and gain property management mandates. Three further interviews were carried out with key informants in-order to inform the policy recommendations. Over and above that, 400 interviews were carried out with commercial tenants through questionnaires in-order to analyze the challenges facing the property users, which also lead to the loss of property management mandates and their responses were analysed through the SPSS package. The qualitative data was analyzed through thematic and content analysis.

The study found out that the major property owners in the CBD of Harare have lost a considerable size of property management mandates as a result of the property investors strategic shift, high voids, high rentals, high operating costs and the alarming increase in tenant default on lease obligations. The study also found out that, not only are property investments reeling from increasing voids, the occupied space is not operating at optimum level due to rent defaults and in some cases tenants simply abscond after accumulating large amounts in arrears. The challenges facing tenants include high rentals and operating costs, parking challenges and the prevailing challenging economic environment. The study further found out that, the strategies to gain and maintain property management mandates include taking advantage of sales activities within and outside the organisation, leasing activities within the organisation and new property development in the area, in-order to pitch for new management mandates. Other strategies include the retention of current services, marketing and communication, dialogue with tenants and management innovation. The study recommends that a tenant credit bureau be set up in-order to reduce rental defaults and that, the property management players engage the government on various policy issues. It is hoped that the findings will help the real estate agents to turnaround their current fortunes.

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## **Chapter One**

### **1.0 Introduction.**

This study seeks to explore strategies for gaining and sustaining property management mandates in the real estate sector in Zimbabwe. Over the past decade or so, major estate agency firms have experienced a new challenge to their traditional sources of revenue in the form of in-house property management of property portfolios by major investors as opposed to agency management. Many agencies have attributed the rise of in-house property management, to challenges that are being experienced within the property management division of the real estate industry. This study will therefore look at the nature of the problems, within the real estate sector, the causes of the problems, the impacts of the problems and finally way of ameliorating the problems.

### **1.1 Zimbabwe's Economic Background**

According to the World Bank (2015), Zimbabwe's economy remains in a fragile state, with an unsustainably high external debt and massive de-industrialisation and informalisation. The economic slowdown is due to liquidity challenges (for example the lack of and high cost of capital and revenue underperformance), outdated technologies, structural bottlenecks that include power shortages and infrastructure deficits, corruption and a volatile and fragile global financial environment. The constrained fiscal space has left the government facing a contracting economy, while the use of the multi-currency regime limits the government's ability to use monetary policy instruments in directing the country's economic course.

The World Bank further states that, the economy has experienced a dramatic slowdown owing to deteriorating terms of trade and adverse weather. Growth slowed down to 4.5% in 2013, 3.2% in 2014, and is projected to be 2.8% in 2015, as the mining and manufacturing sectors remain depressed. Zimbabwe entered deflation in February 2014 and as at April 2015, the inflation rate was at -2.65%, as liquidity conditions tightened while aggregate demand kept declining due to lower disposable incomes. Declining prices, if they persist, will create a vicious spiral of negatives such as falling prices and profits, closing of more factories,

shrinking employment and incomes, and increasing defaults on loans by companies and individuals alike.

According to the World Bank (2015), the mining sector has been dampened by easing international prices, weak investment and rising production costs. The manufacturing sector is expected to remain sluggish at a growth rate of 1.4% in 2015, reflecting competitiveness pressures, subdued investment and further tightening of credit conditions. The World Bank also states that, overall, risks remain tilted to the downside, due to easing of international prices of minerals, vulnerabilities in the banking sector, policy inconsistencies affecting investment, deflationary pressures, potential fiscal slippages, and the unbalanced external position.

According to the Knight Frank Africa Report (2015), economic forecasting for Zimbabwe remains very difficult and much remains to be done in Zimbabwe to improve the business environment. Key challenges to doing business in Zimbabwe include policy inconsistency, funding constraints, corruption, inefficient government bureaucracy and inadequate infrastructure. The Zimbabwe Agenda for Sustainable Socio-Economic Transformation, the government's economic blueprint, is still to be operationalised but the challenges stated above pose serious risks to its success.

## **1.2 Background to the study.**

### **1.2.1 Real Estate Industry Sectors and Professionals**

The real estate industry is a multi faceted industry. The branches of the industry include property development, valuations, property sales, leasing, property auctioneering and management of industrial, commercial, agricultural and residential properties.

The real estate industry is one of the most financially lucrative sectors the world over, as it offers one of the most secure investment opportunities. Professions within the real estate industry vary, from property brokers to property managers. Property brokers and property agents lease and sell properties. Real estate developers buy land, build on it, and sell it to interested parties.

Property managers act on the landlord's behalf and deal with the day-to-day issues relating to properties. They are fiduciaries and they have a fiduciary duty to the property owners. The

property manager has an obligation to act exclusively for the benefit of the principal in all matters to do with the principal. The duties of property managers include the collection of rent and operating costs, rent and lease reviews, monitoring lease agreements, preparation of property's financial reports, offering technical advice to principals, attending to the properties' legal issues, facilitating and monitoring all repairs and maintenance works, overseeing planning and implementation of preventative and building life-cycle maintenance, preparing letting advertisements, screening of prospective tenants, recommending prospective tenants to landlords, carrying out credit checks, budgeting and cost control, overseeing the management of security/cleaning providers, inspection of properties, dispute resolution among tenants and ensure compliance with respect to all property related statutory requirements.

Property appraisers and valuers assess the value of properties for various purposes such as financial reporting, insurance, mergers and for any other general purpose. In Zimbabwe, property valuations include the valuation of land, building, plant, machinery and all movables. Property auctioneering is primarily concerned with auctioning of movable and immovable properties.

### **1.2.2 Industry Entrance**

Entrance into the real estate sector is relatively easy, as evidenced by the huge number of small scale firms opening on a daily basis. However, most of them are quick to fold as the industry requires a huge brand acceptance, if one is to be successful and for the real estate sector, it is not very easy to make your name overnight. The financial requirement for one to enter into the industry is very low, as there are no minimum capital requirements. One is only required to have a licence from the Real Estate Institute of Zimbabwe in the form of a compensation fund certificate, which come at an annual subscription fee of US\$ 500.00. This therefore, increases the level of competition in the industry.

There are seven leading firms operating in the real estate market, and these are: Rawson Properties; Knight Frank Zimbabwe; Dawn Property Consultancy; Mashonaland Holdings (Private) Limited; Old Mutual Property Zimbabwe (Private) Limited; Peel Properties (Private) Limited and Bard Properties (Private) Limited. Therefore, this industry is mainly oligopolistic in nature.

### **1.2.3 Supplier Power and Industry Suppliers**

The Real Estate Industry is a service industry and its supplier power is very limited. Brand recognition plays an important role in any firm's success in the real estate sector. Companies like Knight Frank Zimbabwe, which are internationally recognised, can easily negotiate any fee level, as opposed to start ups, hence the brand name also limits the powers of the suppliers.

Suppliers in the real estate industry consist of landlords, who provide firms with mandates to manage or sell properties. A property management mandate is a contract between the property owner and the real estate firm, giving the real estate firm powers to manage a property or a portfolio of properties on behalf of the landlord. The mandate outlines the duration of the contract, the physical address of the property, the level of commission and other duties and responsibilities expected from each party to the contract. Suppliers for the industry are diverse from private individuals to major corporates, depending upon the nature of the services required.

### **1.2.4 Buyer Power**

In Zimbabwe, because of the liquidity constraints, the number of potential buyers is relatively low, whereas competition from other agents is fierce, especially from the start ups. With respect to property sales, a home purchaser can choose to engage the services of a real estate agent or look for a house on his or her own. Consequently, as result of the buyers' power, real estate sales agents are willing to work on low commissions. However, this also depends on the brand of the firm, and the nature of the services required.

### **1.2.5 Industry Competition**

There is stiff competition within the industry, because of the low barriers to entry as well as exit. The level of competition within the industry also depends upon the nature of the services sought. For valuations and property management competition is between the leading players, that is Dawn Property Consultancy and Knight Frank Zimbabwe, this is because of the high levels of trust required by clients for such services. For property sales, this is where you find almost all the players in the industry.

### **1.2.6 Threat of substitutes**

The threat of substitutes for the real estate sector is dependent upon the nature of services. For property management the threat of substitutes is very high, because landlords can easily decide to manage their property portfolios on their own (in-house management). In Zimbabwe, in-house property management has been on the rise, over the last few years, unlike in the other parts of the world where many corporates are now outsourcing corporate real estate services like property management. In-house property management is presenting a serious challenge to the real estate industry, and is making a huge dent on real estate firms' financials.

For other real estate services like property valuations and property development the threat of substitutes is very low, as the services require high level of expertise and most listed firms like Mashonaland Holdings (Private) Limited and Pearl Properties Limited rarely change the firms they engage for valuation services. In Zimbabwe, clients who require such services would require the services of reputable firms. The commonly used firms, for valuation services in Zimbabwe are Knight Frank Zimbabwe and Dawn Property Consultancy. For property sales, the threat of substitutes is very high, because clients can easily sale their properties on their own, without the services of an estate agent.

### **1.2.7 Industry Size and Growth**

In Zimbabwe, the size of the industry is not that large, compared with other industries such as mining and agriculture. However, over the years the industry has been gradually growing due to the rapid urban growth and expansion of urban areas, especially the residential area. It is interesting to note that, although the urban areas have been growing this has mainly been confined to residential areas, as in the Central Business District of Harare, there has been little developments, which is reflective of the current social and economic environment. Figure 1.1, below shows the growth rates of various industries from 2009 to 2014.

**Table 1.1 Growth rates of various industries**

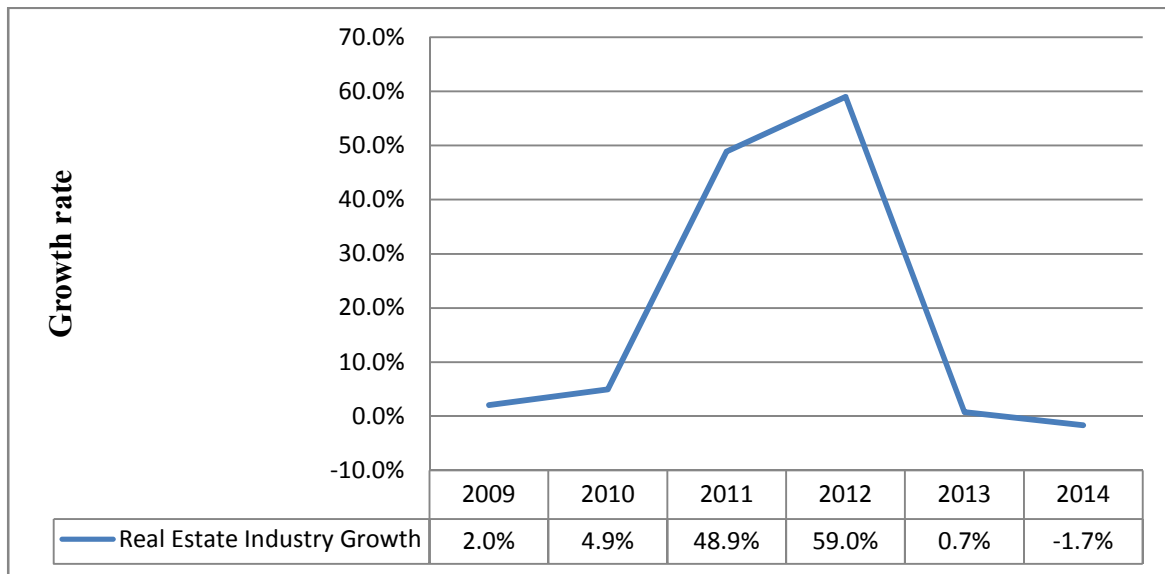
| <b>Industry</b>                                        | <b>2009</b> | <b>2010</b> | <b>2011</b> | <b>2012</b> | <b>2013</b> | <b>2014</b> |
|--------------------------------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Agriculture, hunting and Fishing, mining and quarrying | 31.1        | 7.2         | 1.4         | 7.8         | -2.6        | 23.4        |
| Mining and quarrying                                   | 18.9        | 37.4        | 24.4        | 8.0         | 11.7        | -2.1        |
| Manufacturing                                          | 17.0        | 2.0         | 13.8        | 5.3         | 0.6         | -4.9        |
| Electricity and water                                  | 1.9         | 19.5        | 6.4         | 0.3         | 5.0         | 3.5         |
| Construction                                           | 2.1         | 14.1        | 65.1        | 23.5        | 3.9         | 2.6         |
| Finance and Insurance                                  | 4.5         | 8.3         | 8.3         | 28.0        | 11.3        | 2.0         |
| Real Estate                                            | 2.0         | 4.9         | 48.9        | 59.0        | 0.7         | -1.7        |
| Distribution, hotels and restaurants                   | 6.5         | 8.8         | 4.3         | 4.3         | 3.9         | 3.9         |
| Transport and Communication                            | 2.2         | 4.7         | 0.0         | 6.7         | 7.0         | 0.9         |
| Public administration                                  | 2.0         | 30.3        | 19.6        | 19.1        | 3.4         | 4.3         |
| Education                                              | 2.8         | 37.0        | 63.9        | 38.1        | 2.9         | 3.0         |
| Health                                                 | 3.2         | 15.7        | 7.7         | 7.7         | 0.5         | 5.8         |
| Domestic services                                      | 2.2         | 10.0        | 1.0         | -3.5        | 6.0         | 1.5         |
| Other services                                         | 2.3         | 14.7        | 11.3        | -10.7       | -4.7        | 1.0         |

Source: RBZ (2014)

In the year 2009, the real estate industry grew by 2 percent and 4.9 percent in 2010. The years 2011 and 2012 saw the highest growth rates of 48.9 and 59.0 percent, respectively, since the dollarization of the economy, before the rate fell to 0.7 percent in 2013. Ever since 2013 the industry growth has been on a downward trend, with the year 2014 having a negative growth rate of -1.7 percent, as depicted by Figure 1.2 below. The negative growth rate has been attributed to the difficult prevailing economic conditions, as evidenced by little or no development and the non-existence of new skyscrapers on the skyline of Harare, since the completion of Joina City retail and office complex in the year 2010, after 14 years of spasmodic construction.



**Figure 1.1 Real Estate Industry Growth**



Source: RBZ (2014)

### 1.2.8 Real Estate Industry Regulations

The industry is primarily governed by the Estate Agents Act (Chapter 27:17) (No. 6 of 1999). Regulatory affairs of the industry are carried out by the Real Estate Institute of Zimbabwe and the Estate Agents Council of Zimbabwe as mandated by the Estate Agents Act (Chapter 27:17) (No. 6 of 1999). The Real Estate Institute is mandated with the issuance of annual licenses to the property players and monitoring the adherence of firms to the Estate Agents Act (Chapter 27.17) (No. 6 of 1999).

