THE ENHANCEMENT FOR BETTER SUSTAINABLE CORPORATE PROPERTIES IN NAIROBI, KENYA

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Abstract: This paper has discussed on the improvement of sustainable corporate properties in Kenya. The methodology used for this paper is document review. A formalized technique of data collection involving the examination of existing records or documents. Critical literature review was made regarding Fortune 500 and similar companies around the world," says Eric Bowles Vice President and Director of Research for Core Net Global. "These findings reinforce what we are hearing from clients every day: more and more companies are recognizing the business case for sustainability, and their corporate real estate departments are charged with making it happen to a large extent," said Ben Breslau, Vice President, Director of Occupier Research at Jones Lang LaSalle. Document review informed the research process to varying degrees. The findings show that there is significant progress of project in line with built environment of construction and manufacturing sectors. Investment opportunities in this sector range from urban renewal and construction of middle and low income housing to income housing to the manufacturing and supply of building materials and components. H Young & Co (EA) is one of East Africa's leading construction groups with numerous civil engineering, road construction, structural steel works and electrical mechanical installation projects. Future research is necessary to be done in other sectors of the economy regarding corporation's real estate.

Keywords: corporate properties, Kenya, sustainability

BACKGROUND

Sustainability is the long-term maintenance of wellbeing, which has environmental, economic, and social dimensions, and encompasses the concept of stewardship, the responsible management of resource use. In ecology, sustainability describes how biological systems remain diverse and productive over time, a necessary precondition for human well-being. Long-lived and healthy wetlands and forests are examples of sustainable biological systems.

According to Colette M. Temmink, in the economic downturn, corporate real estate executives are continuing to focus on sustainability because it drives real bottom line benefits. Benefits include, but are not limited to, providing a healthier, productive work environment for employees and attracting new employees. Current studies have shown the cost of implementing sustainability initiatives decreasing; the present economic environment makes it hard to win internal support for initiatives that have short-term payback periods, let alone longer-term returns on investment. In addition, there is a dearth of "sustainable" buildings available for occupancy. despite these challenges, a company can still make progress on sustainability efforts by focusing on its occupied space and existing real estate practices. As more and more companies focus on sustainability, their corporate real estate and facilities departments will play a crucial role in making it a reality.

Given that commercial real estate accounts for 30–40 percent of the atmospheric emissions, up to 40 percent of the nation's energy, 60 percent of all electricity, 25 percent of all water, 25–30 percent of all wood and materials, and is responsible for 35–40 percent of the municipal solid waste stream, it should come as no surprise that corporate sustainability programs are largely focused on reducing this impact. Corporate real estate organizations are the stewards of their companies' assets and are positioned to provide the leadership needed to preserve and protect the environment while still meeting the needs of employees, shareholders and customers. Sustainability offers corporate real estate executives an opportunity to provide long-term value to their organizations and to establish themselves as strategic business partners. Real estate can also achieve substantial gains cost effectively compared to other industries.

According to the Nairobi stock exchange, It had become evident that the commercial banks could not support and sustain a desirable economic development because they could not offer the necessary long-term credit.

According to Mary Kimani2011, senior lecturer in University of Nairobi, Building networked sustainable infrastructure is key to creating a livable future. Getting it right requires balanced, strategic investments that meet the demands of changing urban realities. Planners need to be in the forefront, actively challenging common notions of urban development, addressing increasing demands for transit development, re-energizing neighborhood districts, and even adaptively reusing former landfills. By designing sustainable green infrastructure, among them integrated water management systems using low impact technology, planners can take the lead. New community engagement tools create ways to facilitate creative local investment, not through typical prescriptive master plans, but by engaging in inspiring participatory processes. Also deserving attention are current international design standards for measuring sustainable new cities, where people can lead healthier, ecologically based, productive lives

LITERATURE REVIEW

It's crystal clear to us that a focus on sustainability has become important to the Fortune 500 and similar companies around the world," says Eric Bowles Vice President and Director of Research for CoreNet Global. "These findings reinforce what we are hearing from clients every day: more and more companies are recognizing the business case for sustainability, and their corporate real estate departments are charged with making it happen to a large extent," said Ben Breslau, Vice President, Director of Occupier Research at Jones Lang LaSalle.

