

How good management can enhance property values



MANAGEMENT MATTERS: Chris cites real life examples of how two condominiums experienced good price appreciation after a change in management

The concept of living in a strata property with a shared common property goes back far into history. The word 'condominium' originated during the Roman times. This subject matter has been given more prominence particularly of late as more and more developers build this particular type of property and as a result, more people are moving in to inhabit these buildings.

Strata title was first introduced in 1961 in the state of New South Wales, Australia, to better cope with the legal ownership of apartment blocks. Since then, other countries including Malaysia have adopted it.

Strata properties are parcels of properties in a building subdivided into separate parcels with a shared common property. Common property is used by the occupiers of the building but is owned by the body corporate. The body corporate is called the Joint Management Body (JMB) when the strata titles of the individual units are not yet issued. When the titles are issued, then the name of the body corporate is changed to Management Corporation (MC). Examples of properties with strata titles are office suites, apartments, condominiums and townhouses.



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Strata titles are essentially titles to airspace occupied by a building or part of a building over or above a parcel of land. The plan provides for separate titles for sections of the air space within the building. What is interesting was that an amendment to the Strata Titles Act in the year 2010 saw the introduction of a new concept then termed the 'landed strata property'. This means that landed properties can have strata titles as well such as those found in Desa Park City.

The present laws governing strata property are the Strata Titles Act 1985, the Building & Common Property (Maintenance & Management) Act 2007 and the National Land Code 1965.

The Building and Common Property (Maintenance and Management) Act 2007 governs those strata properties that have not yet been issued with strata titles while the Strata Titles Act 1985 governs those that have been issued with the same.

The Strata Titles (Amendment) Act 2013, Act A1450 was gazetted on Feb 7 2013 and the Strata Management Act 2013, Act 757 was gazetted on Feb 8 2013. The date of coming into effect of these Acts has yet to be determined

by the authorities. Once the Strata Title Management Act 2013 is enforced, the Building and Common Property (Maintenance and Management) Act 2007 would be repealed.

All the above shows that we must understand and appreciate the role property management plays in enhancing property values. Malaysians are still not very good at living in a stratified environment where one person's action or inaction affects another and the value of the building. We can easily witness strata properties around us that have dissipated in their values as a result of poor upkeep; the non-payment of monthly maintenance fees, etc. We sometimes do not want to take charge of our assets only to find out later that it is a little too late.

Case scenarios

1) Summerville is a leasehold condominium that is about 20 years old located in SS12 Subang Jaya. It's nestled nicely in its beautiful surrounding of lakes, parks, two hotels and the Sime Darby Medical Centre.

Prior to 2005, the condominium had had break-ins regularly and the upkeep of the place left much to be desired. Then in 2005, the owners finally took charge and changed the property manager to a better one. The sinking fund was used to repaint the exterior of the building.

Then from 2009 to 2010, the lobby area was fully refurbished and all the entrances were fitted with devices that only allowed entry and exit via access cards. This provided added security for the residents. Landscape was also redone and improved on extensively and digital clock-in devices were placed just before the entrance of every unit on every level of the condominium where the patrolling guards would clock-in every 20 minutes. Since 2009, there

were no reported break-ins at the condominium, thanks to the brilliant job of the Security Committee.

As a result of the above, we have seen values improved as shown in **Table 1:**

Table 1

Year	Price in psf (RM) for a 1,840 sq ft unit
2004	206
2005	206
2011	244
2012	348

Sources: *Jabatan Penilaian & Perkhidmatan Harta & The Star.*

Values have increased by a large margin of 69 per cent since 2004 and 2005.

Currently, the advertised prices for a similar sized unit is RM364 per sq ft.

2) Tiara Kelana is a leasehold condominium located in Kelana Jaya. This condominium is about 18 years old.

My friend used to condemn the place as he owned a unit there and was living there in 2002. The place at the time had quite a bit of questionable looking people and the notorious students who were used to making loud noises. The place was unclean, the landscape was poorly managed and break-ins were common.

My friend purchased a 1,595 sq ft unit located at the highest level, 12th floor @ RM 180,000 in 2002 (RM113 psf). It was a foreclosure sale. He sold it in 2004 for RM220,000 (RM138 psf). With bank's interests, legal fees, stamp duty on MOT (Memorandum of Transfer), etc which he had to pay, he actually made a loss of RM 6,000 when he sold it in 2004.

Then in 2010, things started to take a turn for the better with the

change of property manager. Since then, the condo has experienced great improvements in the security of the area provided by the security guards and the implementation of a strict policy of tenant management where the questionable people and notorious students were weeded out. Re-painting of the exterior was also done.

I know someone who had bought a unit there in 2010 @ RM145 per sq ft for a 1,725 sq ft unit. The original price the seller had bought from the developer in 1995 was RM177 per sq ft. At the moment, the average advertised prices for a same-sized unit is RM328 per sq ft! Of course, having the new Paradigm Mall nearby helped as well.

The table below summarises the improved values over the years based on actual transacted prices for a 1,725 sq ft built-up unit. (See **Table 2**)

Table 2

Date of sale	Price transacted (psf)
22 March 2001	169
31 January 2011	174
11 January 2012	203
17 January 2013	342

Source: *Jabatan Penilaian & Perkhidmatan Harta*

From the table above, one can see that there has been a huge increase in value of 102 per cent since 2001.

In conclusion, from the two examples above, one can see the pivotal role that property management plays in enhancing the value of property.