

Transforming The Nation : Asset Management and Sustainability

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- What is Asset Management ?
- Why do we need Asset Management ?
- What are the benefits of Asset Management ?
- Concept of Sustainability and Asset Management
- Stakeholders
- Impact of Sustainability on Asset Management
- Issues
- Conclusion

What is Asset Management?

Asset Management is a systematic process which allows for the maintenance, upgrading and operation of our physical assets in a cost effective manner.

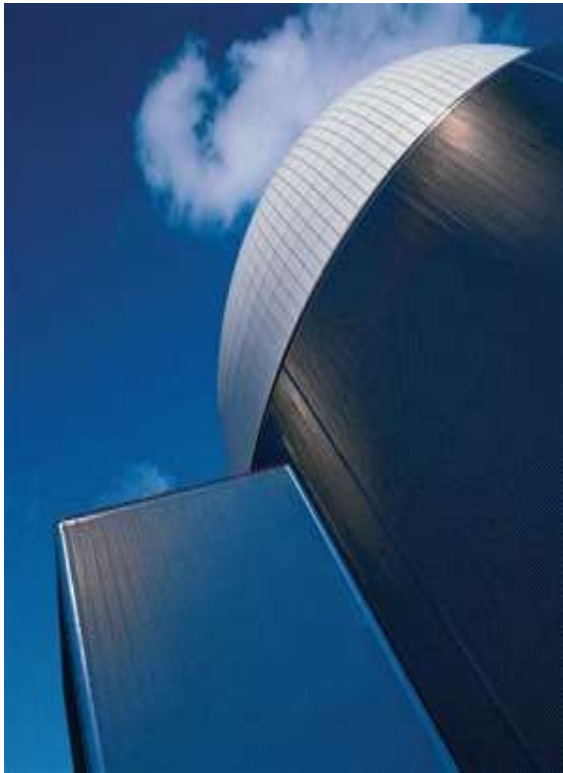


Why do we need Asset Management?

- Existing buildings and facilities are ageing
- Increased demand for better buildings and facilities
- Higher standards for safety & health
- Environmental protection concerns
- Comply with regulations



What are the benefits of Asset Management?



- Facilitates the establishment of policy objectives and related measurement of performance
- Avoids problems and potential crisis
- Provides better and consistent levels of service for investors, owner occupiers, tenants and users
- Reduces life cycle costs
- Incorporate sustainability measures

Concept of Sustainability and Asset Management

▪ **Sustainability**

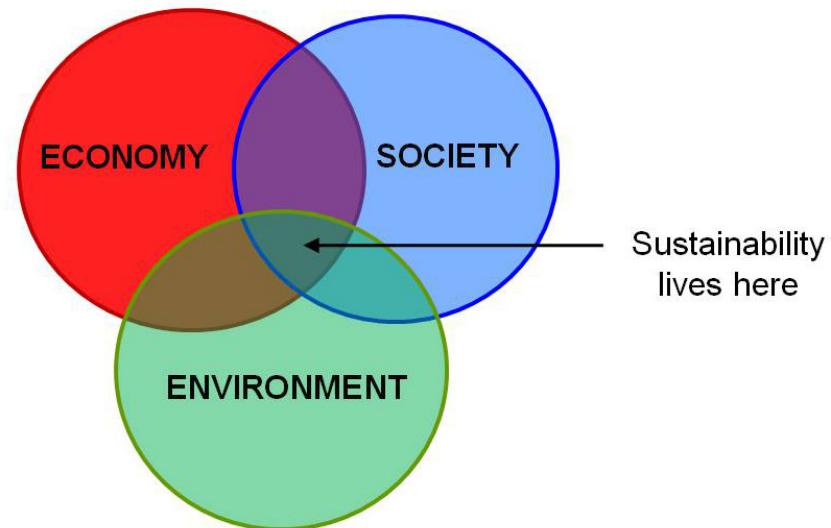
Adopting principles which more effectively utilise resources for current and future generations of people, with joint consideration to the economy, society and the natural environment

