ASSESSMENT OF THE ATTRACTIVENESS OF THE REAL ESTATE MANAGEMENT INDUSTRY IN KENYA

BY:

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DECLARATION

I, **BARASA WAMALWA CORNELIUS**, hereby declare that this is my original work and it has not been presented in any other University.

Signature_______________________________________

BARASA W. CORNELIUS

D61/8893/2006

Date_______________________________

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

Signature________________________________

MR. JACKSON MAALU

Date_________________________

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DEDICATION

To my mum, Mrs. Mary Barasa and father Mr. Fred Barasa and all my brothers and sisters who have all endeavored to see that I have reached this far in my academic cycles.

ACKNOWLEDGEMENT

The success of this research project paper was achieved as a result of various valuable contributions which were made by various people whom I feel indebted to acknowledge.

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It would be a lot of injustice if I will forget to thank my family for their support, encouragement and prayers during the entire period when I was undertaking the studies.

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TO ALL, THANK YOU!

May God bless you all.

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ABSTRACT

Industry attractiveness is deemed to be one of the two primary determinants of organization profitability, the other one being the organization chosen competitive strategy. Attractive industries are the ones where there is stable and relatively low intensity of competitive rivalry. This is likely to be the case where threat of new entrants to the industry is low, or if product differentiation is such that the capability to sustain extensive marketing and promotional campaigns is critical.

Porter also cited lack of substitute products or services and the extent to which the buyers from and suppliers to the producers in an industry enjoy low bargaining power as further indicators of industry attractiveness. Conversely, industries are unattractive where f rivalry between existing competitors is intense. This intensity will be exacerbated where the threat of new entrants is high or substitute products are or become widely available and buyers or suppliers are able to exert bargaining power over industry producers.

Land use planning regulations in Kenya have failed to influence land development patterns in the rapidly growing urban areas. Kenya's experience reveals lack of official government intervention and established procedures in formulating rules for allocation of land, control, approval and regulation of urban development. Evidence in Kenya shows the inability of land use planning regulations to hinder the occurrence of the problems associated with contemporary land use activities.

This study focuses on attractiveness of the real estate management industry in Kenya. Real estate management has recently witnessed an influx of firms into this industry thereby raising questions on what may be the force behind this high entry into this industry. The main objective of this study was to find out the level of attractiveness of this industry as well as determine the factors influencing the attractiveness of firms in this industry.

Field study included administering questionnaires to a sample of 45 real estate management firms. Completed questionnaires were then edited for completeness and consistency and then analyzed/interpreted using descriptive statistics.

The research findings established that the real estate management industry in Kenya is less attractive due to: high threat of entry of new competitors, high threat of substitute products and services, high bargaining powers of developers (suppliers), high bargaining power of the buyers and high intensity of rivalry amongst the competing firms which in overall decreases the profit potential for the incumbent firms competing in this industry.

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ABBREVIATIONS

ERB	-	Estate Agency Registration Board
ISK	-	Institution of Surveyors of Kenya
NCC	-	Nairobi City Council
VEMS	-	Valuation and Estate Management
VRB	-	Valuation Registration Board

CHAPTER ONE: INTRODUCTION

1.1 Background

Industries differ widely in their business make up, economic characteristics, competitive situations and future out looks (Thompson and Strickland, 2008). Some are of full growth potential and new business opportunities, whereas others are stagnant and beset with diversity (Pearce and Robinson, 2002). In some industries rival firms compete against one another globally, whereas in others, the market arena is national, regional or just local. Competitive forces vary across the industries, both as to source and strength, creating substantially stronger competitive pressures in some than others. According to Porter (1998), this is because not all industries have the same potential; they differ fundamentally in their ultimate profit potential as the collective strength of the forces differs.

The business of real estate management is highly competitive, and the level of competition is increasing. The proof is being seen in shrinking profit margins among real estate management and asset management service providers, mounting demands from property owners and clients, and rising expectations among tenants and buyers (Homes Kenya, 2008). Porter (1985) found out that the first fundamental determinant of firm's profitability is industry attractiveness. According to Jack (1996), the profitability of real estate management companies depends mainly on the demand for the properties that are associated with or the volumes of the transactions they handle both of which are usually higher during periods of strong economic growth and can negatively be affected by a recession or by too much new construction. Syagga (1999) on his part noted that the greatest challenge to real estate agents lies in their ability to consistently demonstrate the worth of the value added services to their clients so as to ignite the higher demand. This therefore means that real estate management firms must continually satisfy their customers to remain competitive (Banning, 1992). If a real estate management service provider cannot demonstrate value on an ongoing basis, a competitor will step in and offer the same level of service at a lower price or present a higher value proposition (Homes Kenya, 2007).

1.1.1 Industry Attractiveness.

Industries differ significantly on such factors as market size and growth rate, the number and relative sizes of both buyers and sellers, the geographic scope of competitive rivalry, the degree of product differentiation, the speed of product innovation, demand-supply conditions, the extent of vertical integration and the extent of scale of economies and learning-curve effects (Luffman et al, 1996).

The first fundamental determinant of a firm's profitability is industry attractiveness. Competitive strategy must grow out of a sophisticated understanding of the rules of competition that determine an industry's attractiveness (Porter, 1985).

Because industries differ so significantly, analyzing a company's industry and competitive environment begins with identifying industry's dominant economic features and forming a picture of industries landscape. An industry's dominant economic feature are defined by such factors as overall size and market growth rate, the geographic boundaries of the market, the number and the size of the competitors, what the buyers are looking for and the attributes that cause them to choose one seller over another, the pace of the technological change and/or product innovations, whether sellers products are virtually identical or differentiated and the extent to which costs are affected by scale economies and learning curve effects (Thompson, 2008).

In 1989, Thompson et al noted that increase or decrease in industry growth is a powerful variable in the investment decisions of existing firms to expand capacity. A strong upsurge in long term demand frequently attracts new firms to enter the market and a shrinking market often causes some firms to exit the industry. When (1986) felt that the shift in industry growth up or down is a force for industry change, because it affects the balance between industry supply and buyer demand, entry and exit, and how hard it will be for a firm to capture additional sales. On the other hand, Johnson and Scholes (2008) were of the view that a swing in buyer demand can drive industry change, shift patronage away from the sellers of more expensive differentiated products to sellers of cheaper commodity products and thus creating a very price competitive environment. On his part, Walker (2004) asserts that a shift from standardized products occurs when sellers are able to win a bigger and more loyal following of buyers by bringing out new performance features, making style changes, offering option and accessories and creating image differences via advertising and packaging, then the driver of change is the struggle among rivals to out differentiate one another.

In any industry, whether it is domestic or international; or produces a product or a service, the rules of the competition are embodied in five competitive forces. The collective strengths of these five competitive forces determines the ability of the firms in an industry to earn on average , rates of return on investment in excess of the cost of the capital. The strength of the five forces varies from industry to industry and can change as an industry evolve. In industries where the five forces are favourable, many competitors earn attractive returns. However, in industries where pressure from one or more of the forces is intense, few firms command attractive returns despite the best efforts of the management (Porter, 1980b).

The five forces determine industry profitability because they influence the prices, costs and required investment of the firms in an industry – the element of return on an investment. The power of the buyers influences the prices the firms can charge as does the threat of substitution. The bargaining power of suppliers determines the costs of raw materials and other inputs. The intensity of rivalry influences prices as well as the costs of competing. The threat of entry on the other hand places a limit on prices and shapes the investment required to deter entrants The stronger the power of buyers and suppliers, and the stronger the threats of entry and substitution, the more intense competition is likely to be within the industry. However, these five factors may not be the only ones that determine how firms in an industry will compete – the structure of the industry itself may also play an important role (Porter, 1980a; Kippenberger, 1998).

1.1.2 Overview of Real Estate Industry in Kenya.

Real estate investments have several unique characteristics that affect its value. There are both economic and physical characteristics. The economic characteristics that influence value are scarcity, improvements, permanence and area preference. The supply of land has a ceiling and cannot be produced more than what exists today. The value of this supply however, is influenced by other characteristics Improvements, such as buildings on one parcel of land may have an effect on the value of neighbouring parcels or the entire community. If a large reputable company builds in a certain depressed neighbourhood, for instance, the value of living their will probably increase because of the introduction of jobs. This value would impact on neighbouring communities, thus increasing value in some ways to the real estate in these areas (Jack, 1996; Banning, 1992).

Permanence has to do with the infrastructure. As buildings, houses or other structures are demolished, the infrastructure, such as sewers, drainage, electricity, and water remain intact. Permanence effects real estate, or the type of infrastructure. If one buys a piece of land in an area with no utilities, drainage or paved streets, it will most likely be worth less than a parcel of land that has this infrastructure intact and developed. Area preference refers to the choices of the people in any given area; usually referred to as, “location”. The location of a preferred area, for whatever reasons, is what makes values of homes higher. Conversely, the location of a non preferred area, for whatever reason, is what makes the values of homes less (Jack, 1996; Karanja, 2002).

The physical characteristics of land represent its indestructible nature, immobility and non homogeneity. Land cannot be moved, therefore it is immobile. Even when soil is torn from the ground, the part of the earth’s surface will always remain. It is important here to note how this physical characteristic affects real estate law and markets. Immobility of land is the reason why real estate laws and markets are local in nature The indestructibility of land simply means that it is durable and cannot be destroyed. It can be damaged by storms and other disasters, but it remains and weathers the changing times and will always be there. This is the main reason why land is talked about as being a sound investment (Craig, 1999; Jack, 1996).

Registered land use in Kenya may be used for various purposes. According to Syagga (1999), land use may be categorized as: rural land use, urban land use or special purpose. Under rural land use we have farm lands which include crop farms, forest lands, grazing lands, buildings, and the relevant infrastructure. Farm values are subject to the same laws of supply and demand as other forms of property. The utility of rural land lies in its capability to produce a crop or crops.

With respect to urban land use we have commercial, industrial and residential properties. Commercial properties are mainly offices and shops. Offices are considered to be the premier type of property investment mainly because of the rental growth and the flexibility of use provided by office premises. Factors that affect investment in commercial property include location, design and lettable area. Shops usually ensure the growth of consumer expenditure albeit at a diminishing rate. The factors that influence the quality of the retail investment include the direction and volume of the pedestrian flow, availability and regularity of the public transport, respective balance of other retail and non retail uses in terms of the competition and complimentarity, potential for expansion and availability of parking space. Equally important is the lease arrangement that will significantly affect the security of income and thus the desired yield and value.

Industrial properties development is usually encouraged by continued government support, improved communications and the growing demand for manufactured goods. Leases are usually granted for longer periods than the usual time granted for shops and offices. For any industrial land value, access and proximity to a railway line for transport and river for discharge of effluent are of great importance. Many developers favour warehousing to factories because of the greater flexibility of use, the wider range of first class tenants such as airlines, import and export companies and the slower rate of physical deterioration (Syagga, 1999).

Residential properties are varied and include flats, maisonnettes and bungalows. The two principal factors that affect the value of residential properties as a whole are accommodation facilities and location. A prospective tenant or purchaser will consider the nature and extent of the accommodation offered, the neighbourhood of the property as it affects the general amenities of life, the time to travel to work, and proximity to social/community facilities. Other considerations include the design style and finishes, and whether it is a flat, terraced or detached house.

Special properties on the other hand are exceptional properties outside the ordinary classification of properties such as schools, cinemas, theatres, hotels and restaurants, recreational facilities and petrol, stations. These properties form a special category by virtue of their distinctive uses (Craig, 2001).

1.2 Statement of the Problem

In practice, there are many features in an industry that determine the intensity of competition and the level of profitability. The primary motivation of any investor in any given industry is the level of returns they can get from the capital invested. There are many advantages of investing in real estate. One of the advantages of investing in real estate is that it is an investment that can give an investor income for the rest of his/her life. If investors buy properties and rent the properties out it can give them life long income. While providing rental income cash flow, the property can also be improved in order to garner a better price and more profit when one chooses to liquidate it as an investment. Historically, real estate has shown to be an excellent source of profit through the increase in investment property value over time. Of course, one cannot predict that this trend will always be true, and it varies significantly by area. That aside, when you purchase a company's stock certificates, you're looking for appreciation in the stock value, and perhaps dividend income if it is paid by the company. With bonds, you're looking for income yield on the interest rate paid by the bonds. With a real estate investment property, there are more ways in which to realize a superior return on your investment. As with a stock that pays dividends, a properly selected and managed rental property will provide a steady stream of income in the form of rental payments. Historically, this percentage of return has exceeded that of dividend yields on average.

A large number of firms, competing in every local market, and a growing number of largely independent real estate management agents mean that the real estate industry in Kenya is fiercely competitive. Real estate agent firms have in the recent times been competing at the neighbourhood level with each other for listings and sales as well as management of various types of properties. Agents also compete with property owners and developers who choose to sell their property without the assistance of these real estate management agents (Homes Kenya, 2006). As a result, this has led to the scramble for urban real estate market segment in Kenya for most if not all the players and has raised the bar so high that only a few who have the guts and have the capacity are surviving the turbulent market. New strategy and counter tactics are constantly being hatched by the existing market players to wade off the challenge from the up coming players (Homes Kenya, 2008). Indeed, the market share held by top firms is shrinking and no single firm dominates the entire market since new firms are ever joining the industry to counter and claim part of the market share held by established firms as well as the profit.

Prior studies on real estate have been done and they include Karanja (2002) who focused on competitive strategies of real estate firms in view of Porters Generic model and Gitonga (2003) who studied the performance of real estate markets in Nairobi. In addition, several studies have been done on attractiveness of industries with respect to Porters five competitive forces. Some of these studies include Oluoch (2003) whose study focused on the perceived attractiveness in the freight forwarding industry. On his part, Gikomba (2002) looked at the analysis of industry forces and strategic choices adopted by the private hospitals in Nairobi while Wahogo (2006) researched on the application of Porters diamond model with respect to the competitiveness of Kenya's tourism industry.

