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## GREEN LEASING IN ZIMBABWE: LESSONS FROM HARARE COMMERCIAL PROPERTY MARKET

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### Abstract

This paper seeks to discuss the potential value of green leasing in real estate management, highlighting the prospects and related problems on how this invaluable tool is useful in mitigating not only the problems of carbon footprint in properties but also retention of tenants in buildings, as operating and maintenance costs are reduced tremendously. As such, the central focus of this study is the documentation and explanation of the potentiality of green leasing in Zimbabwe's commercial property market using Harare as a case study. Unless such a study is done, the obvious problem is that of doing business as usual amid a situation begging for viability as a measure of progress in society. Green leasing offers a lot of potential for resolving 21st century property management and operational challenges. However, leases continue to be crafted and implemented in the conventional way. Unfortunately, there is a dearth of empirical data to demonstrate how the implementation and adoption of 'green leasing', as a new method, can become a reality especially in the developing countries and regions. Commercial retail and office tenants have expressed greater interest and are waiting anxiously to experience the reality of the green leasing concept. The property developers have aired hesitation and fear of loss making, whilst property technocrats and professional bodies have fully embraced the global concept together with the policy

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### 1.0 INTRODUCTION

There is a dearth of data on how this potent instrument can add value to commercial leasing and property management in sub-Saharan Africa. Until recently, the measurement of sustainable property investment performance has not been considered essential. Lately, valuers are coming under increasing pressure to consider environmental factors in their appraisals; managing agents are being requested to implement environmental best practice; tenants are more concerned with environmental efficiencies than ever before and governments are creating more legislation around the environment and real estate. It has been clearly revealed that green leasing is but the 'new world order' in the management of commercial property environs. Several scholars and practitioners that includes Cloete (2002), Kaplow (2009) and Christensen and Duncan

(2010), defined green leasing as focusing on various aspects of interest in the green leasing practice. However, given that the concept is still evolving with so much on-going research and development, there seem to be no consensus on the universal definition of the term green leasing. According to Brooks (2010) green leasing as a lease that focus on the sustainable practices by the landlord and tenant with the objective of eliminating the disincentives in a commercial lease to reduce energy, water and raw material consumption through the increased recycling as well as use of sustainable materials for tenant improvements. The definition emphasises environmental stewardship and sustainability practice. Green leasing practitioners like GBCSA & SAPOA (2012) define a green lease as this operational definition seeks to unify the conventional lease as the foundation of green leasing and points to increased transparency and sustainability goal

definition as the key differentiation factor(s) between green leases and conventional leases. Kaplow (2009)'s definition also highlights green leasing in the perspective of efficient usage of resources, decreased operational costs and increased asset value resulting in enhanced occupant comfort and landlord returns on investment. Coming out of the definition is the conscious shift of leasing from being commercial contractual obligations between two parties to being centred at guiding the business practices towards an acknowledgement of sustainable and environmentally responsive partnerships between property owners (landlords) and property users (tenants).

Since year 2000 when Zimbabwe's economic meltdown began, the real estate sector has never performed to full potential, particularly commercial retail and office leasing in Harare. According to the Estate Agency Council of Zimbabwe, the economic depression resulted in the flight of quality tenants in the hyperinflation period prior to the dollarization of the economy in 2009. However, there is consensus that the economic recovery and growth trends since the dollarization of the economy have resulted in property sector boom, particularly in the retail space. Knight Frank (2013) argues that the stable but depressed economic climate post dollarization dualised the effects on commercial property market, with high retail space demand resulting in high occupancy levels in both the CBD and suburban locations. Conversely, the demand for office and industrial space has remained poor resulting in high void levels. Even upmarket properties such as Joina City are being affected with 50% of its 12,000 square metres of office space unlet (Knight Frank, 2014). The economic dynamics prevailing since the dollarization of the economy have shifted the focus of commercial property development and leasing mainly to retail space and to a lesser extent suburban office space. According to sector statistics, there have been some prominent developments along Borrodale Road that concern Celestial Park and Old Mutual Projects where a total lettable area of 26,000 square metres has been developed. On the retail front, approximately 68,000 metres of retail space is on the cards at the proposed Mall of Zimbabwe. Mushayakarara (2014) explains

that in their commercial property portfolio, most tenants have, in the past year, struggled to discharge their lease obligations. Asset values in the real estate sector shed off some of the value accumulated since dollarization. Furthermore, the economic environment that is characterised by recession has resulted in a low demand for space and ultimately reduced rental incomes. This is evident from the softening of rental yield from 8% in the last year to 7%. Likewise occupancy rates decreased from 85% to 82% during the same period.