### 1.2.9 Real Estate Industry Customers

The customers of the industry are diverse, from major corporations to private individuals, depending upon the nature of the service required. For services like valuations, auctioneering and property management, the major customers for a firm like Knight Frank Zimbabwe are financial institutions and other listed concerns on the Zimbabwe Stock Exchange, bar or except one, that is Dawn Property Consultancy, because they have their own real estate in-house team. For property sales, the customers include private individuals and corporates.

Property management through mandates is one of the traditional sources of revenue, for the real estate industry, amongst valuation fees, sales commission and other general consultancy fees. The importance of the property management division is particularly reinforced by the

fact that, the other sources of revenue for the sector tend to be seasonal while management fees are fixed and guaranteed, to a great extent. Management fees therefore, provide a cover for the other departments, and at least keep many firms liquid when other real estate departments are not performing well. It is against this back ground that any kind of a threat to the property management division of the real estate industry is likely to spell doom for many firms within the sector, as the liquidity positions and the continued existence of the firms would be compromised and threatened.

#### **1.2.10 Industry challenges**

In this ever-changing environment, the challenges in property management include non-paying tenants, increasing energy costs, fierce competition, and tenant pressure to lower rentals. The competition among real estate firms has grown stronger. According to Convergence (2015), clients' sense of comfort needs to be increased, while at the same time keeping costs at an optimum level and proactive client contact is now a high priority, as is the continuous monitoring of services, the improvement of quality, and the management of energy costs in one package. Furthermore, in many cases, retaining tenants is possible only if the monthly rental costs (rental fee and operating costs together) do not increase significantly.

The challenges faced in property management have not changed over the years. However, what has changed is the cause of the problems. According to Convergence (2015), some of the universal issues facing property managers include the rise in operating costs, particularly with respect to energy costs. With the global economic challenges tenant are finding it hard to cope with the increase therefore there are high defaults rates. Tenant retention is also another challenge as it is estimated that it costs seven times more to bring on a new tenant than it does to renew an existing tenant, so taking care of them should be paramount. Some of the biggest tenant challenges in South Africa according to the South African Property Owners Association include:

- i. tenants not paying on time, therefore, screening of tenants before any lease is signed will go a long way in preventing such issues and
- ii. eviction of problematic tenants, when they have reached their maximum warnings and are consistently defaulting on rent or causing problems for other tenants is difficult for some landlords and this has been a daunting experience for many property owners, especially if they do not have systems in place and lawyers on hand to assist with the legal ramifications of eviction.

In Zimbabwe, the depressed macro-economic conditions stated before have had various adverse effects on the property sector. According to the Knight Frank 2015 Africa Report, occupancy levels have fallen across the board but are more severe in the office and industrial sectors. In Harare, most office investment properties have void rates in the order of 40% to 60%. Most severely affected by declining business is the industrial sector. The country's industrial base has been shrinking for the last 12 years due to a variety of reasons, chief amongst which is an adverse operating environment. Industry has not kept pace with modern manufacturing technology due to lack of funding and absence of technology partners because of the country's negative image. Thus, Zimbabwean businesses, both service sector and manufacturing, have either rationalized on space or have stopped operating altogether, resulting in reduced space occupation.

The report further state that the retail sector, which had remained resilient over the years, is now manifesting signs of weakness as there are increasing incidences of retail tenants either seeking rental reductions or simply vacating space because of poor business. Low and static disposable incomes have led to a reduction of demand for goods by consumers translating into low business for traders.

According to Knight Frank 2015 Africa Report, the scenarios stated above have resulted in rentals remaining either flat or showing signs of weakness which could herald sustained reductions in the short to medium term.

Prime offices, particularly in suburban office parks, are generally quoted between \$10.00 and \$12.00 per square metre. However, some new office developments are being pitched at \$15,00 per square metre but the take-up rate seems lacklustre. Rentals for standard shops are quoted in the range of \$20,00 to \$25,00 per square metre for both sitting tenants and new lettings. A noticeable trend is the conversion of large shops into "cubicle" type units. Some office space, at near ground level, is also being converted to retail units

The high level of rental arrears and void rates has resulted in some landlords proposing some desperate measures. Zimre Properties in their 2015 first half year unaudited financial results, indicated that they are now considering the option of divesting from the property sector as a result of the high void rates, amongst other militating factors. Pearl Properties in their 2014 financial results also indicated that, it is now looking at how best to convert the vacant offices in the CBD into residential apartments. Tenants' failure to pay rent is attributed to the

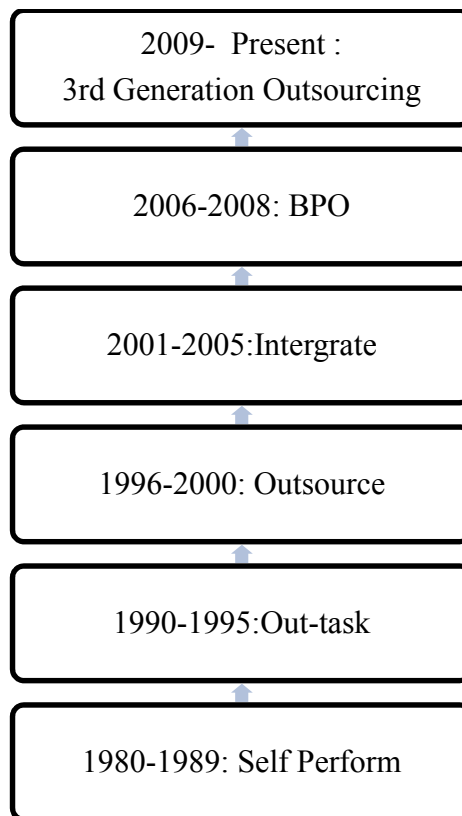
liquidity challenges in the country which have in turn led to limited consumer spending and the deterioration in the quality of tenants.

The property management challenges outlined above (high void rates, declining rentals and tenant defaults) are having a serious impact on real estate firms as some are losing the property management mandates as landlords resort to in-house property management, in the hope they can better manage the properties, and minimise cost related to the properties.

#### **1.2.10 Trends in Corporate Real Estate Outsourcing**

According to Palomba (2013), as shown in Fig 1.4 below, in the period between 1980 and 1989, most corporate firms would manage the real estate function on their own as they had in-house teams that would perform the tasks required. Between 1990 and 1995, corporate firms started to out-task individual services. Services like cleaning and security would be given to speciality firms and they would mostly be one-of transactions. Then between 1996 and 2000, the trend moved to outsource. During this period, there was an emergence of firms that manage out tasked vendors. In between 2001 and 2005 the trend moved to integration, of service providers across silo functions, within business units. In between 2006-2008, the trend was Business Process Outsourcing (BPO). Under the BPO, new cross functional solutions are provided by major players aligned with real estate service providers. Then from 2009 to the present day, according to Palomba (2013), we are now under the 3<sup>rd</sup> generation of outsourcing, where all the day to day operations are managed by one service provider.

**Figure 1.2 Trends in CREO**



Source: Adapted from Palomba (2013).

As outlined above, the world over, outsourcing has clearly evolved over time, from the initial phase of self perform, where corporate organisations would manage their property portfolios in-house, in the early 1980's to the current third generation of outsourcing. However, in Zimbabwe, the trend is going backwards, as most of the major property owners have now gone back to in-house management of their portfolios of the 1980s, unlike what is happening in most developed and developing world, where corporate real estate outsourcing is evolving for the better.

An analysis of the four property counters listed on the Zimbabwe Stock exchange, indicate that they now manage their property portfolios on their own, either through in-house management or through setting up subsidiary real estate firms. The subsidiary real estate firms will then manage the portfolios on behalf of the holding company. The table below shows the examples of listed property firms, whose mandates, were once with Knight Frank Zimbabwe, but were withdrawn for various reasons.

**Table 1.2 Property Counters on ZSE**

| <b>Firm</b>                        | <b>Date when mandates were withdrawn.</b> |
|------------------------------------|-------------------------------------------|
|                                    |                                           |
| Pearl Properties Limited           | 2007                                      |
| Mashonaland Holdings Limited       | 2009                                      |
| Dawn Properties Limited            | Have never managed the portfolio.         |
| Zimre Property Investments Limited | Manage internally                         |

Source: Knight Frank

The four companies shown in Table 1.1 are the biggest property owners in Zimbabwe, with combined assets with a fair value of around US\$ 365 144 000. Any withdrawal of management mandate or agreement by any of the four companies would result in serious financial losses for the firm losing the mandate, since now more than ever the property management department is the most important asset in the real estate industry. Knight Frank Zimbabwe used to manage property portfolios for Pearl Properties Limited and Mashonaland Holdings Limited and the management mandates were withdrawn in 2007 and 2009, respectively.

Other firms, whose mandates Knight Frank Zimbabwe has lost include the National Social Security Authority (NSSA), Local Authority Pension Fund (LAPF), Old Mutual Property Zimbabwe, Postal and Telecommunication Pension Fund, just to mention a few. An analysis of the Table 1.1 will indicate that Knight Frank Zimbabwe has lost about fifty percent of the mandates of the listed property counter in Zimbabwe. These property counters whose mandates were withdrawn constitutes circa more than a third of the central business district (CBD) of Harare's lettable space. Such a scenario has severely dealt a serious blow to one of most reliable sources of revenue for estate agents, including Knight Frank Zimbabwe. Consequently, there have been low levels of new instructions to manage properties and it seems as if for Zimbabwe, we have moved back to the initial stage of self perform, were corporate managed their properties on their own, a trend which was prevalent in the 80s.

### **1.3 Statement of the problem**

At a time when corporate real estate (CRE) outsourcing is the modern trend the world over and we are now in the third generation of CRE outsourcing, a simple observation of the current portfolio held by Knight Frank Zimbabwe shows that, most of the major real estate investors' mandates have been withdrawn over the past decade. At the same time, there has

been a rise in in-house property management by major property investors like Mashonaland Holdings and Peal Properties, among many other firms listed on the Zimbabwe Stock Exchange, who have withdrawn their management mandates. The research problem is the loss of property management mandates by leading real estate practitioners, in Zimbabwe.

#### **1.4 Purpose of the study**

The purpose of the study was to investigate strategies that could be used by property managers to gain and sustain property management mandates in Zimbabwe.

#### **1.5 Objectives**

The objectives of the study were as follows:

1. To investigate the extent to which estate agents have lost property management mandates in Zimbabwe, in the last decade.
2. To investigate and analyse the constraints that real estate property managers are facing in gaining and maintaining property management mandates.
3. To come up with strategies that can be implemented to retain and gain new property management mandates by real estate practitioners in Zimbabwe.

#### **1.6 Research Questions**

The research questions were as follows:

1. What is the proportion of real estate properties that is being managed by estate agents compared to property owners?
2. What challenges are being faced by the property managers, leading to the loss of management mandates?
3. What are the effects of the rise of in-house management in Zimbabwe, over the last decade?
4. What strategies can real estate firms put in place to counteract in-house management?

#### **1.7 Proposition**

Estate agents are losing property management mandates because it is no longer economically and strategically prudent as well as reasonable for the property owners in Zimbabwe to

engage the services of professional property managers, in spite of the fact that the property managers are professionals and the trend the world over is towards corporate real estate outsourcing.

### **1.8 Justification**

At a time, when many estate agency companies in Zimbabwe are losing management mandates, the world over the modern trend in many organisations, with regard to real estate is corporate real estate outsourcing (CREO). It is therefore, imperative that a study be carried out to find out why the Zimbabwean real estate industry seem to be moving in a backward direction, to the pre-corporate real estate outsourcing era where property management was done in-house.

It is also important that a study be carried out, because nothing has been documented or written with respect to property management challenges in the real estate sector of Zimbabwe, in recent memory or times. More so, according to Matsham and Heywoodan (2012), much research on outsourcing and the problems related thereto has focused on manufacturing and the interface between manufacturers and their suppliers, but little has examined the delivery of services such as real estate. Resultantly, procurement models designed for the supply of commodities may not be appropriate for the delivery of complex knowledge-based services, such as real estate services. It is therefore imperative that a study be carried out to focus on the property management challenges in Zimbabwe and how best they can be overcome, since little examination has been done on the delivery of services such as real estate. This will in a way fill in the academic gap that exists with regard to the lack of any literature covering this important aspect of our economy.

The property sector is one of the main-stay of our economy and in-house property management of properties appear to be a great threat to the continued survival of the property management as a division of the real estate sector. Property In-house management could seriously affect the socio-economic development of the country.

It is therefore, important that a study should be carried out in respect of the challenges being faced in the property division of the real estate Industry in Zimbabwe and come up with solutions.



### **1.10 Organisation of the Study**

The study is structured in a way that there are five Chapters. Chapter one has looked at the background to the research, the problem statement, the aims/objectives, the research questions, the research proposition and the research justification. The chapter two will look at literature review, chapter three on research methodology, chapter four on research findings, and chapter five on policy recommendation and conclusion.

### **1.11 Chapter review and conclusion**

This chapter has presented the background to the research, the problem statement, the purpose and objectives of the research, research questions, research proposition, research justification or significance and definition of terms used in the research. The following chapter will focus on literature review. Literature pertaining to the property management in the real estate sector will be explored and analyzed.

## **Chapter Two**

### **Literature Review.**

#### **2.0 Introduction**

This chapter will first look at property management in general, the law giving rise to property management, definition of agency, duties and responsibilities of each party to management agreement, property management mandates, why corporates outsource property management real estate services, review of literature on in-house management of properties in Zimbabwe, challenges being faced by property managers, case study of property management challenges in one of the African countries and strategies to maintain and gain new property management mandates.

#### **2.1 What is property management**

According to the Royal Institute of Chartered Surveyors (2014), property management is;

The activity that ensures that land and building matters are dealt with so that they operate efficiently and effectively. It is sometimes referred to as 'operational' and it is the activity of undertaking the professional or technical work necessary to ensure that property is in the condition desired, in the form and layout and location desired, and supplied with the services required. This is together with related activities such as the disposal of surplus property, the construction or acquisition of new property, the valuation of property, and dealing with landlord and tenant and rating matters - all at an optimum and affordable cost, ([www.ricsfirms.com/glossary](http://www.ricsfirms.com/glossary), n.d, para 79).

Expressed simply, property management is that part of the estate agent's work that deals with the management of properties that belong to other people. In such a case, the property owner becomes a principal and although the properties do not belong to him, he has the duty to manage or administer them as though he is the owner. He becomes the owner's agent. The owner or lessor relies on the agent to act for him in his best interests.

Most estate agencies manage properties for clients. These often form the nucleus upon which the business builds up and, also they often lead to other work that earns fees such as valuation, feasibility studies or sale.