However, no single study has been done on the attractiveness of the real estate management industry in Kenya. Real estate management sector remains of great importance to the economic development of this country as it facilitates housing of millions of Kenyans apart from providing employment to thousands of people. Indeed, in the recent times real estate management industry has witnessed influx of firms in this industry which has not only shrunk the market share but also the profitability of the existing firms. These scenario posses the following questions: What is attracting a large number of firms in this industry? Is the real estate management industry profitable? What are the competitive forces driving the real estate management industry?

1.3 Research Objectives

The aim of this study is:

1. Determine the level of attractiveness of the real estate management industry.
2. Establish the strength of competitive forces in the real estate management industry.

1.4 Importance of the Study

This study will help real estate management firms to understand the underlying forces determining the structure of the industry, highlight the strengths and weaknesses of the businesses, show where strategic changes can make the greatest difference, and illuminate areas where industry trends may turn into opportunities or threats. The study will also facilitate real estate management firms to understand their positions relative to other companies that offer similar products or services.

Understanding the forces at work in the overall industry is an important component of effective strategic planning. For this reason, this study will enable business owners/managers to identify the threats and opportunities facing their businesses, and to focus their resources on developing unique capabilities that could lead to a competitive advantage.

The findings will also be critical to the central government, local government and other statutory organizations and more so to all the business entrepreneurs in formulating the business plans, strategic plans and other policies related to effective management of the public resources and business respectively.

CHAPTER TWO: LITERATURE REVIEW

2.1 Concept of Strategy and Strategy Formulation

Stated simply, strategy is a road map or guide by which an organization moves from the current state of affairs to a desired future state. It is not only a template by which daily decisions are made, but also a tool with which long-range future plans and courses of action are constructed. Strategy allows a company to position itself effectively within its environment to reach its maximum potential, while constantly monitoring the environment for changes that can affect it so as to make changes in its strategic plan accordingly (Luffman et al, 1996). In short, strategy defines where you are, where you are going, and how you are going to get there (Porter, 1985). According to Johnson and Scholes (2008) strategy is the direction and scope of an organization over the long term, which achieves advantage in a changing environment through its configuration of resources and competences with the aim of fulfilling stakeholder expectations. A company's strategy provides a central purpose and direction to the activities of the organization, to the people who work in it, and often to the outside world (McCarthy et al, 1996).

It is useful to consider strategy formulation as part of a strategic management process that comprises three phases: diagnosis, formulation, and implementation. Strategic management is an ongoing process that is intended to develop and revise future-oriented strategies that allow an organization to achieve its objectives, considering its capabilities, constraints, and the environment in which it operates (Sanderson, 1998). Thompson et al (1989) viewed crafting strategy as analysis driven task, not an exercise where managers can depend on solely upon their creativity to come up with something clever or unique. Consequently, Grant (1998) established that the biggest situational considerations underlying the choice of strategy include industry and competitive conditions in addition to a company's own internal situation as well as competitive position.

Diagnosis includes: performing a situation analysis (analysis of the internal environment of the organization), including identification and evaluation of current mission, strategic objectives, strategies, and results, plus major strengths and weaknesses; analyzing the organization's external environment, including major opportunities and threats; and identifying the major critical issues, which are a small set, typically two to five, of major problems, threats, weaknesses, and/or opportunities that require particularly high priority attention by management. *Formulation*, the second phase in the strategic management process, produces a clear set of recommendations, with supporting justification, that revise as necessary the mission and objectives of the organization, and supply the strategies for accomplishing them. In formulation, we are trying to modify the current objectives and strategies in ways to make the organization more successful. This includes trying to create "sustainable" competitive advantages - although most competitive advantages are eroded steadily by the efforts of competitors. A good recommendation should be: effective in solving the stated problem(s), practical (can be implemented in this situation, with the resources available), feasible within a reasonable time frame, cost-effective, not overly disruptive, and acceptable to key "stakeholders" in the organization. It is important to consider "fits" between resources plus competencies with opportunities, and also fits between risks and expectations (Porter 1985; Johnson and Scholes, 2008).

Strategy implementation requires a firm to establish annual objectives, devise policies, motivate employees and allocate resources so that formulated strategies can be implemented. Strategy implementation involves developing a strategy supportive culture, creating an effective organization structure, redirecting marketing efforts, preparing budgets, developing and utilizing information systems, and linking employee compensation to organizational performance. Often considered to be the most difficult stage in strategic management since it requires personal discipline, commitment and sacrifice - strategies formulated but not implemented serve no useful purpose (Walker, 2004).

2.2 Industry Analysis

The essence of formulating competitive strategies is relating a company to its environment. Although the relevant environment is very broad, encompassing social as well as economic forces, the key aspects of the firm's environment is the industry or industries in which it competes. Industry structure has very strong influence in determining the competitive rules of the game as well as the strategies potentially available to the firm. Forces outside the industry usually affect all the firms in the industry, the key is found in the differing abilities of the firms to deal with them (Porter, 1980c).

The biggest situational considerations underlying the choice of strategy are: industry and competitive conditions and a company's own internal situation as well as competitive position. Not all industries offer equally attractive prospects for long term profitability. However, a firm in a very attractive industry may not do well if it is in a poor competitive position; conversely, a firm in a strong competitive position may be in such an unattractive industry that its performance is weak (Walker, 2004; Thompson and Strickland, 1992).

Industry conditions may improve or worsen and competitive positions of companies may shift as the battle among rival firms unfolds. Openings are always being created for companies to make strategic move that either alters the industry situation or that improves their competitive position. While a company's strategy must be kept responsive to the changing industry and competitive conditions, it can also aim at shaping them in a firms favour (Grant, 1998; When, 1986).

2.2.1 Industry's Key Success Factors for Competitive Success

Industry's Key success factors are those competitive factors that affect most industry members to prosper in the market place -the particular strategy elements, product attributes, resources, competencies, competitive capabilities and market achievements that spell the difference between being a stronger competitor and a weak competitor- and sometimes between profit and loss. Key success factors by their very nature are so important to the firm's future competitive success that all firms in the industry must pay close attention to them. Identifying key success factors in light of the prevailing and anticipated industry and competitive conditions is therefore always a top-priority analytical and strategy making consideration. Company strategists therefore need to understand the industry landscape well enough to separate the most important factors to competitive success from those that are less important (Mintzberg et al, 2007).

According to When (1986), key success factors (KSFs) are the major determinants of financial and competitive success in a particular industry. He noted that KSFs highlight the specific outcomes crucial to success in the market place and the competences as well as the capabilities with the most bearing on profitability. Identifying KSFs is a top priority strategic consideration (Thompson and Strickland, 2002). At the very least, Grant (1998) cautions that the management needs to know the industry well enough to conclude what is more important to competitive success. At most, he affirms that KSFs can serve as the cornerstone for building a company's strategy. KSFs, however, according to Mintzberg et al (2007) vary from industry to industry and even overtime in the same industry as driving forces and competitive conditions change. Only rarely does an industry have more than three or four key success factors at any one time. And even among these three or four, one or two usually out rank the others in importance (When, 1986). McCarthy (1996) concurs with When (1986) by insisting that KSFs consist of three or four major determinants of financial and competitive success in a particular industry. In addition, he observed that KSFs have to do with the things all the firms in the industry must concentrate on doing well, the specific kinds of skills and competence needed to compete successfully and which functional area aspects are the most crucial and why.

Identification of the KSFs is a top priority industry and competitive analysis consideration. At the very least, management needs to know the industry well enough to pinpoint what the key factors for competitive success are, at most, KSFs can serve as the cornerstone upon which business strategy is built – frequently a company can win a competitive advantage by concentrating on being distinctively better than rivals when it comes to one or more of the industry's KSFs (Thompson Jnr et al, 1989).

2.2.2 Industry's Dominant Economic Features

An industry's dominant economic features are defined by such factors as market size and growth rate, the number and sizes of the buyers, the geographic boundaries of the market, the degree to which sellers product are differentiated, the pace of product innovation, market supply/demand conditions, the pace of technological change, the extent of vertical integration, and the extent to which costs are affected by scale economies and learning/experience curve effects (Mintzberg et al, 2007).

Getting a handle on industry's distinguishing economic features not only sets the stage for the analysis to come but also promotes understanding of the kinds of strategic moves that industry members are likely to employ (Thompson and Strickland, 2002).

2.2.3 Industry's Driving Forces

Some drivers of change are unique and specific to a particular industry. Shifts in industry growth up or down are a driving force for industry change, affecting the balance between industry supply and buyer demand, entry and exit and the character and strength of the competition. An upsurge in buyer demand triggers a race among established firms and new comers capture the new sales opportunities. A slow down in the rate at which demand is growing nearly always portends mounting rivalry and increased efforts by some firms to maintain their high rates of growth by taking sales and market share way from rivals (Mintzberg et al, 2007).

Shifts in buyer demographics and new ways of using the product can alter the state of competition by opening the way to market an industry's product through a different mix of dealers and retail outlets, prompting the producers to broaden or narrow their product lines, bringing different sales and promotion approaches into play and forcing adjustments in customer service offerings (Grant, 1998). Thompson (1989) concurs with Grant (1998) by stating that the shifts in the type and mix of buyers along with the emergence of new ways to use the products have a potential for forcing adjustments in customer service offerings, creating a need to market the industry's product through a different mix of dealers and retail outlets, prompting producers to broaden/narrow their product lines, increasing/decreasing capital requirements and changing sales and promotion approaches. Thompson further reiterated that trying to ascertain the kinds of industry change to expect should therefore include assessment of changing buyer demographics and potential emergence of new buyer segments.

When firms are successful in introducing new ways to market their products/services, they can spark a burst of buyer interest, widen industry demand, increase product differentiation and lower unit costs. Online marketing for instance is shaking up the market where use of websites to market products/services is becoming a common feature (Thompson and Strickland, 2002).

When buyer tastes and preferences start to diverge, sellers can win a loyal following with product offering that stand apart from those of rival sellers. When a shift from a standard to differentiated product occurs, the driver of change is the contest among rival firms where they seek to cleverly out differentiate one another. Pronounced shifts toward greater product standardization usually generate lively price competition and force rival sellers to drive down their costs to maintain profitability (Mintzberg et al, 2007).

In conclusion, Thompson et al (1989) recognized that the concept of driving forces has practical strategy making value. First, he pointed out that the driving forces in an industry indicate to managers what factors will have the greatest impact on the company's business over the next one to three years. Second, he mentioned that if a company is to be positioned to deal with these forces, then management must specifically assess the implication of each driving force. Lastly, he was of the opinion that strategy makers will obviously have to craft a strategy that explicitly takes into account and prepares the company for the anticipated changes in the industry.

2.3 Competitive Forces

"In the fight for market share, competition is not manifested only in the other players; rather, competition in an industry is rooted in its underlying economics, and competitive forces that go well beyond the established combatants in a particular industry. Customers, suppliers, potential entrants, and substitute products are all competitors that may be more or less prominent or active depending on the industry" (Porter, 1979). Too often companies focus on their rivals for market share, and forget that successful competition goes well beyond the fight for share. Rather, share is won or lost through an industry's underlying economics, (Harrison et al, 2008).

The strongest competitive force or forces determine the profitability of an industry and so are of greatest importance in strategy formulation (Walker, 2004). Different forces take on prominence in shaping competition in each industry (Grant, 1998). Every industry has an underlying structure or a set of fundamental economic and technical characteristics that gives rise to these competitive forces (Mintzberg, 2003). Porter (1985) identified the five forces as: the bargaining power of suppliers, bargaining power of buyers, potential entrants, threat of substitute products, and rivalry among the competitors.

On their part, Hill et al (2001) agreed with Porter (1979) by pointing out that the five competitive forces reflect the fact that competition in an industry goes well beyond the established players. According to them, customers, suppliers, substitutes and potential entrants are all competitors to firms in the industry and may be more or less prominent depending on particular circumstances.

2.3.1 Threat of Entry

The threat of new entrants, also called the threat of entry, according to Porter (1985), refers to the threat new competitors pose to existing competitors in an industry. On his part, Thurlby (1998) contends that a profitable industry will attract more competitors looking to achieve profits. Thompson and Strickland (1992) on their part noted that if it is easy for the new entrants to enter the market – if entry barriers are low – then this poses a threat to the firms already competing in that market. More competition – or increased production capacity without concurrent increase in consumer demand – means less profit to go around (Porter, 1985).

Walker (2004) was of the opinion that the threat of new entrants in an industry affects the competitive environment for the existing competitors and influences the ability of existing firms to achieve profitability. He elaborated his argument by stating that a high threat of entry means new competitors are likely to be attracted to the profits of the industry and can enter the industry with ease. He further mentioned that new competitors entering the marketplace can threaten or decrease the market share and profitability of existing competitors and may result in changes to existing product quality or price levels. Harrison et al (2008) concurred with walker by asserting that a high threat of entry can make an industry more competitive and decrease profit potential for existing competitors. On the other hand, Porter (1985) pointed out that a low threat of entry makes an industry less competitive and increases profit potential for the existing firms. New entrants are deterred by barriers to entry (Grant, 1998).

