

# FRAMEWORK OF STRATIFIED RESIDENTIAL PROPERTY MANAGEMENT SERVICES

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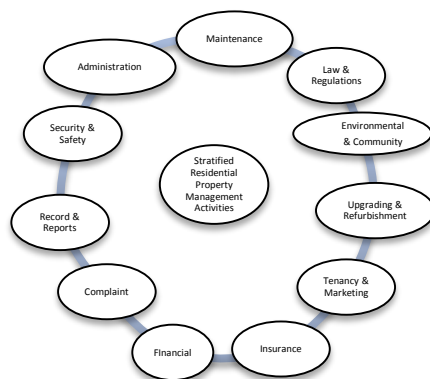
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## Graphical abstract



## Abstract

This study focuses on the development of stratified residential property management services framework by identifying and investigating the management services and their major attributes in providing a well-structured framework of property management service delivery. The methodology towards this study involves the intensive reading and review of various literatures on the subject title and a group discussion. A panel of experts drawn from industry provides advice and evaluates the identified services and attributes and framework development. Based on literature review and focus group discussion, a theoretical framework was developed. The framework was underpinned by eleven core activities and their major attributes that emerged from the research findings. These core activities and attributes have been identified both nationally and internationally as being crucial to the effective stratified residential property management service delivery.

Keywords: Stratified residential property, property management, service delivery

## Abstrak

Kajian ini menumpukan kepada pembangunan kerangka kerja perkhidmatan pengurusan harta tanah kediaman berstrata dengan mengenalpasti dan menyiasat perkhidmatan pengurusan dan kriteria utama dalam menghasilkan satu struktur kerangka kerja penyampaian perkhidmatan pengurusan harta tanah yang menyeluruh. Metodologi kajian ini melibatkan kajian literatur yang intensif ke atas tajuk berkaitan dan juga perbincangan secara berkumpulan. Ahli-ahli panel pakar dari industri memberi pandangan dan menilai perkhidmatan-perkhidmatan yang telah dikenalpasti untuk tujuan pembangunan kerangka kerja. Seterusnya, satu kerangka kerja telah dibangunkan yang merangkumi sebelas aktiviti dan setiap satunya mempunyai kriteria masing-masing yang dirangkumkan berdasarkan hasil kajian. Setiap aktiviti utama dan kriterianya yang telah dikenalpasti melalui kajian dalam dan luar Negara merupakan elemen yang kritikal yang menyumbang kepada penyampaian perkhidmatan pengurusan harta tanah kediaman berstrata yang efektif

Kata kunci: Harta tanah kediaman berstrata, pengurusan harta tanah, penyampaian perkhidmatan

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## 1.0 INTRODUCTION

In the residential market, it has been seen the coming and growing of stratified unit in the form of apartment and condominium. Owners of this type of property have become more concern about investments and physical aspects of the property.

Therefore, it is a necessity that property managers must have a wide range of skills and be oriented towards establishing measurable standard of performance to ensure that the objectives of their clients are met. There is much evidence in the literature review to support the evolving role of property management against a background of rapid technological change and changing emphasis in management thinking about how best to manage property in the fulfillment of owner's and occupier's objectives. The property management activities are very much concerning the delivery of services which the property asset could provide to all stakeholders including property owner, occupiers and property management service providers.

It was reported and agreed that property management services today is much more than collecting rent and repairing any parts of buildings. It involves the development of an overall short and long term objectives for the property that seeks to control the interest of the owners and potential buyers as far as property price is concerned [1].

In this context, the short-term objectives of PM include financial management, enforcement of lease provisions etc. Meanwhile, the long-term objective is to improve capital value or rental value. In delivering services, quality of service played a major role in property management business in order to meet customers' satisfaction [2]. Therefore, a shift of focus to improve efficiency and effectiveness of service delivery also affected property management [3-4]. It has become apparent during the past few years that effective residential property management is an essential component in enhancing living experiences and property value.

This paper present the development of framework for stratified residential properties management to provide the public with a clear and standard mechanism in enhancing the service delivery of property management of residential properties.