## **2.2 Law governing property managers in Zimbabwe**

In Zimbabwe, there is no set of laws that expressly superintend the behaviour of property managers or prescribes the requirements and obligations for delivering property management services. The exception to this is that, under the Estate Agents Act (Chapter 27:17) (No. 6 of 1999), if a person acts as an agent for reward in respect of sales, letting and leasing of land, they must be licensed. Such a person would be known as the principal registered estate agent. It is this person (principal registered agent) who is entrusted with the management of the trust fund, in which rentals are deposited.

According to the Government of Netherlands (2015), when a landlord authorises a property manager to act as an agent on their behalf with respect to the owner's property, this gives rise to a relationship which is subject to the general law and the agency law.

Under the agency law, the property manager is the agent and the landlord becomes a principle. An agent is a person who acts on behalf of another person (or company) in the ordinary course of their profession or trade, examples of agents include brokers, stock agents, insurance agents, and real estate agents. A principal is a person who authorises an agent to act on his behalf in certain matters. As a general rule, a principal is bound by their agent's actions, although there are exceptions to that rule ([www.justice.govt.nz](http://www.justice.govt.nz)).

A relationship of trust exists between an agent and a principal, and each has certain duties towards the other. This means, amongst other things, that a property manager has a special duty, known as a fiduciary duty, to act lawfully in the property owner's best interests and with skill, care, and diligence. The property manager must act in such a way as to place his principal's interest before those of the third party and himself. Agents also have a duty to keep accounts and not use information acquired through their relationship with their principal for their own personal gain.

According to the Government of Netherlands, a property manager is obligated to divulge

situations that may bring the interests of the property manager and the property owner into conflict. If there is a conflict, the property manager has an obligation not to enter into a transaction unless they have disclosed the nature and extent of their interest to the property owner, and obtained the owner's consent to the transaction. Conflicts of interest need to be disclosed at the beginning of the agency relationship between the property owner and property manager, and as they arise during the relationship.

### **2.3 What is Agency?**

According to the Real Estate Institute of Zimbabwe (1998), the essence of a modern view of agency is that there must be a third party in contemplation and that the agent acts purely as channel bringing the principal into legal relations of a contractual nature with the third party. The acts of the agent are done in the name of the principal and are deemed to be the acts of the principal himself, enuring to his benefit or rendering him liable without any benefit accruing or liability attaching to the agent.

### **2.4 The functions of the Property Management Agent.**

When appointed a property manager, one is expected to stand in the place of the property owner and deal with everything involved in running the property to the best of its advantage, and the duties of the property manager include the collection of rent and operating costs, rent and lease reviews, monitoring lease agreements, preparation of property's financial reports, offering technical advice to principals, attending to the properties' legal issues, facilitates and monitoring all repairs and maintenance works, overseeing planning and implementation of preventative and building life-cycle maintenance, preparing letting advertisements, screening of prospective tenants, recommending prospective tenants to landlords, carrying out credit checks, budgeting and cost control, overseeing the management of security/cleaning providers, inspection of properties, dispute resolution among tenants and ensure compliance with respect to all property related statutory requirements (Real Estate Institute of Zimbabwe, 1998).

### **2.5 The Property Management Mandate.**

According to the Real Estate Institute of Zimbabwe (1998) and the Royal Institution of Chartered Surveyors (2014), the property management mandate is a document that provides

the legal foundation that allows an estate agent to manage a property belonging to someone else. The mandate contains all data of the agreement between the landlord and real estate firm, including the owner's data, bank details, the estate agent's commission, dispute resolution mechanisms, and the obligation of each party to the contract.

## **2.6 Reasons for corporate real estate outsourcing**

According to Mackintosh (2008), firms specialise because research indicates that firms operating in multiple lines of business tend to have lower values than portfolios of focused firms and that spinning off unrelated units increases the value of the parent firm.

Outsourcing is commonly seen as a relatively easy way to drive costs out of a business, and anecdotally it has primarily been taken up by many organisations and corporate firms in Australia and in many countries for that reason (Matsham and Heywoodan, 2012).

According to Matsham and Heywoodan (2012), a number of studies have examined the forces driving outsourcing in Corporate Real Estate Management (CREM) and other organisational functions. Robert and Jill, (2010), further say these forces have evolved from an initial focus on cost savings to ensuring the best access to skills, technology and quality of service while building a core business-focused organization.

Outsourcing all of corporate real estate management means that organisation are able to eliminate their corporate real estate department thus reducing human capital and producing leaner organisations, with the hired service provider having to worry with all real estate related matters, including personnel (Mackintosh, 2009; Matsham and Heywoodan, 2012).

The leading long term reasons for corporate real estate outsourcing include cost control, business process re-engineering, time compression, value chain analysis, organisational restructuring, competitive reasons, changing technology, risk sharing and access to skills, technology & best practice (Matsham and Heywoodan, 2012).

Short-term benefits of corporate real estate outsourcing include the management of difficult or out-of-control functions. This is short-term because if there are long-term internal problems, they are likely to exist externally as well, and be more difficult to fix. The other short term benefit is the ability to access resources not available internally for various reasons including the lack of funds, facilities or technology Matsham and Heywoodan (2012).

According to Robert and Jill (2010), other benefits from corporate real estate outsourcing include:

- efficiency gains from economies-of-scale;
- efficiency gains and effectiveness from economies-of-scope;
- lower transaction costs for routine tasks;
- timely updates of market values on real estate holdings;
- other real estate reporting improvements and
- provision of technical skills.

## **2.7 Challenges in relation to Corporate Real Estate Outsourcing**

When hiring outside professionals such as real estate service providers, the firm is hiring the agent's knowledge as well as labour to complete a task. The service provider or agent is perceived as an expert with superior specialist knowledge that corporate staff does not possess. Such knowledge agents pose a particular problem for communication, monitoring and control by non-specialist corporate staff. Therefore the cost of monitoring is high (Robert and Jill 2010).

The principal may also not understand the tasks the agent undertakes. This leads to ambiguity about the contribution the agent's efforts make to the observed outcomes. Such ambiguity makes control through behaviour- and outcome-based metrics difficult (Sharma, 1997).

According to Robert and Jill (2010), in a study devoted to outsourcing of corporate real estate functions, by Kimbler and Rutherford (1993) complaints from corporate real estate managers included the following:

1. that service providers do not provide thorough and correct work on time;
2. service providers do not communicate with progress reports in a timely manner and
3. service providers do not understand the company's culture or objectives, resulting in actions that are inconsistent with the firm's policies and procedures.

Robert and Jill (2010), further say the contractor may understand, but disagree with the

client's objectives and strategies. Any misunderstanding between the two parties can lead to inefficient decisions that subvert rather than support the client's goals. On the same note, according to Matsham and Heywoodan (2012), one possible cause of a mismatch in expectations and outcomes is a provider's lack of understanding of the corporate culture and history as the service provider does not benefit from the informal communication and indoctrination that occurs inside a company and is, therefore, limited in understanding the subtleties of corporate culture. Practices and procedures that are appropriate for one client may not be successful with another and the outsourced service provider will see themselves as an order-taker rather than having a strategic role.

Furthermore, according to Robert and Jill (2010), there is some dissatisfaction with corporate real estate outsourcing as a result of the service quality, control issues, dissatisfaction with providers and contract employees being less company-oriented.

In the survey by Kimbler and Rutherford (1993), it was reported that some outsourced services were brought back in-house because of the above cited reasons. On the other hand, the real estate service providers/agents surveyed within the Kimbler and Rutherford (1993) survey complained that real estate managers do not provide honest feedback during the proposal stage, do not have clear objectives and do not allow enough lead time for effective implementation.

According to Robert and Jill (2010) as well as Matsham and Heywoodan (2012), several dangers exist that could prevent an efficient principal-agent real estate outsourcing arrangement and these include the possible belief by service providers or agent that superior specialist knowledge gives them the right and responsibility to do what they think is best for the client firm despite what the corporate staff may want. Such a belief could lead to the service provider either pursuing actions not preferred by the client, arguing with the client to explain "what is best," or attempting to go over the contracting employee's head to a superior to get permission for the supplier's preferred actions. Other dangers include the fact that the contractor may then behave in a self-serving manner that reduces the benefits to the client from outsourcing and the lack of agreement between the client and service provider and the possibility that corporate staff with little real estate knowledge may have trouble in communicating, monitoring and controlling contract real estate service providers. Vicarious liability for the actions of others of which you may not be aware, or in which you may not be

fully involved is the other risk.

In light of the challenges faced in other countries, outlined above, it is important that we explore, the challenges that are being faced by estate agents in property management and come up with strategies to counteract the challenges, which are threatening the nucleus of the real estate industry in Zimbabwe and consequently the national economic development. The following is a case study of property management challenges being experienced in Kenya.

## **2.8 Case study of problems associated with outsourcing real estate property management functions in Kenya.**

According to Xinhua, (2014) , on most newly completed building in Kenya's capital Nairobi which are not yet fully occupied one constantly finds notices on the gate asking anyone interested in renting the properties to contact the number provided. On the same notice one would be advised to talk directly with the landlord and not agents. According to the website, landlords in Nairobi are shunning property agents in a bid to avoid bureaucracy and maximize earnings from their properties, by passing agents who are supposed to get a commission of between 5 to 10 percent of rent paid. Most estate agents in Kenya, according to the report are reaping huge from the sector estimated to be over 4.5 billion dollars. The increased demand for their services has made some of the agents increase charges. On the other hand, according to the report many tenants have had nasty experiences with property agents, a reason why the majority insist on negotiating with the landlords to move into a property. Because of these reasons the landlords in Kenya are now shunning property agents.

According to the report, in their place, however, the landlords are employing caretakers who undertake day-to-day management of the houses because they live within the properties. Caretakers are said to be 10 times better than property agents because they stay within the premises, will know the property problems and inform the landlord.

According to the article, agents were slow to respond to tenants issues. Some landlords now instructs tenants to deposit money in bank account provided and pass the original deposit slip to the caretaker, who will in turn give the landlord and the system has worked for some landlords.

The article further say that the tenants now prefer staying in houses managed by landlords themselves because they can talk to them directly if they have challenges. They can even



negotiate that the repair the property is there is a problem and deduct the cost on rent, unlike with the agents. After however, one of the agents in Kenya noted that the majority of the landlords opting to go it alone are those who have one or two flats.

## **2.9 Issues from the Kenyan Case Study**

Issues coming out from the case study include the fact that landlords and tenants have lost confidence in agents, because of bureaucracy, agents need to maximize earnings from their properties, increase in service charges by the agents to the detriment of both the landlord and the tenant, nasty and bad experience with agents, little attention to the properties because of increased businesses by the agents, slower rate of reporting with regards to property problems to the landlords. From the case study it is also evident that the tenants now prefer to talk directly with the landlord because they are flexible in negotiations.

## **2.10 Mitigatory strategies to challenges faced by Real Estate Practitioners in Property Management**

Studies by Andersson and Hanson (2005) have proved that providing incentives to motivate agents is not the only way to deal with the challenges. The investor(s) participating closely throughout the whole process and the development of a close relationship with the agent are some of the solutions.

According to Andersson and Hanson (2005) the provision of financial incentives to motivate the agent can also mitigate the challenges faced by property managers. The primary meaning with incentives is to create a situation where both parties can feel they are gaining from the agreement and are used to keep the agent stimulated in the whole process. Studies by Andersson and Hanson (2005) have shown that in Sweden the investor provides financial incentives to the agent by linking his fees to the purchase sum of the property or the property rentals achieved. Meaning the agent has to reach out in the market and create competition between the purchasers or tenants. The purchasers or prospective tenants will outbid each other and the agent will get a higher price for the property. This high price for the property is what the investor will use as the bases for the agents reward. Another way of providing incentives to agent(s) was found in New Zealand where the agent gets a percentage, connected to the price.

The investor participating closely throughout the whole management process is also one way of mitigating the challenges, according to Robert and Jill (2010). Working closely with the agent in the transaction process, reduce the risk of moral hazard. To be in charge and control of the agent, the investor can contribute and organise by being in close contact with the agent. They can create a time schedule together over the different deadlines during the deal. They can also act as a group, represented both by the agent and the investor or create a standard model for the agent to follow etc. The crucial issue is to have a clearly defined and structured process that is developed and agreed on by both parties, with the intention that both of them are strictly following it, Andersson and Hanson (2005). Moral hazard is an existing problem and to avoid it, the investor should demand reports and feedback from the agent. It can be achieved in various ways, from a strict written report to a normal conversation or mail contact, depending on what the investor wants or agrees on with the agent. The main issue is to enable the investor to follow and understand the actions taken by the agent. Normally, the investor and the agent agree on how to report and how often, according to Andersson and Hanson (2005).

According to Andersson and Hanson (2005), the investor developing a close relationship with the agent is also another way of mitigating the challenges. By building a relationship the investor and agent look out for each other's interest and sometimes the business relation also develops into friendship. By maintaining a close relationship with the agent, they create a "win-win situation" and reduce the moral hazard problems. The investor puts demands on the agent, in order to develop a relationship. The investor wants to work with people they can trust and improve the relationship with. To achieve the goal of a successful relationship, both the investor and the agent need to have an open and honest mind. The agent also needs to have integrity and be able to handle information that is a delicate subject for each property and company. It is of high importance to know what information to share and what to keep to you. Since delivering out information from the investors can be sensitive, the agents need to show their professional ethics in handling confidential information even within their own office. A successful and well-maintained relationship depends on many variables and that is why the agent's personality is of high importance. When it comes to work, the agent must be professional; he has to take his job serious and competence. He needs to have a positive attitude and behaviour, be innovative and flexible. Another important factor in sales is that an agent needs to be sociable and outgoing. The ability to get along with people is half the way for success of the relationship or business connection.

Every property management organization needs to have tactics in place to retain their best tenants. Tenant retention is very important if one is to maximize net operating income. Every time a tenant leaves there additional expenses involved, which include the need to repaint and repair the premises, advertise them and in some cases offer free rent incentives as well as the revenue lost during the period the premises are vacant. A tenant-retention program should address how to best accommodate the good tenants, as well as a replacement strategy for tenants who may be more likely not to renew.

According to The Centre For Commercial Real Estate (2015), some of the tenant-retention strategies include, reviewing of all the competing neighbouring properties to understand their vacancy rates and tenant profiles. Checking for any strengths and weaknesses in each of those properties and trying to determine if these properties are offering more than yours, and if they are attracting potential tenants away from you.

