THE EFFECT OF ANCHOR TENANTS ON THE FINANCIAL PERFORMANCE OF SHOPPING MALLS IN NAIROBI

BY

KENNEDY KIPSANG KEMEI

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DECLARATION

I declare that this research project is my original work and it has never been presented to the University of Nairobi or any other institution for any degree or any other academic award.

Signature…………………………… Date…………………………………….

Kennedy Kipsang Kemei

D63/77084/2015

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

Signed……………………………… Date………………………………

Dr. Winnie Nyamute Iminza

Department of Finance and Accounting

School of Business

University of Nairobi

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DEDICATION

This research project is dedicated to my dear wife Naum for her unwavering support and encouragement; my children Ashley and Adriel for their understanding and patience following my absence and lengthy period of time spent away from them.

A special dedication to the Almighty God for the gift of life, health and sufficient grace.

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ABREVIATIONS

CBD	Central Business District
GDP	Gross Domestic Product
ISCTE	Instituto Superior de Ciencias do Trabalho e da Empresa
KNBS	Kenya National Bureau of Statistics
KFC	Kentucky Fried Chicken
ROI	Return on Investments
SQFT	Square Feet
TRM	Thika Road Mall
VIF	Variable Inflation Factor

ABSTRACT

Nairobi County has experienced huge increase in the number of shopping malls that have been set up, more than in any other county in Kenya. There has been great speculation and debate on sustainability of 35 shopping malls in the smallest County in Kenya in form of geographical size. Investors have also worried on their return on investments undertaken in setting up malls in Kenya and particularly in Nairobi County. On the other hand, international brands such as KFC, Carrefour, Java, etc together with local re-known supermarkets and other brands have used their popularity to bargain for cheaper rent rates as anchor tenants that would ensure increased traffic in the malls and consequently increase the occupancy rate of the mall. This study therefore focussed on the effect of anchor tenants on financial performance of shopping malls in Nairobi County, Kenya. The study collected primary data in all the 35 shopping malls in Nairobi County in the form of quarterly rent received by the mall in the year 2018, the parking space available in each quarter, the area occupied by anchor tenants relative to area occupied by other tenants, and the occupancy rate of the mall in every quarter. Regression analysis was undertaken to determine the effect of the independent variables on the dependent variable. The response rate of 91.4% was achieved that translated to a total of 32 malls from a possible 35 shopping malls. The regression model used in analysis had a coefficient of determination (R squared) of 37% and the Analysis of variance indicated that the null hypothesis of the study to be rejected. The model was significant as the p value was less than alpha value. It was therefore concluded that there was a statistically significant effect of anchor tenants on financial performance of shopping malls in Nairobi County. The presence of anchor tenants had negative effect on financial performance, while all the other variables had positive significant effect on financial performance.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Shopping malls in Kenya and particularly in Nairobi County have been on the rise in the recent past. The need to ensure that the developers and the investors in shopping malls have reaped maximum benefit has popularized the concept of anchor tenants in shopping malls. Anchor tenants are the known large retail stores that are popularly known, and of which attract huge flow of clients. Anchor tenants attract other tenants in the mall since the increased traffic makes the mall marketable and therefore increases the total occupancy of the mall. The anchor tenants occupy large spaces in the shopping malls, though they can be able to negotiate for huge discounts on total rent payable, for the roles they play as anchor tenants. On the other hand, the financial performance of the mall is based on total amount of rent earned from the total space occupied by tenants. This implies that the mall owners have to look for ways to ensure there is maximum occupation of space as well as limit the amount of discounts offered to the anchor tenants. A report that was conducted by Cytonn (2018) showed that the retail sector in Kenya had quite an attractive investment opportunity with rental yields which amounted to 8.3% in the entire country while it showed a rental yield of 9.6% in Nairobi County. The report also showed the performance of the rental yields in the year 2018 to be at 8.6% generally and 9.4% in Nairobi County. Mall owners and developers are therefore faced with the task of balancing the total space occupied by anchor tenants together with ensuring that there is maximum occupancy of the mall space.

There are various theories that have been brought forth that have tried to explain the effect of anchor tenants on financial performance of the shopping malls. The Bid Rent Theory tried to relate financial performance of the mall with location of the mall near the CBD or in a place with frequent access from various clients. The other theory is Central location theory where proponents of the theory suggest that settlements are highly influenced by economic activities of people and transaction cost theory which is more of an agency cost theory.

Far from theory, the retail sector in Kenya has also experienced quite a number of challenges that has made it difficult to thrive as expected. The capping of interest rates on commercial banks, made commercial banks in Kenya reduce their lending to the private sector as they are deemed to be of high risk. The government of Kenya has also had a very high appetite of both national and international borrowing. This has led to banks increasing their lending to the government, which is of low risk, and reduced their lending to the private sector, which has reduced liquidity in many retail outlets and thereby affecting their performance. The private sector credit growth averaged at 4.3% as at June 2018, compared to a 5-year average of 14% (Cytonn, 2018).

The history of shopping malls started in US and later spread to other countries in the world (Wang, 2011). Today's urban fabric and shopping malls integration is becoming more important as they are raising trends and changing retail landscape both globally and locally (Kocaili, 2010). However, shopping malls around the world have sought to attract huge supermarkets and other retail outlets such as Carrefour, McDonalds, LC Waikiki, Dominos, Woolworths, Shoprite among others. Nevertheless, the challenge of ensuring that there exists maximum occupation of mall space has therefore elicited quite an international debate on the role played by anchor tenants in enhancing financial performance of shopping malls.

1.1.1 Anchor Tenants

According to Kroll (1999), anchor tenants are large tenants in shopping centres or shopping malls who are considered to have a broad appeal and are intended to attract quite a sizeable group of people in the shopping mall. They are also referred to as anchor stores, key tenants, or draw tenants. The prestige and brand recognition of anchor tenants attracts other tenants to the mall, which gives them an upper hand in rent negotiation. They therefore pay rent at a lower rate than the rates paid by the ancillary tenants. Alexander and Muhlebach (1992) define anchor tenant as the first and generally the largest company that takes up space in a shopping centre or in a large building of which the owner of the building hopes that this tenant will attract other businesses in the building. Denise et al. (2007) describes an anchor tenant as a major department store that secures a location in a shopping centre and required to attract customers that may then undertake their shopping in the smaller satellite stores.

These tenants may also acquire the right to dictate the selection of the satellite tenants in the shopping centre. They are also required to undertake to remain in the centre for a certain minimum period of time.

Victor Gruen developed the first format of a planned shopping centre in mid 1950s. In the plan, Victor saw the need to have anchor tenants who would draw shoppers in the mall in their hundreds who would eventually visit the other smaller stores in the mall. He therefore viewed presence of an anchor tenant in a shopping mall to be of significant important to ensure financial stability of the shopping malls. Large Supermarkets have been used as anchor stores in the retail outlets but due to behavioural changes of modern shoppers, there has been need to include other retail alternatives as anchors. An outlet with a significant brand name and which attracts a sizeable number of shoppers have been considered as an appropriate measure of an anchor tenant. However, critiques have developed a theory that suggests that anchor tenants are not important to increase traffic in a shopping mall and ensure maximum occupancy rates. They suggest that many shoppers, only visit the particular stores that were interested in, and do not bother to visit the other ancillary stores in the premises (Kroll, 1999).

Lambert (2014) measured an anchor tenant as any retail tenant in a shopping centre, with total space of more than 50,000 sq. ft. and should be in position to provide a wide range of goods and segmented into different departments.

1.1.2 Financial Performance

Financial performance is a subjective measure of how best a mall, or an organization can be able to utilize the assets at its disposal to generate revenue. It is the measure of the outcome of a firm's efficient usage of its operating assets within the overall objective of maximizing its revenue. Different studies explain performance differently, mostly in regard to the area of study in question. Nurlaila (2017) describes performance as a result or an output from a certain process. Home et al. (1995) measured performance in form of profits attained by the company while Payaman (2005) on the other hand looked at performance as the results achieved on the tasks that had been implemented. Hunger & Wheelen (2002) on the other hand measured performance based on the level of achievement of goals of the organizations.

Financial performance has been used to determine the main reason for the existent of various firms, organizations, shopping malls or institutions. It is believed that there are various objectives that guide the actions of investors and shareholders. The need to maximize returns from various investments is a major factor that motivates investors to undertake investments in various sectors. Profitability ratios have been used by quite a large number of researchers in determining financial performance. The rate of return on assets employed by the firm in generating revenue or the rate of return that is obtained from shareholders' equity invested in the firm (Payaman, 2005).