Luffman et al (1996) established that several factors determine the degree of the threat of new entrants to an industry. They reiterated that many of these factors fall into the category of barriers to entry, or entry barriers. According to Harrison et al (2008), barriers to entry are factors or conditions in the competitive environment of an industry that make it difficult for new businesses to begin operating in that market. Pearce and Robinson (1997) identified high production-profitability threshold requirement, or economy of scale, as entry barriers that can lower the threat of entry. Highly differentiated products or well-known brand names according to Thompson et al (2008) are both barriers to entry that can lower the threat of new entrants. They also singled out significant upfront capital investments required to start a business in the industry as an entry barrier that can lower the threat of new entrants. High consumer switching costs are a barrier to entry (Porter, 1979; Luffman, 1996). Access to distribution channels is an entry barrier – if it is difficult to gain access to these channels, the threat of entry is low (Thompson et al, 2007). Walker (2004) find out that access to favorable locations, proprietary technology, or proprietary production material inputs also increase entry barriers and decrease the threat of entry.

And of course, if the opposite is true for any of these factors, barriers to entry are low and the threat of new entrants is high (Walker, 2004). For example, no required economies of scale, standardized or commoditized products, low initial capital investment requirements, low consumer switching costs, easy access to distribution channels, and no relevant advantages due to local or proprietary assets all indicate that entry barriers are low and the threat of entry is high (Porter, 1985) . Other factors also influence the threat of new entrants according to Sanderson (1998). He noted that expected retaliation of existing competitors and the existence of relevant government subsidies or policies can discourage new entrants while no expected retaliation and the lack of relevant government subsidies or polices can encourage new entrants.

Harrison et al (2008) concludes that when conducting Porter's five forces industry analysis, a low threat of new entrants makes an industry more attractive and increases profit potential for the firms already competing within that industry, while a high threat of new entrants makes an industry less attractive and decreases profit potential for the firms already competing within that industry.

2.3.2 Bargaining Power of Suppliers

Suppliers of key materials that make up a final product can have a significant influence on the competitiveness of an industry - primarily around the lead time / availability of the product as well as its final price. Situations where a supplier has such a strong influence on the market should set off warning bells for anyone evaluating the industry. Suppliers can exert bargaining power on participants in an industry by raising prices or reducing the quality of purchased goods and services. Powerful suppliers can thereby squeeze profitability out of an industry (Mintzberg, 2003; Herberberg, 2001).

Walker (2004) believed that the bargaining power of suppliers affects the intensity of competition in an industry especially when there are a large number of suppliers, limited substitute raw materials, or increased switching costs. Mintzberg (2003) maintained that the bargaining power of suppliers is important to industry competition because suppliers can also affect the quality of exchange relationships. While supporting his ideas, Porter (1998) argued that competition may become more intense as powerful suppliers raise prices, reduce services or reduce the quality of goods or services. On his part, Thurlby (1998) advised that a company’s choice of suppliers to buy from or buyer groups to sell to should be viewed as a crucial strategic decision. Harrison et al (2008) concluded that a company can improve its strategic position by finding suppliers or buyers who possess the least power to influence it adversely.

2.3.3 Bargaining Power of Buyers

As customers are the source of revenue in an industry, they are of course key in determining its overall attractiveness (Kippenberger, 1998). The level of information available to them, their price sensitivity, geographic concentration, and switching costs will affect the revenue a competitor in the market can expect to receive (Porter, 1980).

The old adage "knowledge is power" is quite appropriate in this context according to Haberberg (2001). This is because customers will always seek to optimize their buying position, and will therefore use all information available to them to ensure they receive the optimal price for the product that suits their needs (Porter, 1985). Porter (1980) defined bargaining power of buyer as the pressure consumers can exert on businesses to get them to provide higher quality products, better customer service, and lower prices. He further elaborated that when analyzing the bargaining power of buyers, the industry analysis is being conducted from the perspective of the seller.

Grant (1998) commented that the bargaining power of buyers in an industry affects the competitive environment for the seller and influences the seller's ability to achieve profitability. To support his comment, Grant (1998) illustrated that strong buyers can pressure sellers to lower prices, improve product quality, and offer more and better services. All of these things represent costs to the seller. Drawing support from Grant (1998), Hill et al (2001) coincided that a strong buyer can make an industry more competitive and decrease profit potential for the seller. On the other hand, a weak buyer, one who is at the mercy of the seller in terms of quality and price, makes an industry less competitive and increases profit potential for the seller (Porter, 1979).

Several factors determine buyer bargaining power. If buyers are concentrated compared to sellers – if there are few buyers and many sellers – buyer power is high. If switching costs – the cost of switching from one seller's product to another seller's product – are low, the bargaining power of buyers is high. If buyers can easily backward integrate – or begin to produce the seller's product themselves – the bargaining power of customers is high. If the consumer is price sensitive and well-educated regarding the product, buyer power is high. If the customer purchases large volumes of standardized products from the seller, buyer bargaining power is high. If substitute products are available on the market, buyer power is high (Harrison et al, 2008).

And of course, if the opposite is true for any of these factors, buyer bargaining power is low (Walker, 2004). For example, low buyer concentration, high switching costs, no threat of backward integration, less price sensitivity, uneducated consumers, consumers that purchase specialized products, and the absence of substitute products all indicate that buyer power is low (Porter, 1985).

When conducting Porter's five forces industry analysis, low buyer bargaining power makes an industry more attractive and increases profit potential for the seller, while high buyer bargaining power makes an industry less attractive and decreases profit potential for the seller (Harrison et al, 2008).

2.3.4 Threat of Substitute Products

The threat of substitutes refers to the availability of a product that the consumer can purchase instead of the industry's product. A substitute product is a product from another industry that offers similar benefits to the consumer as the product produced by the firms within the industry (Karanja, 2002).

While sharing his view on this issue, Sanderson (1998) observed that the threat of substitutes in an industry affects the competitive environment for the firms in that industry and influences those firms' ability to achieve profitability. The availability of a close substitute according to Porter (1998) threatens the profitability of an industry because consumers can choose to purchase the substitute instead of the industry's product. On the other hand Hill et al (2001) took the position that the availability of close substitute products can make an industry more competitive and decrease profit potential for the firms in the industry. On their part, Pearce and Robinson (1997), alleged that lack of close substitute products makes an industry less competitive and increases profit potential for the firms in the industry (Walker, 2004; Johnson and Scholes, 1999).

Several factors determine whether or not there is a threat of substitute products in an industry. First, if the consumer's switching costs are low, meaning there is little if anything stopping the consumer from purchasing the substitute instead of the industry's product, then the threat of substitute products is high. Second, if the substitute product is cheaper than the industry's product – thereby placing a ceiling on the price of the industry's product – then the threat of substitutes is high. Third, if the substitute product is of equal or superior quality compared to the industry's product, the threat of substitutes is high. And fourth, if the functions, attributes, or performance of the substitute product are equal or superior to the industry's product, there is a high threat of substitutes (Harrison et al, 2008; Thompson and Strickland, 1989; Thompson et al, 2008). If the substitute is more expensive, of lower quality, its functionality does not compare with the industry's product, and the consumer's switching costs are high, then the threat of substitutes is low (Walker, 2004). And of course, if there is no close substitute for the industry's product, then the threat of substitutes is low (Porter, 1985).

When conducting Porter's five forces industry analysis, a low threat of substitute products makes an industry more attractive and increases profit potential for the firms in the industry, while high threat of substitute products makes an industry less attractive and decreases profit potential for the firms in the industry (Harrison et al, 2008).

2.3.5 Rivalry among Competitors.

The most powerful of the five competitive forces is usually the competitive battle among rival firms. How vigorously sellers use the competitive weapons at their disposal to jockey for a stronger market position and win a competitive edge over its rivals shows the strength of this competitive force (Thompson and Strickland, 2007).

The intensity of rivalry among competitors in an industry refers to the extent to which firms within an industry put pressure on one another and limit each other's profit potential (Thurlby, 1998). If rivalry is fierce, competitors are trying to grasp profit and market share from one another (Porter, 1980a). This reduces profit potential for all firms within the industry (Pearce and Robinson 1997; Harrison et al, 2008).

Competitive battles among rival sellers can assume many forms and degrees of intensity (Walker, 2004). The weapons used for competing include: price quality, features, services, warranties and guarantees, advertising, better networks of wholesale distributors and retail dealers, innovation etc (Thompson and Strickland 1992). Hill et al (2001) felt that the intensity of rivalry in an industry affects the competitive environment for the existing competitors and influences the ability of existing firms to achieve profitability. He further noted that high intensity of rivalry means competitors are aggressively targeting each other's markets and aggressively pricing products. This represents potential costs to all competitors within the industry according to Porter (1979). Thompson et al (2008) advised that high intensity of competitive rivalry can make an industry more competitive and decrease profit potential for the existing firms. On the other hand, low intensity of competitive rivalry makes an industry less competitive and increases profit potential for the existing firms (Porter, 1985).

Several factors determine the intensity of competitive rivalry in an industry. If the industry consists of numerous competitors, industry rivalry will be more intense. If the competitors are of equal size or market share, the intensity of rivalry will increase. If industry growth is slow, the intensity of rivalry will be high. If the industry's fixed costs are high, competitive rivalry will be intense. If the industry's products are undifferentiated, rivalry will be intense. If brand loyalty is insignificant and consumer switching costs are low, this will intensify industry rivalry. If competitors are strategically diverse – they position themselves differently from other competitors – industry rivalry will be intense. An industry with excess production capacity will have greater rivalry among competitors. And finally, high exit barriers – costs or losses incurred as a result of ceasing operations – will cause intensity of rivalry among industry firms to increase (Harrison et al, 2008).

If the opposite is true for any of the above factors, the intensity of rivalry among competitors will be low (Walker, 2004). For example, a small number of firms in the industry, a clear market leader, fast industry growth, low fixed costs, highly differentiated products, prevalent brand loyalties, high consumer switching costs, no excess production capacity, lack of strategic diversity among competitors, and low exit barriers all indicate that the intensity of rivalry among existing firms is low (Porter, 1985).

When conducting Porter's five forces industry analysis, low intensity of rivalry makes an industry more attractive and increases profit potential for the firms already competing within that industry, while high intensity of rivalry makes an industry less attractive and decreases profit potential for the firms already competing within that industry (Harrison et al, 2008).

CHAPTER THREE: RESEARCH METHODOLOGY

3.0 Introduction

This chapter describes research design adopted for the study, targeted population, sampling procedure, data collection instruments used in the study as well as data analysis.

3.1 Research Design

The study is a survey design. A survey research can be defined as systematic gathering of information from several study units with the purpose of understanding and/or predicting some aspects of the behaviour of the population of interest (Nachmias, 1996). Survey study design was adopted in order to allow general understanding of reasons behind the attractiveness of the real estate management industry as a whole, which would otherwise be impossible for a case study whose findings cannot be representative to the whole real estate management industry. In this case, the survey research was more representative of the industry compared to the case study.

3.2 The Population

The population included all the real estate firms who have at least one member registered as a full member of the Institution of Surveyors of Kenya (ISK), Valuation and Estate Management (VEMS) Chapter and/or Estate Agency Registration Board (ERB). However, the population of interest to this study consisted specifically all the firms carrying out selling, letting, valuation and management of real estate properties activities in Kenya and has been licensed to practice in the year 2010. The total number of registered and licensed firms with members drawn from both VRB and ERB registers for the year 2010 was established to be 333.

3.3 Sampling

The sample was culled from all the firms who have at least one member registered as full member of the Institution of Surveyors of Kenya, Valuation and

Estate Management (VEMS) chapter and/or the Estate Agency Registration Board. A desired sample of 45 firms was randomly selected. Random sampling was preferred to other sampling methods since it ensures that all the firms in the population have an equal chance of being selected. Sample size of 45 firms was selected from the population since this represents more than 10% of the population which is within the widely accepted rule of thumb of at least 10% for a representative sample.

3.4 Data Collection

Primary data was collected for the study. The data was collected through use of questionnaires containing both open ended and closed questions. The questionnaires were developed from pertinent to the reviewed literature. Use of questionnaires was preferred to other methods of data collection since according to Sanders (2003), they are relatively inexpensive to administer and can be send easily to wider geographical location. Further, questionnaires also allow respondents to complete at their own convenience. To enhance the response rate, the respondents were reached on phone as an introduction before the questionnaires were administered to them. Respondents consisted of the chief executives of the various organizations.

The researcher administered most of the questionnaires in person. However, some of the questionnaires were administered by courier services and online via e-mail. These were the major ways of gathering primary information. Websites of the firms were equally analyzed to gather additional secondary information that augmented and complimented the primary data collected.

A total of 45 questionnaires were designed covering different aspects - of industry analysis and specifically competitive forces -and sent to CEOs of the firms in an attempt to get their response. Out of the 45 questionnaires which were administered 37 which represented 82% were filled and returned. However, 3 (about 7%) questionnaires out of the 37 which were returned were incomplete and thus rejected while 8 (about 18%) questionnaires had not been received back at the time of data analysis. This return rate showed a positive response just as McBurney et al (2009) observed that those who would complete self administered questionnaires would be interested in the study.

3.5 Data Analysis

The unit of analysis for this study was the firm. Completed questionnaires were edited for completeness and consistency before responses were processed. The data was tabulated and then classified into sub-samples according to their common characteristics. Coding of the responses was done using basic statistical analysis and descriptive statistics such as frequency tables to give visual display of the score given to the items under each of the factors. Mean, mode and cross tabulation was also used.

The questionnaires used for most of the questions were mainly based on the 5 point likert scale where respondents were asked to assess their agreement or importance attached to various variables under each factor in determining the level of attractiveness of the real estate management industry in Kenya. Respondents were also asked questions that required “Yes” or “No” response by ticking against what they deemed right or logical depending on the nature of the questions asked. For purposes of this research, the following likert scale was used among others: Very strong/great extent/very important/very high=5; Strong/ important/high=4; medium-3; weak/Low extent//low=2; very weak/neglible/very low/ not important=1.