Checking the local planning authority regarding future property developments is also another strategy, according the website. These can directly affect the supply or demand ratio for space, and achievable rentals. New properties tend to offer large incentives for tenants, which can undermine the achieved rental and it is therefore important to offer similar incentives to attract quality tenants. The continuous evaluation of the tenant mix and leasing profiles is also another way of retaining tenants. One should check or track which leases are due to expire soon, and whether you wish to retain those tenants. One should have in place a tenant replacement strategy for each tenant not having a long-term commitment. One should also categorize the tenants in a property as desirable or less desirable tenants and make it a priority to encourage desirable tenants to stay. It can be through the provision of incentives. The incentive strategy should include targeted rentals and the incentive. In Zimbabwe, recently a listed property concern, Mashonaland Holdings, indicated that tenant retention is now one of the company's top priorities, as the rental market remained stagnant due to economic challenges in the country.

Some of the incentives that can be offered include offering perks for lease-renewal. Provision of incentives for renewed leases is a good way to keep renters around. Incentives which can be offered also include a decrease in the rental rate, gym memberships; free covered parking, gift cards, raffles, and providing free Wi-Fi in common locations. In Zimbabwe, such incentives are not yet offered. There is therefore a need for property managers to be

innovative and introduce such strategies if they are to retain tenants and consequently the mandate for managing the property in the long run. According to the American Landlord Association (2015), the most important quality any manager wants to see in a tenant is loyalty, and landlords should seek to build that loyalty at every turn.

Less desirable tenants should be monitored closely as they get toward the end of their lease, as one of the strategies to manage properties. When their lease is about to expire, there should be replacement strategy. Planning and preparation is very important, according to Centre For Commercial Real Estate (2015). Special attention should be given to anchor tenants positing within properties, and how they are interacting with other building tenants. Anchor tenants encourage customers to come to the property and helps provide stability and credibility for the building.

According to the American Apartment Owners Association (2015), employing a pre-emptive strategy is one way of retaining tenants. Property managers should ensure that they disclose the entire contract before the lease is signed. If additional stipulations and requirements begin to seep out of the woodwork a month into the lease, it undoubtedly gives the renter cause to be disgruntled. Landlords or property managers must also respond promptly to complaints from tenants. Delays in responding to complaints also causes tenant disgruntlement. There also should be adequate and continual maintenance of the property. In a study conducted in the USA in 2010 by the American Landlord Association it was concluded that tenants opted out of renewing their leases for reasons which were within control. The vast majority of them made the decision because of poor customer service by way of unsatisfactory handling of maintenance requests and a lack of response to their concerns.

According to The Centre For Commercial Real Estate (2015), communication is also very important. There is nothing a tenant would like better than to know that their concerns are being taken seriously by property managers and homeowners. Tenants should be informed of all events such as construction issues, or scheduled maintenance, which sends a signal to the tenant that you care. Conducting a tenant satisfaction survey at regular intervals is also important. It's a good tenant retention tool and helps with improvement planning as well.

According to Highman (2015), strategies that can be employed in-order to gain new mandates include making use of sales made within the firm, as they are an opportunity to pitch for a property management appointment. Every property sold to a property investor is a great opportunity to present and pitch for the property management. The sales activities of other

agents are also a good opportunity to pitch for a property management. If another local property is sold publically (such as at auction), it is quite easy to find out just who the buyer is and one should make the contact and see if the buyer will take a proposal from you to manage the property.

Leasing activity is also an opportunity to pitch for the management of the property. If a client is served well in the leasing appointment, they can take a proposal from you to manage. New property developments are also a great opportunities for management. Most property developers require a professional property manager to help them. It helps them lease the property to new tenants.

Property retention is also one of the best ways to achieve sustainable and long-term growth because it generates repeat, referral and recommendations from the current happy and satisfied clients.

According to Highman (2015), proven strategies that guarantee client retention include client induction on one's way of doing business, which should be consistent and ongoing onto property owners, tenants, maintenance contractors and any affiliate service that one deal with. Consistency of service and culture is also another way of guaranteeing client retention. This can be achieved through investment in processes, resources and training as there are no shortcuts to success and all three elements must coexist in order for consistency of service and culture to occur. Constant reporting is also another way of guaranteeing business retention and the reporting should also be consistent and professional as reports are the window to the business, so they must be consistent and professional in layout, design, and wording. The other strategy of guaranteeing business retention in property management is through ensuring consistency of maintenance, which can be achieved through having set service providers, who should be enlisted after, the business owner assess if their interest best align with the business' values, service standards, brand, and culture.

## **2.11 Chapter Conclusion.**

This chapter has reviewed literature on the property management, within the real estate sector. Some research has been carried out in countries, such the United States of America, South Africa and Sweden on property management problems in the real estate industry. It is therefore, imperative or important that a focused research be carried out on the property

management problems in the real estate industry in Zimbabwe, so that we can fully understand the nature of the challenges, and therefore come up with effective solutions, to the challenges threatening the nucleus of the real estate industry. The contributions of the study will mainly be two fold, namely:

1. The research will localise the little research carried out in other countries on property management in the real estate industry. It will give a local perspective to the property management problems in the real estate sector.
2. It is problem solving. Real estate firms are facing huge challenges/threats to their traditional sources of revenue, such as property management. Therefore it is important that the nature of the problems be explored and solutions developed, which is exactly one of the objectives of this study.

The next chapter will look at the research methodology.

## **Chapter Three**

### **Research Methodology**

#### **3.0 Introduction**

This chapter presents the methodology to the study, whose purpose is to investigate strategies that can be used by property managers to gain and sustain property management mandates in Zimbabwe. Issues to be covered include the research philosophy, research method, study population, sampling method used, data collection methods, data analysis methods and ethical issues considered in the process of the study. The chapter will also present the research timelines.

#### **3.1 Research Philosophy**

There are mainly two approaches to research: Qualitative and quantitative approaches. The qualitative approach is mainly used in an effort to gain an understanding of the underlying reasons and opinions behind phenomena. Qualitative research provides an insight into a problem. For qualitative research the main idea is to understand a phenomenon from a close perspective. Qualitative research is mainly carried out through interviews, open-ended questions and focus groups. In most instances, in qualitative research the study involves a small number of participants. According to Saunders (2009), because of the small number of participants involved, findings from qualitative research cannot be generalised to the whole population. The advantages of qualitative research are that it enables the identification of new and untouched phenomena. It also provides a deeper understanding of the issue under study. Qualitative research can also reveal information that would normally not be identified through pre-determined survey questions.

However, qualitative research has its short-comings, which include the fact that the results cannot be generalized to the general population. There are also some challenges in applying statistical methods.

Quantitative approaches focus on describing a phenomenon across a larger number of participants. The approach surveys a large number of individuals and applies statistical techniques to recognize overall patterns. The benefits of the quantitative approach include the

fact, that the use of this method across a large group allows generalization, Saunders (2009). The method also enables the gathering of information from a relatively large number of participants. It also places emphasis on numerical analyses and objectivity. The results are highly reliable and findings can be replicated. With the approach there is also a great opportunity for the researcher to control the research process and easily comparable data can be collected.

The disadvantages of this approach include the fact that, if one uses the approach it might be difficult to recognize new and untouched phenomena. The method is also inflexible, once data collection resumes, research direction cannot be changed. The approach is also weak at understanding social processes and discovering meanings people attach to social phenomena. The method may also not always suit social science.

In most instances, the combined use of qualitative and quantitative approaches to research gives different perspective to elements under study. The two approaches to research are highly informative, especially if used in combination. It is for that reason and the nature of this research design that the study used both methods. This approach is appropriate because it will enable the study to explore in detail the various factors, issues, challenges faced by individual organisations and come-up with solutions to the property management challenges in the real estate industry.

### **3.2 Study Population**

The study population is the estate agent firms operating in Harare, Zimbabwe. A register of all the legally registered estate agents operating in Zimbabwe was obtained from the Estate Agents Council of Zimbabwe. According to the Real Estate Council of Zimbabwe, (RECZ) as at 31 December 2014, there were 234 estate agents firms legally registered with the council. Table 3.1 below provides the number of estate agents firms, legally registered with the RECZ, by location, in Zimbabwe.



**Table 3.1 Registered Estate Agents in Zimbabwe**

| <b>Area</b>   | <b>Number</b> |
|---------------|---------------|
| Harare        | 199           |
| Bulawayo      | 20            |
| Gweru         | 3             |
| Kadoma        | 1             |
| Kwekwe        | 1             |
| Masvingo      | 2             |
| Mutare        | 6             |
| Rusape        | 1             |
| Victoria Fall | 1             |
| <b>Total</b>  | <b>234</b>    |

Source: RECZ 2014

From Table 3.1 above, it is apparent that 86 percent of all the registered estate agents are located in Harare. 8.5 percent are located in Bulawayo, 2.5 percent are in Mutare. The remaining 3 percent is shared varyingly amongst the remaining towns.

### **3.3 Study Sample**

Out of the 199 firms located in Harare, registered with the Real Estate Agents Council of Zimbabwe, seven manage about 95% of the investment properties in the CBD. Because of that reason, with respect to all the study objectives, the study focused on the seven large real estate firms. This is because the seven firms dominate the greater portion of the property management market in the CBD of Harare. The focus on the seven large firms help ensures that, the study deal with entities with an in-depth understanding of the challenges facing property managers in Zimbabwe.

The seven firms which control the greater part of the CBD in Harare are Knight Frank Zimbabwe, Dawn Property Consultancy, Bard Properties (Private) Limited, Pearl Properties Limited, Rawson Properties (Private) Limited, Mashonaland Holdings (Private) Limited and Old Mutual Property Zimbabwe (Private) Limited.

Knight Frank Zimbabwe is a locally registered partnership unit of the internationally acclaimed knight Frank real estate consultancy firm, with a global platform of 370 offices in 55 countries. The firm offers all the real estate services, major services offered are property sales, letting and valuations. In Zimbabwe, the firm is one of the independent real estate

practitioners and most the properties it manages belong to other entities as it does not have its own property portfolio. Over other real estate firms in Zimbabwe, the firm has the advantage of having an internationally recognized brand name. Dawn Property Consultancy is a subsidiary firm of the Zimbabwe Stock Exchange (ZSE) listed firm Dawn Properties Limited. The group has a number of hotel properties in Zimbabwe. However, it also manages properties for other entities. Services offered by Dawn Property Consultancy include property management, valuation and sales. Bard Properties (Private) Limited and Rawson Properties (Private) Limited are private limited companies, which specializes in valuation, property management and sales. The two firms are not listed on the Zimbabwean stock exchange. Mashonaland Holdings (Private) Limited, Pearl Properties Limited and Old Mutual Property Zimbabwe (Private) Limited are all listed on the Zimbabwean Stock Exchange and they mainly provide property management services.

In order to fulfill, the objectives of the study, which are to investigate the extent to which estate agents have lost property management mandates in Zimbabwe, in the last decade; to investigate and analyse the constraints that real estate property managers are facing in gaining and maintaining property management mandates ; and to come up with strategies that can be implemented to retain and gain new property management mandates by real estate practitioner in Zimbabwe, the seven firms outlined above, will be the main study interview respondents, because they are the largest and they command the greatest market share.

To also fulfill, objective two, which is to investigate and analyze the constraints the real estate managers are facing, a sample was taken from the tenants of the seven major property firms in Zimbabwe. Table 3.2 below indicates the number of tenants with the seven selected firms and sample of users from each firm.

**Table 3.2 Current commercial tenants with the seven large firms in Zimbabwe**

| <b>Organisation</b>                            | <b>Total Tenants</b> | <b>%</b>    | <b>Sample</b> |
|------------------------------------------------|----------------------|-------------|---------------|
| Knight Frank                                   | 753                  | 14%         | 55            |
| Dawn Property Consultancy                      | 1200                 | 22%         | 88            |
| Bard Properties (Private) Limited              | 600                  | 11%         | 44            |
| Pearl Properties Limited,                      | 800                  | 15%         | 59            |
| Rawson Properties (Private) Limited,           | 500                  | 9%          | 37            |
| Mashonaland Holdings (Private) Limited         | 700                  | 13%         | 51            |
| Old Mutual Property Zimbabwe (Private) Limited | 900                  | 17%         | 66            |
| <b>Total</b>                                   | <b>5453</b>          | <b>100%</b> | <b>400</b>    |

The sample size used was calculated using, the simple sample size formula  $n = \frac{N}{1 + N(e)^2}$  by Yamane (1967), where  $n$  is the sample size,  $N$  is the population size and  $e$  is the level of precision. A 95% confidence level is assumed and  $P$  (the estimated proportion of an attribute that is present in the population) is equal to 0.5 in the formula. Using the formula, a size of 400 was determined for the survey. The number of users (tenants) from each firm used in the survey is then calculated using each firm' tenant pro-rata to the total as shown in Table 3.2 above.

The secretary general of the Real Estate Council of Zimbabwe and two chief executive officers from the seven largest firms in Harare were interviewed and acted as key informants on policy considerations.

The study sample is therefore comprised of three groups that are the senior property managers from the seven large real estate firms, then the property users (tenants) from the seven large firms and the key industrial research informants, in the form of the secretary general of the RECZ and two chief executive officers from the seven large firms in Zimbabwe.

### **3.4 Sampling Method**

There are various sampling techniques available for research purposes. The techniques are divided into probability and non-probability sampling methods. Probability Sampling techniques include, random probability sampling, systematic probability sampling, stratified probability sampling, cluster probability sampling. Non probability sampling methods include convenience sampling, purpose sampling and snow ball.

In this study, the researcher mainly used purposive sampling. According to Saunders et al (2009), this form of sample is often used when working with very small samples such as in a case study research and when you wish to select cases that are particularly informative. The choice of the firms through purposive sampling is deliberate in the sense that they manage about 95% of the investment properties in the CBD of Harare. Therefore, a focus on these firms would ensure that our findings are representative of the whole of the Harare CBD property market.

### **3.5 Data collection techniques**

In order to correctly capture the market sentiments in relation to the challenges being faced by property managers and fulfill the three objectives of the study, interviews were carried out with the senior property managers of the seven major real estate firms in Zimbabwe. The reason for the selection of the senior property managers was to ensure that our research questions were answered by the right persons, who were able to respond to our questions in detail as they control the greater part of the CBD. Attached as appendix 1, is the interviewer guide used during the interviews with the senior property managers of the seven firms.

To understand the challenges facing the property managers, users of the properties were also interviewed through self-administered questionnaires. Hard and soft copies of questionnaires were sent to the selected participants and were collected after one week. The hard copies were delivered by hand and soft copies by electronic emails. The email addresses of the tenants were provided by the landlords.