Given the aforementioned trends and dynamics in Harare's commercial property space, it is imperative to appreciate that the increases in commercial property market activity will inevitably increase the demand for natural resources like energy and water as well as increase generation of waste. Worryingly, it is well documented that the suppliers of these utilities namely ZETDC<sup>1</sup> and Harare municipality are failing to cope with a growing demand for utilities in the rapidly urbanising city. The net effect of this has been uneven distribution of these growingly scarce resources with intensive load shedding as well as water rationing, mostly affecting the residential areas. Worryingly, it is a fact that most of the energy and water is consumed by the commercial sectors yet these have uninterrupted availability because of their strategic importance to the economy. Similarly, most of the waste and effluents generated in the city comes from these industrial and retail sectors. Given the limited capacity to grow and to adequately harness and supply energy and water, it is clearly becoming imperative for stakeholders in the commercial sectors to re-consider strategies that will ensure there is sustainable use of natural resources. It is from this background that there is growing advocacy for the real estate sector, particularly commercial property leasing to adopt the green leasing concept and mainstream it into the broader on-going sustainability agenda. The question then become how best can we transform our commercial property-leasing sector towards such a vision.

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This paper seeks to explore and articulate the extent to which the green leasing approach to property management can propel sustainable sector growth in a depressed economy dominated by small to medium players. Globally, the real estate sector has sought to align to the new *world order* through two sustainability concepts. These are the “green buildings concept” and the “green leasing concept”. With an ultimate aim of driving towards sustainable environmental stewardship, the green building concept is development oriented while the green leasing concept is operational/management oriented. Zimbabwe, being a developing nation whose economy has not been performing commendably since 2000 has made significant strides in integrating the global green agenda into country and sector policies in most sectors, particularly mining, agriculture, energy and human development. Worryingly, not much has been achieved in the real estate sector in terms of aligning the sector policies and programmes into the green agenda through adopting the green building and green leasing concepts as the preferred trajectories in the sector. While the lack of green buildings can be directly attributed to the slow rate of property development with few notable developments and/or redevelopments since year 2000, there are no adequate answers to the lack of adoption of the green leasing property management approach.

## **2.0 GREEN LEASING**

In the early 1970's, scholars researched and concluded that unless the current trends and rates of human civilisation are changed for the better, the earth faces imminent challenges that threaten its sustainability (Club of Rome, 1972). Recently, the emerging complex global challenges such as rapid rates of urbanisation, population growth, food crisis, depletion of non-renewable resources, environment deterioration and poor governance has given rise to the advocacy of the green agenda at both academic, policy and operational levels world over (Matamanda & Chirisa, 2014). This culminated to key global milestones in the evolution of the green agenda as a global policy commitment towards sustainable development. Significant

note are the Agenda 21 (Rio de Janeiro, 1992) and the Millennium Development Goals (Millennium Summit, 2000). Greening issues have recently extended to the aspects of buildings where the concept initially focused on green buildings but it has now gone a step further to embrace greening in leases (Betterbricks, 2009; Colleta, 2003). By definition, leases are a contractual agreement between two parties (lessor and lessee) binding them to perform the obligations contained in the agreement. Conventional property leases that are commonly used in commercial property leasing include triple net leasing, full repairs and inspection; and on the other hand, there are two broad approaches to green leasing, that is, the paternalistic approach and the cooperative model approach (Dawson *et al.*, 2015). Under the paternalistic approach, either the tenant or the property owner within the lease will be responsible for reduced consumption and adherence to environmentally friendly behaviour. With tenant-paternalistic lease, the tenant makes an effort to force the property owner to fulfil its mandate with regards assisting in compliance. In this regard, the tenant might have a green brand or internal ‘green’ targets that will guide all its operations. However, with landlord-paternalistic lease the property owner compels his or her tenants to operate within the thresholds of certain set environmental standards with the aim of achieving and promoting sustainability. It is at this juncture that the landlord might intervene, in the verge of greening his or her property portfolio. The cooperative model approach stresses that both parties to the lease must be conscious of and appreciate the need to green existing building(s). The result is the green lease is set out in such a way that it sets out the objectives for both parties to achieve, thus establishing the responsibilities and liabilities for both parties.