Prasnanugraha (2007) describes several measures that could be used to measure performance. One measure is the use of ROI analysis technique which measures the efficiency of the company on its use of capital, production and sales revenue of the company. Performance can also be measured by comparing various measures of activities that generate revenue to the industry or previous performance of the same company or comparing the measures to planned or targeted measures. This study will however use the rent received by each shopping mall as the measure of performance. The rent received by the mall will be affected by rent charged by the mall per square foot and the total occupancy of the mall. The total occupancy and the rate charged per square foot will therefore stand as the two measures that would add up to the performance of the shopping malls. This method has been used by different studies; Damian (2008), Mahogo (2005) and Nurlaila (2017) all used these measures to measure performance of shopping malls or shopping centres.

1.1.3 Anchor Tenants and Financial Performance of Shopping Malls

Anchor tenants increase the flow of traffic in a shopping mall. The retail outlets such as large supermarkets also attract other business units in the area. These business units obtain their client base from the large traffic of individuals moving in and out of the anchor stores. These business units include fast food companies, among other ancillary tenants. Lambert (2014) in her study found that anchor tenants in a shopping mall affected the rate charged in a shopping mall. It is therefore expected that presence of anchor tenants in a shopping mall would serve to increase the performance of the shopping malls as it would reiterate that the occupancy of the shopping mall would tend to improve and also increase the rate charged for letting space at the mall per square foot.

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Njoroge (2016) also found out that anchor tenants also create an appeal to the mall that attracts different kind of shoppers. Businesses that operate in the said shopping malls, therefore would find it less costly and convenient to advertise their businesses which would lead to increased performance of the malls. Knight Frank Kenya (2016) emphasized on the role played by anchor tenants in enhancing performance of the malls. Shopping malls without anchor tenants attracted less traffic of people in the mall which frustrated efforts of ancillary tenants that led to vacant premises and decreased financial performance of the mall. Anchor tenants are therefore expected to increase the traffic in a shopping mall and make the mall marketable to ancillary tenants who are able to charge high rent.

1.1.4 Shopping Malls in Nairobi County

Cytonn (2018) cites Nairobi County to have the largest space supply of shopping malls of 5.6 million square feet that is expected to grow to 6.9 million sqft in the year 2020. Nairobi County is therefore the largest shopping centre in Sub-Saharan Africa after South Africa which has approximately 23 million sqft of space. The increase in supply of mall space in Nairobi has been influenced by the widening middle class who have experienced increase in purchasing power and an urge for sophisticated lifestyle. Improved infrastructure has also contributed to this increase. The increase in supply of mall space has however resulted to 'ghost malls' as retailers in these malls move out to look for space in the other better mall. Investors and developers have also resulted to building international grade malls with intention of attracting foreign retailers.

The concept of shopping malls was started in the US. They are complex of shops located in one or more buildings with various merchandisers with plenty of space where walkways are built to enable visitors to walk from one unit to the other in the shopping complex. Shopping malls were started in 1950s and the concept was later picked by other countries across the world. The shopping malls concept obtained quite an acceptance across the globe due to the fact that there was increased middle class with increased disposable income and increased urge to socialize. Increase in demographics was also a boost that helped setting up the malls as the occupancy capacity of these malls increased with increase in population (Knight Frank Kenya, 2016). The concept of shopping malls started in Kenya in the 1980s with the building of Sarit Center shopping mall in Westlands, Nairobi County.

Economic growth, increased population growth and increase in the earning capacity of the middle class also led to increase in the number of shopping malls in Kenya. The malls increased significantly in major towns such as Kisumu, Eldoret, Nakuru, Mombasa and Nairobi City. As at December 2018, there were 35 shopping malls in Nairobi County. The main anchor tenants in the shopping malls in Kenya are in most cases large supermakets such as Naivas, Uchumi, Tuskys and Nakumatt. The anchor tenants also include cloth lines such as Deacons Ltd, international brands such as KFC, Carrefour, LC Waikiki among others (Cytonn, 2018).

The increased number of shopping malls in Nairobi County has made it a challenge for the mall owners to ensure that there is a maximum occupancy rate in their malls. This has been a challenge as there are a number of malls that have reported significantly low occupancy rates. Cytonn (2018) further suggests that malls such as KU Unicity Mall had Uchumi Supermarket as the anchor tenant. However, the retail outlet did not do well and closed shortly after opening shop in the mall. The closing down of the anchor tenant affected ancillary tenants and the occupancy rate of the mall decreased significantly to less than 10% occupancy rate. Similarly, the closing down of Nakumatt supermarkets in major malls such ass Junction Mall has affected the occupancy rate. This therefore leads us to believe that anchor tenants have an effect on financial performance of shopping malls in Kenya.

1.2 Research Problem

There has been an ongoing debate as to whether the presence of anchor tenants in a mall leads to increase in occupation capacity of the mall which eventually leads to better performance of the mall or not. Proponents of this concept argue that anchor tenants increase human traffic in the mall. Increased human traffic attracts other tenants in the mall and thereby improving the total occupancy of the mall, which leads to increased rent yield for the mall. However, opponents of the concept argue that shoppers are in most cases decided upon what services or products they need from a mall. They therefore go for those services and would rarely drift to other centres for impulse purchase. The ancillary tenants do not therefore benefit from large traffic brought about by the presence of anchor tenants in the mall.

The ancillary tenants are also charged higher rate per square foot by the malls than the anchor tenants. They therefore incur more expenses in form of rent that decreases their earnings.

If the increased rent does not necessarily guarantee improved revenue, the ancillary tenants are frustrated and vacate the shopping malls which leads to lower occupancy and decreased performance of the malls (Knight Frank Kenya, 2016).

The effect of hard economic situations in the country in the recent past has also left quite a number of malls as ghost malls. There has been a decreased lending by commercial banks to the private sector (KNBS Economic Survey, 2019). This has been contributed by the fact that the private sector is deemed to be of high risk. The government is considered to be a low risk client by the commercial banks, and since the government of Kenya has heightened its appetite for domestic borrowing, the commercial banks prefer to lend to the government that is deemed to be of lower risk than the private sector. Lack of access to credit facilities has constrained activities by entrepreneurs and other business facilities. Presence of anchor tenants do not therefore count much, as most businesses that would have otherwise been set up in the shopping mall do not see the light of the day. The malls therefore remain to have low occupancy despite presence of anchor tenants. The shopping malls are also forced to reduce their rates per square foot of space in order to attract tenants. This has also affected their performance (Njoroge, 2016).

Global studies that have been undertaken on the variables include a study by Magdalena (2017) undertook a study to determine the effect of the location of a shopping centre on its financial performance in Indonesia. Damian (2008) on the other hand conducted a study on the impact of anchor stores on performance of commercial centre on Sonae Sierra. Joshi & Gupta undertook a study on the various factors that affected the performance of shopping malls in India. All these studies were guided by various theories that had been previously proposed. The theories include theory of transaction cost, and queueing theory that considers that any value of investment made to reduce queues should consider the return on investment among other factors of customer satisfaction that is brought by the reduction of the volume of the queues as well as bid rent theory as suggested by Thunen (1826).

Local studies have also been undertaken on the effect of the variables on the performance of shopping malls in Kenya. Ojuok (2016) undertook a case study to determine the factors that influence tenants preference of a shopping mall.

A case study of Thika Road Mall (TRM) in Nairobi County where he found out factors such as location of a mall, mall image, availability of parking and ratio of anchor tenants to ancillary tenants, were among the factors that he found to have an impact on tenants preference of a shopping mall in Kenya. Njoroge (2016) identified strategies adopted by shopping malls in Nairobi County in order to gain competitive advantage. There is no single study as far as the researcher is concerned that studied the effect of anchor tenants on the financial performance of shopping malls in Nairobi County Kenya. This study therefore undertook to fill the research gap and answer the research question that state; what is the effect of anchor tenants on financial performance of shopping malls in Nairobi County Kenya?

1.3 Research Objective

The objective of this study was to establish the effect of anchor tenants on the financial performance of shopping malls in Nairobi County.

1.4 Value of the Study

Academicians and researchers in the line of finance will benefit from this study as they will find it a useful instrument in providing information that can provide great contribution to literature. This is because the study will contribute to existence of prudent information on presence of anchor tenants and financial performance of the malls. The study will be of great impact to rent bid theory as the findings of the study would either support the proposition of the theory on increased financial performance of shopping malls near CBD than those far away from CBD, or else the findings would disagree with this proposition. Similarly, Central location theory and theory of transaction cost will either be supported by findings of this study or the findings would disagree with the propositions of these theories. Findings that are in agreement with the proposition of a theory supports and affirms the theory while negative findings critique the proposition of the theory.