The questionnaire used on the property users was comprised of a section on the background characteristics of the respondents, specific questions on property challenges and possible solutions. The specific questions were aimed at finding and analysing reasons why property firms were losing property management mandates and come up with solutions, which also would fulfil objective two and three of the study. The questions were both structured and unstructured. The advantages of a structured questionnaire are that it is easier and faster to complete because the questions are close-ended. Other advantages of structured questions are that they are easier to code, clean and it is easier to capture the resultant responses. The advantage of unstructured questions is that they allow the respondents to air critical aspects, related to the subject, which might have been missed by the researcher. The questionnaires were distributed to 400 tenants of the firms selected, as indicated in Table 3.1 above. Those properly completed were 322 and therefore the response rate is 80.5%. Attached as appendix 2, is the questionnaire used on the users of the properties.

Face to face in-depth interviews, with the secretary general of the Real Estate Council of Zimbabwe and two chief executive officers from the seven largest firms were interviewed. The interviews were mainly policy centered. The chief executives of the firms interviewed were from Knight Frank Zimbabwe and Dawn Property Consultancy. Attached as appendix 3, is an interviewer guide used during the in-depth interviews.

### **3.6 Data Analysis**

Since the research is both qualitative and quantitative, data analysis was carried out through the Statistical Product and Service Solutions (SPSS) package for the quantitative aspect and thematic approach as well as content analysis for the qualitative aspect. Under the SPSS, descriptive statistics like the mode, median, standard deviation, kurtosis was used to analyze the findings.

### **3.7 Ethical Issues**

Ethics is concerned with the conduct of human beings. All scientific activities, including those by the social scientists, are conducted with the participation of human beings or have an impact on human beings or on the wider society and environment. Therefore, it is essential that the researcher understand ethical issues and the implications of his scientific work and act accordingly. In view of the foregoing, the researcher undertook to do the following;

1. design, review and undertake to ensure integrity, quality and transparency;
2. fully inform the participants about the purpose, methods and intended possible uses; of the research, what their participation in the research entails and risks, if any, are involved;
3. respect the confidentiality of information supplied by the participants and the respondents;
4. ensure that all the participants take part voluntarily, free from any coercion;
5. avoid harm to research participants and
6. ensure independence and declaration of any conflicts of interest.

### 3.9 Action Plan

The action plan is shown in the Gantt chart below, indicating study timelines:

**Gantt chart**

| Activity                 | February 2015 | March 2015 | April 2015 | May 2015 | June 2015 | July 2015 | August 2015 |
|--------------------------|---------------|------------|------------|----------|-----------|-----------|-------------|
| <b>Research Proposal</b> |               |            |            |          |           |           |             |
| <b>Chapter One</b>       |               |            |            |          |           |           |             |
| <b>Chapter Two</b>       |               |            |            |          |           |           |             |
| <b>Chapter Three</b>     |               |            |            |          |           |           |             |
| <b>Chapter Four</b>      |               |            |            |          |           |           |             |
| <b>Chapter Five</b>      |               |            |            |          |           |           |             |
| <b>Submission</b>        |               |            |            |          |           |           |             |

### 3.10 Summary

This chapter looked at the research approach, which is both qualitative and quantitative; the study population; study sample, comprised of three groups, the seven large real estate firm respondents, the 400 property users in the CBD of Harare and the key industry informants, who were in the form of two CEOs from the seven large real estate firms as well as the secretary general of the RECZ; data collection techniques and data analysis techniques. The next chapter will present and analyze the findings.

## Chapter Four

### Presentation of Research Findings and Analysis

#### 4.0 Introduction

This chapter presents the results of the study and an analysis of the findings. As indicated in Chapter Three, the study is both quantitative and qualitative. For the quantitative aspect of the study the results were analysed through the SPSS package and for the qualitative aspects the data was analysed through content and thematic analysis. The sections that follow therefore, will present the demographic characteristics of the property users, who were interviewed under the quantitative aspect of the study, followed by a presentation of the size of the properties under the management of estate agents and the size of the mandates lost. Thereafter, in line with the objectives of the study which were to investigate the extent to which estate agents have lost property management mandates in Zimbabwe, in the last decade; to investigate and analyse the constraints that real estate property managers are facing in gaining and maintaining property management mandates; and to come up with strategies that can be implemented to retain and gain new property management mandates by real estate practitioner in Zimbabwe, the chapter would present the challenges faced by the property managers, property users as well as on the strategies to maintain and sustain property management mandates.

#### 4.1 Characteristics of the Property Users

The study began by building a demographic profile of the property users and the finding are presented in Tables 4.1.

**Table 4.1 Characteristics of the property users**

| <b>Job Title</b> | <b>Number</b> | <b>Percent</b> |
|------------------|---------------|----------------|
| Administrator    | 172           | 53             |
| General Manager  | 150           | 47             |
| <b>Total</b>     | <b>322</b>    | <b>100</b>     |

Of all the property user respondents, who were interviewed through the questionnaires, 53 percent were company administrators and 47 percent were general managers as depicted by

Table 4.1 above. The study also sought to understand the size of the property users and the findings are also presented by table 4.2 below.

**Table 4.2 Business Categories**

| Category of firm  | Frequency of business types | Percent    |
|-------------------|-----------------------------|------------|
| Large enterprise  | 43                          | 13         |
| Medium enterprise | 171                         | 53         |
| Small enterprise  | 108                         | 34         |
| <b>Total</b>      | <b>322</b>                  | <b>100</b> |

As shown in table 4.2 above, of all the property users 13 percent of them were large enterprises, 53 percent were medium enterprises and 34 percent were small enterprises. This means that a large portion of the properties in the central business district of Harare is occupied by medium sized enterprises or is let out to medium sizes enterprises.

Table 4.3 below, shows the descriptive statistics of the property users who were interviewed. The purpose of the table is to present a demographic profile of all the respondents interviewed. Table 4.3 presents the mean, median, mode, standard deviation, skewness, kurtosis and range of the various demographic responses of the property users.

**Table 4.3 Demographic Descriptive Statistics**

| Statistic      | Employee number | Annual Revenue (US\$) | Time occupied (years) | Time spent without paying rentals (months) |
|----------------|-----------------|-----------------------|-----------------------|--------------------------------------------|
| Mean           | 76              | 28 300 0000           | 3                     | 4                                          |
| Median         | 70              | 30 000 000            | 3                     | 3                                          |
| Mode           | 70              | 30 000 000            | 2                     | 3                                          |
| Std. Deviation | 20              | 15 600 000            | 1.20                  | 2                                          |
| Skewness       | 0.14            | 0.14                  | 0.66                  | 0.73                                       |
| Kurtosis       | -1.45           | -1.33                 | -1.11                 | -0.79                                      |
| Range          | 50              | 40 000 000            | 3                     | 7                                          |
| Minimum        | 50              | 10 000 000            | 2                     | 1                                          |
| Maximum        | 100             | 50 000 000            | 5                     | 8                                          |

All the property users who were interviewed their average the annual revenue is US\$ 28 300 000, the employees averages 76 and they have been in occupation of the premises they occupy for an average period of 4 years. This therefore, means that most of the tenants on average have not been in occupation for a long time and that is one of the



reasons why estate agents firms are losing management mandates to in-house management as there is high turnover of tenants.

The mode is the value that appears most. For the question that related to the number of employee with the firms interviewed, the most appearing number is the 70, for the annual revenue, the mode is 30 million. For the time that they have been in occupation the mode is 2 years. Most of those interviewed said at one time they had gone up to three months without paying rent.

The implication for the study, is that despite some of the firms performing well, and having been in the premises for over two year as well as having an average revenue in excess of 28 million, many property users fail to pay their rentals and operating costs on time, which causes property managers to loose management mandate and consequently a decline in revenue, for the estate agents firm.

The skewness (measuare of symmerty) of the employee number is 0.14. For the the annual revenue it is also 0.14, 0.66 for the time occupied and 0.73 for the number of times firms have spend without paying their rentals. All the responses are nearly close to zero, which shows that the responses were normally distributed and therefore, the challenge facing the property user, leading to the loss of management mandates, which will be discussed in the section to follow later are almost similar accross the property users.

The kurtosis of the response on the employee number with the firms interviewed is -1.45, that of the annual revenue is -1.33, -1.11 for the time occupation and -0.79 for the time spent without paying rentals, and this indicate that the responces have a flat distribution and therefore, the challenge facing the property user, leading to the loss of management mandates are similar amongst the respondents.

The standard deviation for the employee number is 20, which means the data set is spread out over a wide range, that is also the same situation with the the annual revenue with a standard deviation of US\$ 15 600 000. However, for the time the firms have been in occupation and the time spend without paying rentals it is 1.2 and 2, respctively, which means the values are closer to the mean. Therefore, most of the firm interviewed have the same characteristics thus the rsonce are almost representative of the property users.

#### **4.2 Size of Mandates with the Agents Interviewed.**

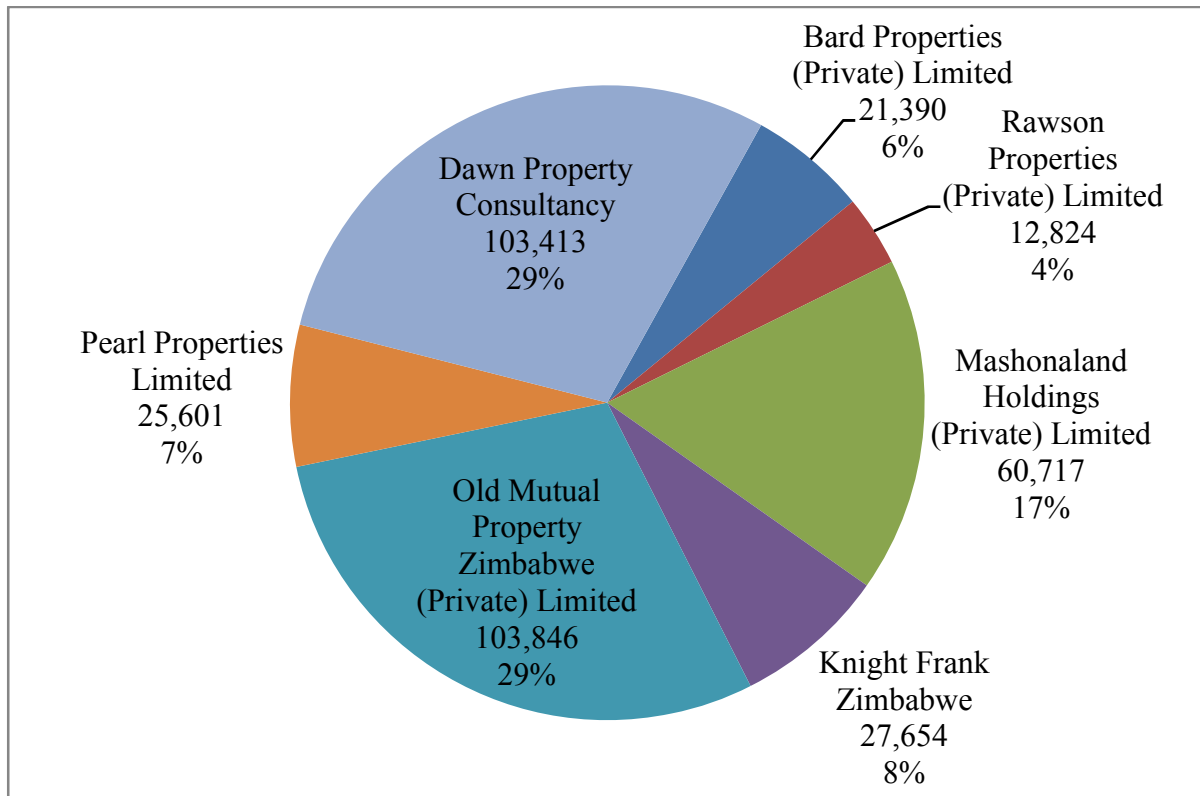
Table 4.4 below presents the lettable areas in square metres, which are currently managed and controlled by the seven large firms in the central Business District of Harare.

**Table 4.4 CBD lettable areas of the seven large firms**

| Respondent                                     | Lettable Area (m <sup>2</sup> ) |                | Total          | Holding percentage (%) |
|------------------------------------------------|---------------------------------|----------------|----------------|------------------------|
|                                                | Offices                         | Retail         |                |                        |
| Bard Properties (Private) Limited              | 10,856                          | 10,534         | 21,390         | 6                      |
| Rawson Properties (Private) Limited            | 10,073                          | 2,751          | 12,824         | 4                      |
| Mashonaland Holdings (Private) Limited         | 48,294                          | 12,423         | 60,717         | 17                     |
| Knight Frank Zimbabwe                          | 16,593                          | 11,062         | 27,654         | 8                      |
| Old Mutual Property Zimbabwe (Private) Limited | 41,538                          | 62,308         | 103,846        | 29                     |
| Pearl Properties Limited                       | 23,218                          | 2,383          | 25,601         | 7                      |
| Dawn Property Consultancy                      | 83,467                          | 19,946         | 103,413        | 29                     |
| <b>Totals</b>                                  | <b>234,039</b>                  | <b>121,406</b> | <b>355,445</b> | <b>100</b>             |

The study found out that the total lettable area in the CBD of Harare, being managed by the seven large estate agents is 355 445 square metres, comprised of 234 039 and 121 406 square meters of office and retail space respectively. Figure 4.1 below, show the property management market shares in the CBD of Harare of the firms interviewed. However, it should be noted that the lettable areas used in the calculation excludes properties for individual property owners in the CBD of Harare who were outside the framework of the study. However, it can be concluded that the market holding percentage shown above are reflective of the ownership and management of major investment properties in the CBD of Harare.

**Figure 4.1: Estate Agents' Property Management's CBD Market shares**



NB: The areas are in square metres.

Of the 355 445 square metres of lettable areas with the estate agents interviewed, 29 percent is controlled and managed by Old Mutual Property Zimbabwe (Private) Limited, another 29 percent by Dawn Property consultancy, 17 percent by Mashonaland Holdings (Private) Limited, 8 percent by Knightfrank Zimbabwe, 7 percent by Pearl Properties Limited, 6 percent by Bard Properties (Private) Limited, and 4 percent by Rawson Properties (Private) Limited.