There is acknowledgment that green leases can take many forms and as such, there should be clear outline and focus on where we are (current state), and where we want to be (desired state) and how we will get there (green leasing toolkit) (Dawson *et al.*, 2015). However, several studies (Lowe, 2011; Brooks, 2010; Kaplow, 2009; Colleta, 2003; Cloete, 2002) concur to the effect that the bedrock of any green lease are: (i)

structure of the rent and operating expenses; (ii) building improvements that are initiated by the tenants; (iii) adhering to the principles of sustainable development; (iv) appropriate use and disposal of hazardous materials; (v) recycling; and (vi) environmental preservation and conservation plans. As such, it will generally deal with the soft issues that have historically been of no major concern beyond their cost implication to either the tenant or the landlord. It becomes worthwhile to unpack the green leasing concept on a comparative context with conventional leasing. Table 1 seeks to provide a comparative conceptual framework for the two forms of leasing concepts.

Table 1: Comparative conceptual framework for the two forms of leasing concepts

Aspect	Green leasing	Conventional Leasing
Paradigm/ school of thought	<ul style="list-style-type: none"> <li>• Green agenda</li> </ul>	<ul style="list-style-type: none"> <li>• Capitalism &amp; free market economy</li> </ul>
Business Relationship	<ul style="list-style-type: none"> <li>• Long term</li> <li>• Business Partners with shared vision</li> </ul>	<ul style="list-style-type: none"> <li>• Short term</li> <li>• Commercial partners with diverse vision</li> </ul>
Tenant retention	<ul style="list-style-type: none"> <li>• High tenant retention</li> </ul>	<ul style="list-style-type: none"> <li>• High tenant turnover</li> </ul>
Operating Costs & overheads	<ul style="list-style-type: none"> <li>• Low operating costs</li> </ul>	<ul style="list-style-type: none"> <li>• High operating costs</li> </ul>
Profitability	<ul style="list-style-type: none"> <li>• Marginally higher profit levels</li> </ul>	<ul style="list-style-type: none"> <li>• Marginally lower profit yields</li> </ul>
Environmental externalities	<ul style="list-style-type: none"> <li>• Positive environmental externalities</li> </ul>	<ul style="list-style-type: none"> <li>• Negative environmental footprints</li> </ul>
Outcomes	<ul style="list-style-type: none"> <li>• Low carbon footprints</li> <li>• Increased building occupancy</li> <li>• Defined tenant/ landlord responsibilities &amp; obligations</li> </ul>	<ul style="list-style-type: none"> <li>• High Carbon footprint</li> <li>• High tenant turnover hence voids</li> <li>• Poor tenant / landlord relationships.</li> <li>• Exploitative contracts with win-lose outcomes.</li> </ul>

Source: Authors' creation, 2014

From the conceptual framework, it can be deduced that the green leasing concept is not a diversion from the conventional commercial

property leasing practices but rather are-focus of the leasing concept- albeit with sustainable development and environmental lenses. Necessitated by the growing global environmental concerns it is important to understand the historically driving forces that have given prominence to the green leasing concept are widely regarded as synonymous to the green agenda and the sustainable development. Urban governance and management has become an important strategic focus area globally given that cities make up an estimated 2% of the world's surface and yet hold half of the world's population (UN-Habitat, 2009).

There is a growing consensus, particularly in developed nations that conventional leasing practices have become out dated and unsustainable due to a plethora of challenges associated with it namely high void levels, high tenant turnover, high running costs and low returns on investment (profit) (Dawson *et al.*, 2015; West & Smith, 2015). This has resulted in high carbon footprint, poor tenant-landlord relations and greying of the property market. Interestingly, the paradox of the property market, particularly in developing nation is that while the demand for properties to lease is high, equally the void levels in available properties is high. The impeding question then becomes, *why is there deprivation (high demand for renting space) amidst plenty (high availability of properties)?* Given that over 80% of commercial retail and office space in Harare is leased space, the mainstreaming of the green sustainability concept therefore will hinge on the ability of property owners and property occupiers to develop strategic partnerships towards green leasing. Such concerns underpin a positivist research paper whose aim is to explore the feasibility of adopting green leasing as a sustainable alternative in developing countries, particularly in Zimbabwe's commercial leasing sector. Hence the title: 'Feasibility matrix for green leasing in Zimbabwe's commercial property market'.