Shopping mall owners, developers and tenants in the malls would also find this study useful. The developers and mall owners will use the findings of this study to negotiate with anchor tenants on rent payable per sqft. It will provide scientific information that would inform whether anchor tenants contribute to performance of the shopping mall or not.

In the instance that the study rejects this hypothesis, the mall owners would less likely agree to charge lower rates to anchor tenants, while if the study fails to reject the hypothesis of the study, then the owners would be justified in charging anchor tenants discounted rates for the space they occupy in the mall.

The regulator and decision makers on retail outlets would also find the findings of this study useful. This will help them implement appropriate regulations in regard to anchor tenants, in form of licensing and also in regard to implementing foreign policies that attract foreign investors. The findings will help guide on policy regarding licensing of shopping malls in Nairobi County. It will also be useful to policy in regard to anchor tenants in a shopping mall. Moreover, the study will also help to shed light on whether lack of availability of credit facilities to the private sector has curtailed financial performance of a mall and thereby adopt appropriate policies to improve performance of retail outlets in Nairobi and in the entire country.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter presents the literature review from previous studies on liquidity risk and financial performance. It entails a review on the foundational theories, determinants of liquidity risk, empirical studies, conceptual framework and summary of literature review.

2.2 Theoretical Review

There are theories that touch on factors that affect income received by properties in form of rent as well as theories that consider presence of anchor tenants. This study will look at bid rent theory, central location theory and which shall be used to determine the existing theoretical position on anchor tenants and how they impact the performance of the respective malls.

2.2.1 Bid Rent Theory

This theory emanated from land use model in the urban areas which was developed by Von Thunen (1960). However, the model required quite a substantial modification in order for the model to be of use to residential, commercial and industrial land use. The theory was therefore modified by William Alonso (1964) where he proposed that the price and demand for properties in real estate would change proportionately to the change in the distance from the Central Business District (CBD). He stated that real estate properties that were close or near the CBD were more costly compared to properties that were farther away from the CBD. He explained that as the distance of the location of a property increased from the CBD, the less accessible was the property and the less customers the property could attract, therefore making it less profitable.

The theory however faces some critique from businesses that prefer to be outside CBD rather than in the CBD as a result of space required. Businesses such as Industrial businesses need large and ample space.

Their operations may also be hindered by presence of high traffic of people and therefore prefer to be located away from CBD where there is much traffic and where large vacant space is not available (Ross et al., 2000).

The theory therefore brings out the relationship between customer accessibility and profitability of the property. The theory suggests that a property with a larger traffic of customers, is more profitable than a property with less traffic of customers. This theory is therefore relevant to the study as it helps us explain the importance of anchor tenants who increases traffic of customers to a mall. Increased flow of customers would therefore mean that the mall would have increased performance. This theory would therefore be of the idea that increased number of anchor tenants in a shopping mall would also increase the traffic of customers in the mall. This would therefore lead to increased performance of the shopping malls as the rent for the mall would be more costly than rent for a mall with a smaller number of anchor tenants and therefore less traffic (McDonald, 2007).

2.2.2 Central Location Theory
This is a theory that was proposed by Walter Christaller in 1933, who looked into settlements as places which provided services to surrounding areas. He made quite significant assumptions that have attracted quite a number of criticisms on how far the theory was from reality. However, this geographical theory has been instrumental in explaining settlements in urban areas, around cities and major towns. He showed the relationship that was created by various settlements and how their economic activities related to the population size. In general times he theorized that a certain population size was required in order to enable the viability of a certain service. If the required population size was not reached, then the service was abandoned. It is therefore concluded that services offered in a certain settlement were only subject to the ability of the population size being in position to support the services (Veneris, 1984).

Christaller made significant assumptions that were criticized as they made the theory unrealistic. He assumed an isotropic surface, meaning that the surface was meant to be all flat. In reality surfaces are flat, hilly and uneven. He also assumed that there existed evenly distributed population and assumed that all consumers had similar purchasing power.

These assumptions are unrealistic and therefore the theory was criticized as a theory that would only exist on paper but not in the real world (Shonkwiler, 1996)).

This theory can be operationalized in this study by considering the total traffic of customers that would be required in order to attract tenants in a shopping mall. In order to attract enough traffic of clients in a shopping mall, anchor tenants may be required in which case would imply attracting other tenants and consequently enhance the performance of the mall. This study would therefore determine whether presence of anchor tenants spikes up, traffic in the shopping mall that increases the performance of the malls in Nairobi County, Kenya (Veneris, 1984).

2.2.3 Theory of Transaction Cost

It was proposed by Ronald Coase (1937) and it has been known to be related to both corporate governance and agency cost theory. This is because the theory is based on the cost that arises when one gets someone else to undertake a certain task on behalf. It is the cost of provision of goods or services from the market, rather than having it provided from the firm. The transaction costs that are likely to emanate from this form of agency was cited to include search and information costs, bargaining and decisions costs and policing and enforcement costs. This theory is related to the study in that in order to understand the performance of a shopping mall, it would mean understanding the working of the economic system that involve putting into consideration transaction costs that would enable one make sound economic policies. The transaction costs for incorporating anchor tenants in a tenant mix, is the discounts that are awarded to anchor tenants in order to attract them into a shopping mall, which would increase traffic and therefore improve the performance of the mall.

The theory has however been criticized in that Simon (1991) argues that prescriptions that have been drawn by the theory are in most cases wrong and dangerous to corporate managers due to the various assumptions that have been made by the proponents of the theory and the logic in which the theory is grounded. He argues that the theory reduces organizations to mere substitutes for structuring efficient transactions when markets fail.

2.3 Factors that Influence Performance of Shopping Malls

Performance of shopping malls is determined by the amount of rent received per every square foot of the mall as well as the total area occupied. In order to determine factors that would affect performance of a shopping mall, then we must consider the various factors that would determine the amount charged by each mall per square foot, and also factors that would enhance the rate of occupancy in a mall.

2.3.1 Anchor Tenants

The performance of shopping malls is highly dependent on the competitiveness of the mall. The mix of the stores in the mall determines the ability of a mall to compete against other malls. Presence of anchor tenants is one of the main issues in which owners of mall should be able to consider if they want to increase their competitiveness. This study is therefore premised on the belief that the more the space that is occupied by the anchor tenants relative to the total space of the mall, the higher the competitiveness of the mall that eventually leads to increase in performance of the mall. Anchor stores therefore do not only increase traffic to their stores, but they also increase traffic of customers to non-anchor stores (Alexander & Muhlebach, 1992)

Anchor stores receive discounts on rent paid to the owners of the malls. This is because they attract non-anchor tenants who pay normal rates for their rents and therefore boosts occupancy of the mall. Concerns have therefore been raised on whether increasing the number of anchor stores would always lead to increase in mall performance, since the more the space they occupy, the higher the discounts they obtain and therefore the less the performance of the mall. It would also become catastrophic, when the anchor stores do not perform as expected which forces them to lower their operations and close down their stores. The mall suffers disrepute and it becomes unsustainable for the mall to attract traffic that could lead to retention of the non-anchor tenants. This means that mall owners have to assess the viability of the anchor tenants they attract in their malls in order to ensure continued improved performance of the mall (Alexander & Muhlebach, 1992).

2.3.2 Mall Location

In a study that was undertaken by Downs (1970) on how mall location affects the performance of a shopping mall, it was found that the perception held by shoppers on a particular mall, was determined by the distance (ease of reaching the mall), the general price, layout, parking, services, hours of operation, visual appearance, atmosphere among others. The perception that has been adopted by shoppers towards a mall, would therefore dictate the traffic of shoppers into a mall. This therefore determines the performance of the mall in form of occupancy as well as the rate of rent charged per square foot.

2.3.3 Size of the Mall

The size of the mall is also another factor that determines performance of shopping malls. Large malls are widely known as they have facilities that provide a range and variety of products and services. They therefore spend less in advertising in order to attract tenants which work to increase their performance. Large malls are also preferred by anchor tenants to smaller malls. It therefore implies that owners of large malls do not necessarily have to negotiate huge discounts with the anchor tenants in order to attract them in the premises. Reduced discounts on rent charged to anchor tenants, therefore implies improved performance (West, 1992).