According to the survey, most companies are willing to pay for sustainable real estate solutions. According to the findings: (a) 77% are willing to pay a premium for sustainability (b) 22% expect to pay the same

But there's also a gap between what sustainable real estate solutions actually cost and the perception of what they will cost. Studies indicate that designing buildings energy efficiently, or building them to LEED certification will cost about 1-5% more than conventional construction, and the incremental cost is falling. Many companies still don't realize that the cost of sustainability has come down. A large proportion of respondents thought sustainable designs were more expensive that they really are. Respondents' perceptions varied widely: (a) 52% say premiums will be 5% or more to build in a sustainable manner; 22% of them (b) believe green buildings will cost 10% more than conventional building (c) 38% said sustainable buildings will cost 1-5% more, and (d) 1% say it's actually less expensive, while (e) 8% said those buildings will cost the same

Despite the opportunity to apply techniques to make buildings more environmentally friendly, respondents to the Core Net Global/Jones Lang LaSalle survey found obstacles to sustainability that have hindered widespread adoption: (a) Only 17% said that there is good, or widely available, sustainable real estate solutions (b) in markets where their companies need to locate offices (c) 42% reported patchiness and said the supply chain is good in some markets but not others (d) 41% view overall availability as limited or minimal

While sustainable building is becoming more critical the world over, its intensity varies from Continent to continent. According to the results: (a) 61% of respondents in Europe feel sustainability is a critical business now (b) 53% feel that way in Australia, while (c) Only 44% of respondents who attended the Denver Global Summit feel that sustainability is critical now

Larry Simpson, Executive Vice President(2011), said, corporate real estate and facilities organizations will be challenged by their senior leadership to integrate sustainability throughout their real estate strategy to operate sustainable facilities as a new way of doing business. While this does not guarantee success, CRE organizations that fail to pursue sustainability principles will be left behind. Said another way, embracing sustainability to manage corporate real estate is no longer an option, it's an imperative because, "green is the new black."

The problem then becomes, "what happens when a company's corporate real estate strategy is not aligned with corporate objectives?" The short answer is, there may be some very difficult conversations between the CRE professional and senior management. But, the longer answer involves missed opportunities to take a leadership position in their company's movement toward sustainability.

It is becoming increasingly clear that the recognition of senior management's desire to embrace sustainability and the important role of real estate should be driving CRE strategy and generating measurable results. Because of what is at stake in the importance of achieving sustainability objectives, and the significant risk management and cost savings opportunities, doing nothing is no longer an option.

The imperative to align corporate real estate to the C-suite's commitment to sustainability results from: (a) Plant, Property and Equipment, of which the net value of real estate is a significant component, often comprise 20-50%+ of a company's assets on the balance sheet; (b) Buildings and facilities account for 70% of electricity consumption and 40% of greenhouse gas (GHC) emissions; and, (c) Owned and leased CRE portfolios house a company's most precious resource, its staff, and they enable operations. Therefore, it is critical that they be managed in the most efficient manner possible.

But, the most important underlying reason to achieve sustainability and corporate strategic alignment goes well beyond sustainability and its relationship to alternative workplace strategies. It is the fact that it makes good business sense by accelerating near and long-term value creation.

The key measurements that CRE professionals should use to measure progress toward achieving their sustainability goals are highlighted in a proprietary report from the Sustainability Roundtable, Inc. (SR Inc.) entitled, "Sustainable Corporate Real Estate Roundtable: Management Best Practices Guidebook 2010," that cited key performance indicators from their members that include: (a) Energy use and cost (b) Energy efficiency (c) Renewable energy use, and purchase of renewable energy credits (RECS) (d) Scope 1, 2 and 3 CHG emissions (e) Water use, reuse and recycling (f) Waste and recycling

So, for the CRE professional, the alignment quotient isn't just to avoid stressful conversations with senior management or create a marketing opportunity to promote that the organization is "going green."

The overarching rationale is that aligning a real estate strategy with corporate sustainability objectives is all about creating enterprise value, reducing operating costs and risk, and enabling overall corporate identity that allow "sustainability issues to be fully integrated into the strategy and operations of a company."