Wheeler and Molana (2008) argue that there are commonly two types of contracts, a soft contract and a hard contract, a soft contract has caring, sharing, ambitious clauses. If these clauses are not achieved it is not of too much

concern. However, with a hard contract, one has to look at the consequences. If the lease is breached, one party may want to enforce penalties, although it is very difficult to pin down why for example the high-energy consumption has occurred. In South Africa, the South African Green Lease Toolkit has outlined four levels of intensity in the green leasing process that include one for existing leases (Memorandum of Agreement (MOA)), Mutual Disclosure Green Lease, Mutual Performance Green Lease and Mutual Performance Green Lease with penalties. It can be noted that the understanding and appreciation of these stages is important in the rollout and development of green leasing. Forthcoming is a discussion on the common types of green leases.

The mutual disclosure of environmental performance between the tenant and the landlord has been identified as the most accessible formal green leasing schedule by GBCSA and SAPOA (2012). This usually adds onto the contents of the MOA but it requires the tenants and landlord to take part in the monitoring and reporting of the environmental initiatives.

On the other hand, the Mutual Performance Green Lease is not very different from the Mutual Disclosure Green Lease; the major difference is just that the former includes the performance aspect. In situations where improvements in operational performance are critical to either party, the mutual disclosure lease may be augmented with targets for improvements for both the tenants and the landlord. Standards for which each part must meet and perform are set. It is of utmost importance that these targets are set using a baseline established mainly through the monitoring and reporting of the building infrastructure (Dawson *et al.*, 2015; GBCSA & SAPOA, 2012). In instances where the building performance information is missing, specific improvement benchmarks may be used to frame the targets.

The previous three types of green leases are the one that falls under the “soft green leases” category. However, the inclusion of penalties in any of the three can render them “hard green leases”. According to GBCSA & SAPOA (2012), is to take caution when introducing penalty provisions into either the MOA or lease

agreement because these penalty provisions tend to be compared with some existing legislation for example the Conventional Penalties Act 15 of 1962 in South Africa. Accordingly, there are instances when penalties may be applied if targets are not met for instance when there are external regulatory pressures. For example, the Australian Commonwealth tenants are obliged to occupy buildings with a 4.5 star NABERS rating. In the event that this rating is not met, both the landlord and tenant will be heavily penalised (White, 2009). In this case, it becomes important for both the tenant and landlord to understand the details of the framework for assessment and their respective roles in attaining the desired level of performance. Therefore, it becomes keys for the auditing process to be agreed in detail before any formalities can be undertaken with regards the green lease.

While the thrust of green leasing has mainly been focused on green buildings, there is substantial evidence that such is not feasible in most developing economies given the slow rate of property development and renovation (Lowe, 2011). As such, there is a growing concern to understand the key factors that can enable or disable the adoption of green leasing in developing commercial property markets with relatively old buildings that are not ‘green building’ compliant.

According to GBCSA and SAPOA (2012), functional green leasing should strive towards an operational performance that improves the quality of indoor environment while reducing the negative impacts on the environment. If this is to be achieved, tenants and landlords have to invest in and apply sustainable principles when operating buildings. However, such an investment is stifled by the gap between long-term operational savings and the initial costs of greening a building. To offset these investment costs, the property owner assumes responsibility for the investment in the building’s potential while the tenants cover the operating costs.

It is not always possible to advance green leasing in commercial buildings for a number of reasons that include: first costs that are uncompetitive; split incentives; diversity of lease types; ambiguity in defining green; and a lack of communication between landlords and tenants (Wheeler & Molana, 2008). Wheeler and

Molana (2008) argue that it is the initial costs of designing and retrofitting buildings aimed at achieving sustainability that have stood as a barrier to green leasing. Furthermore, Smith also emphasized that split incentives in the green leasing process can act as a barrier. In cases where there is misalignment of incentives between landlords and tenants, there is high probability of resistance to change from either party.

Another key concern emerging from various scholarly and practical debates around green leasing is their diversity and its effect on the property managers. Most scholars acknowledge that while most conventional leases are tailor made as per landlord/tenant agreement, they have commonalities, which made them easier to manage (Smith, 2012). On the contrary, some property managers are reluctant to consider green issues because they believe it may complicate the leasing process, thus resulting in a gross resistance of change given the difference in mandates and responsibilities to operate and maintain the building between the landlord and tenant. Therefore, this creates an additional demand for investment and operational costs to be resolved differently. Landlords tend to be reluctant to invest in the greening of buildings if it is the tenants that are going to yield all the benefits. Landlords can only benefit from the long-term asset value of green buildings, yet these can be realised with well-informed tenants. The situation presented by green buildings can be likened to an economic game theory. Wheeler (2012) explains that the actions of the other party results in mutual benefit, thus is no one acts then both parties are liable to lose. However, the ability for both parties to gain is marred by the process towards negotiating for an agreement aimed at greening that enables a win-win situation for both the landlord and tenant.