2.4 Empirical Review

There are local and international studies that have been undertaken previously by researchers that have researched on factors affecting performance of shopping malls, as well as effect of anchor tenants on financial performance of shopping malls. These studies will help to bring out the existing research gap, which necessitated us to undertake this study to address this gap.

Ubeja et al. (2017) undertook an exploratory study in order to explore the various factors that led to selecting a certain shopping mall purposely by consumers in the Indian context. Random sampling was used to select 181 active shoppers in multiple cities in India, who were given structured questionnaires. They obtained seven factors that were seen to influence shoppers on selecting a mall to undertake their shopping.

These factors were: Service experience, internal environment, convenience, utilitarian factors, acoustic factor, proximity, and demonstration. This study only considers factors that attracted shoppers to a mall, it however ignored how such factors either contribute to the performance of the mall, which would be addressed by this study.

A similar study was undertaken by Joshi and Gupta (2017) who looked at various factors that affected the performance of a shopping malls with the intention of addressing the problem where developers build a shopping mall, but poor performance of the mall leads the developers to convert the mall to a different use. The researchers intended to use the findings of the study as a benchmark of factors that affect performance of shopping malls in Jaipur City located in India. They embarked on scrutinizing a total of 69 previous literature in order to ascertain the most cited factors that affect performance of malls. They found four critical factors that had been established as factors that affect performance. These factors were; entertainment, diversity of categories placed, convenience of customers and physical design of the building. The study concentrates on various factors that affect performance of shopping malls which is different and distinct from how these factors affect performance of the malls. The study was also done in India and therefore the factors might differ with those that influence mall performance in Kenya.

Damian (2008) conducted a study on the impact of the anchor store on the performance of a commercial centre in Sierra Leone, a case study of Sonae Sierra. The researcher undertook a census of all the tenants in the mall by reviewing all their contracts with the mall owners. They collected the secondary data by determining the rent received from the tenants as well as the total space available for the mall. The analysis of data collected showed that greater presence of anchor stores increased both occupation and rent received by the mall. The increase in traffic increased sales although findings showed that the impact of traffic on sales was lately on a decline. The study is similar to our study only that the study was undertaken in Sierra Leone and undertook a case study of only one mall.

Magdalena (2017) looked on how financial performance of the shopping centre in Surabaya and Sidoarjo city in Indonesia was influenced by location, rental rates and parking revenues. Financial performance of the shopping mall was determined by Return on Investment (ROI).

The study collected secondary data and the data was analysed by use of regression analysis. The findings of the study were that strategic location of shopping centre increased performance of the mall. However rental and parking revenues of the mall did not have a significant impact on the financial performance of the mall.

Junior, Mattos and Cassas (2010) undertook a study in Brazil on the impact of anchor stores on the performance of shopping centres. They collected secondary data for 8 malls in Brazil in various cities for the period 2007 and 2009. Descriptive study design was used in analysis of the panel data and the relationship between the variables was established. It was found out that the rental price of the satellite stores was influenced by anchor stores rental price.

Apart from the fact that the study was undertaken in Brazil and only sampled 8 malls, the study also modelled the performance of malls in form of rental price of anchor stores as well as rental price of satellite stores. Our study models performance of shopping mall on the aspect of total occupancy of the mall as well as average rent charged per unit area.

A local study that also looked at the factors that influence the preference of tenants in a particular shopping mall in Kenya was undertaken by Ojuok (2016) who conducted a case study for Thika Road Mall (TRM) in Nairobi. The study looked at factors that influenced retailers to a certain shopping mall. The study reviewed literature in order to come up with factors such as location, tenant mix, mall image and parking availability as the identified factors. In order to determine how these factors affected TRM, he conducted a survey for all the tenants at the mall. Data collection was done by use of questionnaires, interviews and observations. Mean scores of data collected, and standard deviation was used to show relationship between the variables. The study found out that retailers considered factors such as location, presence of anchor tenants, adequate and accessible parking, and an impressive mall image in choosing a mall. Despite the fact that the study is local, it only looks at the qualitative factors that influence choice of a mall by retailers, our study addresses how anchor tenants contributes to the performance of shopping malls in Kenya.

Another local study by Njoroge (2016) looked at strategies that were adopted by shopping malls in Nairobi City, in order to gain competitive advantage.

The study adopted a cross sectional survey design, where semi structured questionnaires were used to collect data from 23 shopping malls that were operational. A descriptive design and content analysis was used where it was found out that focus strategies were more preferred to reactors and prospectors strategies. The strategies include branding through aggressive marketing and advertisement, evaluation of external environment, and tenant mix strategy that concentrated on major anchor tenants. The gap created by the study is that it does not show how presence of anchor tenants influence performance of the mall.

2.5 Summary of the Literature Review

The chapter has done a review on three theories namely; Bid rent theory, central location theory and transaction cost theory. Bid rent theory and Central location theory are geographical theories that basically places importance on location of malls. The theories depict a situation where the value and performance of a mall is dependent to the location of the mall as malls placed away from the CBD attract less traffic that impedes their performance. The services and products offered by a mall are also dependent on the population around the mall and therefore developers are also theorized to consider the population of the potential clients before building a certain size of the mall. Cost of market transactions affect the strategies that are employed in ensuring that the performance of a mall is maximized. The theories suggest that there are certain factors that must be considered by mall developers when constructing malls and putting across strategies, in order to help them maximize performance. This study would therefore be undertaken in order to look on whether shopping malls in Nairobi Kenya, comply with the provisions of these theories.

The empirical review looks at both international and local studies that have been done on performance of malls, factors that influence financial performance of malls, and also on the issue of anchor tenants and whether anchor tenants have impact on performance of the mall. The studies that have been reviewed state various factors that influence mall performance that include location, parking, mix of tenants, among others. The studies also allude that anchor tenants increase performance of shopping malls. There is no study however, that has been undertaken that looks at the impact of anchor tenants on financial performance of shopping malls in Nairobi County. This is the research gap that would be addressed by this study.
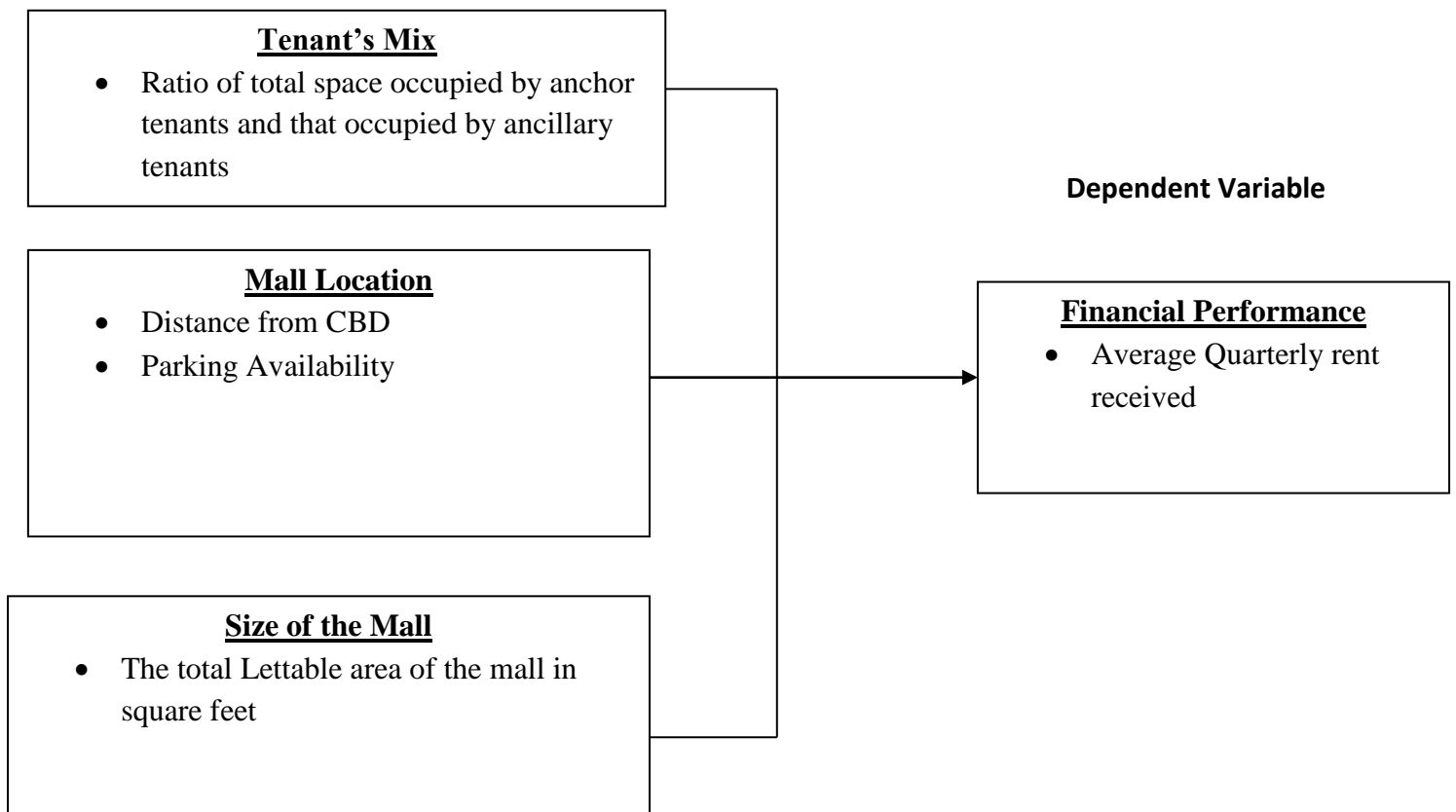
2.6 Conceptual Framework