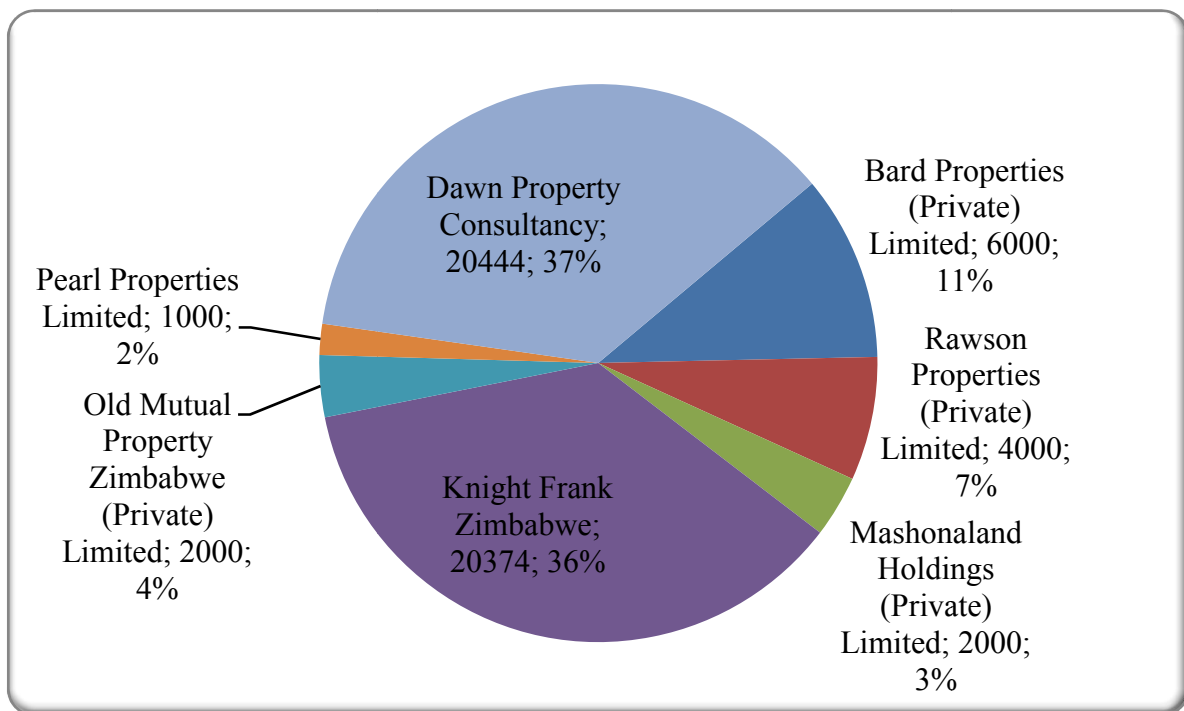
Therefore, it is apparent that traditional estate agents firms like Knight Frank Zimbabwe and Dawn Property Consultancy (formely CBRE) still manages a good proportion of investment properties in the Central Business District of Harare. However, there is a move towards in-house management of properties, through the setting up of subsidiary real estate firms of the property investors, who in-turn manages the properties of the parent company as well as for

other third parties. From the study, it is also evident that, that is the case with Old Mutual Property Zimbabwe (Private) Limited, which now is the largest property Investor in the CBD of Harare, with a Holding percentage of 29 percent. The major implication for such a development is loss of revenue for traditional real estate firms like Knight Frank Zimbabwe who used to manage portfolios for firms like Old Mutual Zimbabwe, before it went on to set up its own real estate subsidiary firm.

### 4.3 Size of Property Management lost to In-house Management

Figure 4.1 below, presents the size of the management mandates that were lost in the past decade by the firms that were interviewed. The size was measured in terms of the lettable areas of the properties that were lost to in-house management.

**Figure 4.2: Size of mandates lost by various firms**



NB: The areas are in square metres.

The study found out that the seven large firms lost a total lettable space of 55 818.13 square meters over the last 10 years. Dawn Property Consultancy lost management mandates with an area of 20 444 square metres, followed by Knight Frank Zimbabwe, Bard Properties (Private) Limited, Rawson Properties (Private) Limited, Mashonaland Holdings (Private) Limited and Old Mutual Property (Zimbabwe) Private Limited with 20 374, 6 000, 4 000, 2 000 and 2 000 square meters, respectively.

From Table 4.4 above, it can be observed that old Mutual Property Zimbabwe (Private) Limited has the largest portfolio in terms of the lettable area and at the same time it has lost little over the decade. This can be explained by the fact that it has its own large portfolio of properties that it manages, a portfolio which was once managed by Knight Frank Zimbabwe and Dawn Property consultancy before they decided to have an in-house management team. However, over and above their own properties they also manage property portfolios for other parties. The same can also be said of Mashonaland Holdings (Private) Limited.

The loss of the properties to in-house management, as shown above, has had negative consequences on the cash flows and revenue turnover of the real estate agent firms, as property management revenue is the one of the most reliable source of revenue for many estate agent firms.

Most firms of the property managers interviewed indicated that they have now resorted to cost cutting measures, such as retrenchments of employees in a bid to stay afloat. The major implication for the evident major loss of management mandates is the loss of revenue realised from the commission charged by the estate agent firms. The trend, that is the loss of management mandates to in-house management, is likely to continue because the sheer size of portfolios lost so far is huge, unless the traditional estate agents like dawn Property Consultancy and Knight Frank Zimbabwe come up with strategies to counteract the loss of the management mandates.

#### **4.4 Challenges facing Property Managers**

According to an analysis of the in-depth interviews carried out to the seven senior property managers, the challenges facing real estate practitioners, resulting in loss of property mandate are high levels of property voids, pressures to lower rentals, informalisation of the economy, high operating costs, high rental and operating costs arrears, as well as the strategic shift to in-house management. These common themes of the challenges facing the property managers are now presented below.

##### **4.4.1 High Void Rates**

The Table 4.5 below, indicates the amount of office lettable area available, occupancy rates and the amount of voids. In the property industry, voids refer to the space within a portfolio

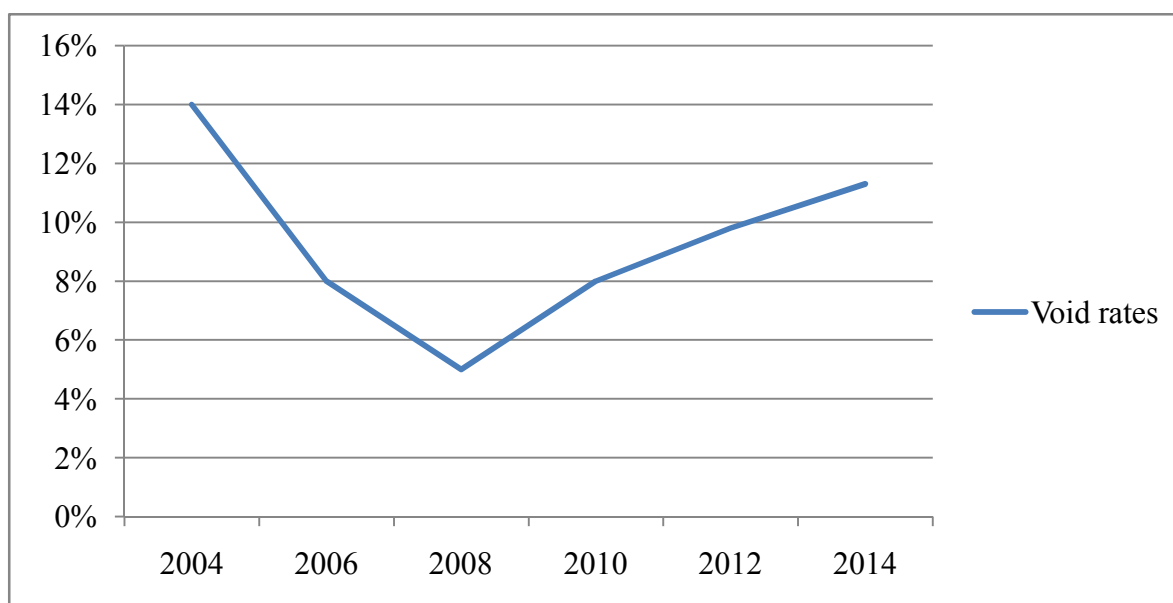
of investment properties, that is vacant or not occupied or remains un-let at a particular point in time. From the research it is apparent that for office space, within the CBD of Harare, vacant space averages about 30%. Of the seven portfolios surveyed, none had a 100% occupancy rate in the office section. This presents a general picture of the state of affairs for the entire office market within the CBD of Harare. One of the respondents even indicated that it is now considering the option of divesting from the property sector as a result of the high void rates, amongst other militating factors. Another respondent also indicated that, it is now looking at how best to convert the vacant offices into residential apartments. The feasibility of such proposals are the subject of another research, but such is the level of desperation and poor performance of the office sector, leading to the loss of management mandates in some firms.

**Table 4.5 Office Voids in the CBD**

| <b>Respondent</b>                              | <b>Lettable Area (m<sup>2</sup>)</b> | <b>Total Voids</b> | <b>Voids Rate (%)</b> |
|------------------------------------------------|--------------------------------------|--------------------|-----------------------|
| Bard Properties (Private) Limited              | 10856                                | 3148               | 29.00                 |
| Rawson Properties (Private) Limited            | 10073                                | 1511               | 15.00                 |
| Mashonaland Holdings (Private) Limited         | 48294                                | 16902              | 35.00                 |
| Knight Frank Zimbabwe                          | 16,593                               | 923                | 5.56                  |
| Old Mutual Property Zimbabwe (Private) Limited | 41,538                               | 19107              | 46.00                 |
| Pearl Properties Limited                       | 23218                                | 15505              | 66.78                 |
| Dawn Property Consultancy                      | 83467                                | 13104              | 15.70                 |
| <b>Total</b>                                   | <b>234039</b>                        | <b>70200</b>       | <b>212.26</b>         |
| <b>Average</b>                                 | <b>33434</b>                         | <b>10029</b>       | <b>30.43</b>          |

Compared with South Africa, our regional neighbour, the office vacancy rates in the CBD of Harare high at 30 percent whereas, according to the South African Property Owners Association (SAPOA) Office Vacancy Survey 2015 Q2 results, the South African national office vacancy rate currently stands at rate of 10. 2%. Below is a diagram showing the trend of office vacancy rates and the growth in asking rentals for South Africa.

**Figure 4.3: South African long term office vacancies**



Source: SAPOA, (2014)

The office vacancy rate for South Africa has doubled since mid-2008, when the vacancy cycle bottomed out at 4.9%. However, irrespective of the fact that the office vacancy rate for South Africa has doubled since mid 2008, the rate for the CBD of Harare is very high and as such this is one of the causes of the loss of management mandates by real estate agent firms. Table 4.6 below, shows the retail vacancy rate for the seven large real estate firms in Zimbabwe.

**Table 4.6 Retail Voids**

| <b>Respondent</b>                              | <b>Lettable Area</b> | <b>Occupancy Rate (%)</b> | <b>Total Voids (m<sup>2</sup>)</b> |
|------------------------------------------------|----------------------|---------------------------|------------------------------------|
| Bard Properties (Private) Limited              | 10534                | 97                        | 365                                |
| Rawson Properties (Private) Limited            | 2751                 | 100                       | Nil                                |
| Mashonaland Holdings (Private) Limited         | 12423                | 100                       | Nil                                |
| Knight Frank Zimbabwe                          | 11062                | 100                       | Nil                                |
| Old Mutual Property Zimbabwe (Private) Limited | 62308                | 100                       | Nil                                |

|                           |        |     |     |
|---------------------------|--------|-----|-----|
| Pearl Properties Limited  | 2383   | 100 | Nil |
| Dawn Property Consultancy | 19946  | 97  | 598 |
| Total                     | 121406 |     | 963 |

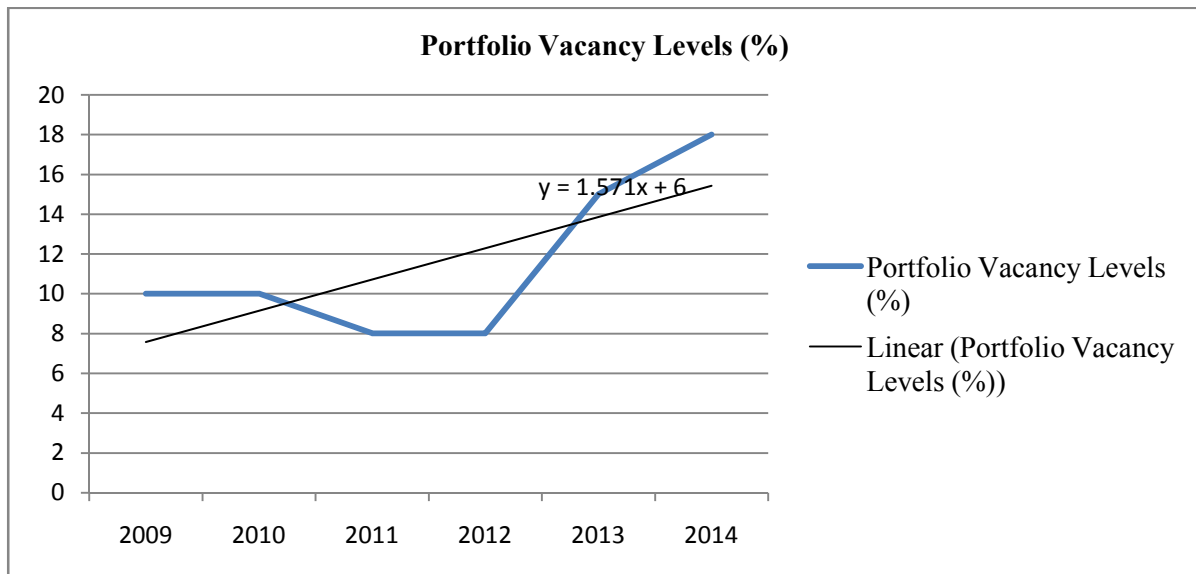
Within the CBD of Harare, of the available retail space about 1 % is vacant, according to the study. This low rate of voids shows that retail space is in high demand as opposed to office space. Most of the persons interviewed had a 100% occupancy rate, except two, who had about 97%, as shown in Table 4.6 above.

However, according to some of the property managers interviewed, they are beginning to witness signs of economic pressure on the retail sector as they are noticing marginal increases in the level of vacant shops, as a result of the ever increasing and ubiquitous informal traders on the street pavements and on shops fronts, which has resultantly affected the retail turnover of most retail operators and consequently their ability to pay rentals on or before due dates. Most of the retail operators now fail to pay their rentals on or before the monthly due date, a situation which reflect badly on the estate agents or the individual property manager concerned, as the landlord will take the non payment of the rental on time as a failure on the part of the property manager to collect the rental on time and therefore a dereliction of duty and that has resulted in loss of management mandates in many instances. Therefore, non payment of rentals on time is one of the causes of the loss of management mandates to in-house management in the Central Business District of Harare.

Figure 4.3, below indicates the trend of portfolio vacancies, across all sectors, since the inception of multi-currency regime in February 2009. Figure 4.3 also have a linear trend line for the portfolio vacant levels.