There are so many stakeholders of the green leasing agenda and these vary in line with the country's legislative framework. Government and public institutions, the private sector, tenants' investors and analysts are the categories of major stakeholders selected in this study. Kaplow (2009) observes in many situations where green buildings have been established, it is mainly a result of government

initiatives wherein there is demand for green spaces for tenancies as well as taking the lead in greening government-owned buildings. Governments have a mandate to develop policy frameworks and decisions to guide the property development and management processes in the realm of green buildings. The private sector, comprising of all non-governmental organizations operating in a country are of strategic and operational importance to the development and growth of the green leasing concept. Given that over 60% of commercial property in most developing countries is privately owned, the willingness of this stakeholder group to adopt the green leasing is of paramount importance.

The Green Leasing Toolkit spells out the issues that ought to be considered when considering green office space and the opportunities associated with indoor environmental quality. In addition the toolkit also identifies some guidelines for business operations and sets out the role of tenants in delivering building performance through green leasing (Wheeler, 2012). Most Green Leasing Toolkits incorporate a sample MOA that optimise the benefits of leasing green office space. The contribution of green buildings to market performance is globally recognised. This is so because green leasing is one of the essentials that enhance market performance for the construction and provision of sustainable buildings (Wheeler & Molana, 2008). Therefore green leasing emerges as an important tool that guides decision making for investors with regards the leasing characteristics of property funds.

So many real and perceived benefits can arise out of green leasing depending on how it is implemented. For example The Green Building Council of South Africa (GBCSA) indicate that the benefits that accrue from the implementation of green leasing may be categorised under reputation, staff retention and productivity, value of asset, operational cost savings and Meeting corporate reporting requirements among others (GBCSA & SAPOA, 2012). Chan *et al.* (2009) indicated that the main benefit of green leasing lies in the utility of owning and occupying efficient and sustainable buildings. These benefits are either specific to the tenants,

landlords or they may be shared between both parties. One other benefit involves the reduction of environmental impact that accrues from green leasing. Green leases thus act as a means of regulating the delivery of these shared values, but it is important to take note that the value of the green lease lies in the actual physical deliverable, rather than the contents of the lease (Wheeler, 2012; GBCSA & SAPOA, 2012). The GBCSA categorises benefits of green leasing and these are explained in the forthcoming paragraphs.

Reputation can be identified as the major driver of contemporary green building certifications. The owners and tenants of green buildings enjoy the marketing and reputational benefits for either owning or occupying the buildings (GBCSA & SAPOA, 2012). In this modern world, green buildings are increasingly being used by most companies and corporate to show their corporate commitment and support to sustainability as well as the regard for the users of the buildings (Wheeler, 2012). The occupation of several Green Star SA certified buildings shows the commitment of Nedbank South Africa and Growthpoint Properties to promoting the green agenda in the realm of leasing (GBCSA & SAPOA, 2012). Likewise renowned international companies such as Toyota, 3M and Groton have followed in the same footsteps.

John and Stoel (2009) are of the opinion that green leasing in green buildings contributes to staff retention. The contribution comes from the fact that healthier workplaces attract tenants as well as promote the well-being of the staff that is less likely to take sick leave.

John and Stoel (2009) provide that rental premiums of 3% were recorded in the USA for the Energy Star certified buildings commissioned under green leasing. Overall green buildings have an actual asset sales price that is approximately 16% more than that for non-green buildings. More so, green rental premiums of 5% were yielded in Australia for the Green Star rating (Wheeler, 2012). Operating cost savings is the most popular benefit many identify green leasing with. That is one of the most sought benefits by several tenants (Smith, 2012). Lower operational costs tend to have material impact on the bottom line

of tenants and landlords depending on the lease structure (GBCSA & SAPOA, 2012). It is either a net or gross lease that determines the beneficiary of the operational cost savings. However, markets are more likely to respond in a positive way to a commercial building that stifles the operational costs for both the tenants and landlords. According to John and Stoel (2009) and GBCSA and SAPOA, 2012 there are some instances when the tenants fail to use the building efficiently, in such situations the operational costs tend to be high and will have to be met by the tenant since the landlord would have provided an efficient system. Hence, it is critical for the landlord to craft an operational system which will be fully explained to the tenants with regards how to use these systems. Lowe (2015) is of the view that green buildings are more resilient in the face of degraded infrastructure. It is also acknowledged that commercial buildings that use resources efficiently tend to run for a longer period in the event of power or water failures. The responsibility then lies on the shoulders of the landlord to enforce and put in place good operational systems to ensure effective operating cost savings.