Conceptual framework is vital in a study as it shows how variables are related and how they influence each other. It provides a pictorial view of the variables in the study and narrates how they would influence one another. The independent variables considered in this study have been indicated to have positive or negative effect on financial performance of malls in previous studies.

These independent variables are; Anchor tenants, Mall Location and Size of the mall as shown in Figure 2.1. This study therefore undertakes to consider their effect on financial performance of shopping malls in Nairobi County.

Figure 2. 1: Conceptual Framework

Independent Variables

Tenant's Mix
- Ratio of total space occupied by anchor tenants and that occupied by ancillary tenants

Dependent Variable

Mall Location
- Distance from CBD
- Parking Availability

Financial Performance
- Average Quarterly rent received

Size of the Mall
- The total Lettable area of the mall in square feet

Source: Author, (2019)

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

The chapter identifies the methodology used by the study in order to meet the study objectives. The design employed in undertaking the research, target population, and sampling frame adopted by the study. It also includes the methods used for data collection, and data analysis.

3.2 Research Design

Research design in a study describes the blueprint that is observed in a study in order to best achieve the study objectives. It focuses on the manner in which various components in the study would be integrated in a coherent manner, with the intention of providing solution to the research problem. The design of the study may either be descriptive research design, correlational design, experimental design, or longitudinal case study. This study adopts a descriptive research design because a descriptive research design is ideal for describing relationships between variables. This study also tries to show effect of independent variables on the dependent variable and therefore a descriptive research design was ideal for this study (Cooper & Schindler, 2011).

3.3 Population

The population of this study was all the shopping malls in Nairobi County. Nairobi County had a total of 35 shopping malls that had been licensed to operate in the county as at the year ending December 2018 (Sagaci, 2018).

3.4 Sample design

A sample refers to a subset of the target population, in which the characteristics of the sample can be used and analysed to infer the characteristics of the entire population. The characteristics of the sample are therefore deemed to be the characteristics of the entire population (Cooper & Schindler, 2011). This study considered a census survey.

A census is a study where there is a complete enumeration of all units. A complete study of all shopping malls in Nairobi County was done for those in existence during the period ending 2018.

3.5 Data Collection

This refers to the method that was employed by the study to collect and gather data from the target population. The study employed both primary and secondary methods of data collection. The primary methods included observations and a structured questionnaire that was filled by property managers of the shopping malls. Secondary data was obtained from copy of leases for the tenants in the mall for period ended 2018.

3.6 Pilot Study

This refers to a preliminary study which was undertaken before the main study is undertaken. The study undertook a pilot study to ensure that the questionnaire was valid and was able to measure what it purported to measure. The pilot study was also useful in ensuring that ambiguities in the questionnaire are addressed accordingly (Cooper & Schindler, 2011).

3.7 Data Analysis

In order to determine the effect of anchor tenants on financial performance of shopping malls in Nairobi County, a linear regression model below was used.

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon$$

Whereas

Y represents the financial performance of shopping Mall measured by natural log of quarterly rent for the year ended 2018.

X_1 represents Tenant Mix measured by the percentage ratio of total space occupied by anchor tenants over total space by ancillary (other) tenants for the study period

X_2 represents Mall Location measured by the distance in Km (Kilometres) from the CBD, Availability of parking.

X_3 represents the parking space available measured by the percentage of parking space available over total lettable space of the mall.

X4 represents the occupancy rate of the mall, measured by the percentage of the ratio of mall space occupied over total lettable space of the mall.

$\beta_0, \beta_1, \beta_2, \beta_3$ and β_4 represents coefficient of variables

ε represents the error term

3.8 Diagnostic Test

The study will undertake a multiple regression model to determine the effect of independent variables on financial performance of malls. There are various assumptions of normality, linearity, homoscedasticity, absence of multicollinearity and significance level that are made by linear regression model. These assumptions need to be complied with in order to undertake a regression analysis; these include assumptions that data is linear where the study undertakes a linearity test and normality test to show that data is from a population with normal distribution.

3.8.1 Linearity Test

Linearity test is undertaken to show that data has linear tendency. This may be done by use of scatter graphs where data is observed whether it forms linear properties.

3.8.2 Multi collinearity Tests

Multicollinearity is said to be present in a regression model when the independent variables in the model are correlated. This study will use VIF (Variation Inflation Factors) to test for multicollinearity of the independent variables in the regression model. Value of 1 shows that there is no correlation while value of 1-5 shows moderate correlation that wouldn't warrant corrective measures while a VIF value of greater than 5 shows high correlation that would affect the results of the study (Mugenda & Mugenda, 2003).

3.8.3 Heteroskedasticity Test

According to Mugenda and Mugenda (2003) testing for heteroscedasticity in a linear regression model requires the use of Breusch Pagan Test and assumes that the error terms are normally distributed.

It uses Chi square to determine whether errors that arise from variance of errors depends on the value of the independent variables. When errors in the regression model (also called residuals) are not homoscedastic, the estimated coefficients of the model are biased and hence the estimation of their variance is unreliable.

3.8.4 Significance Test

According to Andrews (1998) a statistical test is a number that can be used to assess the probability that a statistical measure deviates from some pre-selected value by no more than would be expected due to the operation of chance if the cases studied were randomly selected from a large population. This study will adopt the F-test as a statistical test technique that would be undertaken at 5% confidence level, in order to either reject or fail to reject the null hypothesis.

CHAPTER FOUR

DATA ANALYSIS, SUMMARY AND INTERPRETATION OF FINDINGS

4.1 Introduction

Data analysis was undertaken by first describing the response rate of the data, descriptive statistics is undertaken to describe the study variables in the form of mean, standard deviation, maximum and minimum value. Diagnostic tests, correlation and regression analysis are then undertaken.

4.2 Response Rate

Nairobi County has a total of 35 shopping malls, however The Waterfront Karen Mall, Comesa Mall and The Gift Mall, did not have necessary data as they were still under construction for the study period. Data from 32 malls for all the four quarters for the year 2018 was collected for study variables. A response rate of 32 malls from a possible 35 malls represents a response rate of 91.4% which according to Mugenda and Mugenda (2003) a response rate of over 80% is very good and adequate for data analysis.

4.3 Descriptive Statistics

The descriptive statistics analyse the variables by looking at their attributes in the form of the maximum, minimum, mean and their standard deviation as indicated in Table 4.1

Table 4. 1: Descriptive Statistics Table

	N	Minimum	Maximum	Mean	Std. Deviation
	Statistic	Statistic	Statistic	Statistic	Statistic
Y = Financial Performance	128	14.81	18.18	16.40	.94
X1 = Tenant Mix	128	1.99	511.11	63.96	103.13
X2 = Mall Location	128	0	21	8.75	4.43
X3 = Parking Space	128	.00	20.16	7.23	3.50
X4 = Occupancy Rate	128	.50	.96	.80	.11
Valid N (listwise)	128				

Source: Author, (2019)

The financial performance for the malls was determined by the total rent received by the mall in a certain quarter. The mall that received the maximum rent in a quarter had over Kshs78 million in quarterly rent received by Two Rivers Mall. The minimum financial performance was by Karen Shopping Mall at Kshs 2.8 million. The average performance of the malls was at Kshs16 million per quarter.