As more corporations go global, the role of corporate real estate will become more a central source of creating and maintaining global competitive advantage (Wills, 2008). According to Roulac (2001), this can be achieved through transforming a firm's property portfolios to increase market share and enhance shareholder value. While a firm's global competitiveness can be achieved through the tangible/physical dimension of corporate real estate, Heywood and Kenley (2008) argued that intangible corporate real estate management practices may also be competitively valuable through the organizational capabilities they produce. Similarly, Joroff et al. (1993) noted that the search for sustainable competitive advantage is implicitly conceived within the highest level of corporate real estate management practices. These practices may relate to real estate holding, financing, accounting, location/site selection, workplace styles, real estate information management and benchmarking (Heywood and Kenley, 2008).

The argument that corporate real estate can be a source of capability to give companies its competitive advantage in a hypercompetitive climate is intuitively reasonable. First, corporate real estate practices are non-tangible in nature and therefore harder for competitors observe and imitate. Further, corporate real estate is still a relatively less obvious resource for many organizations when developing a competitive strategy. Manning and Roulac (2001) found that while business dimensions external to the organization are probably of more interest to senior and business unit managers, there was a paucity of research connecting the external strategic business dimension to corporate real estate. Understanding of corporate real estate capabilities and its development as a response to maintaining competitive advantage is at best still at its formative stage compared to the understanding of corporate real estate as a facility within the internal environment and its management. To this end, the following section seeks to identify the corporate real estate capabilities that are important for responding to globalization.

The improvement of sustainability issues into corporate property strategies can firstly be interpreted as an adaptation of the main actors to an increasing regulation constraint, but these actors also consider the potential value created by sustainable performance of buildings which improve their attractiveness. Following this, a growing literature aims at measuring the economic value of sustainable or green buildings for investors and landlords

(Francesco, Levy, 2008; Miller, Spivey and Florance, 2008; Fuerst and McAllister, 2009; Eichholtz, Kok and Quigley, 2010; Wiley, Benefield and Johnson, 2010) but fewer researches analyze the attractiveness of sustainable buildings for users. However, the improvement of sustainability issue in corporate property does not concern only buildings' performance. Sustainable principles may have consequences on the environment where those buildings are located by influencing land-use, city's organization and urban form. In the context of corporate property, this may improve attractiveness for business districts by promoting sustainable attributes (green buildings, local amenit), land-use diversity and accessibility.

A growing number of empirical works demonstrate that green buildings allow for rental premiums, higher occupancy rates and thus higher asset values (Miller, Spivey and Florence, 2008; Fuerst and McAllister, 2009; Eichholtz, Kok and Quigley, 2010; Wiley, Benfield and Johnson, 2010). This part of the literature is widely developed in U.S, U.K. and Australia which represent 75 % of academic publications (Sayce, Sunberg and Clements, 2010). These works concerns mainly U.S. office buildings that are Energy-Star or LEED certified regarding comparable buildings, using data from the Co-Star database and hedonic regressions in order to estimate the impact of label or rating on value (these certifications are described in details in the next section). They all conclude to a positive impact of sustainable certification on value. However, all these authors are realistic in pointing out the very preliminary nature of the linkage. In addition, the "green value" is also estimated in terms of risk and depreciation for investors by protecting buildings against premature obsolescence (Sayce, Ellison and Smith, 2004; Lorenz and Lützkendorf, 2008; McNamara, 2008; Muldavin, 2008). Consequently, improving sustainable performance of buildings should lead to higher values for investors or landlords generally by more than the extra costs to go green (Bartlett and Howard, 2000; Miller, Pogue, Saville and Tu, 2010). All the studies insist on the difficult estimation of the actual value created by sustainable buildings and that it is more a question of depreciation for non-sustainable buildings. The survey conducted by AtisReal (2008) in U.K. highlights potential lower risks and premium values for investors, whereas Myers, Reed and Robinson (2008) suggest a weaker interest for sustainable properties into investors' portfolios in New Zealand.