Ordinarily, successful adherence to corporate reporting requirements is one of the key benefits of green leasing. Green leasing plays a crucial role in meeting the reporting requirements. For example in South Africa, there are corporate reporting requirements for the JSE Socially Responsible Investment (SRI) Index and the King III Corporate Governance Guidelines for integrated reporting (GBCSA & SAPOA, 2012). The rationale for establishing the JSE SRI was to identify all the listed companies that embrace the triple bottom line and allows for a broad assessment of company policies and practices against local and global standards.

According to Christensen and Duncan (2010), approximately 98% of the building stock in Europe comprises existing buildings. However, in a bid to promote the green leasing agenda landlords of commercial existing buildings are facing increased legislation from the state, notably the Energy Performance of Buildings Directive. The new legislations drive the owners of existing buildings to reduce their

energy consumption whilst striving to remain in a competitive market (CoStar, 2007). In its widest sense, energy-management also applies to other resources. Worldwide, commercial office tenants and landlords are finding their energy performance increasingly being scrutinised by customers (Yudelson, 2009; Smith, 2012). Another important consideration that is now a requirement with international tenants such as the World Bank, World Health Organization (WHO) among others, is the availability of regulatory framework within which green leases will function. A framework of standards or legislation is required for a binding green lease that will enforce operational performance.

Most recent legislation relating to mandatory disclosure has further strengthened the Australian regulatory framework and has had a positive impact on green leasing (Wheeler *et al.*, 2012). Similarly, the framing of green leases in UK has been formulated as a result of carbon legislation. For the South African case, the regulatory framework that pertains to energy efficiency in buildings is guided by SANS 10400 part XA and the voluntary standard SANS 204 (GBCSA & SAPOA, 2012). These regulatory frameworks were promulgated in November 2011 and thus apply only to new and refurbishment projects. Therefore, the framework does not mandate the operational energy use but rather form the basis upon which future mandatory operations may be regulated. Performance-driven green leases with penalties are unlikely to be widely adopted in the short term because of lack of regulation that governs the operational energy use of buildings (Smith, 2012).

Roussac *et al.* (2008) argue that the green lease differs from the traditional lease in that the former focuses on ecologically sustainable principles with the objective of reducing buildings environmental impacts. Knowledge and cooperation are key requirements that enable the incorporation of new requirements into a green lease. Thus, there is a need to strike a balance between cooperative and prescriptive approaches when trying to negotiate for sustainable environmental outcomes. Mandatory and discretionary provisions into the lease itself or in a schedule attached to the lease that clearly

dictates the responsibilities and obligations of the property owner and tenant can make a lease green (Bartlett & Howard, 2000). Alternatively, objectives can be listed in a Memorandum of Understanding whose provisions may be determined by the age, size and location of the building, existing green credentials as well as the goals and budgets of the parties.

The foregoing review of literature has sought to unpack the green leasing concept as applied in the commercial property-leasing sector. From the foregoing discussions, it emerges that the green leasing concept, a new but growing concept whose key components align to the green agenda and the broader sustainable development agenda. Despite the fact that the concept of green leasing is still in its infancy, there is increasing evidence of the adoption of green buildings by various players in the property industry. However, although there seem to be a dearth of information and knowledge that relate to green leasing, there are some experts and personnel who can assist corporate to formulate green leases and see to their successful implementation.

### **3.0 POPULATION STUDY**

This study was primarily explorative and descriptive in nature. Therefore, it applied qualitative and quantitative approaches to data collection and analyses. Both primary and secondary data sources have been used to collect data to enable the researchers to address the research objectives and answer the research questions. The study population for this study comprised key players in the real estate sector. These included commercial property developers, real estate management companies, property or facilities managers, tenants of selected commercial properties, service and utility providers and officials from property regulatory institutions. The population of commercial developers comprised of construction companies, banks, insurance companies and pension funds in the private and public sector of Zimbabwe. Purposive sampling and random stratified sampling were used to carefully select respondents without compromising on impartiality. Given that the green leasing



concept is relatively new, expert sampling was also used, especially when selecting respondents who are well versed with the concept.