▪ **Key considerations**

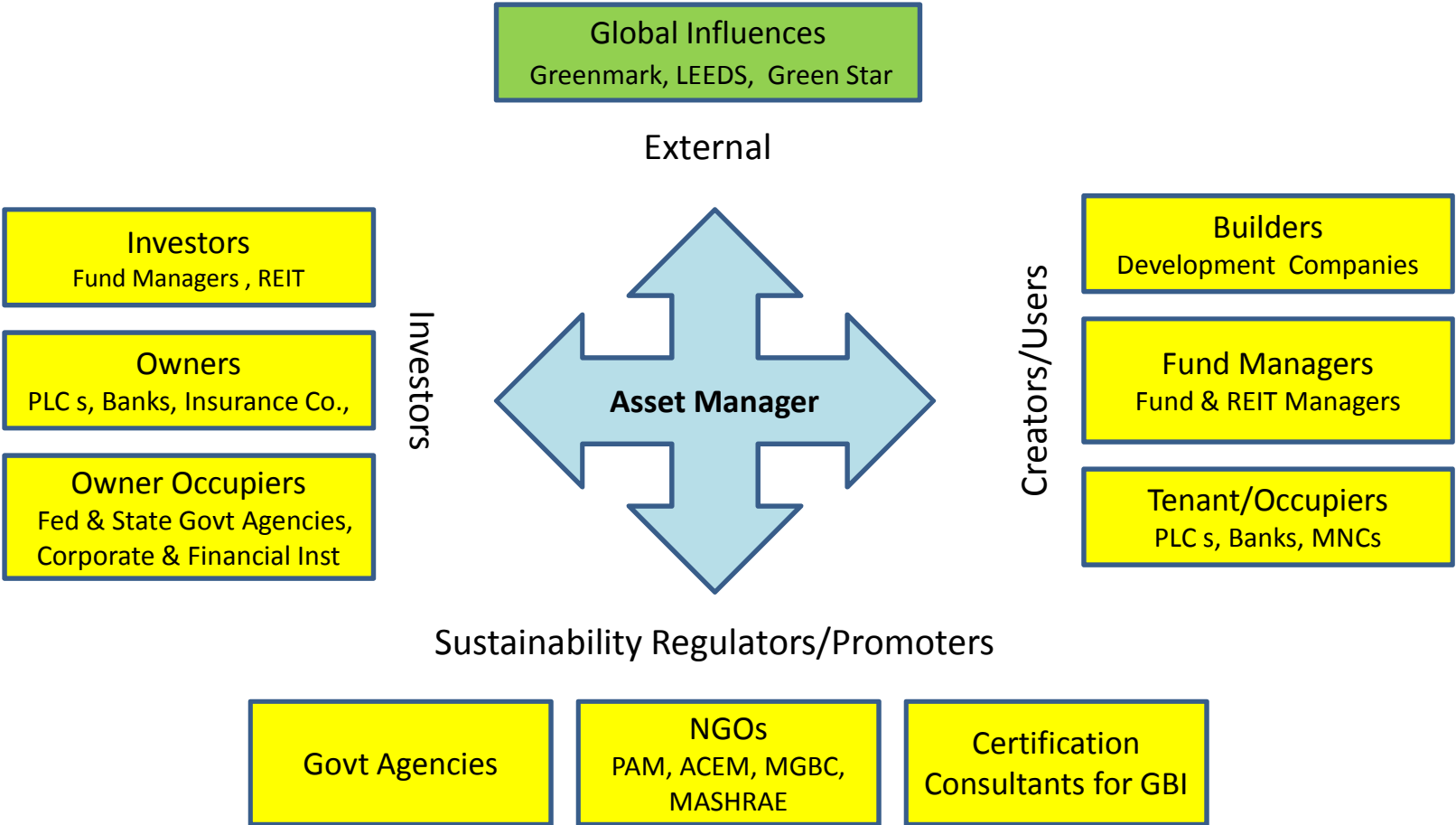
- economic values
- social recognition
- environmental friendly