**Figure 4.4 Portfolio Vacancy Levels**



It is important to note that, portfolio vacancies, according to the study as at December 2014, stood at 18%. However, in some portfolios vacancy levels had reached 22 % as of December 2014. An analysis of the trend line shows that the portfolio vacancy levels are likely to fall by 1 percent in 2015, to about 17 percent, before rising to about 19 percent in 2016 and to 20 percent in 2017. However, even though the vacancy levels are expected to fall in 2015 according to the trend analysis, thereafter, the portfolio voids will continue increasing, a situation which spells doom for the industry, and if something is not urgently done to reverse the negative gains, then the real estate firms are to continue losing property management mandates to in-house management teams, with the evident consequence being the loss of revenue for the estate agents firms.

#### **4.4.2 Declining market rentals**

The market rentals achieved by the portfolio managers interviewed, for office and retail space in the CBD of Harare are summed up in Table 4.7 below.

**Table 4.7 Market rentals in the CBD**

| <b>Respondent</b> | <b>Market Rentals (\$)/square metres per month</b> |
|-------------------|----------------------------------------------------|
|-------------------|----------------------------------------------------|

|                                                | <b>Offices</b> | <b>Retail</b> |
|------------------------------------------------|----------------|---------------|
| Bard Properties (Private) Limited              | 7.00           | 20.00         |
| Rawson Properties (Private) Limited            | 6.00           | 15.00         |
| Mashonaland Holdings (Private) Limited         | 6.50           | 15.00         |
| Knight Frank Zimbabwe                          | 5.82           | 15.00         |
| Old Mutual Property Zimbabwe (Private) Limited | 5.62           | 13.00         |
| Pearl Properties Limited                       | 7.00           | 16.24         |
| Dawn Property Consultancy                      | 5.31           | 18.00         |
| <b>Average</b>                                 | <b>6.18</b>    | <b>16.03</b>  |

According to the research, office rentals in the CBD of Harare are in the range of US\$5.00 and US\$7.00 per square metre. The average rate is US\$6.00. However, the office market rental is US\$7.00 per square metre for space in the CBD. Suburban office parks are achieving rental in the range of US\$8.00 -US\$15.00 per square metre. As shown in Table 4.3 above, retail rentals rates in the CBD are in the range of US\$13 and US\$20 per square metre. The average rate is US\$16.00 per square metre. However, most of the interviewed property managers indicated there has been a sustained pressure to review rentals downwards for both office and retail space by up to 20 percent of the achieved rentals.

In some properties, especially offices, where the property owners have turned down the request to lower rental, some tenants have moved out, thereby increasing the void rates, which has therefore, resultantly resulted in the loss of management mandates to in-house management as the property managers and the estate agents fail to secure tenants. Therefore, the prevailing high rentals demanded by the estate agents, which are unmatched by the capacity to pay the rentals, is one of the cause of loss of management mandates to in-house management.

#### **4.4.3 High rentals, operating cost arrears and default rates.**

Table 4.8 below, show the rent arrears, arrears on legal hand over and those that have been written off by the firms interviewed. The study findings as shown in Table 4.8 below, shows that office rent arrears are in the range of 15% and 60% in some portfolios and the average is 52%. However, there is one outlier of 98%. Arrears on legal hand overs range between 5% and 56% and average 21%. Only four respondents indicated a write-off policy of bad debts and excluding the nil returns, these averaged about 3%.

**Table 4.8 Office rent arrears**

| <b>Respondent</b>                              | <b>Rent Arrears (%)</b> | <b>Legal Hand Over (%)</b> | <b>Absconded/Write Off (%)</b> |
|------------------------------------------------|-------------------------|----------------------------|--------------------------------|
| Bard Properties (Private) Limited              | 50                      | 16                         | Nil                            |
| Rawson Properties (Private) Limited            | 20                      | 5                          | Nil                            |
| Mashonaland Holdings (Private) Limited         | 15                      | 10                         | 3                              |
| Knight Frank Zimbabwe                          | 98                      | 56                         | 3                              |
| Old Mutual Property Zimbabwe (Private) Limited | 70                      | 5                          | Nil                            |
| Pearl Properties Limited                       | 48                      | 33                         | 1                              |
| Dawn Property Consultancy                      | 60                      | 20                         | 5                              |
| <b>Averages</b>                                | <b>52</b>               | <b>21</b>                  | <b>3</b>                       |

NB: the percentages are in relation to the total rent roll over a 12 month period.

As shown in Figure 4.9 below, retail rent arrears are in the range of 8% and 70% in some portfolios and averages about 33%. From the respondents, we observed that the retail rent arrears is less than office arrears. Of the average of 33% rent arrears for retail space, 15% is under legal hand over, excluding the nil returns. Only two respondents indicated a write-off policy of bad debts and these were about 10%, excluding nil returns.

**Table 4.9 Retail rent arrears**

| <b>Respondent</b>                              | <b>Rent Arrears (%)</b> | <b>Legal Hand Over (%)</b> | <b>Absconded/Write Off (%)</b> |
|------------------------------------------------|-------------------------|----------------------------|--------------------------------|
| Bard Properties (Private) Limited              | 29                      | Nil                        | Nil                            |
| Rawson Properties (Private) Limited            | 30                      | Nil                        | Nil                            |
| Mashonaland Holdings (Private) Limited         | 8                       | 5                          | Nil                            |
| Knight Frank Zimbabwe                          | 20                      | 12                         | 10                             |
| Old Mutual Property Zimbabwe (Private) Limited | 70                      | 5                          | Nil                            |
| Pearl Properties Limited                       | 24                      | 21                         | Nil                            |
| Dawn Property Consultancy                      | 50                      | 30                         | 10                             |
| <b>Averages</b>                                | <b>33</b>               | <b>15</b>                  | <b>10</b>                      |

NB: the percentages are in relation to the total rent roll over a 12 month period.

According to the study, the retail sector, which had remained resilient over the years, is now manifesting signs of weakness. Most property managers interviewed indicated that there are increasing incidences of retail tenants either seeking rental reductions or simply vacating

space because of low and static disposable incomes, which have led to a reduction of demand for goods by consumers translating into low business for traders.

The study also found out that the major challenge with property investments in the CBD of Harare is the alarming increase in tenant default on lease obligations resulting in loss of management mandates for estate agents. Not only are investments reeling from increasing voids, the occupied space is not operating at optimum level due to rent defaults. In some cases, according to the senior property managers interviewed, tenants simply abscond after accumulating large amounts in arrears. Table 4.10 below, shows the operating cost arrears for the firms that were interviewed.

**Table 4.10 Operating cost arrears**

| <b>Respondent</b>                              | <b>Operating Costs (%)</b> |               |
|------------------------------------------------|----------------------------|---------------|
|                                                | <b>Offices</b>             | <b>Retail</b> |
| Bard Properties (Private) Limited              | 50                         | 28            |
| Rawson Properties (Private) Limited            | 20                         | Nil           |
| Mashonaland Holdings (Private) Limited         | 15                         | 5             |
| Knight Frank Zimbabwe                          | 100                        | 37            |
| Old Mutual Property Zimbabwe (Private) Limited | 70                         | 70            |
| Pearl Properties Limited                       | 71                         | 21            |
| Dawn Property Consultancy                      | 80                         | 60            |
| <b>Average</b>                                 | <b>58</b>                  | <b>37</b>     |

According to Fig 4.10, above, all the property managers interviewed, indicated that that they had operating costs arrears for offices in the range of 15 and 100% and these averaged 58%. This high rate of operating costs arrears shows that utility costs are not being paid regularly and therefore, services are likely to be interrupted when the authorities terminate the services, a situation which often results in loss of management mandate, because property owners often view such situations as failure on the part of the property manager. For the retail sector the operating costs are in the range of 5 and 70% and they averaged 37%, excluding nil returns. Only one respondent indicated that they had zero operating costs arrears in their portfolio.

#### **4.4.4 Unfavourable Laws**

Most of the senior property managers interviewed indicated that one of the major problems facing the real estate industry is the existing legislation on rent reviews as governed by the rent board, which seems to generally protect the tenants at the expense of the landlord. Property managers interviewed indicated that it is difficult to evict bad tenants because of the rent regulations which make tenants powerful in rent and tenancy disputes. That coupled with the slow pace in which cases, which go to courts take to be completed, undermine the effectiveness of the property managers. Most of the managers interviewed indicated that on average cases take-up between three and six months before they are fully resolved. By which time the tenant, would have accumulated huge arrears, which will never be fully recovered even if some property is attached to recover the arrears. Most of the property managers indicated that in many cases by the time the court grants an eviction notice and writ of execution, the property that would be attached will be far much less in value than the level of debt incurred and sometimes the tenant might simply abscond without paying any cent, situations which have reflected badly on estate agents and consequently some firms have lost the mandates.

#### **4.4.5 Lack of a Tenant database and credit check bureau**

The research found out that in most cases tenants simply defaults on one property and move on to another property, where they will also default and move to another property, because there is no tenant database and credit check bureau, where landlords and agents can comprehensively vet prospective tenants. If such a database was available such tenants would be blacklisted and therefore, the probability of letting a bad debtor would be greatly reduced.

#### **4.4.6 Property Investors Strategic Shift**

Most of the senior property managers interviewed also indicated that the reason why traditional estate agents were losing mandates to manage properties to In-house management is because of the difficult economic environment prevailing which has forced many property investors to have their own in-house management teams. In-house property management is relatively cheap as property owners would only need to have one or two people on their payroll unlike estate agents who charge a minimum of 5 percent of the income on the rent roll. According to the property manager interviewed, some landlords have therefore, made

strategic decisions to save costs through employing in-house teams and terminating the services of estate agents. Some corporations have even gone to the extent of forming their own real estate firms, which specifically manage their own portfolios. The strategic shift is advantageous to the property owners but a disadvantage to the agents as this result in loss of income, therefore, this strategic shift is one of the many reasons estate agents are losing management mandates to in-house management teams, as it is no longer economically, strategically prudent and reasonable for the investors to engage the services of estate agents.

#### **4.4.7 Unclear goals and short lead time**

The property manager’s interviewed also indicated that sometime property mandates are withdrawn because the property owners do not provide clear objectives during the early stages of awarding the management mandate and in most instances do not allow enough lead time for effective implementation of strategies adopted by the property managers, which is critical in the current challenging environment, characterised by high voids and high default rates.

### **4.5 Challenges facing Property Users**

The study found out that there are many challenges which are affecting the property uses which consequently result in high rental defaults and void rates, which also ultimately result in loss of management mandates. The study found out that some of the challenges which are facing the property users include high rentals, the prevailing economic environment, parking problems and the ubiquitous informal traders. The section that follows is a presentation of these challenges, which are facing the property users who were interviewed through the questionnaires.

#### **4.5.1 High Rental**

Table 4.11 below, shows the frequency of the various responses of the property users’ on the rental levels currently charged by the estate agents interviewed.

**Table 4.11 Rental Levels**

|  | <b>Frequency of responses</b> | <b>Percent</b> | <b>Cumulative Percent of responses</b> |
|--|-------------------------------|----------------|----------------------------------------|
|--|-------------------------------|----------------|----------------------------------------|

|            |     |       |       |
|------------|-----|-------|-------|
| High       | 201 | 62.4  | 62.4  |
| low        | 80  | 24.8  | 87.3  |
| Reasonable | 41  | 12.7  | 100.0 |
| Total      | 322 | 100.0 |       |

As shown in Table 4.11 above, 62.4 percent of the property users interviewed cited high rentals as one of the factors leading to high voids and defaults. Only 24.8 percent said their rentals were low and 12.7 percent indicated that their rental were reasonable and fair. Therefore, high rentals charged by the estate agents are one of the causes of the prevailing high voids rate and defaults rate, which are consequently resulting in the loss of the management mandates to in-house management.

**4.5.2 Economic environment**

Table 4.12 below shows the number and frequency of the response of the property uses respondents who said the prevailing economic environment was the cause of the high void and default rates.

**Table 4.12 Economic environment**

| Frequency of response | Percent | Cumulative Percent |
|-----------------------|---------|--------------------|
| 322                   | 100.0   | 100.0              |

Regardless of the fact that all of the respondents are aware of their contractual obligation to pay their rentals on or before the first of each month as shown by Table 4.13 below, all of the respondents cited the prevailing difficult economic conditions as one of the leading causes of the challenges they face and the resulting defaults in rental payments as well as the high void rates obtaining in many properties.

**Table 4.13 Awareness of contractual obligations**

| Frequency | Percent | Cumulative Percent |
|-----------|---------|--------------------|
| 322       | 100.0   | 100.0              |

All the tenants also indicated that they have in the past at one point defaulted in paying their rental as depicted by Table 4.14 below.

**Table 4.14 Time spent without paying rentals**

| <b>Months</b> | <b>Frequency of response</b> | <b>Percent</b> | <b>Cumulative Percent</b> |
|---------------|------------------------------|----------------|---------------------------|
| 1             | 21                           | 6.5            | 6.5                       |
| 2             | 69                           | 21.4           | 28.0                      |
| 3             | 95                           | 29.5           | 57.5                      |
| 4             | 48                           | 14.9           | 72.4                      |
| 6             | 23                           | 7.1            | 79.5                      |
| 7             | 23                           | 7.1            | 86.6                      |
| 8             | 43                           | 13.4           | 100.0                     |
| Total         | 322                          | 100.0          |                           |

Therefore, the prevailing economic environment is one of the reasons why traditional estate agents like Dawn Property Consultancy are losing mandates.

#### **4.5.3 Parking Problems**

As shown in Table 4.15 below, all of the respondents also cited the lack of enough parking facilities as one of the causes of high void rates obtaining in many properties, as most property users now prefer to have their offices in suburban office complexes, far away from the CBD noises and parking chaos.

**Table 4.15 Parking Problem**

| <b>Frequency of Response</b> | <b>Percent</b> | <b>Cumulative Percent</b> |
|------------------------------|----------------|---------------------------|
| 322                          | 100.0          | 100.0                     |

Therefore, parking challenges are one of the reasons why many properties in the CBD are vacant, which resultantly cause the loss of management mandates.

#### **4.5.4 Ubiquitous Informal Traders**

Table 4.16 below, shows the frequency of respondents who said informal traders presents on property fronts was one of their challenges.

**Table 4.16 Informal Traders**

| <b>Frequency of response</b> | <b>Percent</b> | <b>Cumulative Percent</b> |
|------------------------------|----------------|---------------------------|
|------------------------------|----------------|---------------------------|



| <b>Frequency of response</b> | <b>Percent</b> | <b>Cumulative Percent</b> |
|------------------------------|----------------|---------------------------|
| 322                          | 100.0          | 100.0                     |

All the respondents cited the presents of informal traders on street pavements as one of the causes of low business activity and subsequently high void rates obtaining in many properties which resultantly leads to loss of management mandates.