## 2.0 THE EVOLUTION OF RESIDENTIAL PROPERTY MANAGEMENT

The phenomenal growth of mixed-use and multi-unit strata developments has made property management a rapidly growing profession, attracting many new entrants into the market. This phenomenon is believed have affected property management industry in many countries including Malaysia.

The property management industry globally is managing in phase of rapid social progress and changes that have demonstrated the greater expectations of the community for better quality of

life. Thus, the property management companies have to handle the changing phenomenon in the external environment and improve their capabilities. Owners might, in the past, be satisfied with a proper caretaking and cleaning services [5]. The shift necessitates the development of property management for residential in particular, encompasses a variety of subjects from cleaning and security services to comprehensive maintenance, financial management and environmental protection. Some authors offer a similar view of this revolution of property management, which is from focused on collecting the rent (caretaker) to responsible for the economic viability of the asset (income maximization) in a market place [6].

The traditional approach in managing residential property has shifted enormously in response to the need of proactive property management. The proactive property management demands clear direction and measurable deliverables of the services. The essences of proactive property management that must be included in the management process are as follows:

1. Defining strategic property objectives;
2. Determining how to achieve those objectives;
3. Monitoring both the property performance and its management; and
4. Collecting appropriate information to support the process.

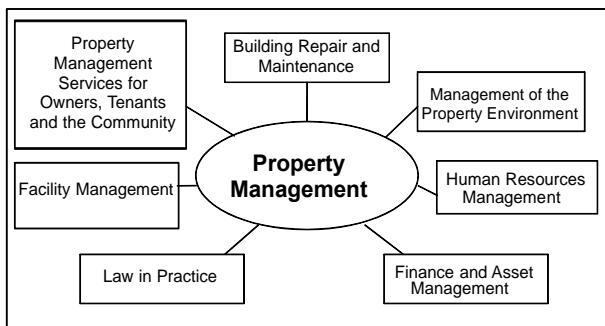
In this respect, the proactive property manager must be involved in the strategic planning stage of any organization. Several authors have written concerning the importance to link property management to strategic planning. The author has identified number of factors which had forced organisations to recognise the potential of their property assets and to place property on their strategic agenda, which is financial pressure, planning horizons, split between landlord's and tenant's role and awareness by property managers of value of property. The process of effective management should lead to a management style which is proactive — planning and anticipating — rather than reactive — responding to events [7]. In addition, to be effective, it is necessarily to develop successful strategy and observe the generic characteristics of successful businesses and organizations, and to draw from that the key aspects of property management in terms of consequences, constraints, features and principles that need to be addressed [8].

The practice of residential property management has gradually matured in recent years. As part of broader worldwide trends, property management industry has responded to globalization and competition through greater efficiency of management process. There is a rising level of interest in property management across the world and variations in its maturity.

### 3.0 THE STRATIFIED RESIDENTIAL PROPERTY MANAGEMENT SERVICES

The property management services currently being practiced are varies across management companies [9]. The major services in residential property management is managing the common areas of residential buildings and other works include promoting environmental hygiene and security; acquiring insurance coverage; preparing financial accounts; procuring of supplies, goods and services; maintaining water supply; ensuring fire, slope and building safety; and electrical, gas, lift and escalator installations. Managing of smoke stop and fire doors, means of escape, fire resisting construction, access for firefighting and rescue, public telecommunications and broadcasting services installations, etc. constitute work that should be carried out by PM. The role of PM is of paramount importance to a building; good property management can not only enhance a building's life, but also ensure the safety of human life [10].