Descriptive research methodologies were used simultaneously with the explorative ones. However, it is primary qualitative data collection methods that comprised the greater part of this research. The period of collecting the primary data for the study was for some four months in 2014. This data was collected using unstructured key informant interviews with the Real Estate Institute of Zimbabwe (REIZ) officials, Property owners, Property Developers and various other key informants. The structured interviews for developers and property owners' sought to discover the property developers and property owners' perspective on current practice of conventional leasing, the possible prospects and challenges of adopting green leasing in Harare. Facilities managers and tenants were interviewed using structured interviews. These sought the insights of facilities managers and tenants on how under conventional leasing services such as water supply and energy consumption really fare. More so, issues such as indoor environmental quality and the use of material and resources were investigated from the people who manage and use the selected buildings in Harare on a day-to-day basis. The responses from the key informants were overwhelmingly as most of them were willing to divulge information that was requested by the researchers. However, some tenants and building operators were not willing to engage in the research processes as they highlighted that they was need to get in contact with the landlords.

Secondary data was collected from document sources which include the Model Building By-Laws in Zimbabwe, the Estate Agency Act and lease agreements between the owners and the tenants. These document sources provided insight into the legal framework of the conventional leasing and the prospects and challenges they might present to the adoption of green leasing in Harare. Data analysis was condensed into three interpretation processes that are, data reduction, data display, and drawing conclusions. In relation to the interviews, the researchers first transcribed the interviews then went on to look for statements that relate to the topic of green leasing. These

statements were sieved such that irrelevant parts were discarded as well as synthesising the relevant data into meaningful statements. These statements were ultimately grouped into meaning units that reflect various aspects of green leasing as it is experienced. For the secondary data, the researchers identified relevant themes and texts which resulted in contextual analysis wherein the researchers identified the themes that align with the issues of green leasing.

Summarily, this section has sought to discuss briefly the research design and methods used in this study. As outlined above, the research was largely exploratory and descriptive hence a mixed research strategy.

#### **4.0 DATA ANALYSIS AND INTREPRETATION**

The exploratory research gave interesting insights into the various perspectives and concerns relating to the feasibility matrix of adopting the green leasing concept in a developing city like Harare. The thrust of the forthcoming discussion is to present and discuss the results from the field research that was carried out by the researchers. For a relatively unused concept in Zimbabwe, it was very important to assess the stakeholders' knowledge and appreciation of the green leasing concept. This follows an underlying assumption made by Betterbricks (2009) and Lowe (2011) that stakeholders are more willing to adapt to change if they have an understanding and appreciation of its implications to their businesses, the research sought to identify if they are any gaps in terms of stakeholder appreciation as a stepping-stone to the applicability of the concept. Overall, the results of the study in Harare show that there is no convincing appreciation of the concept although there was great appreciation of the key attributes of green leases. This shows a lackadaisical approach and attitude by a critical sector ministry to emerging pillars for sustainable building operation and maintenance practices.

The main reason for this relaxed approach towards green leasing may be attributed to the fact that it is actually very expensive to

introduce green leasing in the short term, which results in landlords and tenants shying away from the practice regardless of its potential merits. From the interviews held with key informants from EMA, there was a commendable level of appreciation of green leasing. The appreciation of green leasing by these officials from EMA concurs with Smith (2012) who acknowledges that in any situation there are some experts who have knowledge and expertise with regards the issue of green leasing. However, the authorities could not give a defined policy roadmap as to how to mainstream environmental policies into the green leasing concept in Harare. However, it seems there was no commitment, as both regulatory authority and environmental advocates to create awareness and lobby for the adoption of the concept. As such, it can be argued that there is generally a lackadaisical attitude for the concept as highlighted by West and Smith (2015).