Tenant Mix on the other hand was determined by the ratio of space occupied by anchor tenants to the space occupied by other tenants in percentage. The mall with the least tenant mix indicated that they had less of their space being occupied by anchor tenants relative to the other tenants. Junction mall indicated the least occupation by anchor tenants at 1.99% while The Point Mall in Buruburu indicated the highest anchor tenants presence at 511%. This showed that the anchor tenants occupied a larger space (over 5 times) the total space occupied by other tenants. The mean for the variable was at 63.96% with a standard deviation of 103.13%. This indicates quite a high standard deviation that shows that there is a high disparity on the relative space to be occupied by anchor tenants relative to other tenants in the shopping malls in Nairobi County.

Mall location on the other hand was used to determine the distance of the shopping mall from the CBD in form of kilometres. The mall that was found closest to the CBD had 0km, meaning that the mall was located in the CBD. This was New Jamia Mall, while the furthest from the CBD was The Cross Road Mall (Karen) at 21km. The average distance was 8.75km from the CBD with a standard deviation of 4.43km.

Parking Space on the other hand was measured by the ratio of total space in square feet reserved for parking over the total space for the mall. The mall with no parking space reserved was New Jamia Mall, while the mall that had the highest reserved parking space was Hazina Trade Center with 20% of the lettable space reserved as parking space. The mean parking space reserved was 7.23% with a standard deviation of 3.5%.

The last variable was occupancy rate that indicated the percentage of space that had been taken up by tenants. Hazina Trade Center recorded the least occupancy rate at 50% while Rosslyn Riviera mall recorded the highest at 96%. The mean for occupancy rate was at 80% with a standard deviation of 11%.

4.4 Diagnostic Tests

These involve testing whether the assumptions made about the data collected in regard to use of the study model has been complied with. The study proposed the use of regression model in which various assumptions are made in regard to collected data for analysis. These assumptions include normality assumptions, multicollinearity, linearity and homoscedasticity tests.

4.4.1 Normality Test

Normality test is used to determine whether data collected is from a population with characteristics of normal distribution. The shape of normally distributed data is a normal curve, and this is determined by the use of Shapiro-Wilk test as indicated in Table 4.2.

Table 4. 2: **Tests of Normality Table**

	Kolmogorov-Smirnov[a]			Shapiro-Wilk		
	Statistic	Df	Sig.	Statistic	df	Sig.
Y = Financial Performance	.089	128	.014	.962	128	.001
X1 = Tenant Mix	.489	128	.000	.343	128	.000
X2 = Mall Location	.108	128	.001	.963	128	.002
X3 = Parking Space	.313	128	.000	.699	128	.000
X4 = Occupancy Rate	.213	128	.000	.889	128	.000

a. Lilliefors Significance Correction

Source: Author, (2019)

The Shapiro Wilk-Test has significance level of less than 0.05 for all the variables. This indicates that we reject the null hypothesis> Null hypothesis in this case suggest that data is from a population with normal distribution. It therefore follows that all the data is not from a population with normal distribution.

The findings indicate that in order to ensure that the data used is normally distributed, each variable is standardized before it is used on undertaking regression analysis. Similarly, non-parametric test of Spearman's correlation is undertaken instead of the parametric test of Pearson's Correlation.

4.4.2 Multicollinearity Test

Multicollinearity test is undertaken to show there is no existing influence of independent variables among each other. The influence of independent variables among each other affect their general influence on dependent variable. Variation inflation factors (VIF) is used to determine presence or absence of multicollinearity. As a rule of thumb, variables with VIF values of more than 5 indicate that there is presence of multicollinearity while 5 and below VIF values suggests absence of multicollinearity that may adversely affect the relationship with dependent variable. Table 4.3 indicates that all the variables have VIF values of less than 5 that show absence of multicollinearity.

Table 4. 3: Multicollinearity Test Table

Model	Collinearity Statistics			
	Lower Bound	Upper Bound	Tolerance	VIF
(Constant)	-.141	.141		
Zscore: X1 = Tenant Mix	-.615	-.307	.846	1.182
Zscore: X2 = Mall Location	-.073	.225	.904	1.106
1 Zscore: X3 = Parking Space	.202	.548	.670	1.492
Zscore: X4 = Occupancy Rate	.312	.636	.762	1.312

4.4.3 Heteroscedasticity Test

Heteroscedasticity test is used to measure whether the fitted regression line is the line of best fit by looking whether there is any bias in form of the variation from the mean. If there are huge variations, then it suggests that the data is heteroscedastic instead of homoscedastic.

Table 4. 4: Heteroscedasticity Table

```
------- Breusch-Pagan and Koenker test statistics and sig-values --------
              LM        Sig
BP          38.566      .000
Koenker     30.343      .000

Null hypothesis: heteroskedasticity not present (homoskedasticity).

If sig-value less than 0.05, reject the null hypothesis.

Note: Breusch-Pagan test is a large sample test and assumes the residuals
to be normally distributed.
```
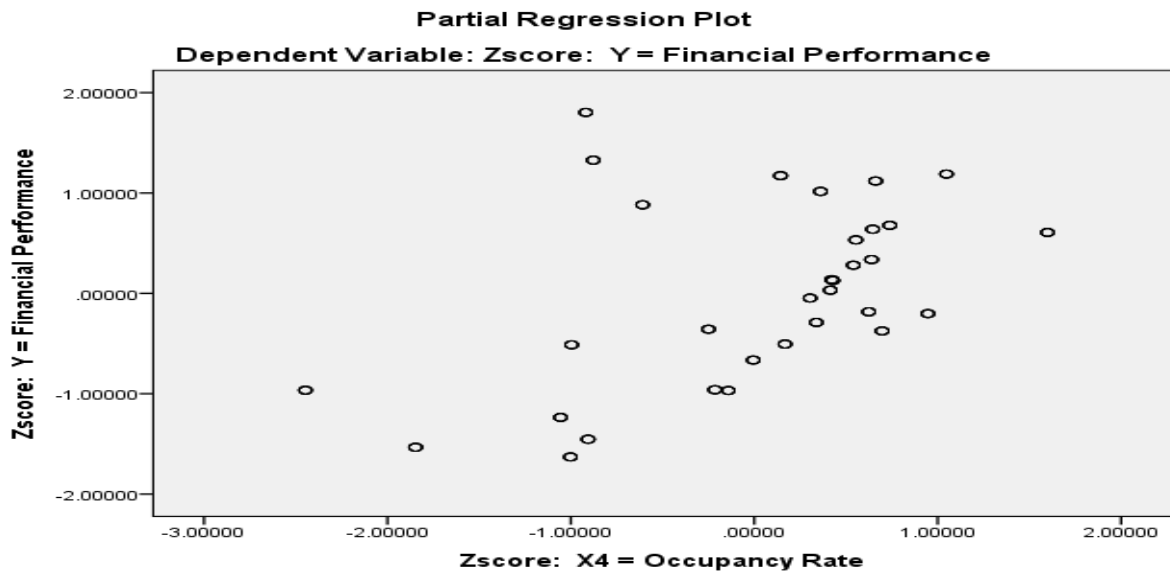Source: Author, (2019)

Table 4.4 indicates that Koenke test has a significance of less than 0.05 and therefore we reject the null hypothesis and declare that there is no homoscedasticity in the data.

4.4.4 Linearity Test

Linearity test is undertaken to indicate that the data can be expressed in a linear format. This is undertaken by use of linear data plots as indicated in Figure 4.1. The figure indicates a linear tendency that helps to show compliance with the assumption.

Figure 4. 1 Partial Regression Plot

Source: Author, (2019).

4.5 Spearman's Correlation

The Spearman's correlation indicates the correlation between the independent variables and the dependent variables. The correlation may be between 1 and 0 and either positive or negative. The rule of thumb suggests that values close to 1 are strong while the values close to zero indicates a weak correlation.

Table 4.5 indicates that tenant mix and occupancy rate has significant correlation with the dependent variable. Tenant mix has negative correlation that indicates increasing the anchor tenants decreases the financial performance of the mall. Occupancy rate is positively correlated with financial performance to indicate that an increase in occupancy rate of the mall increases financial performance.

Table 4. 5: Spearman's Correlation Table

		Y = Financial Performance	X1 = Tenant Mix	X2 = Mall Location	X3 = Parking Space	X4 = Occupancy Rate
Spearman 's rho	Y = Financial Performance	1.000				
	X1 = Tenant Mix	-.414**	1.000			
	X2 = Mall Location	.130	-.267**	1.000		
	X3 = Parking Space	-.016	-.008	-.018	1.000	
	X4 = Occupancy Rate	.294**	.068	-.007	-.281**	1.000
	N	128	128	128	128	128

**. Correlation is significant at the 0.01 level (2-tailed).
Source: Author, (2019)

4.6 Regression Analysis

Regression analysis is undertaken to determine the line of best fit that would be used to determine the association between the study variables. The equation for the model is $Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon$

Whereas

Y represents the financial performance of shopping Mall measured by natural log of quarterly rent for the year ended 2018.