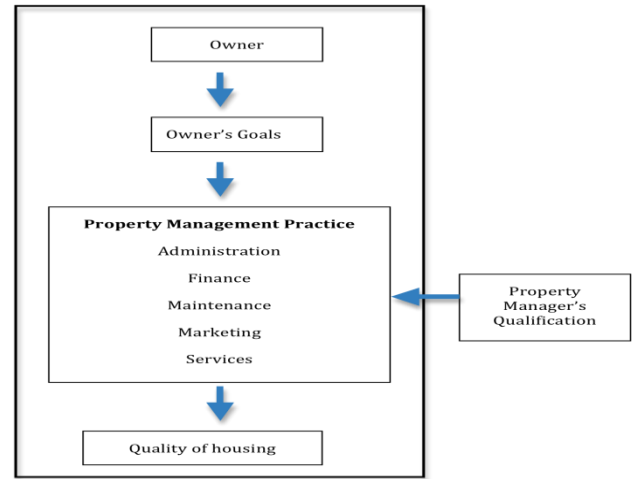
Concerning property management play a central role in building management, Malaysian Government under The Board of Valuers, Appraisers and Estate Agents has developed a Malaysian Property Management Standard to set out the major functional areas of the property management industry in Malaysia. The scope of work in the services of property management that outlined in the Standard are divided into chapters (Standards) such as building management, maintenance management, financial management, administrative management, insurance management, health, safety and emergency management and tenancy or lease management. Other country such as Hong Kong has also developed a framework to specified a standard of property management practices as shown in Figure 1 below:



**Figure 1** Major Functional Area of Property Management Industry in Hong Kong. Source: *The Hong Kong Qualification Framework*

As shown in Figure 1, property management matters require multi-disciplinary professional knowledge taking into consideration the internal and external environment.

Another researcher has developed a conceptual model specifically for residential property management as shown in Figure 2 below [11].



Source: Leslie (1996)

**Figure 2** A Conceptual Model of Residential Property Management

This model mainly focuses on the responsibilities of property managers to accomplish owner's goals. In general, their responsibilities normally include basic administration of employees, property files and records, managing the finances, maintenance of the physical assets, marketing the property and providing special services to residents. The above responsibilities are assumed to be of equal relative importance to each other, be direct affected by the property manager's qualifications and directly affect the quality of housing and the management.

In reviewing previous research, it is found that there is no standardized approach of residential property management currently being practiced. Recently, the overall approach of property management has taken a different emphasis.

### 4.0 RESEARCH DESIGN

The purpose of the study is to develop a framework of stratified residential property management services. In order to develop the framework, a comprehensive literature search for property management activities and its current practices in stratified residential properties were conducted. The property management activities and their attributes were established based on the literature review. Table 1 summarizes the main services and their attributes for stratified residential properties based on literature review.

**Table 1** Property Management Services and Attributes

Services	Attributes	
1. Administration	Work Order System	
	Service Contract Administration	
	Authorization Level	
	Management Agreements	
	Management Office Administration	
	Management Office Hours	
	Management Office	
	Contract Bidding	
	Staff Recruitment and Training	
	Performance Measurement	
	Policies and Legal Provisions	
	Clarity of Roles and Responsibilities	
	2. Maintenance	Energy Management
		Preventive Maintenance
Daily Inspection and logs		
Inventory Control		
Janitorial Maintenance		
Unit turnaround		
Functional Layout		
Indoor Air Quality		
Choice of equipment and materials		
Clean Water Supply		
Waste water and garbage disposal		
Lighting		
3. Tenancy	Tenant Relations	
	Tenant move in/out procedures	
	Tenant Contact List	
	Tenant Emergency Manual	
	Tenant Surveys	
	Space Measurement	
	Documentation & Processing	
4. Financial	Operation Reports	
	Balance Sheets	
	Management Fees	
	Tenant Billings	
	Collections	
	Purchasing	
	Budget	
	Security Deposits	
	Income Statement	
	Chart of Accounts	
	General Ledger System	
	Cash Flow Reporting	
	Cash Management	
	Mortgage Payments	
	Property Tax Accounting	
5. Record	File Management Standardization	
	File Retention	
	Computerized Information System	
6.Environmental and Community	Cleanliness of Common types of	
	Landscape design	
	Environmental Protection	
	Community development and	
7.Security and Safety	Life Safety System	
	Access Control	
	Emergency Preparedness and Crisis	
	Security Operations	

Services	Attributes
8. Insurance	Parking Operations
	Risk Management
	Incident Reporting/Insurance
9. Marketing	Certificates of Insurance
	Marketing Center
	Marketing Presentations
	Market Survey & Research
	Competitive Building & Lease
	Marketing Plans
	Broker Relations
	Prospect Development
Vacant Space Preparation	

These identified attributes for each activity were indicated as crucial factors that could affect the quality of property management services and were modified and validated by participants in the next stage of focus group discussion.