CHAPTER FOUR: FINDINGS AND DISCUSSIONS

4.0 Introduction

This chapter presents and discusses the findings and analysis of the data collected from the real estate management firms whose members are registered under Estate Agency Registration Board (ERB) and Valuers Registration Board (VRB) and are also full members of Institution of Surveyors of Kenya (ISK). A total of 45 firms were selected at random and asked a set of questions regarding competitive forces in the real estate management industry. The research targeted the large, medium and small real estate management firms.

4.1 General Information about the firms

The information under this section sought to understand the years in operation of the various firms under the study, ownership, the type of the services provided by these firms as well as their sizes.

4.1.1 Years of operation

The number of years of operation by the firms in the industry is critical for purposes of establishing the growth trends in the industry. It also seeks to gauge how attractive the industry has been going by the numbers of years the firms have been able to sustain their business without exiting the industry.

Table No. 1: Years of operation

Years of Operation	Frequency	Percentage (%)
0-5	8	24
6-10	7	20
11-15	7	20
16-20	6	18
Above 20	6	18
Total	**34**	**100**

Source: Research data

From the above table, it is clear that most firms operating in this industry have been in this industry for less than 10 years as attested by more than 50% of the respondents. It is also worthy noting that less than 25% of the firms in this industry have been in operation for less than 5 years. Going by the majority of the firms who have operated in this industry for more than 10 years it can be concluded that most of the firms sampled have enough experience and high learning curves with respect to the real estate market trends.

4.1.2 Ownership of the real estate management firms

Most of the firms 24 (70%) covered under the study are owned locally (wholly Kenyan), while 5 (15%) are foreign owned. It was also found out that the local and foreign investors own 15% of the total (5 firms) jointly.

Table No. 2: Ownership of the real estate management firms

Ownership	Frequency	Percentage (%)
Wholly Kenyan (Local)	24	70
Wholly foreign	5	15
Both Local and foreign	5	15
Total	**34**	**100**

Source: Research data

The above table shows that the local firms are the dominant players in this industry. This might be due to favourable regulatory and policy frameworks which usually favour the local firms compared to foreign firms since most of the governments seek to protect local investors as confirmed by Walker (2004).

4.1.3 Services provided by the firms

Real estate management firms provide several services, key among them include: Property management, Valuation, letting and sales agency and property consultancy. To gain an insight of the most common service being provided by the real estate management firms, the respondents were asked to state the type of the business their firms engage in. The results were as presented in Table No. 3 below.

Table No. 3: Services provided by the firms

Service	Frequency/34	Percentage (%) per case
Property Management	30	88
Valuation	18	53
Letting and Selling agent	21	62

Property Consultants	14	41

Source: Research data

From the above findings, property management is the most popular service provided by the firms in this industry with 88% response out of the total cases in this category followed by sales and letting (62%) and valuation (53%). Property consultancy (41%) is the least service being provided by the real estate management firms.

4.1.4 Size of the firm

Business focus often changes as it moves beyond the start up phase. Identifying the opportunities for growth becomes a priority to ensure the enterprises sustainability. This can be measured by among other things the number of staff. The higher the number of staff is usually a strong indicator that the size of the company is big and the reverse is also true (Harrison et al, 2008).

Table No. 4: Number of Employees

Number of staff	Frequency	Percentage (%)
0-50	28	82
51-100	4	12
Above 100	2	6
Total	**34**	**100**

Source: Research data

From the above results, majority of the real estate (82%) management firms have staff numbers less than fifty and only 6% have more than 100 employees. It was also noted that only 12% have the staff numbers ranging between 50 and 100. This simply means that most of the real estate firms are small in size and only a few are medium sized firms while the minority are large firms respectively.

4.2 Study Objectives

This study revolves around two main objectives which include: to determine the level of attractiveness of the real estate management industry in Kenya and to establish the strength of the competitive forces in the real estate management industry in Kenya. To help realize these objectives, the questionnaires encompassing Porters five competitive forces were designed with specific questions touching on the main study objectives so as to assist the researcher to establish whether the real estate management industry is less or more attractive as well as to determine the strength of these forces. The five competitive forces under the study included: bargaining power of suppliers, bargaining power of buyers/customers, threat of new entrants, threat of substitute products and rivalry among the competitors. Questions relating to industry prospects as well as the overall perception on the attractiveness of the real estate management industry were also asked so as to augment the main questions under five competitive forces.

4.3 Bargaining power of suppliers

4.3.1 Number of suppliers

Suppliers can exert bargaining power on participants in an industry by raising prices or reducing the quality of purchased goods or services. The size of the suppliers in an industry affects the intensity of competition in an industry which has an implication on the profitability of that industry (Mintzberg et al, 2003).

From the research findings below, it was established that real estate management industry has a relatively below average suppliers of housing units. This is because only 24% (8) of the respondents were in agreement that there are a large number of suppliers in this industry while 76% (26) disagreed. According to the national statistics of 2009 that is usually published by Kenya National Bureau of Statistics (KNBS), the national housing requirement is about 150,000 housing units per year against an annual supply of about 40,000 housing units. This shows that suppliers of real estate management industry are quite limited hence giving the suppliers more bargaining power when it comes to pricing of their products. Powerful suppliers capture more of the value for themselves by charging higher prices, limiting quality or shifting costs to industry participants. The impact is that powerful suppliers squeeze profitability out of an industry making the industry less attractive (Porter, 2008).

Table No.5: Size of suppliers

Size of suppliers	Frequency	Percentage (%)
Large	8	24
Small	26	76
Total	**34**	**100**

Source: Research data

4.2.2 Suppliers' entry into the industry (Forward integration)

The supplier group can credibly threaten to integrate forward into the industry. Where the industry participants make too much money relative to suppliers, they can induce suppliers to enter the market (Porter, 2008).

It was established that it was not difficult for suppliers of the real estate management industry to enter into the real estate management business. This was backed up by 65% (22) of the respondents who were of the same opinion and only 35% (12) objected. Some of the respondents who were of the opinion that it was easy for suppliers (i.e property investors) to enter real estate management industry supported their argument by mentioning that there are quite a number of property owners who have in-house property management departments to manage their properties without engaging external professionals i.e without outsourcing to professionals.

Table No.6: Forward integration by suppliers

Ease of entrance by suppliers	Frequency	Percentage (%)
Yes	22	65
No	12	35
Total	**34**	**100**

Source: Research data

From the results above, it is clear that suppliers of the real estate products and services can easily enter the real estate management business thus reducing the profit of this industry which eventually makes it less attractive since there are no barriers inhibiting these suppliers from entering this market.

4.2.3 Information about suppliers' product and market

Suppliers more often have more power when customers don't have a full understanding of the suppliers market. This means that customers are less able to negotiate if they have little information about market demand, prices and suppliers cost (Mintzberg et al, 2003).

To understand whether the buyers were well informed about the suppliers product and market, the respondents were asked to state whether they were informed or not about the real estate management products and market. The results of the findings showed that the respondents were equally divided on this issue. This is because 50% (17) of the respondents agreed that they were well informed about supplier's products while the second set of 50% (17) seemed not to be well informed. Most of those who were not well informed mentioned that most of the suppliers kept secrets on construction costs in anticipation of making huge profits since they could be able to exaggerate the prices of their products without being questioned by anyone.

From the findings, it is evident that real estate management firms have great challenge when it comes to information about suppliers products especially with respect to quality of products (housing units) as well as the construction costs. Lack of information usually leads to un-informed decisions which may lead to exaggerated prices- making consumers not to get full value of their money. On the other hand, where the buyers are well informed, it will lead to high bargaining power which reduces the industry's profits and as a result making this industry less attractive as noted by Hill (2001).

4.2.4 Suppliers negotiating power

Whether the strength of the suppliers represents a weak or strong force hinges on the amount of bargaining power they can exert and ultimately on how they can influence the terms and conditions of transactions in their favour (Porter, 2008). If the force is weak, then the customer may be able to negotiate for lower price. Conversely, if the force is strong, then the customer has to pay a higher price or accept a lower level of quality or service.

To gauge the negotiating powers that suppliers of the real estate products have over the real estate management firms, the respondents were asked to rate the strength of the negotiating power these suppliers. It was realized that 52% (18) of the suppliers had strong negotiating power, 18 % (6) had very strong negotiating power, 15% (5) had moderate, 9% (3) had weak and 7% (2) had very weak negotiating power.

Table No.7: Suppliers negotiating power

Extent of negotiating power	**Frequency**	**Percentage (%)**	**Cumulative%**
Very strong	6	18	18
Strong	18	52	70
Moderate	5	15	85
Weak	3	9	94
Very weak	2	6	100
Total	**34**	**100**	

Source: Field Survey-April, 2010

From the above table, it can be concluded that most of the suppliers in this industry have strong negotiating power. This is because at least 70% of the respondents had strong negotiating power and 30% respondents had below strong negotiating power. The reasons advocated for this strong negotiating power include: high demand of the real estate properties in relation to supply, small number of suppliers, high capital investments associated with real estate investments-hence limiting the number of participants in this industry- and lack of close substitutes.

Strong negotiating power of suppliers according to Walker (2004) has a direct impact on profitability of the industry. This is because it weakens the bargaining powers of the other players in the industry like the customers/consumers of this product as well as the real estate management firms thus compelling the customers/consumers to pay a higher price or accept a lower quality product or service while for the real estate management firms, it has an impact of reducing their fees on various products and/or services. This ultimately affects the profitability of the real estate management industry hence making it less attractive.

4.2.5 Suppliers' effect on profitability

Suppliers can have a negative effect on profitability of the industry. This is especially where the supplier group does not depend heavily on the subject industry for its revenues. Suppliers serving many industries will not hesitate to extract maximum profits from each of the industries they are operating in. This spread of risk may lead to suppliers charging prices they want i.e they may over price or charge lower prices depending on the prevailing circumstances such as state of competition or the performance of the other subsidiaries in the other industries (Walker, 2004).

To understand the extent of the negative supplier effect on profitability, the respondents were asked to rate this negative supplier effect. The results were as presented in the table below.

From the results below, it is evident that the negative supplier effect on profitability is high with 44% (15) of the respondents agreeing to this fact. Only 26% (9) rated it as moderate, 20% (7) rated it as low, 5% (2) as very strong and 6% (2) as negligible.

Table No.8: Negative supplier effect on profitability

Extent of negative supplier effect	Frequency	Percentage (%)
Very High	2	5
High	15	44
Moderate	9	26

Low	7	20
Negligible	2	5
Total	**34**	**100**

Source: Research data

From the above results, the negative supplier effect on profitability seems to cause fear to most real estate management firms because of its negative implication on sustainable profitability of the firms in this industry. Indeed, the main negative supplier effect which caused worries among most firms was the high negotiating power the suppliers have over the industry participants as established from the research study.

Supplier actions can also affect profitability as found out during this study. This can be supported by 91% (31) of the respondents who concurred that certain actions from suppliers can partially or completely alter profit levels of their firms while only 9% (3) had contrary opinion.

The proponents of the fact that actions of the suppliers have an effect on profitability pointed out the power to with hold properties (speculate) so as to create deficit in the market so as to increase demand in order to benefit from high prices (translating to high profits) as some of the key actions that suppliers use to alter the profitability of the real estate management industry.

The above mentioned actions usually reduces profitability of the incumbent firms since they put the real estate management players in a weak position to negotiate for better fees since the suppliers can decide to sell or let directly their properties to the customers without engaging real estate management firms due to high demand of their products from the consumers.

4.4 Bargaining power of customers/buyers

4.4.1 Customer size

The buyers power is significant in that buyers can force prices down, demand high quality products or services and in essence play competitors against each other, all resulting in potential loss of profits (Porter, 2008).

From the research findings, the dominant size of the customers in the real estate management industry were established to be small since 76% (26) of the respondents agreed to this fact while 24% (8) of the firms reported that the dominant size of their customers were large as shown in the table below.

Table No.9: Customer size

Customer Size	Frequency	Percentage (%)
Small	26	76
Large	8	24
Total	**34**	**100**

Source: Research data

4.4.2 Strength of negotiating powers of customers

It was also found out that customers have strong negotiating power in this industry since 65% (22) respondents acknowledged that negotiating power of customers was strong. Only 18% (6) of the respondents reported that the negotiating power was very strong while 12% (4) and 5% (2) reported weak and very weak negotiating power respectively.

Table No. 10: Strength of negotiating powers of customers

Negotiating power strength	Frequency	Percentage (%)
Very strong	6	18
Strong	22	65
Weak	4	12
Very weak	2	5
Total	**34**	**100**

Source: Research data

From the results above, it is clear that the customers or buyers have high bargaining powers hence making the industry less attractive since high bargaining powers means lowering the prices of the products or services thus negatively impacting on profitability of the firms. This is in accordance with Porter (2008) who noted that buyers exercise more power when they have high negotiating power especially if they are price sensitive; when they are large volume buyers; and where the products are standard within the industry, using their clout primarily to pressure price reductions.

4.4.3 Customers aspects that have impacted on profitability levels

Customers are the source of revenue in an industry and are therefore key in determining industry overall attractiveness (Kippenbeger, 1998). According to Grant (1994), there are five main customer aspects which can affect profitability in the real estate management industry. These include: tastes and preferences, property prices, location of the property, quality of the property, disposable income and family sizes. It is in this regard that the respondents were required to rank the importance of these aspects in 5 separate levels on how they affect their profitability.