X_1 represents Tenant Mix measured by the percentage ratio of total space occupied by anchor tenants over total space by ancillary (other) tenants for the study period

X_2 represents Mall Location measured by the distance in Km (Kilometres) from the CBD, Availability of parking.

X_3 represents the parking space available measured by the percentage of parking space available over total lettable space of the mall.

X4 represents the occupancy rate of the mall, measured by the percentage of the ratio of mall space occupied over total lettable space of the mall.

$\beta_0, \beta_1, \beta_2, \beta_3$ and β_4 represents coefficient of variables

ε represents the error term

4.6.1 Regression Summary

The regression summary indicates the manner in which the study can rely on the model to predict changes in the dependent variable as a result of changes in the independent variables. This is determined by the use of coefficient of determination. It is statistically represented by R square which in table 4.6 indicates 37% coefficient of determination. This is interpreted as follows: the model can be used to express changes in dependent variable as a result of changes in the independent variables to a tune of 37%. The other changes in dependent variables are caused by other factors outside the model.

Table 4. 6: Regression Model Summary

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.608[a]	.370	.349	.80664494

a. Predictors: (Constant), Zscore: X4 = Occupancy Rate, Zscore: X2 = Mall Location, Zscore: X1 = Tenant Mix, Zscore: X3 = Parking Space

b. Dependent Variable: Zscore: Y = Financial Performance

4.6.2 ANOVA

The ANOVA table is used to calculate the F test and determine whether to reject or fail to reject the null hypothesis. The null is rejected if the calculated F value is greater than the critical F value and therefore falls at the reject region and the vice versa. The Calculated F value (18.05) is greater than critical F value (2.46) and therefore falls under rejection region. The significance of the model (p-value) is less than alpha that indicates that the effect is statistically significant. The study therefore concludes that there is statistically significant effect of anchor tenants on financial performance of shopping malls in Nairobi County.

Table 4. 7: ANOVA TABLE

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	46.967	4	11.742	18.045	.000[b]
	Residual	80.033	123	.651		
	Total	127.000	127			

a. Dependent Variable: Zscore: Y = Financial Performance

b. Predictors: (Constant), Zscore: X4 = Occupancy Rate, Zscore: X2 = Mall Location, Zscore:

X1 = Tenant Mix, Zscore: X3 = Parking Space

Source: author, (2019).

4.6.3 Regression Coefficients

The regression coefficients are used to indicate the direction of the dependent variable if any of the independent variable is increased by a single unit while holding all the other variables constant.

Table 4. 8: Regression Coefficients Table

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B	
		B	Std. Error	Beta			Lower Bound	Upper Bound
1	(Constant)	-1.186E-016	.071		.000	1.000	-.141	.141
	Zscore: X1 = Tenant Mix	-.461	.078	-.461	-5.921	.000	-.615	-.307
	Zscore: X2 = Mall Location	.076	.075	.076	1.010	.314	-.073	.225
	Zscore: X3 = Parking Space	.375	.087	.375	4.286	.000	.202	.548
	Zscore: X4 = Occupancy Rate	.474	.082	.474	5.781	.000	.312	.636

Source: Author, (2019)

The regression model $Y = \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon$ therefore becomes

$Y = -.461\ X_1 + 0.076\ X_2 + 0.375\ X_3 + 0.474\ X_4 + 0.071$

This therefore suggests that increasing the area occupied by anchor tenants relative to other tenants by one unit while holding all other factors constant, would lead to a decrease of financial performance by 0.461%. On the other hand, increasing the other variables by one unit while holding all the other variables constant has an effect of increasing financial performance by 0.076% for location of the mall, 0.375% for increasing parking space relative to total space and 0.474% for increasing occupancy rate by 1 %.

4.7 Summary and Interpretation of Findings

The study underpinned the effect of anchor tenants in the financial performance of shopping malls in Nairobi County. Quarterly data was collected for the year 2018 for a total of 32 malls in Nairobi County. The variables of interest were the dependent variable (financial performance) which was measured by rent received by a mall in a certain quarter. The independent variables were tenant mix that was determined by the area occupied by anchor tenants relative to the area occupied by other tenants. The mall location that was determined by the distance from the CBD, Parking availability that was measured by the ratio of parking space available over total lettable area of the mall and the mall occupancy rate.

The financial performance of malls indicated of Kshs 16 million per mall per quarter, with the highest mall recording a maximum of 78 million shillings in a quarter and the lowest at Kshs 3 million in a quarter. The standard deviation was low that showed that the performance of malls are relatively within a certain range. On the other hand, the major independent variable focussed on the space occupied by anchor tenants relative to space occupied by other tenants. It was noted that the space occupied by anchor tenants relatively to other tenants varied from one mall to another with very huge disparities. This was seen as a sign of lack of clear understanding for consequences of increasing anchor tenants. It also may indicate the great variations on strategies adopted by different malls in Nairobi County in regard to use of anchor tenants to improve financial performance.

The result findings indicated that there was a statistically significant effect of anchor tenants on financial performance of shopping malls in Nairobi County. However, the effect was a negative effect since the study found that increasing anchor tenants relative to other tenants by a single unit while holding all other factors constant would lead to a decrease in financial performance of the mall by 0.461%. This could be interpreted to mean that increasing the space occupied by anchor tenants relative to other tenants decreased performance since anchor tenants are believed to pay highly subsidized rates compared to other tenants. This may have adverse effect if the space occupied by anchor tenants exceed a certain point. Increasing the distance led to an increase in financial performance. This could be interpreted to mean that shoppers preferred malls that were placed at the outskirts of the CBD than those in CBD.

This could be related with availability of space including parking space, recreational space among others. Malls located at the CBD had little parking space and other recreational spaces if available.

The study findings was consistent with the study findings by Ojuok (2016) who undertook a case study for TRM in Nairobi to assess the factors that attracted tenants to a mall. The findings indicated that availability of parking spaces, the ambience of the mall, and location had significant impact. Damian (2018) found out that anchor stores had a significant impact on financial performance of malls in Sierra Leone. Junior et al. (2010) found out that rental prices in shopping malls was affected by rent paid by anchor tenants.

However, the study findings did not agree with the findings for a study that was conducted by Magdalena (2017) who assessed the financial performance of key shopping centres in Indonesia. She found that rental rates and availability of parking space did not have significant impact on financial performance. Ubeja et al. (2017) assessed factors that led to selection of malls in India. The 7 factors that were pin pointed as major factors that determined the selection of a shopping mall only had proximity or mall location as a factor to consider. All the other factors were not relevant in this study.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter highlights the summary for the study, the conclusions of the study, limitations, suggestions and areas for further research.

5.2 Summary

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5.3 Conclusions

Based on the findings, the study concluded that there is a statistically significant negative effect of anchor tenants on financial performance of shopping malls in Nairobi County. The study was conducted for all the shopping malls in Nairobi County by the end of the year 2018, where quarterly data in regard to area occupied by anchor tenants relative to the area occupied by other tenants was determined and the rent received by each mall in every quarter of the year was also assessed.

The performance of the malls in Nairobi County was found to be relatively consistent for all the malls in Nairobi County averaging at around Kshs 16 million per quarter per mall. The standard deviation from the mean was not significantly large and thereby the study concluded on consistent performance of shopping malls in Nairobi County.

The occupancy rate further indicated the total occupancy for each mall had a mean of 80% which indicates a high occupancy rates for the malls. The mall that recorded the least occupancy rate had 50% occupancy rate in the year. The study therefore concludes that malls in Nairobi County have high rate of occupancy.

Parking space availability together with the distance of the mall from the CBD had positive significant effect on mall performance. This means that before tenants took space in a mall, they considered the availability of the parking space which may be related with distance from the CBD. The further the mall was from CBD; it was noted that the more the mall had more parking spaces available.

5.4 Policy Implications and Recommendations

The study findings had implications on mall owners as it brought into light areas they should focus while building their malls as well as when laying strategies for space advertisement in the mall. In the first instance, the study sensitized the mall owners on the need to ensure that there was adequate parking space relative to the total lettable area for the mall. The parking space averaged at slightly over 7 percent. The increase in parking space resulted to increase in mall performance and therefore the study would recommend an increase of parking space for the malls relative to total lettable area to around 10% to 15%.