#### 4.1 Focus Group Discussion (FGD)

The purpose of FGD is to explore and obtain the view and experiences of practitioners on the issues and concerns about current practices of stratified residential property management in Malaysia. FGD allows for interaction among all the members of the group and permit participants to give detailed opinions on a topic [12]. This is a necessary input to make concrete findings on the way forward for property management framework development. Each participant was asked to provide recommendations based on their professional practice regarding the most significant identified attributes that affect the quality of property management services in stratified residential properties. Twelve individuals in total participated in the discussion. They represent organizations with an active role and a broad understanding of the residential property management industry.

Based on literature review and focus group discussion, a theoretical framework was developed. The framework was underpinned by eleven core activities and their major attributes that emerged from the research findings. These core activities and attributes have been identified both nationally and internationally as being crucial to the effective stratified residential property management service delivery.

## 5.0 RESULTS AND DISCUSSION

This section summarizes the results from analysis of questionnaires that were completed by 12 participants of Focus Group Discussion. The respondents had been working in the field of property management for different lengths of time.

### 5.1 Practitioner's Experiences on the Current Practices of Stratified Residential Property Management in Malaysia

Participants were asked to rank their perceptions on what types of property management services are provided for stratified residential property. The result from this question is shown in Table 2 below.

**Table 2** Analysis of Property Management Services

No	Service	Frequency
1	Maintenance	12
2	Administration	11
3	Financial	11
4	Record	11
5	Environmental & Community	11
6	Security & Safety	11
7	Insurance	10
8	Tenancy	7
9	Marketing	6
10	Other	3

All participants indicated that maintenance is the most common type of services provided specifically for residential property management followed by administration, financial, record, environmental & community and security and safety services. 10 out of 12 participant ticked insurance services and only 7 of them ticked tenancy. The most least services provided by property manager for residential property is marketing according to the feedback. Some participants also stated that other services that provided for residential property is upgrading and refurbishment. It is clear from the responses and discussions that tenancy and marketing services are not major services for the residential property. They agreed that management of residential property such as condominium only involve in managing the common area of the property such as retail lot, laundry etc.

One participants stated that they have no jurisdiction to interfere the owner tenancy, unless commercial building. For the administration, several participants stressed out that the critical part is statutory compliance including authority requirement and financial compliances. This aspects need to take into consideration.

For the financial service, one participant suggested that management of expenses also play the important part in managing the financial aspects. There was one suggestion that customer service management should be put in as one of service provided for residential property. The service delivery is about people satisfaction and quality of all aspects.

### 5.2 The Needs of Effective Property Management Service Delivery

For this part, participants were asked to rank their perception on the attributes for each service that would contribute to the effectiveness of property management. The findings from this part would help researchers to finalized the main attributes in measuring the effectiveness of property management service delivery.

**Table 3** Administration Services

Attribute	Mean
1. Work Order System	4.50
2. Clarity of Roles and Responsibilities	4.50
3. Service Contract Administration	4.33
4. Authorization Level	4.33
5. Policies and Legal Provisions	4.33
6. Management Office Administration	4.25
7. Contract Bidding	4.25
8. Management Agreements	4.17
9. Management Office Communications	4.17
10. Performance Measurement	4.17
11. Staff Recruitment and Training	4.00
12. Management Office Hours	3.58

There were 12 attributes for administration services that participants need to clarify and rank based on their experience and knowledge. As shown in Table 3. The highest score came from work order system and clarity of roles and responsibilities. Majority of participants felt that service contract administration, authorization level and policies and legal provision also considered as very importantly attributes of administration service. One participant mentioned that property managers need to understand the decision making process on the framework related laws for the stratified development area. They suggested that one new attribute named 'authority requirement' under administration for specifically focus on any requirements relates to government agencies such as certificates renewal. The remaining attributes also can be considered as important as most participants agreed that all the attributes need to effectively managed. One participant added that they need an efficient complaints management system under administration service.