Table No.11: Customers aspects that have impacted on profitability levels

Customer aspect	Frequency on the effect on profitability					
	Very high	**High**	**Moderate**	**Low**	**Very low**	**Total**
Tastes and preferences	16	10	4	3	1	34
Property prices	17	7	5	4	1	34
Location of the property	18	6	7	2	1	34
Disposable income	27	5	1	1	-	34
Family sizes	18	9	5	2	-	34

Source: Research data

From the above results, it can be noted that among key aspects, disposable income of the buyers has a high impact on the profitability of the real estate management estate firms. This is because disposable income section reported the highest respondent of 27 compared to location and family size which followed closely with 18 respondents each in the same ranking

4.4.4 Buyer information

Market information is very critical for buyers since it makes the buyers make informed choices in relation to the market demand as well as the quality of the products or services on offer. Buyers who have access to and are able to evaluate market information have high negotiation power compared to un informed buyers (Walker, 2004). Indeed the advancement of technology has dramatically increased the power of the buyers (Porter, 2008).

In this study, it was found out that 62% of the customers of the respondents were well informed about the products and services as well as the trends of the real estate market. Only 38% of the respondents felt otherwise.

Table No. 12: Customer information

Informed customers	**Frequency**	**Percentage (%)**
Yes	21	62
No	13	38
Total	**34**	**100**

Source: Research data

Further, it was also established that most of the customers are informed through real estate expos and exhibitions, marketing (through both broadcast and print media), out door advertising (bill board signages), professional organizations-like Kenya Investors Forum- via websites and professional bodies which regulate the industry such as ISK and ERB

It's obvious from the above findings that the advancement of the technology and creative marketing approaches has in large part contributed to the easy access to information by the buyers. Porter (1998) noted that whereas most buyers were limited in their knowledge of competitive pricing, products availability and comparison of the features of the competitive products and the advent of technology has created an empowered buyer. Where a buyer is empowered, it usually leads to high negotiating power on the side of the buyer which often reduces profitability of the industry thus making it less attractive.

4.4.5 Product differentiation

If the products or services being offered on sale are homogeneous or similar to all the others, buyers will base their decision mainly on price. This means that the products or services are not unique and can be purchased from other companies. If buyers believe that they can always find an equivalent product or service, they tend to play one vendor against another (Thompson and Strickland, 1989)

55% of the respondents agreed that the products and services that they offer to their customers are unique and only 45% mentioned that their products are standardized. Out of the majority (55%) who agreed to their products/services as unique supported their position by enumerating reasons why their products or services are unique. Some of the reasons put forth across the board included: offering furnished apartments, tailor making products/services to suit customer needs (who have unique needs vis- a-vis other customers).

Table No.13: Product and service differentiation

Product/service differentiation	**Frequency**	**Percentage (%)**
Yes	15	45
No	19	55
Total	**34**	**100**

Source: Research data

According to Kottler (1999), differentiation can occur by manipulating many characteristics including features, performance, style, design, consistency, durability, reliability or reparability. Unique products or services tend to not only attract but also retain customers (Porter, 1999). This may be the reason why most real estate management firms have been struggling to come up with unique products and services so as to attract and retain customers as found out during the study. Further, a firm that offers differentiated products or services may charge a price above the market rates since the products or services meet the unique customer needs hence increasing the profitability of the firm.

4.4.6 Switching Costs

Buyers face switching costs in changing the vendors i.e the cost the buyer has to absorb when switching from one supplier to another. Switching costs are also fixed costs buyers face in changing the suppliers. These arise because among other things, a buyers product specification tie it to a particular suppliers, it has invested heavily in specialized ancillary equipments or in learning on how to operate or the discounts enjoyed (Mintzberg, 2003).

From the research findings, 82% of the respondents affirmed that it is not difficult for their customers to switch from their products or services to their competitors and only 18% had an otherwise opinion. For the majority who concurred that their customers are prone to switching to their competitors, they noted that most of the firms in this industry offer similar products and services especially the commercial properties.

Table No.14: Ease of switching to other products/services by the customers

Ease of switching	Frequency	Percentage (%)
Difficult	6	18
Not difficult	28	82
Total	**34**	**100**

Source: Research data

The results above shows that the bargaining powers of the buyers in this industry is very high since they can easily shift from one firm to another which offers good quality services at a reduced price thereby negatively impacting on the profitability of this industry. As established by Mintzberg (2007), if the switching costs are low, the bargaining power of buyers are high making the industry less attractive and this decreases profit potential of the incumbent firms in this industry.

4.4.7 Substitute products

A substitute product involves the search of the product that can do the same function as the product the industry already produces (Porter, 1985).

It was ascertained that customers in this industry have alternative service providers since 68% (23) of the respondents confirmed this while only 32% (11) had divergent opinion.

Table No. 15: Alternative service providers

Presence of substitute services	Frequency	Percentage (%)
Yes	23	68
No	11	32
Total	**34**	**100**

From the above results, the buyers can always find an equivalent product from alternative service providers and therefore can play industry participants off against one another, all at the expense of industry profitability. This usually reduces profit of the incumbent firms and hence making the industry less attractive.

4.5 Threat of new entry

4.5.1Threat of new entrants and barriers to entry

Industries that tend to be profitable are attractive to companies outside the industry because they see the possibility of entering the industry and participate in the profit making. New entrants may take the form of start up companies going into business for the first time or existing companies that decide to grow by entering new markets (Grant, 1994).

From the research study findings, it was established that on average; approximately 50 new firms have entered this market for the last three years. The real estate management industry also seems to be influxed by the firms since 91% (31) of the respondents mentioned that there are still possibilities of new entrants coming in and only 9% (3) were of the contrary opinion.

The above findings means that this industry has new entrants who tend to expand industry capacity as they seek to sell goods and services to the same customers. Expanded capacity according Pearson (1999) has the tendency to lead to downward pricing pressure on industry since each company wants to ensure that its existing capacity continues to be fully utilized. It is this downward pricing which reduces industry's profitability which eventually makes the industry less attractive.

4.5.2 Barriers of entry into real estate management industry

Threat of new entrants into an industry depends on barriers to entry according to Porter (1985). Grant (1994) indentified the following as barriers to entry in many industries: economies of scale, brand names, product differentiation, capital requirements for entry, location, government policies, access to customers, partnerships by competitors, price wars and learning processes.

Just like any other industry, real estate management industry has a host of barriers that may prevent the entry of new firms. In order to substantiate this assertion, respondents were asked to state the extent to which they agreed whether the listed barriers below may prevent the entry of new firms. The results were as below.

Table No.16: Entry barrier

Entry Barrier	Frequency on the extent to which they agree					
	Strongly Agree	**Agree**	**Not sure**	**Disagree**	**Strongly Disagree**	**Total**
High economies of scale	9	8	2	8	7	34
Well known brand names	11	8	3	9	3	34
Highly differentiated products	13	8	4	4	6	34
Significant capital requirements	7	14	2	9	2	34
Access to favourable locations	6	9	8	4	7	34
Government policies	14	7	1	10	2	34
Difficult learning processes	5	4	3	14	8	34
Difficulty in accessing customers	11	9	2	9	4	34

Source: Research data

From the above results, it is clear that government policies, highly differentiated products, well known brand names and difficulty in accessing the customers are among the key entry barriers in this industry. On the other hand, access to favourable locations as well as difficulty learning processes were among the least entry barriers to this industry.

4.5.3 Unique processes

The ability to have some unique skills, resources or processes that allow a firm to command premium pricing of its goods and services is very critical in any industry (Porter, 1989). For instance, skills in design, patents, trade mark, or creating new concepts that could lead to higher revenue per square foot or better utilization of the land can lead to superior performance (Porter, 2008).

To find out whether the firms in the real estate management industry embraced unique processes, the respondents were asked to state whether they agreed with this affirmation. The research findings showed that most of the firms lacked the unique processes which distinguish them from the competitors. This is because 85% (29) agreed that they never had unique processes while 15% (5) pointed out that they had some unique processes.

Lack of unique processes makes it easy for competitors to imitate key success factors of any firm hence eating into the competitive advantages of the firm in question. As a result, this may increase competition within the industry which may have a negative impact on the profitability in the short term and less attractive industry in the long run.

4.5.4 Customer brand loyalty

Brand identification creates a barrier by forcing entrants to spend heavily on advertising and marketing so as to attract and retain customer loyalty. The research findings demonstrated that 76% (26) of the respondents confirmed that customers in this industry are loyal to their products and services while 24% (8) stated otherwise. Some of the reasons advocated for loyalty include: discounts enjoyed inform of profit rent (rents below market rate), high level of maintenance and arrangement of alternative accommodation at a little costs where need arises due to changes in family demographics or job demands.

Customer loyalty has a positive impact on profitability of the firm since it locks in customers from shifting to the alternative products or services which minimizes or reduces vacancy rates (number of unoccupied units). This consequently, impacts positively to the profitability of the firms in this industry.

4.5.5 Capital requirements

The need to invest large financial resources in order to compete creates a barrier to entry particularly if the capital required is for risky or unrecoverable upfront advertising or research and development (R&D) (Porter, 1980). On the other hand, where start up costs is low for new businesses entering the industry, the less commitment needed in advertising, R&D and capital assets, the greater the chance of the new entrants (Grant, 1998).

It appears real estate management industry has low start up costs as established from the research findings. This is because 73% (25) of the respondents felt that start up costs for real estate management firms are not prohibitive and only 27% (9) considered them as high. This implies that it is easy for anyone wishing to carry out business in this industry to gain entry since the initial costs are not prohibitive. This easy entry makes this industry less attractive due to over concentration of the firms hence reducing the profitability since every firm jostles for both the industry profits as well as the market share.

4.5.6 Threat of new firms

New entrants to an industry bring new capacity, new desire to gain market share and often substantial resources. Prices can be bid down or incumbent costs inflated resulting in reduced profitability (Porter, 1980).

New firms appear to be a serious threat to the incumbent firms in this industry. This is because 82% (28) of the respondents concurred that new firms posed serious threat to the profitability of the firms in this industry while 18% (6) believed that the new firms were not a threat. Most of the firms who did not see any threat from the new firms were established to have been in this business for more than 15 years hence have high learning and experience curves.

However, it is also clear that new entrants not only reduce the market share of the incumbent firms but also erode their profitability making this industry less attractive.

4.5.7 Threat of new firms

From the table below, it can be noted that new firms are a big threat to the profitability of the incumbent firms. This is according to the research findings where 74% (25) of the respondents confirmed their fear of these new firms and only 26% (9) did not see any threat from the new entrants. The high threat of new entrants simply means that it is relatively easy to enter in this industry. This threat therefore put a cap on the profit potential of the industry making it less attractive.

Table No.17: Threat of new firms

Are new firms a threat to profitability?	Frequency	Percentage (%)
Yes	25	76
No	9	24
Total	**34**	**100**

Source: Research data

Further, it was also established that the threat of these new firms to the profitability of the incumbent firms was to high extent. This is because 48% (12) of the respondents who had agreed that new entrants were a threat to their profitability felt that the impact of these new entrants to their profitability was to high extent, while to a very high extent was 20% (5) and 16% (4) were to a moderate extent. Only 12% (3) and 4% (1) felt that the impact to their profitability was low and negligible respectively.

Table No.18: To what extent are the new firms a threat to the profitability of the industry?

Response	Frequency	Percentage (%)
Very high	5	20
High	12	48
Moderate	4	16
Low	3	12
Negligible	1	4
Total	**34**	**100**

Source: Research data

The above results shows that this industry is vulnerable to the new entrants and these new entrants reduce the profit potential of the incumbent firms hence making this industry less attractive.

4.5.8 Effect of the new entrants to the existing firms

Success of the firms in any industry may inspire others to enter the business and challenge the incumbent positions. The threat of the new entrants is the possibility that the new firms will enter the industry (Walker, 2004).

From the research study results, it was noted that the main impact the new entrants would bring in the industry would be reduction of market share, forcing the prices down and putting pressure on the profits. It is clear from the aforementioned that the new entrants into this industry will drastically reduce the profit of this industry and eventually make this industry less attractive.

4.5.9 Response of incumbent to the new entrants

Analyzing the threat of new entrants involves examining barriers to entry and the expected reactions of existing firms to new competitors. Barriers to entry are the costs and/or legal requirements needed to enter the market. These barriers protect the companies already in business by being a hurdle to those trying to enter the market (Walker, 2004).

From the research findings, it was established that a new competitor may inspire established firms to react with tactics to deter new entrants. Some of the reactions advocated by the respondents included: lowering of the prices of their products and services -hence inducing price wars- forming partnerships, product/service differentiation as well increased marketing and advertising.

The chance of reaction is usually high in markets where the firms have a history of retaliation or where the industry has slow growth (Porter, 2008). It can therefore be concluded that the reaction by the incumbent firms in the real estate management industry simply means that the threat of entry is high and has an impact of decreasing the profits of these firms already competing within this industry thereby making the industry less attractive.

4.6 Threat of substitute products

4.6.1 Close substitute products/services providers

Substitute products are the natural result of industry competition, but they place a limit on profitability within the industry. A substitute product involves the search for a product or service that can do the same function as the product or service the industry already produces (Grant, 1998).

From the administered questionnaires, 62% (21) of the respondents were sure that quacks provide close substitutes followed by developers at 24% (8). The remaining 12% (4) and 3% (1) were noted to be individual owners and corporate investors respectively.

Table No. 19: Close substitute providers

Provider of close substitute	Frequency	Percentage (%)
Developers	8	24
Individual owners	4	11
Corporate investors	1	3
Quacks	21	62
Total	**34**	**100**

Source: Research data

The above findings means that real estate management industry is not well regulated by the relevant authorities thus making it easy for quacks to be major players in this industry; going by the majority of the respondents who expressed their opinion on this issue. The scenario, further, simply shows that most of the services being offered in this industry are not unique and can easily be imitated by entrants into this industry. Moreover, both legal and policy regulations may not be prohibitive hence make it a gateway to anyone who wishes to enter this industry-leading to influx of new entrants. It is this undifferentiated products that makes it easy for the customers to switch from one competitor to another.