The study also recommends that mall owners should be cautious when dealing with anchor tenants. This is because despite the presence of high traffic they bring to the mall, then they are likely to negotiate rental rates for the space they occupy, that would have a significant adverse effect on performance of their malls. The study recommends a balance for this important variable. The current ratio of 63% as space occupied by anchor tenants relative to space by other tenants is too high and has negative impact on financial performance. The study would therefore recommend a slightly lower anchor tenants presence at around 30% to space occupied by other tenants in the mall.

When building a mall in Nairobi County, the study recommends that the further away the mall is built from the CBD, the better the financial performance of the mall. This was explained as a choice or preference for tenants and shoppers where they prefer malls with ample space and availability of parking space. The malls found close or at the CBD had low parking space availability, which affected financial performance for these malls.

The study recommends that future investors would find it useful to invest in malls in Nairobi County, if the occupancy rate would be consistent in future period. The malls had high occupancy rates that averaged at 80%, with the mall with the lowest occupancy rate being at 50%.

5.5 Limitations of the Study

The current study focused on effect of anchor tenants on financial performance of shopping malls in Nairobi County. The focus on shopping malls in Nairobi County limited the findings of the study as the findings would not be generalized for the entire country. Nairobi is the Capital city of Kenya and the income per capita for Nairobi County is higher than any other county in Kenya. The lifestyle and shopping patterns for people living in Nairobi may be significantly different from lifestyle and shopping patterns for people in other counties. The study findings may therefore not be accurate if applied in another county or another country or region.

The study collected primary data from the respective malls, by using the mall attendants, care takers and mall proper managers to fill questionnaires.

The data collected was as accurate as the accuracy of the respondents to set of questions asked to the respondents. However, the respondents were taken through the questions and explained the importance and use of data collected. They were therefore sensitized on providing factual data that was accurate and that resulted from a great understanding of the questions asked.

The study findings were also limited by the number of variables studied. The study focused on effect of four independent variables on mall financial performance. The variables therefore limited the scope of the study, in which factors such as mall's ambience, availability of variety of products and services in mall among other variables might also have an effect on financial performance of shopping malls.

5.6 Areas of further Study

The study would recommend undertaking a similar study in other counties or other regions. A similar study could be undertaken to incorporate all the shopping malls in Kenya. The findings of the study should then be compared to the findings of this study. Any change in study findings would therefore be explained accordingly.

The study would also suggest a similar study to be undertaken, but a different methodology chosen. The methodology in form of combining both primary and secondary data collection techniques. This would help as one technique would address the inadequacies of the other technique.

It would also be recommended to undertake a study where more variables are incorporated to check their effect on mall's financial performance. The coefficient of determination of this study was 37% which implies that there were other factors that explained 63% of the changes in financial performance for the malls.

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APPENDICES

Appendix I: List of Shopping Malls in Nairobi County

1. The Waterfront Karen
2. The Junction Mall
3. Capital Centre - Mombasa Road
4. Two Rivers Mall – Limuru Road
5. The Crossroads Mall – Karen
6. Galleria Mall - Karen-Langata Road
7. Garden City Shopping Complex
8. The Gift Mall
9. The GreenHouse Mall - Ngong Road
10. Greenspan Mall Donholm
11. Highway Mall - Mombasa Road
12. The Hub Karen - Karen
13. Karen Shopping Centre - Karen
14. The Hub Karen Mall - Nairobi
15. The Mall - Westlands
16. Mountain Mall - Kasarani
17. Nakumatt Lifestyle
18. The Point Mall - Buruburu
19. Prestige Plaza - Ngong road
20. Sarit Centre - Westlands
21. Shujaa Mall - Spine Road
22. K-Mall - Komarock (off Kangundo Road)
23. T-Mall - Nairobi West
24. Thika Road Mall - Roysambu
25. The Village Market - Gigiri
26. Nextgen Mall - Mombasa Road
27. Westgate Shopping Mall
28. Yaya Centre - Kilimani
29. The Lavington Mall - Lavington
30. The Southfield Mall – Embakasi
31. Rosslyn Riviera Mall – Limuru Road
32. New Muthaiga Mall – Thigiri Ridge
33. Eastleigh Mall – Eastleigh
34. New Jamia – Sixth Street
35. Ridgeways Mall – Kiambu Road

Apppendix II: Data Used in Analysis

MALL	Distance from CBD	LETTABLE AREA	PARKING SQ FT	PARKING BAYS	2018 (RENT)			
					Q1	Q2	Q3	Q4
The Junction Mall	9	256,000	15,750	750	47,738,880	47,738,880	47,738,880	47,738,880
Capital Centre - Mombasa Road	5	140,000	10,500	500	19,040,000	19,040,000	19,040,000	19,040,000
The Crossroads Mall - Karen	21	85,035	6,378	304	6,377,625	6,377,625	6,377,625	6,377,625
Galleria Mall - Karen-Langata Road	12	158,229	11,550	550	20,411,541	20,411,541	20,411,541	20,411,541
Garden City Shopping Complex	10	134,000	11,256	536	11,457,000	11,457,000	11,457,000	11,457,000
The GreenHouse Mall - Ngong Road	6	125,000	8,400	400	10,625,000	10,625,000	10,625,000	10,625,000
Greenspan Mall Donholm	10	173,477	11,550	550	14,745,545	14,745,545	14,745,545	14,745,545
Highway Mall - Mombasa Road	5	70,000	5,250	250	3,360,000	3,360,000	3,360,000	3,360,000
The Hub Karen - Karen	15	322,917	25,200	1,200	47,420,361	47,420,361	47,420,361	47,420,361
Karen Shopping Centre - Karen	15	45,000	1,050	50	2,700,000	2,700,000	2,700,000	2,700,000
The Mall - Westlands	4	95,000	5,250	250	4,104,000	4,104,000	4,104,000	4,104,000
Mountain Mall - Kasarani	9	77,000	5,775	275	5,929,000	5,929,000	5,929,000	5,929,000
Hazina Trade Centre	1	50,000	10,080	480	3,000,000	3,000,000	3,000,000	3,000,000
The Point - Buruburu	7	55,000	3,150	150	3,465,000	3,465,000	3,465,000	3,465,000
Prestige Plaza - Ngong road	6	110,000	7,350	350	9,790,000	9,790,000	9,790,000	9,790,000
Sarit Centre - Westlands	4	500,000	84,000	4,000	52,500,000	52,500,000	52,500,000	52,500,000
Shujaa Mall - Spine Road	11	115,000	8,625	411	5,980,000	5,980,000	5,980,000	5,980,000
K-Mall - Komarock (off Kangundo Road)	15	95,000	7,125	339	3,876,000	3,876,000	3,876,000	3,876,000
T-Mall - Nairobi West	5	172,222	12,917	615	16,102,757	16,102,757	16,102,757	16,102,757
Thika Road Mall - Roysambu	11	301,390	22,604	1,076	25,618,150	25,618,150	25,618,150	25,618,150
The Village Market - Gigiri	9	225,713	14,700	700	25,821,567	25,821,567	25,821,567	25,821,567
Nextgen Mall - Mombasa Road	8	700,000	52,500	2,500	58,800,000	58,800,000	58,800,000	58,800,000
Westgate Shopping Mall	5	267,881	14,700	700	38,708,805	38,708,805	38,708,805	38,708,805
Yaya Centre - Kilimani	6	145,312	10,898	519	18,745,248	18,745,248	18,745,248	18,745,248
The Lavington Mall - Lavington	10	158,500	4,200	200	28,276,400	28,276,400	28,276,400	28,276,400
The Southfield Mall - Embakasi	12	145,000	10,875	518	14,268,000	14,268,000	14,268,000	14,268,000
Two Rivers Mall	14	700,000	21,693	1,033	78,750,000	78,750,000	78,750,000	78,750,000
Rosslyn Riviera Mall	13	118,403	8,880	423	26,711,717	26,711,717	26,711,717	26,711,717
New Muthaiga Mall	8	124,450	10,500	500	12,693,900	12,693,900	12,693,900	12,693,900
Eastleigh Mall	6	120,000	9,000	429	7,680,000	7,680,000	7,680,000	7,680,000
New Jamia Mall	0	85,000	-	-	6,460,000	6,460,000	6,460,000	6,460,000
Ridgeways Mall	8	61,366	4,602	219	12,040,009	12,040,009	12,040,009	12,040,009