There were only 33% of the property owners interviewed had a detailed idea about what green leasing is all about. Furthermore, it was noted that they were representatives of big corporates with a strategic focus on investing in green buildings. The other 67% failed to explain the green leasing concept when interviewed. However, they had knowledge of the green building concept and were able to cite examples of some internationally acclaimed green buildings. However, there was a consistent perception that green buildings were very expensive and therefore not viable as conventional buildings. This confirms past studies by GBCSA and SAPOA (2012) that green leasing proves to be more expensive than conventional leases. The research was well focused on ascertaining the preparedness of the leasing practitioners based on their appreciation of the concept. Twenty real estate practitioners were purposively sampled comprising of property managers (comprising of facilities and asset managers). Notably, 85% of the property managers had a detailed understanding of the concept and were able to articulate it well. However, it emerged that there was a serious knowledge gap on the implementation aspect of the concept as all the interviewees were currently managing conventional leases. To support this trend, Colletta (2003) provide that

green leasing is an emerging trend which is still to gain popularity within the commercial property sector. However, what emerged from 45% of the property managers is that environmental efficiency was part of their property management routines and strategic focus, albeit not as part of the leases agreement between the tenant and owners.

Probed about green leasing in the questionnaire survey, 85% of the tenants interviewed do not have an idea of the green leasing concept while 15% indicated having heard of it but could not fully explain it. To them it was synonymous with green buildings and many often referred to 'Eastgate Mall' in the Central Business District of Harare in an attempt to explain the concept. When questioned of their place of stay before coming to the current place of stay 62% had no previous place at all. They are new occupiers in the premises and this can be viewed as an indication of the prevailing economic conditions in Harare and Zimbabwe as a whole. The liquidity crisis and unfavourable market conditions have led to the closure of many renowned companies. The accelerating deindustrialisation and informalisation of the economy are pushing Zimbabwe into the abyss as evident from the structural regression the country is experiencing. There is a lot of work which needs to be undertaken in order to improve the business environment in Zimbabwe. Such an observation has been reported in various papers of media. Effective business operation in Zimbabwe is stifled by a number of anomalies and key challenges that include inconsistent policies, corruption, inefficient government bureaucracy, lack of requisite infrastructure and funding. These factors concur with Colletta (2003) who argue that there are a number of challenges that compromise green leasing challenges.

## **7.0 CONCLUSION AND RECOMMENDATIONS**

It is evident from the foregoing analysis that the results from this study are in fact consistent with the existing literature and it is not doubttable that if this is well implemented Harare can become a green city same as Cape Town in South Africa.

A building that is not green can successful be operated as a green building through 'green leasing' the same way a green building can be operated as a conventional building without attention to green issues. It has been revealed that as much as there are problems to the adoption of green leasing in Harare, the prospects greatly out way the problems. This assertion clearly exposes Southern African cities and governments that it is not a question of the availability of funds and resources to go the "greener cities" way but a question of attitude, policies, vision and pragmatism. It is clear from the 'voice' of the various stakeholders that there are more of prospects than problems to the implementation of green leasing in Harare. Green leasing is not a surprise or reinvention of the 'leasing wheel'. This explains Wheeler (2012)'s assertion that the structure of a green lease is similar to that of a traditional lease. The similarity is there in terms of purpose, although main differences are found in the way responsibilities are assigned to the parties involved and the way issues of sustainability are embraced.

A successful green leasing involves a number of critical elements that include focus on environmental performance standards; metering and data reporting requirements; plans for environmental management; building management committee; conflict resolution and action matrix. There seem to be a growing need for green leases in Harare as highlighted by an appreciation of the benefits of such a policy from both tenants and landlords. Although some tenants lack adequate knowledge with regards this matter, most of them have expressed great interest in the concept. For successful green leasing, the key stakeholders in the real estate sector should come up with an effective green lease that has not only but a minimum of the following traits:

- Promoting the cooperation between the landlord and tenant to instil cooperation and ultimately attain mutual benefits;
- Be fully equipped with relevant information pertaining to sustainability issues, for example information on sustainable resource use and means of promoting indoor environment quality;

- Need for flexibility considering that the tenants and property owners have diverse and changing needs as well as changes in technology and legal requirements;
- Formulate and adhere to measurable targets;
- Make transparency and progress reporting pillars of the green lease agreement; Make use of environmental management plans.

The system of leases continuing to be drafted and implemented in the traditional and conventional way will be outdated. City of Harare is taking the leading step as it is promoting new way of lease administration to mark a positive change in the commercial leasing sector. Green commercial buildings are not only identified by greening on the outside, rather it is has to be a complete process wherein even the indoor environment is also greened, for example the Eastgate Building in Harare's CBD. A green lease is but the current best tool to create "green" on the inside of the building and that is what experts call green leasing. Green leases are a new form of lease agreement that focuses on creating a sustainable advantage to lessors, lessees and their immediate operating environs.

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