**Table 4** Maintenance Services

Attribute	Mean
1. Daily Inspection and logs	4.42
2. Janitorial Maintenance	4.42
3. Preventive Maintenance Management Plan	4.25
4. Inventory Control	4.17
5. Clean Water Supply	4.00
6. Choice of equipment and materials	3.83
7. Energy Management	3.67
8. Functional Layout	3.58
9. Indoor Air Quality	3.42
10. Unit turnaround	3.33

For the maintenance services (Table 4), most of the participants indicated that daily inspection and janitorial management are two very important attributes. Participant also considered preventive maintenance management plan as a very important attribute that would affect the performance of maintenance service. Other very important attributes based on the result are inventory control, clean water supply, choice of equipment and materials, energy management and functional layout. Indoor air quality and unit turnaround were received less attention from the participants as they thought that these two attributes somewhat important in contributing to effectiveness of service delivery for residential property.

**Table 5** Tenancy Services

Attribute	Mean
1. Documentation and Processing	4.08
2. Tenant Relations	4.00
3. Tenant Contact List	4.00
4. Tenant move in/out procedures	3.92
5. Tenant Emergency Manual	3.67
6. Tenant Surveys	3.58
7. Space Measurement	3.33

Almost all participants thought the documentation and processing, tenant relations and tenant contact list were the main attributes for the tenancy service as shown in Table 5. It followed by tenant move in/out procedures, tenant emergency manual, tenant surveys and lastly was space measurement.

**Table 6** Financial Services

Attribute	Mean
1. Collections	4.92
2. Management Fees	4.75
3. Cash Management	4.67
4. Operation Reports	4.58
5. Balance Sheets	4.58
6. Tenant Billings	4.58
7. Security Deposits	4.50
8. Cash Flow Reporting	4.50
9. Budget	4.42
10. Income Statement	4.42
11. Purchasing	4.25
12. General Ledger System	3.92
13. Chart of Accounts	3.83
14. Mortgage Payments	
15. Property Tax Accounting	

Most participants were of the opinion that financial service is one of the main and important services for residential property management. During the discussion, all participants agreed that the most critical aspects in financial is management of collections. This contributed to the highest score received for collections and management fees as shown in Table 6 above. In addition, most participants reported that cash management, operation report

and balance sheet were also played a major role for property management service delivery. Interestingly, many participants felt that the mortgage payments and property tax accounting were not applicable in property management for residential property. Moreover, one participant suggested that audit report should be put under financial services. Another participant added that there is a need to consider calculation of service charge under financial services.

**Table 7** Record Management

Attribute	Mean
1. Computerized Information System	4.67
2. File Management Standardization	4.50
3. File Retention	4.33

The most important attribute for record management as in Table 7 was computerized information system followed by file management standardization and file retention. One participant suggested that property management organizations must utilize computer technology specifically to manage complains from customer. Another participant also raised concern about the differences between file management and file retention and also the clear classification of parcel owner and tenant. Another suggestion by the participant was to consider strata roll and licensing whether to put under file management or as new attribute.

**Table 8** Environmental and Community Services

Attribute	Mean
1. Cleanliness of Common types of buildings	4.75
2. Landscape design and maintenance	4.25
3. Environmental Protection	3.92
4. Promote community development and develop neighborhood relations	3.67

Participants in this focus group answered that cleanliness of common types of buildings was the most important attribute for environmental and community services. The other attributes also played an important role that could affect the quality of property management service delivery. Table 8 shows the results for this services.

**Table 9** Security and Safety Services

Attribute	Mean
1. Security Operations	4.58
2. Life Safety System	4.50
3. Access Control	4.50
4. Parking Operations	4.33
5. Emergency Preparedness and Crisis	4.17

It can be concluded by referring to Table 9 that all attributes under security and safety services were considered very important. One participant raised concern on what is life safety system. It should have clear definition. Security operation also need to clarified and can be divided into CCTV, fire alarm system, fire safety system, gas system etc.