▪ **Industry Awareness**

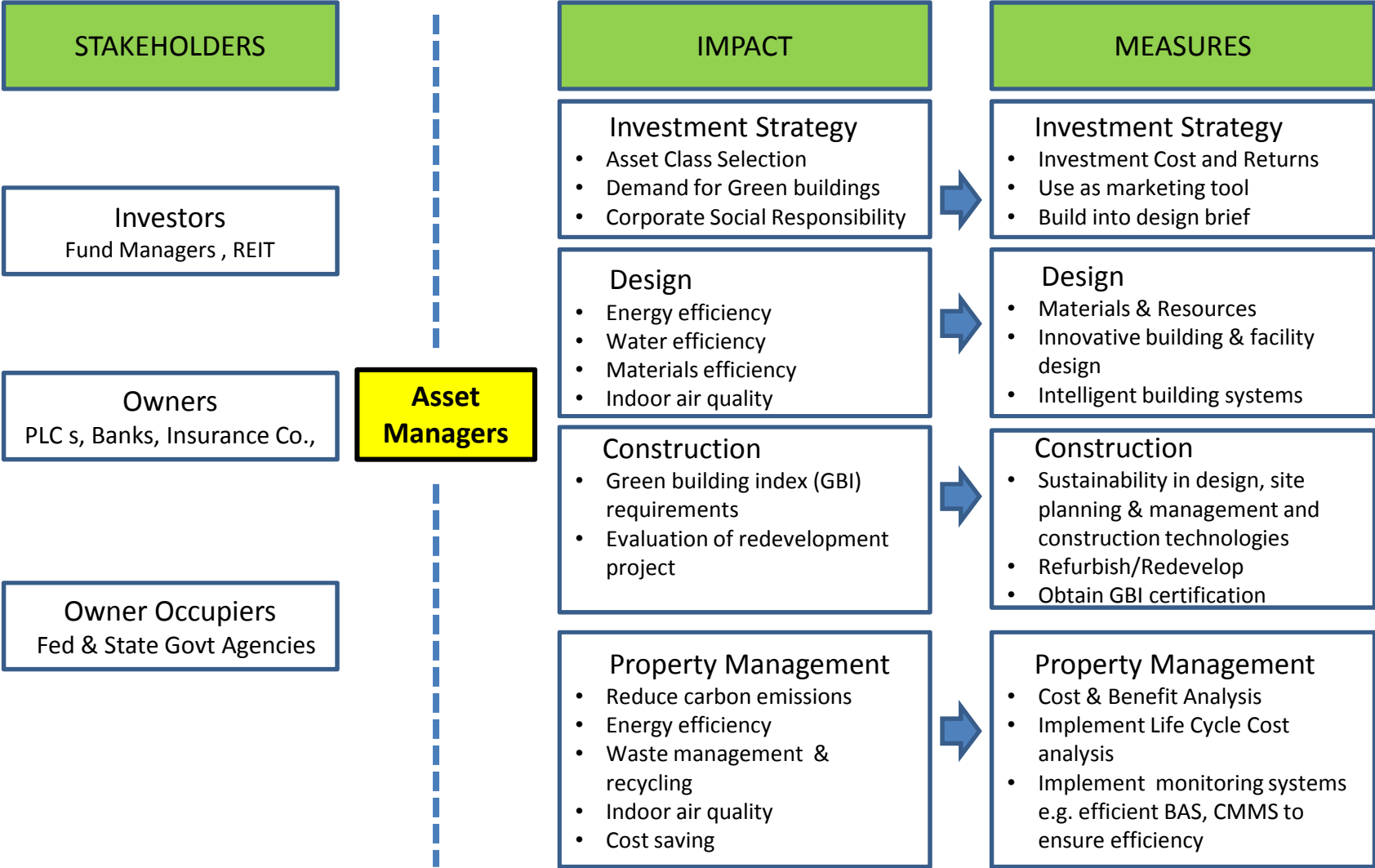
Sustainability now forms part of a wider agenda of corporate responsibility as well as regulatory compliance which can be incorporated into asset management practices



Stakeholders



Impact of Sustainability Asset Management



Investment Performance

- **Impact on Asset Value**
 - Net rental level and growth potential
 - Capital flows and valuation

- **Cost of Capital**
 - Direct impact – greater risk due to impact by environmental and social factors on cash flows
 - Indirect impact - comparison against competing asset classes.

Impact on Property Value

- **Market Valuation**

- Consideration on quality of building & facilities, tenant profile, security of tenure, rental revenue, operating costs and risk premium in deriving a discount rate

- **Rental Revenue**

- Leasing structures – MNCs with CSR policy require green building features
- Green practices requirements increasingly being incorporated into leases - impact on rent reviews if not complied with

- **Operating Costs & Capital Expenditure**

- Design for building efficiency – energy and water efficiency
- Life Cycle Costing – evaluate the cost incurred by an asset over its useful life to find the optimal cost solution taking into account sustainability principles

Marketing Driven Demand

- **Increasing demand for sustainable developments**
 - Demand by MNCs for green buildings - environmentally friendly CSR policy
 - Incentives for GBI certified buildings
 - New buildings need to comply with green features

- **Opportunity to create Demand**
 - Repositioning and rebranding of existing assets
 - Packaging the asset with the green/sustainability branding

- **Strategies**
 - Passive – minimum effort to keep up with the sustainability requirements
 - Proactive - innovate with sustainability to enhance competitiveness and performance

- **Analysis of Key Performance Indicators (KPI)**
 - Data collection to analyse and measure KPI
 - Measurement of the impact of these KPI on investment

- **Early Involvement of Asset Managers**
 - Need to recognise the role of the Asset Manager at inception stage
 - Implement value reengineering in relation to repositioning and rebranding of existing buildings and facilities

- **Cost & Benefit Analysis**
 - Cost & Benefit equation versus cost reduction



- Sustainability principles form part of the wider agenda of corporate responsibility
- Investors are seeking companies to adopt sustainability as part of pursuing best-practice.
- Sustainability considered as a risk-management tool for the Asset Manager
- Asset Managers need to develop strategies for managing risks and converting these into business opportunities
- Justifying the value of green assets versus construction cost will be a challenge
- Competitive advantage for industry players who effectively implement sustainable practices.

Thank You.