4.6.2 Effects of close substitutes on pricing

Close substitutes place a price ceiling on products (Walker, 2004). Walker (2004) further observed that it is more difficult for a firm to try to raise prices and make greater profits if there are close substitutes and switching costs are low.

It was noted that 86% (29) of the respondents' concurred that the presence of close substitutes affects pricing of the products and services and only 14% (5) felt otherwise as presented in the pie chart below.

Table No.20: Effect of close substitute on pricing

Effects of close substitute on pricing	**Frequency**	**Percentage (%)**
Yes	29	86
No	5	14
Total	**34**	**100**

For those respondents who agreed that the substitutes affected the pricing of the products (86%), they were asked to rate the extent to which the close substitutes affected the pricing of products and services. The results were that 66% (19) of the respondents expressed concern that the effect of close substitutes on pricing was high, 14 % (4) felt that it was very high, 10% (3) thought that it was moderate, 7% (2) believed it was low while 3% (1) considered it as negligible.

Table No.21: Extent to which close substitutes affect pricing

Response	**Frequency**	**Percentage (%)**
Very high	4	14
High	19	66
Moderate	3	10
Low	2	7
Negligible	1	3
Total	**29**	**100**

Source: Research data

The availability of close substitutes threatens the profitability of the industry because consumers can choose to purchase substitute products instead of the industry product or service (Porter, 1998). From the above findings it can be noted that the presence of close substitutes mainly from the quacks makes the real estate management industry susceptible to switching of customers from one competitor to another thereby decreasing the profit potential of this industry and making it less attractive.

4.6.3 Customer retention

Substitutes often come rapidly into play if some development increases competition in the industry and cause price reduction or performance improvement which may lead to customers switching from one product to another (Mintzberg et al, 2003). Customer retention is the most challenging aspect in an industry full of close substitutes according to Walker (2004). This therefore requires the firms to come up with strategies which are geared towards not only attracting customers but also retaining them so as to remain profitable in the long run.

Real estate management industry has not been left out in formulation of the strategies which are tailored towards customer retention as it was established from the respondents who participated in this research. The most commonly used strategy was noted to be offering quality services and competitive pricing since over 66% of the respondents had enumerated these as the strategies used to gain competitive advantage over the rivals. Other strategies were varied and they included among others offering personalized services to meet specific client needs and offering a broad range of services.

4.6.4 Switching costs

It is clear that the switching costs in this industry are varied. This is because 50% (17) of the respondents concurred that it may be costly for customers to switch to another product while the rest (50%) disagreed by stating that it is not costly for the customers to switch products/services.

Some of the reasons brought forth by the proponents of low switching costs included low pricing by the competitors offering close substitute products and standardized products especially the commercial properties which are more or less the same making it easier for customers to move from one competitor to another (especially if the competitor is offering them at a lower price).

From the above findings, any firm can tilt the customers on their side upon understanding the customer needs. However, a small misinterpretation of the customer needs may lead to loss of the customers since the customers have the substitute products to turn to. This further shows that low switching cost in this industry means low profitability since buyers will have high bargaining power which reduces prices of the products thus impacting negatively on the profitability of the industry. This makes the industry less attractive.

4.6.5 Product differentiation

Differentiation of products or services usually provides some buffer against the strategies of rivals because buyers establish a loyalty for the brand or model they like best and often they are willing to pay a little more for it (Thompson, 1989).

It was ascertained that some of the real estate management firms have differentiated their products so as to build customer loyalty in order to manage the turn over rates. Some of the differentiation strategies used were found out to include: monitoring, evaluation and acting on customer feedback; high quality customer service; offering rent discounts to customers; personalizing the relationship and quality services that satisfies specific customer needs; tailor made services products and services that meets the needs of the customers and providing free professional services on both prospective and existing customers on the real estate market products, services as well as market trends.

The above differentiation strategies are critical in erecting entry barriers in form of customer loyalty and uniqueness that new entrants in the industry may find it hard to imitate. It also mitigates the bargaining powers of large buyers since the product of alternative sellers are less attractive to them and puts the firm in a better position to fend off threats from substitutes as noted by Thompson and Strickland (1989).

4.7 Rivalry among Competitors

4.7.1 State of competition in the real estate management industry.

Competitive battles among rival sellers can assume many forms and degrees of intensity (Thompson and Strickland, 1992). Organizations therefore need to be concerned with the extent of direct rivalry between themselves and competitors as well as within the industry as a whole (Johnson and Scholes, 1989).

Competition in the real estate management industry is very stiff. This is in accordance to 76% (26) of the respondents to the questionnaires administered. 15% (5) argued that it is stiff, while 6% (2) and 3% (1) were of the idea that it is fairly stiff and not stiff respectively.

Table No. 22: State of competition

State of competition	Frequency	Percentage (%)
Very stiff	26	76
Stiff	5	15
Fairly stiff	2	6
Not stiff	1	3
Not sure	0	0
Total	**34**	**100**

Source: Research data

According to Porter (1980a), if rivalry is fierce, competitors are trying to grasp profit and market share from one another and this has an effect of reducing profit potential for all the firms within the industry. On the other hand, Pearce and Robinson (1997) established that fierce rivalry emerges because one or more competitors see an opportunity to better meet customer needs or is under pressure to improve its performance. Fierce competition reduces profit potential for the firms already competing within the industry thereby making it less attractive.

4.7.2 Competitive Positioning

Effective positioning in the market means offering a product or service whose characteristics match buyers' preferences. Firms that have achieved enduring success in their industries offer more value per unit cost compared to the competitors consistently overtime (Walker, 2004).

With respect to the research findings, 61% (21) of the respondents noted that their firms' competitive position was strong and 18% (6) revealed that it was very strong. On the other hand, 12% (4) were of the opinion that it is fair, 6% (2) narrated that it was weak while 3% (1) stated that it was very weak.

Table No. 23: Competitive position of the firms

Response	Frequency	Percentage (%)
Very strong	6	18
Strong	21	61
Fair	4	12
Weak	2	6
Very weak	1	3
Total	**34**	**100**

Source: Research data

From the above table, it is clear that due to stiff competition in this industry, firms in this industry have devised strategies to defend their competitive position so as to remain profitable in the long run. Defending a competitive position comes with costs as noted from respondents. Some of the common costs include advertising and marketing as well as price reductions which has a negative impact on the profitability of the firms. The reduced profitability makes the industry less attractive as noted by Walker (2004). Walker (2004) argued that to defend its advantages from erosion by industry forces, a firm must prevent rivals from copying its core assets and practises and must induce customers not to switch to comparable or substitute products.

4.8 Industry prospects and overall attractiveness

4.8.1 Market segment

The research findings on the market segments mainly served by the incumbent firms in the real estate management firms indicated a high response rate of 70% (24) serving mass market with only 12% (4) serving up market, 9% (3) middle market, 6% (2) both middle and up market and 3%(1) low end market.

Table No.24: Market Segment

Response	Frequency	Percentage (%)
Up market	4	12
Middle market	3	9
Both middle and up market	2	6
Mass market	24	70
Low end	1	3
Total	**34**	**100**

Source: Research data

The mass market was noted to be the most dominant segment since the firms in this industry desire to get returns in each and every market segment. Serving of the mass market shows that this industry is full of risks and highly competitive hence the firms try as much as possible to spread the risk across most if not all the market segments. Further, this also demonstrates that this industry is very competitive leading to jostling for customers in all the market segments. This competitiveness has a negative impact on profitability since every firm wants to attract and retain customers. This often leads to high customer bargaining power which reduces prices and increases marketing and advertisement costs leading to low profits in this industry apart from making the industry less attractive.

The reasons attributed to serving the above markets were varied from the respondents. However, most of the respondents who were serving the mass market had the following as reasons for serving this market: high returns due to several income segments, low risk due to various market segments and lower running costs since the same staff is used to oversee all the segments.

4.8.2 Industry growth potential

Real estate management industry growth potential is strong according to the respondents who rated it at 65% (22). Other respondents who felt that it was very strong were 26% (9) and only 9% (3) were not sure. None of the respondents indicated that the growth potential is weak or very weak.

Table No. 25: Industry growth potential

Response	Frequency	Percentage (%)
Very strong	9	26
Strong	22	65
Not Sure	3	9
Weak	0	0
Very weak	0	0
Total	**34**	**100**

Source: Research data

From the table above, it is clear that there is high potential for growth in this industry. However, most of the respondents who had high hopes in this industry expressed fear that weak government regulations, low or non punishment of those who flout rules by the professional regulatory bodies and quacks can hamper the growth of this industry. All in all, there is great hope that this industry can be more attractive going by the respondents' expectations.

4.8.3 Increase in average profit over the past five years

It was ascertained that the average profit of this industry has been fluctuating. This is because 36% (12) of the respondents concurred to this reality. 32% (11) stated that the profits have been stagnating, 26% (8) increasing while 6% (2) decreasing.

The above results shows that this industry is very competitive since only 26% of the respondents experienced positive growth in terms of profitability over the five years and the remainder of the respondents (74%) had either fluctuating, stagnant or decreasing profits over the same period. This is an indicator that this industry is highly competitive hence leading to reduction in profit of the respective firms and the industry in general thereby making the industry less attractive.

4.8.4 Stability of demand for real estate properties

The stability of demand for real estate properties was noted to be unpredictable especially in the high end market as confirmed by 32% (11) of the respondents. 18% (6) each on the other hand felt that demand for these properties is very stable and stable respectively while 26% (9) thought it is average. Only 11% were of the opinion that it was declining.

Table No.26: Stability of demand of the real estate properties

Response	Frequency	Percentage (%)
Very stable	6	18
Stable	6	18
Average	7	21
Fluctuating/unpredictable	11	32
Declining	4	11
Total	**34**	**100**

Source: Research data

Where demand of the products or services is unpredictable, it makes the venture very risky and therefore less attractive as witnessed in the above scenario.

4.8.5 Industry's overall profit prospect

The profits earned by the firms of an industry are determined by factors such as the value of the products or service to customers, intensity of the competition and relative bargaining power at different levels in the production chain (Grant, 2003).

61% (20) of the respondents had the feeling that the overall profit prospect was moderate, 22% thought it was favourable while 18% (6) considered it unfavourable. This shows that real estate management industry has average profit and therefore is less attractive.

CHAPTER FIVE: SUMMARY OF THE FINDINGS, RECOMMENDATIONS AND CONCLUSIONS

5.0 Introduction

This chapter summarizes the gaps and weaknesses that were identified in the study and proposes strategies that will help the real estate management firms to be profitable both in the short and long run hence making the real estate management industry more profitable. Further, this chapter will also draw conclusions from the research findings as presented in chapter four.

5.1 Summary

As different from one another as industries might appear on the surface, the underlying drivers of profitability are the same. To understand industry competition and profitability, one must analyze the industry's underlying structure in terms of the five forces. Thus, one can measure the industry's attractiveness for entry or exit, analyze competitive trends and plot future strategy. If the forces are intense, no company earns attractive returns on investment. On the other hand if forces are gentle, many companies will be profitable.

Suppliers' power is the capability of the vendors or suppliers to decide the price and the terms of supply. In the case of real estate management industry, suppliers of real estate products include both individual and corporate investors as well as the local and central governments. The supplier power in the real estate management industry is generally high as established in the research findings thereby reducing on the profit margins of the incumbent firms in the industry. Such low profit margins make this industry less attractive to the potential entrants evaluating on entry decision.

The power buyers have, describes the effect of the customers on the profitability of any business. The transaction between the seller and the buyer creates value for both parties. However, if buyers have more economic power, the ability to capture a high proportion of the value created will decrease and will lead to lower profits. The bargaining power of buyers in the real estate industry is quite strong since most buyers were found to be well informed about the demand and general trend of the real estate market. The dominant size of the buyers was also noted to be small and most of the products especially in the commercial property sector were found to be standard hence raising the bargaining power of the buyers. Further, the switching costs from one product to another are not enormous in this industry and buyers also have easy access to alternative service providers thus increasing the bargaining power of the buyers. High bargaining power reduces industry profit potential and makes the industry less attractive.

Whenever a firm can easily enter a particular industry, the intensity of competitiveness among the firms increases. The greater number of the competitors entering the industry lowers the prices and increase expenses which diminishes the potential for the existing firms in the industry to generate revenue and profits. The real estate management industry is very porous since it also easily allows the quacks to operate with impunity due to weak legal and regulatory frame work of this industry which should act as the entrance barriers. In addition, most of the firms operating in this industry lack unique processes and the low start up costs which makes it easy for the majority who wish to venture in this industry to enter. Indeed, this is the main reason which has contributed to the infiltration of this industry by quacks. The aforementioned means that threat of entry in this industry is high which has resulted in reduction of the profits of the incumbent firms making this industry less attractive.

The availability of substitutes for an industry's products and services alters the power of incumbent firms. As the availability of substitutes rises and as the ease of substitution increases, the power of the incumbent firms to control prices and the terms of the business declines. Three factors determine how strong the threat of substitutes will be for an industry. These are: the relative price/performance of the substitute products; the switching costs for the buyers to obtain and use substitutes and buyers propensity to try substitute products/services. Substitution tends to increase when the substitute price is equal or lower than prices of the incumbent and the value to the buyer is equal or greater. Real estate management industry has close substitute services mainly from the quacks. Other players who offer close substitute services include individual owners and corporate investors who have in-house management services inform of departments. The availability of the close substitutes increases industry competitiveness and decreases profit potential for the firms. Low consumer switching costs in the industry on the other hand makes it easy for the consumers or buyers to switch to the substitute products/services especially where the substitute products are cheaper than industry's products/services thereby reducing the profit potential of this industry.