The impact of sustainability on attractiveness for business districts also relies on city's organization and urban form. The academic research on "sustainable city" originally focused on the interaction between urban form and daily mobility. A first body of works promoted a "Compact City" (Newman and Kenworthy, 1998) in order to reduce urban sprawl which is associated with an intensive use of the automobile. However, the compact city was criticized by several works, underlining its consequences on congestion, pressure on land prices (Gordon and Richardson, 1997; Galster and Cutsinger, 2005) and the emergence of polycentric cities (Giulliano and Small, 1991; Anas, Arnott and Small, 1998; Gaschet, 2001). Suburban employment centres allow households to live close to jobs and commercial facilities and thus impact commuting behaviors (Levinson and Kumar, 1994; Pouyanne, 2006). This result is reinforced when suburban centers are linked by an efficient transportation system (McMillen, 2001). The emergence of business districts characterized by land-use mix and accessibility is a good way to improve sustainability in a polycentric city. Thus the achievement of sustainability is able to improve territorial attractiveness by promoting land-use diversity and accessibility for business centres. Page 7 Sustainable development is a major issue for corporate property. It may influence management practices by creating value for buildings and influence location strategies by improving attractiveness for business districts. The survey conducted in this article is investing these aspects in the French context.

METHODOLOGY

The technique used to collect data for this paper is document review. Document review is a formalized technique of data collection involving the examination of existing records or documents. Document review informed the research process to varying degrees. Document review is often used in historical research, which involves the study and analysis of data about past events. The specific methods used are flexible and open because the purpose is to learn how past intentions and events were related due to their meaning and value. Documents are reviewed considering the context within which they were created. The historian learns about particular persons at particular times and places that present unique opportunities to learn about the topic of interest. It is a research method that requires the researcher to enter into an in-depth learning process, to become a critical editor of texts, such as diaries, media reports, or blogs. The researcher should explain the method used and readers should feel comfortable that the method involved adequate depth and a critical approach. Among the documents analyzed were report card forms, lists of reading books, and other relevant documents pertinent to sustainability of corporate properties Kenya.

FINDINGS, ANALYSIS AND DISCUSSIONS

Kenya's economic revival has seen the construction and real estate sector grow very rapidly and the sector is projected to grow annually by 16.7 percent on average, its GDP rising from 2.3 percent in 2002 to 4.2 percent in 2007 according to the Economic Recovery Strategy for Employment and Wealth Creation government report. This growth has seen the consumption of cement and construction materials increase phenomenally. Much of the cement is used in the much-needed road construction and maintenance, with major companies such as East African Portland Cement Company (EAPC) and Bamburi Cement making strong contributions.

EAPC has been around for more than 70 years and makes well-known cement products such as Blue Triangle, as well as kerbstones, concrete pavers and slabs. The country's half year results ending on December 31, 2005 showed a 20 percent increase in turnover. This increase is greatly attributed to growth in cement sales due to resurgence in the building and construction sector.

Bamburi Cement, founded in 1951, is another major player in the field. Bamburi today boasts of famous brands such as Power Plus Cement and Nguvu Cement. A 2004 economic survey noted that the construction sector's key economic indicators were showing an improvement in performance as well, specifically the total value of building plans approved. The overall construction cost index recorded an increase of 7.1 percent in 2003, compared to 1.4 percent in 2002.

Investment opportunities in this sector range from urban renewal and construction of middle and low income housing to income housing to the manufacturing and supply of building materials and components. H Young & Co (EA) is one of East Africa's leading construction groups with numerous civil engineering, road construction, structural steelworks and electrical mechanical installation projects. These include a KSH 1.26 billion project to build the Sondu Miriu Hydro-Electric Power Project and many road rehabilitation projects like the Katito-Kendu Bay Road Project.

This shows that there is improvement in Kenya's corporate property sustainability in relation to the projects that are being in carried out in construction and manufacturing sectors as shown in the table above.

CONCLUSION AND RECOMMENDATION

This paper has discussed on the improvement of sustainable corporate properties in Kenya. The methodology used for this paper is document review. A formalized technique of data collection involving the examination of existing records or documents. Document review informed the research process to varying degrees. The findings show that there is significant progress of project in line with built environment of construction and manufacturing sectors. Investment opportunities in this sector range from urban renewal and construction of middle and low income housing to income housing to the manufacturing and supply of building materials and components. H Young & Co (EA) is one of East Africa's leading construction groups with numerous civil engineering, road construction, structural steel works and electrical mechanical installation projects. These include a KSH 1.26 billion project to build the Sondu Miriu Hydro-Electric Power Project and many road rehabilitation projects like the Katito- Kendu Bay Road Project.

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