#### **4.6 Strategies for maintaining and gaining property management mandates**

According to the senior property managers interviewed, strategies to gain and maintain property management mandates include taking advantage of sales activities within and outside the organisation, leasing activities within the organisation and new property development in the area, in-order to pitch for new management mandates. Other strategies include the retention of current services, marketing and communication, dialogue with tenants and management innovation. The presentation that follows is on these strategies.

##### **4.6.1 Taking advantage of sales**

Property managers should take the opportunity provided by sales activities to pitch for property management appointments. When a property is sold publicly the property managers should make a proposal to manage the property.

##### **4.6.2 Taking advantage of leasing activities**

According to the study, another strategy to gain property management mandates is through taking advantage of leasing activity with a firm. One should always endeavour to serve leasing clients well, so that if a proposal is made to manage the property, it would be easily accepted.

##### **4.6.3 Taking advantage of New Property Developments**

Taking advantage of new property developments in the locality is also another strategy to gain new management mandates. Property managers should always be on the lookout of upcoming developments at the local planning offices and they should pitch for management to the property owners and developers.

#### **4.6.4 Broadening one's network**

The study also found that another strategy for gaining management mandates is through broadening one's network of people. One should endeavour to get to know people who own or control major portfolio and connect with them on a regular basis, with the intention to pitch for the management of their properties.

#### **4.6.5 Retention of current services**

Retention of current services is also one of the strategies to maintain and gain new property management mandates, as this generates repeat jobs, referral and recommendations from the current satisfied clients.

#### **4.6.6 Marketing and Communication**

The research also found out that one should also let his customers know that he is actively seeking new management accounts, through marketing as a way of gaining new mandates. According to the research some of ways to pitch for new property management mandates through marketing include email campaigns, monthly newsletters, hosting events and search engines marketing. For email campaigns one should compile a list of all of property owner's email addresses and build an email campaign to them. This can be done monthly. An offer of a month of free management or other incentives can be made. Customers should also be informed of what is happening within the business. They should be informed about the conditions of both the rental and sales markets in their area.

Search Engine Marketing refers to any type of paid online advertising to include search engines. It is the practice of paying for people to visit your website, or landing page, or some type of online presence. By marketing to the correct customers, property managers can convert a percentage of them into paying business.

#### **4.6.7 Dialogue with tenants**

Most property managers interviewed emphasised the need for dialogue between tenants and property owners through property managers. With the prevailing economic conditions there is need for all the parties to sit down and come up with win- win situations. The dialogue should be aimed at ensuring that the tenants are not

evicted, they continue paying their monthly rentals and clear their arrears over time. This can be done through debt restructuring and provision of tenant incentives.

#### **4.6.8 Management Innovation.**

The prevailing economic conditions require estate managers to be innovative in-order to deal with the challenges facing the property management division of the real estate industry. Such innovation could include provision of tenant's incentives such as rent free months for the first months of occupation, rent discount and provision of extra services such free internet in buildings common areas.

### **4.7 Chapter Conclusion**

The chapter has presented the research findings with respect to size of the management properties lost in the past decade by the seven large real estate agents in Zimbabwe, the challenges being faced by estate agents resulting in loss of property mandates and the strategies that can be implemented in-order to solve the challenges being faced, strategies that if properly implemented will likely solve the current problems faced by property managers in the real estate industry and result in the estate agents maintaining their current mandates, as well as gain new mandates. The next chapter will therefore look at policy recommendations and conclude the research.

## **Chapter 5**

### **Policy Recommendations and Conclusions**

#### **5.1 Introduction**

This chapter concludes the study and also provides policy recommendations based on its findings. The recommendations are based on the objectives of the study, which were to investigate the extent to which estate agents have lost property management mandates in Zimbabwe, in the last decade; to investigate and analyse the constraints that real estate property managers are facing in gaining and maintaining property management mandates; and to come up with strategies that can be implemented to retain and gain new property management mandates by real estate practitioner in Zimbabwe. It is hoped that the recommendations from this study will help real estate agents firms in Zimbabwe, maintain or sustain the property management mandates they currently have and gain more property management mandates. The chapter will also suggest areas for further study identified by this research.

#### **5.2 Policy Recommendations**

The study found out that a number of strategies need to be adopted, in-order to sustainably solve the problems that the real estate industry is facing as a result of the loss of the management mandates by estate agents to in-house management teams. It is therefore, recommended that a number of policy strategies including the setting up of a tenant credit check bureau and the engagement of the various arms of the government on a number of policy issues be adopted. The sections that follow are on the recommended policy issues.

##### **5.2.1 Creation of a Tenant Credit check bureau.**

It is recommended that property owners and managers should advocate for the setting up of a tenant credit check bureau, whose role should be mainly to screen tenants. The tenant credit bureau would check on each prospective tenant's historical credit problems, financial problems, evictions and fraud. Such a process would help minimize the risk that a tenant will default his or her rentals as the process ensures that estate agents let properties to reputable people or institutions and thus reduces the probability that a property manager will lose his

management mandate as a result of failure to collect rental from the tenants. The creation of a tenant credit check bureau will be advantages to the industry as a whole, as they do extra checks on prospective tenants like history of evictions from other properties, unlike normal or traditional credit check bureaus which are mainly restricted to historical financial aspects of individual or institutions. The success of such an institution will also depend on the total cooperation of the individual players, which are the estate agents with the industry as they will periodically be required to submit information on bad tenants to the bureau. The Bureau should be housed under the Real Estate Council of Zimbabwe for easier cooperation and coordination amongst the industry players.

### **5.2.2 Engagement with the Various Arms of the Government.**

It is also recommend that estate agents engage the various arms of government with the view of finding holistic and sustainable strategies to totally deal with the challenge of informal traders and high property rates, which ultimately contribute to the high operating costs for properties.

There is also need to advocate to the government for the urgent review of the current town planning statutes, so that they incorporate modern town planning concepts like three dimensional planning, which will permit uses like residential activities in the central business district, for the upper levels of high rise buildings, as such land use is not currently permitted by the town planning provisions of the Harare Central Business District and can only be permitted under special consent. Such provisions will greatly reduce the void rates in the CBD of Harare, especially for the office properties, which are thirty to forty percent vacant, even though the conversion process of upper floor which are the one mainly vacant, to residential apartment will require some significant investments in the facilities required for such uses. Demand for such facilities is likely to be high, since these properties are in the central business district of Harare. This will therefore contribute to the retention of property management mandates by estate agents as they will be effectively fulfilling some of their core duties such as rental collection and finding tenants. The conversion of the upper units vacant units of office properties in the Harare Central Business District will also help reduce the traffic congestion within the city centre as there will be no need to travel by cars to work as individuals will simply walk to work.

The estate agents should also advocate to the government for the setting up of a commercial court that deals with commercial matters only, as a way of reducing the huge backlog on our

court systems and facilitate faster settlement of disputes. At the moment a case usually takes a minimum of three months to be finalised and there are reports that some commercial cases which were filed as far back as 2013 are yet to be finalised.

There is also the need to engage and urge the government to lead by example in paying its rentals, as most property manager reported that the government was the chief culprit in not paying rental when they are due, even though they eventually pay after a long period. One of the property managers reported that they recently lost two management mandate of high quality buildings, after the Office of the Presidency had accumulated huge arrears totalling US\$ 500 000, and was refusing to clear the rent and operating cost arrears, contrary to the signed lease agreement simply because the property is owned by a quasi parastatal and therefore they are part owners of the properties.

### **5.2.3 Formation of a Property Owners Association to spearhead the need and views of property owners**

It is also recommended that property owners and managers should also advocate for the setting up of an owners association, whose objectives should be to represent, protect and advance the members commercial and industrial property interests within the property industry in terms of management and development. The organisation should also be mandated with encouraging members to share their expertise through active participation in the association, through various forums as well as to foster key relationships.

The property owners association should also set quality standards, and come up with educational programmes, which would be a source of education and provide information useful not only to members but also to government and industry as a whole. The information sharing role can be carried out through the collection and dissemination of property data and statics. The statistics can be in relation to the amount of voids in the market and the rentals currently achievable.

### **5.3 Objectives/Results Matrix**

The matrix below matches the objectives of the study to the major findings of the research.

| <b>Objectives</b>                                                                                                                                           | <b>Results</b>                                                                                                                                                                                                                                                                                                                                                                                                                     |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>4. To investigate the extent to which estate agents have lost property management mandates in Zimbabwe, in the last decade.</p>                          | <ul style="list-style-type: none"> <li>• Leading real estate firms have lost many property management mandates as a result of the rise of in-house management in many organisations.</li> </ul>                                                                                                                                                                                                                                    |
| <p>5. To investigate and analyse the constraints that real estate property managers are facing in gaining and maintaining property management mandates.</p> | <p>Constraints facing real estate firms include:</p> <ul style="list-style-type: none"> <li>• High property voids rates.</li> <li>• Declining market rentals</li> <li>• High operating costs</li> <li>• High operating costs arrears</li> <li>• High rental arrears</li> <li>• High rental and operating costs default rate</li> <li>• Unfavourable laws.</li> <li>• Lack of a tenant database and credit check bureau.</li> </ul> |
| <p>6. To come up with strategies that can be implemented to retain and gain new property management mandates by real estate practitioners in Zimbabwe.</p>  | <p>Strategies recommended include the following:</p> <ul style="list-style-type: none"> <li>• Creation of a tenant credit check bureau.</li> <li>• Engagement with various arms of the government.</li> <li>• Formation of a property owners association.</li> </ul>                                                                                                                                                               |

#### **5.4 Contributions of the study**

The contributions of the study have mainly being two fold, namely:

1. The research has localised the research carried out in other countries on property management in the real estate industry. It has given a local perspective to the contemporary property management challenges in the real estate sector, which are leading to the loss in property management mandates by real estates.
2. Problem solving. Real estate firms are facing huge challenges/threats to their traditional sources of revenue, such as property management. The research has managed to explore the nature of the challenges being faced by real estate practitioners and come up with policy recommendations and possible solutions, which is exactly one of the objectives of this study. The policy recommendations and possible solution were discussed in the preceding sections of this chapter.

#### **5.4 Areas for further study**

This research has shown that there are a number of challenges that the property industry is facing. An interesting area of study would be to investigate the challenges faced by corporates in real estate outsourcing, which would entail interviewing the organisations which outsource corporate real estate services like banks and pension funds and try come up with solutions.

#### **5.4 Conclusion**

The real estate firms should be at the forefront in advocating for the implementation and adoption of the above stated policy recommendations so that the challenges facing the industry are comprehensively tackled and consequently sustain and gain more property management mandates.



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## Appendix 1

### Schedule of Questions to Property Managers

1. What is your position in the organization?
2. What is your level of experience?
3. Generally how has the industry been performing?
4. How many properties do you manage?
5. What is the total lettable area that you manage in the CBD?
6. Are you a service provider to some firms/corporate which are out-sourcing corporate real estate functions?

|     |                          |
|-----|--------------------------|
| Yes | <input type="checkbox"/> |
| No  | <input type="checkbox"/> |

7. If yes, in which sectors are the firms, that you are providing the property management service?

.....

.....

.....

.....

.....

.....

8. What do you think are the reasons the firms have outsourced the corporate real estate services.

.....

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.....

.....

9. What challenges are you facing in the management of the properties?

10. Have there been situations where you have lost management mandates of corporate real estate service.

Yes

No

11. If yes, over the last 10 years how many mandate have you lost.

| Year | Number of mandates lost |
|------|-------------------------|
| 2005 |                         |
| 2006 |                         |
| 2007 |                         |
| 2008 |                         |
| 2009 |                         |
| 2010 |                         |
| 2011 |                         |
| 2012 |                         |
| 2013 |                         |
| 2014 |                         |
| 2015 |                         |

12. If yes, (to question 9) are they being managed in-house or the mandates where given to other firms

.....

.....

.....

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.....

13. If yes, (to question 9), how many are now being owner managed?

14. If yes, (to question 9), what were the reason/causes for the loss of the management mandates?

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

15. What has been the impact of the property management problems in your organization

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

16. What do you think need be done to solve problems/ challenges?

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.....  
.....

17. Any other comments?

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

The End- Thank You

**Appendix 2**

**UNIVERSITY OF ZIMBABWE**  
**FACULTY OF COMMERCE**  
**GRADUATE SCHOOL OF MANAGEMENT**

Dear Sir/Madam.

My name is Cremio Kazembe (Nat. 43-135505-43) and I am an MBA student with the University of Zimbabwe (Student ID. R042542Q). I am carrying out a research titled Strategies for gaining and sustaining property management mandates in Zimbabwe’s Real Estate industry.

Please be assured that your responses will be treated with confidentiality and will be used for academic purposes only. As such, please do not include your name or the name of your organization.

**Instructions.**

1. Attempt all questions faithfully
2. Put an (x) or a tick where a box is provided to indicate your answer or write your answer on the space provided

Your co-operation will be greatly appreciated.

**Questionnaire**

1. What is your company Title?

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

2. In which business category is your firm?

Small enterprise  Medium enterprise  Large enterprise

3. How many people are employed by the firm?

Less than 100  101-200  +200

4. What is your average annual revenue for your company?

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

5. In which industrial sector are you?

.....  
.....

6. What activities do you do?

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

7. Is the organization registered?

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

8. How long have you been occupying this space?

1-5 years  5-10 year  +10 years

9. Have you in the recent past delayed in paying the monthly rentals?

Yes  No

10. What is the longest period that you have gone without paying rentals?

1- 3 moths  3-6 months  +6 months

11. What has been the reason you have delayed paying the rentals?

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

12. Are you are aware of your the contractual obligation to pay rental on or before the due date?

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.....  
.....

13. What challenges are you facing in the process of renting the property?

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.....  
.....

14. What do you think should be done in order to solve the problems?

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.....  
.....

15. Have you ever been evicted from a property in the last 10 years?

Yes  No



16. Any other comments?

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The End- Thank You

### **Appendix 3**

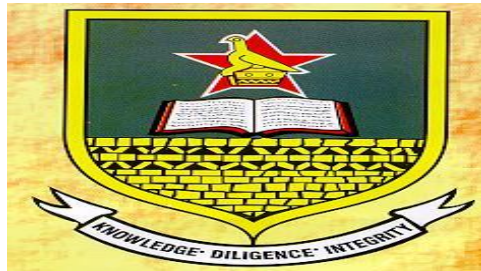
#### **Schedule of Questions to the chief executive officer of two firms and the secretary general of RECZ**

1. Generally how has the industry been performing
2. What challenges are you facing in the management of the properties?
3. What do you think need be done to solve problems/ challenges?
4. Any other comments?

The End- Thank You

**Appendix 4**

**UNIVERSITY OF ZIMBABWE**  
**FACULTY OF COMMERCE**  
**GRADUATE SCHOOL OF MANAGEMENT**  
**MASTER IN BUSINESS ADMINISTRATION**



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