Competitive rivalry among existing firms in an industry is the extent to which firms respond to the competitive moves of other incumbent firms. The intensity of rivalry among competing firms tends to increase as the number of competitors increases; as competitors becomes more equal in size and capability; as demand for the industry's products/services declines and as price cutting becomes more common. Competition in the real estate management industry is intense due to high entry thereby having a large number of competitors. As a result, this negatively affects the level of profits within this industry. Lack of clear market leader in this industry is also evidence that the industry is highly competitive. Further, no firm in this industry has favourable competitive position hence making the incumbent firms to come up with different strategies such as offering personalized and specialized services to individual customers so as to meet specific and unique needs of their customers in order to improve on their competitive position.

5.2 Recommendations

Threat of new entrants can considerably be reduced if substantive barriers can be erected in the industry. Existing competitors may attempt to reduce the threat of new entrants by building entry barriers. This can be inform of lobbying for strict and water tight regulations as well as policies both from the regulatory bodies (for instance ERB, ISK and VRB) as well as the government so as to keep off the quacks in this industry. High entry barriers prompt potential entrants to question whether they can afford to enter the industry or make sufficient profits once they have entered. Furthermore, where the entry into the industry is inevitable, the incumbent firms should develop strategies that can significantly expand overall industry revenue so as to increase on the profit pool which can be shared across a greater number of competitors, on average increasing the potential profits available to any one firm.

To deal with close substitutes in the real estate management industry, the firms in the industry should up their marketing and promotional efforts to stem the outflow of customers so as to attract and retain customers. However, care should be taken so that the costs associated with promotion and marketing are not excessive to the extent of affecting the profitability of the firm. Competitors should also watch for warning signals that pressure from the substitute products may be increasing. Some of the warning signs that companies in the real estate management industry might be getting more aggressive include: production capacity increases, merger and acquisition activity as well as significant technological change.

Buyers affect the profitability of the industry competitors with their purchase choices. To reduce the bargaining power of customers, the firms should strive to offer unique products so as to increase loyalty to the firms' products and/or services. In addition, the firms in this industry should also encourage the suppliers to develop products which are affordable like low cost housing so as to increase the number of buyers since where there are many buyers for a product or service, no one purchaser will have stronger purchasing power.

Most of the real estate management firms don't have the resources to produce their own products. Therefore, in this position, they might consider forming partnership with suppliers which can result to a more even distribution of power. This is a strategy that can lead to low-cost/high-quality leader in the market which can positively impact on the profitability of the subject firms. Further, this can be of mutual beneficial for both supplier and buyer if they can enhance the value of goods and services supplied making effective use of information about customer needs and preferences and also speeds the adoption of new technologies.

Moreover, where the firms have enough resources, they may choose to integrate back and develop their own products or by acquisition of one of the key suppliers. Real estate management firms can also encourage more developers – both existing and prospective – to enter the market by developing more housing units so as to increase the number of suppliers of the real estate properties. This can be done through organized workshops, homes expo/exhibitions, relevant government industry as well as local government. The existence of many suppliers will lead to low supplier power which will increase profits of this industry thus making this industry more attractive.

Whenever the new firms can easily enter a particular industry, the intensity of competitiveness among firms increases. Threats of rivals in the real estate management industry can be reduced by employing a number of tactics. To minimize price competition, the firms operating in this industry should distinguish their products/ services from their competitors by innovating or improving on their service or product features. Other tactics that may be used include focusing on a unique segment of the market –for instance provision of the services to the physically challenged- or trying to form stronger relationships and build customer loyalty. The rivalry among competing firms can further be reduced by making it hard for customers to switch products and improved customer service that may act to expand overall demand in the industry.

5.3 Conclusion

Understanding the competitive forces and their underlying causes, reveals the roots of an industry's current profitability while providing a framework for anticipating and influencing competition and profitability over time. The intensity of the forces sets the extent to which profits can be made within the industry as a whole over the long term. Porter pointed out that in the short term, economic conditions will affect the profitability of companies within the industry but overall structure will remain the same.

An analysis of these forces as they affect the industry within which the organization operates will enable the development of an effective structure to find the position in the industry where the company can best defend itself against these competitive forces or can influence them is favour.

Unless new entrants in the real estate management industry can significantly expand average industry revenue, the profit pool that is available in any given year will be spread across a greater number of competitors, on average reducing the potential profits available to any one company. Therefore, the combination of a greater number of competitors, lower prices and increased expenses diminish the potential for the existing firms in the real estate management industry to generate revenue and profits.

The availability of substitutes in the real estate management industry can have two impacts on industry competition and profitability. First, they establish a price ceiling for products and services in the industry and exceeding the ceiling would prompt the customers to take off to the substitute products that are available. Second, substitutes can prompt the customers in an industry to ramp up their marketing and promotional efforts to stem outflow of the customers. Together, these put pressure on competitors in the industry to keep prices low and spend more to attract and retain customers which can depress sales and profits in the industry.

The bargaining power of suppliers has affected the intensity of competition in the real estate management industry. This has been manifested inform of strong power they have over setting of the prices of the products which can reduce the profitability of the real estate management firms. The number of suppliers of the real estate is quite small thus making demand of real estate management products outstripping the supply. This has resulted into powerful suppliers who have negatively impacted on the profitability of the real estate management industry.

The bargaining power of the buyers in the real estate management industry is high due to undifferentiated products and services in this industry. Strong buyers make the industry more competitive and decrease the profit potential for the incumbent. The buyers' powers are because of the low switching costs from one firm to another. The buyers in this industry are also price sensitive and well informed about the products and services in this industry as well as the availability of the substitute products have all led to high bargaining power of the buyers. High bargaining power makes an industry less attractive and reduces profit potential for the incumbent firms.

Rivalry among competing firms is usually the most powerful of the five competitive forces. Rivalry is intense in the real estate management industry because: there are numerous competitors, most competitors are of equal size, presence of undifferentiated products/services and consumers can easily switch products and services. As rivalry among competing firms intensifies, industry profits decline, in some cases to the point where an industry becomes inherently less attractive.

In summary, the real estate management is less attractive due to: high threat of entry, high threat of substitute products, high bargaining powers of suppliers, high bargaining power of buyers and high intensity of rivalry which decreases the profit potential for the incumbent firms competing in this industry.

5.4 Limitations of the Study

There are several limitations that were encountered during this research. First, since the study focused on the whole country, there was limited time to exhaustively study all the target population hence the reason for random sampling.

Secondly, some of the respondents were not willing to disclose some of the critical information hence forcing the researcher to randomly sample the next respondent hence wasting time and resources

Lastly, lack of adequate resources inhibited the researcher to study all the subject population.

5.5 Suggestions for Further Research

Role of the key success factors in the real estate management industry: There is need to study further on the factors within the real estate market environment that determines survival, growth and prosperity of firms in this market.

Importance of driving forces in the real estate management industry: The study of driving forces will be critical so as to understand what forces affects real estate management industry change.

Significance of dominant economic features in the real estate management industry: Dominant economic features are critical in understanding market size and growth and growth and the extent by which costs are affected by scale economies and learning curves.

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APPENDIX ONE

QUESTIONNAIRE TO THE REAL ESTATE FIRMS

This is a questionnaire being administered to assist in a study that seeks to determine the level of attractiveness of the real estate industry in Kenya. The information to be gathered will be useful to both the potential entrants into this industry as well as the current players in assessing the chances of succeeding and formulation of strategies that could lead to competitive advantage, increased profitability and growth respectively. The information given will be treated with utmost confidentiality and will not be used for any other purpose other than the academic (MBA) research.

CONTACT INFORMATION

Name of Respondent (Optional): ____________________________________

Position in the company: ____

Name of the company: ____

COMPANY DETAILS

1. In which year was the company started: ______________

2. Company ownership (please tick):

i) Wholly Kenyan [ ]

ii) Wholly foreign: [ ]

iii) Both foreign and Kenyan [ ]

iv) Other (*please specify*) [ ]

3. Sector(s) under which the firm operates (*Multiple answers possible*)

i) Property Management [ ]

ii) Estate and/or selling agent [ ]

iii) Valuation [ ]

iv) Property consultants [ ]

v) Property developers [ ]

vi) Any other areas (*please specify*): [ ] -

____

4. How many employees does your firm have? _________

COMPETITIVE FORCE ANALYSIS

Bargaining power of the suppliers

6. In your opinion are there a large number of suppliers of real estate properties?

Yes [ ] No [ ]

7. Would it be difficult for your suppliers to enter your business (i.e sell or manage their properties directly to the customers and become your direct competitors)?

Yes [ ] No [ ]

8. Are you well informed about your supplier's product and market?

Yes [ ] No [ ]

9. How much negotiating power do your suppliers have?

Very strong [ ]

Strong [ ]

Weak [ ]

Very weak [ ]

10. How much power do suppliers of real estate properties have over your firm?

Very strong [ ]

Strong [ ]

Weak [ ]

Very weak [ ]

11. Please rate the negative supplier effect on your profitability?

Very high [ ]

High [ ]

Low [ ]

Negligible [ ]

12. Do you think supplier actions have an effect on your profitability?

Yes [ ]   No [ ]

Please explain____

____

____

II Bargaining power of the customers

13. What is the dominant size of customers that your firm has?

Small [ ]

Large [ ]

14. How much negotiating power do your customers have over you?

Very strong [ ]

Strong [ ]

Weak [ ]

Very weak [ ]

If weak or very weak, how can you rate your power over customers on the following aspects? (**Please tick where appropriate**) **1=very low 2=low 3=moderate 4=high 5= very high**

Very low ⟹ **Very high**

Aspect	**1**	**2**	**3**	**4**	**5**
Switching costs					
After sales service					
Customer service					
Pricing					
Differentiated products/services					

15. To what extent do you think the following customer aspects have impacted on your profitability? **(Please tick where appropriate) 1= Very low 2= Low 3=moderate 4=High 5=Very high**

Very low ⟹ **Very high**

Customer tastes and preferences	1	2	3	4	5
Pricing decision					
Location of the property					
Quality of the property					
Disposable income					
Family sizes					

16. Do you have enough customers such that loosing one isn't critical to your success?

Yes [ ]   No [ ]

17. Are customers informed about your products/services and market?

Yes [ ]   No [ ]

If yes, through which means? Please enumerate:

i

ii

iii

iv

18. Are your products/services unique?

Yes [ ]   No [ ]

If yes, how? Please Explain ____

____

____

19. Is it difficult for your customers to switch from your products/services to your competitors product?

Yes [ ]   No [ ]

Why? Please explain ____

____

____

____

20. Do most of your customers have alternative service providers?

Yes [ ] No [ ]

III Threat of New Entrants

21. In your opinion, how many new firms have entered this industry for the last 3 years? Please state_______________

22. Do you think there are still possibilities of new entrants coming in?

Yes [ ] No [ ]

23. How would you agree with the following aspects as being the entry barriers in the real estate management industry in Kenya? (**Please tick where appropriate) 1=Strongly disagree 2= Disagree 3=Not Sure 4= Agree =Strongly agree**

Strongly disagree → **Strongly agree**

Entry barriers	**1**	**2**	**3**	**4**	**5**
High economies of scale					
Well known brand names					
Highly differentiated products					
Significant capital requirements					
Access to favourable locations					
Government policies					
Difficult learning processes					
Difficulty in accessing customers					
Alliances by competitors					
Price wars					

24. Do you have a unique process that has been protected (e.g patent)?

Yes [ ] No [ ]

25. Are the customers loyal to your services/products?

Yes [ ] No [ ]

26. Are there any high start up costs/processes for starting up real estate management firm?

Yes [ ] No [ ]

27. Would you say that new firms are a big threat to your profitability?

Yes [ ] No [ ]

If yes, to what extent?

Very high [ ]

High [ ]

Low [ ]

Negligible [ ]

28. Will a new competitor have any difficulty acquiring/obtaining customers?

Yes [ ] No [ ]

29. How would a new entrant affect your business? Please enumerate

i

ii

iii

30. How would you respond to a new competitor? Please enumerate

i

ii

iii

IV Threat of Substitute Products

31. Who among the following provide close substitute to your products/services?

Developers [ ]

Individual owner [ ]

Corporate owners [ ]

Quacks [ ]

32. Has the presence of these subsititutes affected the prices you charge on your products/services?

Yes [ ] No [ ]

33. Has the presence of these subsititutes affected the prices you charge for your products?

Yes [ ]   No [ ]

If yes, please rate the effect of substitutes on the prices you charge?

Very high [ ]

High [ ]

Low [ ]

Negligible [ ]

34. What will hold your customers if they can access subsititute products/services from your competitors? Please numerate

i

ii

iii

35. Does your products/services compare favourably with the possible subsititutes?

Yes [ ]   No [ ]

36. Will it be costly for your customers to switch to another product/ service provider?

Yes [ ]   No [ ]

37. How do you differentiate your products or build customer loyalty to manage the threat of subsititutes?

i

ii

iii

V Rivarly Among Competitors

38. How would you rate the state of competition in the real estate management industry?

Very stiff [ ]

Stiff [ ]

Fairly stiff [ ]

Not stiff [ ]

Not sure [ ]

39. What do you consider as the most viable competitive advantage approach (es) over your competitors? (***Please tick where appropriate***).

i) Charging lower prices than competitors [ ]

ii) Providing differentiated services different from competitors [ ]

iii) Targeting specific customers [ ]

iv) Targeting properties in specific locations [ ]

v) Dealing with all types of customers [ ]

vi) Dealing with all types of properties [ ]

vii) Partnership with other firms [ ]

viii) Not sure [ ]

40. What is your firm's competitive position in the real estate management industry vis-a vis rivals?

Very strong [ ]

Strong [ ]

Weak [ ]

Very weak [ ]

41. In your opinion, who influences the market prices of your products?

i) Suppliers [ ]

ii) Customers/Buyers [ ]

iii) Competitors [ ]

iv) Market forces [ ]

42. Is there a small number of competititors in the real estate management industry?

Yes [ ] No [ ]

43. Has the competition affected your perfomance negatively?

Yes [ ] No [ ]

If yes, how would you rate the effect of competition on your profitability?