**Table 10** Insurance Services

Attribute	Mean
1. Risk Management	4.58
2. Certificates of Insurance	4.58
3. Incident Reporting/Insurance Claim Forms	4.50

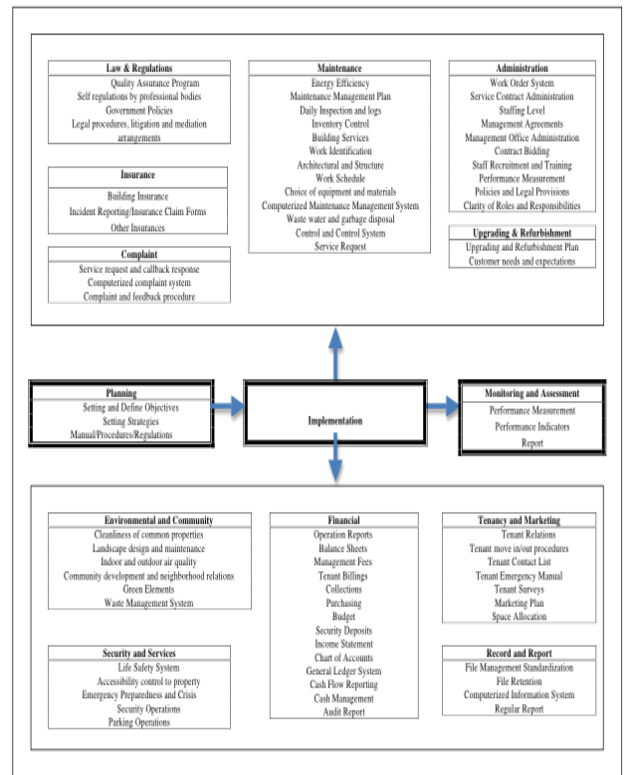
For most focus group participants, all attributes included under insurance services were very important.

For Marketing Services, participants in the group shared similar thoughts that marketing services is not applicable for residential property management.

### 6.0 FRAMEWORK OF STRATIFIED RESIDENTIAL PROPERTY MANAGEMENT SERVICES

The information provided by focus group participants provided a better understanding of current practices of stratified residential property management including the main attributes of each services. This allowed making appropriate adjustments to the identified attributes. As a result, some changes were made to the services and attributes. Using information and feedback from the focus group session, a framework of stratified residential property management services was developed as shown in Figure 3 below.

The framework consists of 3 stages of process which is formulation, implementation and monitoring and assessment. As reported in previous part, the literature review provided key activities and attributes for stratified residential property management services. The framework was developed from the literature review and emergent themes extracted from the focus group discussion (FGD). The literature review and FGD provided stratified residential property management activities as well as major attributes for each activity. Recognizing the importance of strategic planning as suggested by several authors, the researcher developed a process-based framework that links all stages required to plan-implement-monitor the management process in strategic approach by considering the critical attributes that would effects the effectiveness.



**Figure 3** Framework For Stratified Residential Property Management Services

### 7.0 CONCLUSION

Due to an increasing number of stratified residential and rising awareness that the greatest problems of ineffective practices are to be found in such properties, the management of properties where owners have a responsibility for common and shared parts has become the focus of greater debate globally. The property management activities are very much concerning the delivery of services which the property asset could provide to all stakeholders including property owner, occupiers and property management service providers. PM services today are also associated with achieving various short and long term objectives that seeks to control the interest of the owners and potential buyers as far as property price is concerned and also to meet customers satisfaction.

The paper outlines the review and identification of property management activities for stratified residential property. Despite a range of standards, guidelines and codes of practice being in place, there is no commonly accepted management framework which consumers can refer to when appointing or assessing the performance of property managers. It is believed that an understanding of the context and a consideration of the individual elements of the framework for this management will lead to more effective and efficient performance.

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