Very high [ ]

High [ ]

Low [ ]

Negligible [ ]

44. Is there a clear leader in your market?

Yes [ ] No [ ]

45. Do you think the competitive positions of the major firms in this industry are favourably positioned?

Yes [ ] No [ ]

Why?____

____

46. Are your competitors pursuing a low growth strategy?

Yes [ ] No [ ]

47. Please enumerate three main actions your firm is undertaking to ensure that it is profitable in the long run?

i

ii

iii

INDUSTRY PROSPECTS AND OVERALL ATTRACTIVENESS

48. Which market do you mainly serve?

i) Up market [ ]

ii) Middle market [ ]

iii) Middle and up market [ ]

iv) Mass market [ ]

v) Low end market [ ]

vi) Other, please specify_______________________________

49. Why do you serve the above stated markets?

i.

ii

iii

50. How would you rate the profitability from the following markets? **(Please tick where appropriate) 1= Very low 2= Low 3=moderate 4=High 5=Very high**

Very Low → ***Very High***

Market	***1***	***2***	***3***	***4***	***5***
Up market					
Middle market					
Middle and up market					
Mass market					
Low end market					
Others					

51. How would you rate the real estate management industry growth potential? **(Please tick where appropriate)**

1=very weak 2=weak 3=not sure 4=strong 5=very strong

Very weak → ***Very strong***

1	**2**	**3**	**4**

52. In relation to the last five years, has your approximate average profit been:

Remaining the same Yes [ ] No [ ]

Decreasing Yes [ ] No [ ]

Increasing Yes [ ] No [ ]

Fluctuating Yes [ ] No [ ]

Please explain:

____

____

____

53. What is the stability/dependability of demand of real estate properties?

Very stable [ ]

Medium [ ]

Fluctuating [ ]

Declining [ ]

54. In your opinion, what is the industry's overall profit prospect?

Favourable [ ]

Moderate [ ]

Unfavourable [ ]

APPENDIX TWO

PROPERTY/ESTATE MANAGEMENT FIRMS

1. Aaki Property Consultancy Ltd
2. Abbey Commercial Agencies
3. Aberdare Estate Ltd
4. Adnoc Properties
5. Aebha Properties Ltd
6. Afridawa Holdings Ltd
7. Alltech Homes
8. Ampiva Estate Ltd
9. Anchor Investments Ltd
10. Aniplant Chemicals Co
11. Apex Property Developers
12. Austen Agency Ltd
13. Awi Enterprises Ltd
14. Azania Apartments
15. B M Manani Ivestments
16. Beshmon Ltd
17. Bigima Housing Co Ltd
18. Bistar Investments Ltd
19. Bodo Holdings Ltd
20. Boom Property Developers
21. Braham Properties Ltd
22. Brixton Properties Ltd
23. Capitol Hill Towers Ltd
24. Carnation Properties Ltd
25. Centenary Valuers & Property Consultants
26. Chabrin Agencies Ltd
27. Chagaik Housing Estates
28. Chal Developers Ltd
29. Chamberlain Co
30. Chancery Properties Ltd
31. Chartered Properties Ltd
32. Charuma Property Consultants
33. Choice Enterprises Ltd
34. Citilands Management Ltd
35. City Development Co Ltd
36. City Estate Corp Ltd
37. Clay City Developers Ltd
38. Cleandeal Properties Ltd
39. Contea Ltd
40. Continental Developers Ltd

41. Continental Properties Ltd
42. Craca Ltd
43. Danwell Agencies Ltd
44. Dar-Ul-Hayat Enterprises Ltd
45. Dedu Investments Ltd
46. Dee Kein Properties Ltd
47. Dodhan Properties Ltd
48. Dorado Villas Ltd
49. E Chernel & Co
50. Earthline Properties
51. Elite Ventures Ltd
52. Emfil Ltd
53. Farlyndum Estate Ltd
54. Fedha Management Ltd
55. Finsure Investment Ltd
56. Florin Enterprises Ltd
57. Friends Properties
58. Gatma Holdings
59. General Properties Ltd
60. Geomath Management
61. Gigi & Company
62. Gikondi Housing Enterprises Co Ltd
63. Githaka Estate
64. Greenhills Investments Ltd
65. Ground Plan Agencies
66. Guardian Properties
67. Gwandaru Commercial Agencies
68. Hansraj & Co
69. Hardy Development Co Ltd
70. Harold H Webb & Partners
71. Haven Court Ltd
72. Helisa Properties
73. Highrise Elevators Co Ltd
74. Hutchson Kigondu
75. Igainya Ltd
76. Indar Singh Gill Ltd
77. Inter-Diocesan Properties Ltd
78. International House Ltd
79. Interseas Ltd
80. Irigithathi Estate
81. Itibo Estate
82. Ivy Express Agency
83. J G Mbugua Enterprises
84. J H Gidoomal (Nrb) Ltd
85. Jagat Estate Ltd

86. Jet Masters Agencies

87. Jojean Properties

88. Jongeto Enterprises

89. Jumifrack Property Agencies Ltd

90. Justland Properties

91. Kalidas Kanji & Co Ltd

92. Kalsons Properties Ltd

93. Kamau Njoroge & Associates

94. Kamiti Properties Ltd

95. Kamuti Properties

96. Kariobangi Gikabu Co Ltd

97. Katka Island Ltd

98. Kedong Ranch Ltd

99. Kellys Investments Ltd

100. Kensey International

101. Kenya Rural Management Co Ltd

102. Kericho Mwalimu Enterprises Ltd

103. Kigwa Estate

104. Kims Holdings Ltd

105. Kimuri Housing Co Ltd

106. Kingamuka Property Agent

107. Kipriko Investments Ltd

108. Kiragu & Mwangi Ltd

109. Kisibet Investment Ltd

110. Kitna Enterprises

111. Komarock Building Development Co Ltd

112. Kwale Teachers Enterprises Co Ltd

113. La Casa Development Ltd

114. Lamu Estate Management

115. Landeco Ltd

116. Latida Enterprises Ltd

117. Lesmat Ltd

118. Liberty Homes Ltd

119. Livelyhood Enterpirses

120. Lomolo Ltd

121. Lonrho Properties Kenya Ltd

122. Lowsea Investments Ltd

123. Maa International Communication Centre

124. Mae Properties Ltd

125. Mailbros Ltd

126. Majid Ltd

127. Maken Holdings Ltd

128. Malindi Homes & Properties

129. Mamujee Properties
130. Manduki Property Agents
131. Manyi Agencies
132. Mark Properties
133. Mavuno Properties Ltd
134. Mbagi Ltd
135. Mbatha Holdings
136. Mistry V Naran Mulji & Co
137. Miti Ltd
138. Mombasa Trade Centre Ltd
139. Montana Estate Agents Ltd
140. Mpaka Road Development Co Ltd
141. Mugi Property Consultants
142. Mumi Investments Ltd
143. Munyaka Kuna Co Ltd
144. Mwihoko Housing Co Ltd
145. Nairuti & Associates
146. Neema Management Ltd
147. Nelleon Development Co Ltd
148. Neo Westend Ltd
149. Ngummo Kenya Ltd
150. Njoro Enterprises Ltd
151. Oleander Ltd
152. Opus Properties Ltd
153. Ositum Investment Ltd
154. Paramount Apartments
155. Parkview Properties
156. Patros Agencies Kenya Ltd
157. Peakscales Ltd
158. Pega Services
159. Pelly Properties & General Services
160. Penny Muir Commission Agents
161. Pickwell Properties Ltd
162. Pinnacle Properties Consultants Ltd
163. Prestige Estate Ltd
164. Primrose Properties Ltd
165. Proper Properties
166. Property Development & Management Ltd
167. Property Memory Ltd
168. Property Options & Securities Ltd
169. Property World Ltd
170. Queensway Properties

171. Rameshchandra Properties Ltd

172. Raza Properties Ltd

173. Reeas Enterprises Ltd

174. Regal Plaza Ltd

175. Regent Management Ltd

176. Relax Musau Agencies Ltd

177. Ricnel Properties

178. Ricnel Supplies

179. Ridge Ltd

180. Rihal Investments Ltd

181. Russels & Jones Ltd

182. Safariland Home Management

183. Salmon Investment Ltd

184. Samuel Management Ltd

185. Sato Properties Ltd

186. Seb Estates Ltd

187. Shah Sojpar Samat & Brothers Ltd

188. Shakespare Investments Ltd

189. Shelter Investment

190. Shelter Properties

191. Shelter Solutions

192. Sielei Properties Ltd

193. Silver Star Properties Ltd

194. Skyhomes Enterprises

195. Southern Plains Estate Ltd

196. Stegic Enterprises (K) Ltd

197. Strategic Property Management

198. Suburbia Ltd

199. Suraya Property Group Ltd

200. Tafuta Development Co Ltd

201. Tagaka Holdings Ltd

202. Tatu Traders Ltd

203. Tazama Development Co Ltd

204. Thingira Wa Muranga Ltd

205. Thiomi Ltd

206. Ticali Ltd

207. Toiyoi Investment Ltd

208. Trio Investors Ltd

209. Twiga Properties Ltd

210. Uganda Property Holdings Ltd

211. Underwoods Ltd

212. Urban Chartered Properties Ltd

213. Urban Properties Consultants & Developers Ltd

214. Valley Hill Consult

215. Vapa Ltd
216. Venture Properties Ltd
217. Villa Plus Ltd
218. Vision Investment Co Ltd
219. Watamu Properties Service
220. Waterfront Hospitality Ltd
221. Wavelength Agencies
222. Zanzibarwalla Agencies
223. Zoltac Property Ltd

APPENDIX THREE

VALUATION FIRMS

1. Access Capital Investments Ltd
2. Amber Investments Ltd
3. Kenval Realtors (E.A) Ltd
4. Golden Enterprise
5. Acumen Valuers
6. Agibo Investments
7. Akshrap Ltd
8. Apex Valuers Ltd
9. Aradon & Company
10. Aveess Solar (K)
11. Bageine Karanja Mbuu Ltd
12. Bannie & Archer Valuers
13. Beltway Enterprises
14. Bogonko Mironga & Associates
15. C P Robertson Dunn
16. Camp Valuers
17. Central Associates
18. Chrisca Real Estates
19. Circuit Valuers
20. Citivillas Valuers Ltd
21. City Valuers Ltd
22. Cog Consultants Ltd
23. Cornerstone Real Estate Ltd
24. Crystal Valuers Ltd
25. Datoo Kithikii Ltd
26. Daytons Valuers Ltd
27. Denco (K) Ltd
28. Dominion Valuers Ltd
29. Fairlane Valuers Ltd
30. Gamar Investments
31. Gathumbi & Associates
32. Gimco Ltd
33. Githinji & Associates
34. Githua & Associates
35. Green Oak Ville Flat Services
36. Grindalwald International
37. Gwili Consultants
38. Hass Consult Ltd
39. Hectares & Associates

40. Highlands Valuers Ltd
41. Horizon Associates Ltd
42. Housing & Valuation Consultants Ltd
43. Interlink Real Estates Ltd
44. K Gilam Valuers & Property Managers
45. Kahonge & Associates
46. Kahuthia Kibui & Co
47. Kaiwi Agencies Ltd
48. Karconsult Kenya
49. Kenya Valuers & Estate Agents Ltd
50. Keriasek & Co Ltd
51. Kiliru & Co
52. Kimathi & Associates Valuers
53. Kimtech Auto Services
54. Kinyua Koech Ltd
55. Knight Frank (K) Ltd
56. La Maison D'Afrique Ltd
57. Legeno Real Estates
58. Liska Properties
59. Lloyd Masika Ltd
60. Luore Properties Ltd
61. M S Kibui & Associates
62. Maina Chege & Co
63. Mak Property Co
64. Mamuka Valuers (Management) Ltd
65. Manclem Valuers Ltd
66. Mansion World Management Valuers
67. Mark Property Co
68. Mbindah & Co Valuers
69. Metro Valuers
70. Metrocosmo Limited
71. Milligan International Ltd
72. Muiyuro Muiruri & Co
73. Munyoki & Associates
74. Mureithi Valuers Co
75. Musyoki & Associates
76. Mwai Githiomi Associates
77. Mwamba Valuers
78. Nduati Wamae & Associates Co Ltd
79. Ngotho Wathome Co Ltd
80. Nishani Management
81. Njihia Muoka Rashid Co Ltd

82. Njihia Njoroge & Co
83. Nnamdi Maende & Associates
84. Nouvetti Realtors Ltd
85. N W Realite Ltd
86. Panorama Valuers
87. Paul Wambua Valuers & Property Consultants
88. Pinnacle Valuers
89. Premier Valuers Ltd
90. Prima Motor Assessors
91. Prime Valuers
92. Prudential Valuers Ltd
93. Queenel properties Ltd
94. R R Oswald & Co Ltd
95. Regent Valuers International Ltd
96. Royal Valuers Ltd
97. Ryden International Ltd
98. S K Mburu & Associates
99. Saad Yahya & Associates
100. Sec & M Company Ltd
101. Sony Holdings Ltd
102. Three - Dee Valuers Ltd
103. Thuo Investments Co Ltd
104. Toco Properties Ltd
105. Trans-Country Valuers Ltd
106. Tysons Ltd
107. Valueconsult Ltd
108. Waweru Macharia & Co. Ltd
109. Western Homes(Valuers)Ltd
110. Wyco Valuers Co