

PROPERTY ASSET MANAGEMENT: STATE OF THE ART AND PROPOSALS OF ACTION

DESIREE SANDOICA PARIS and MANUEL SOLER SEVERINO

*Dept Construcción y Tecnología Arquitectónicas, ETSAM,
Universidad Politécnica de Madrid, Spain*

Currently, in the Spanish market, some entities possess considerable amounts of property assets, as we have seen in large holders: banking entities, public hospitals, developers, etc. Property assets are the slowest resources of an entity, when it comes to answering to changes, due to the complexities associated with the purchase, sale, lease, alteration, development of property assets, etc. For these and many other reasons, all the activities related to property assets, take more time than expected and are generally more expensive than in the initially budget. Then, why are there so many organizations that are surprised repeatedly, for the delays, the shortage of funds or with buildings that do not match with the initial expectations? That is why, the vast majority of organizations, cannot align the disposition, quality and efficiency of property assets with their current business strategy, that is, they are poorly managed. There is a necessity to develop the Property Asset Manager figure, in order to achieving at least similar numbers to our neighboring countries (UK, France, Germany, etc). For this to happen, we have studied, researched and analyzed diverse documentations, especially at an international level. We need to develop a definition, functions and methodology that helps to create a specific field in Spain.

Keywords: Property asset manager, ISO 55000, ISO 55001, ISO 55002, Project manager, Spain.

1 INTRODUCTION

Currently, some entities possess considerable amounts of property assets, as we have seen in large portfolios: banking entities, public hospitals, developers, etc.

Property assets are the slowest resources of an entity, when it comes to answering to changes, due to the complexities associated with the purchase, sale, lease, alteration, development of property assets, etc.

For these and many other reasons, all the activities related to property assets take more time than expected and are generally more expensive than in the initial budget. Then, why are there so many organizations surprised repeatedly, for the delays, the shortage of funds or with buildings that do not match with the initial expectations?

The objective of the present article is to analyze a new agent that, exercising an internationally recognized activity, in Spain is without adequate description or non-existent.

After an analysis of the figure of Property Asset Management in the Spanish property sector, we have found a growth of this figure, which is gradually being adopted, as foreign developers request their services and local developers are becoming aware of the scope of their services.

In addition, Property Asset Management does not have a definition, nor a description of its functions and does not have an applicable methodology in Spain.

With all this information from the start, we have had many questions about the Spanish situation of Property Asset Management, such as:

- Is there an association that represents it at a company or professional level?
- Is there any specific degree in Property Asset Management?
- Is there any Property Asset Management certification?
- Is there a legal regime of the Property Asset Management figure?

2 STATE OF THE ART

We carried out an investigation in the property sector in the most important associations about Management, in Spain (AEDIP 2016, IFMA 2016, ASPRIMA 2016). In addition, another research was carried out on the existence of a specific degree or certification of Property Asset Management in the Spanish Universities or in the Institutions with official Masters (IE 2017, MEDIP 2009).

After this investigation, there was no evidence of any courses, masters or specific degrees about Property Asset Management in Spain and that the only specific and enabling certifications are those of the IAM, RICS, PMM (IAM 2017, RICS 2017, PMM 2017), etc.; which have an international character.

Given the lack of an adapted description to the Spanish market, we have studied, investigated and analyzed various documents, especially of an international nature, to establish what this Agent consists of, what there functions and activities are, and the period of their service, as well as the discipline in which it moves:

2.1 Definition

If we take into account the definitions of the Institute for Asset Management (IAM 2006, IAM 2012), we can say:

- **Property Asset Management:** It is a discipline that allows the alignment of strategies and objectives of the business thanks to the management of the life cycle of the property assets of the organization.
- **Property Asset Manager:** It is the manager that integrates key operational factors of the organization (people, property assets, product manufacturing or service provision, price, location, etc.). It is proposed as the exclusive delegate of the developer to the rest of the Agents involved during the Life Cycle of a Property Asset, in order to reach the expectations of the Property Asset Manager, the project and the end user.

2.2 Functions

According to the Institute for Asset Management (IAM 2006, IAM 2012), the main function of Property Asset Management is the process that aligns the strategies and objectives of the business through the management of the life cycle of the organization's property assets, ensuring the optimization of said Assets, so that they support better the business.

2.3 Methodology

The Institute for Asset Management (IAM 2017) and the British Standards Institution (BSI 2017) launched a project on a standard for physical asset management known as BSI PASS 55.

In 2010, the ISO technical committee decided to create an international standard for asset management based on PAS 55 document. AENOR, in collaboration with other accreditation and standardization bodies, developed ISO 55,000 on Asset Management. The ISO Standard (ISO 55000 2014, ISO 55001 2014 and ISO 55002 2014) states: *“The basic process for effective management of property assets underscores the essential interrelationship between the business processes and processes of property assets themselves.”*

And later, it goes on to say: *“The principles by which the organization proposes to apply asset management to achieve its organizational goals are set out in an asset management policy. The approach to implementing these principles is documented in the Strategic Asset Management Plan (SAMP).”*

Clearly, the SAMP will be extended taking into account the life cycle of property assets. The SAMP aims to guide asset management to develop plans that establish what to do and what activities are to be undertaken. As discussed in ISO 55000 (ISO 55000 2014): *“The property asset planning process will then begin with the analysis of property asset management to understand the exact needs of the business in terms of space requirements: location, size, necessary facilities and so on. This plan will also establish how the current portfolio of property assets will be adapted to better meet the needs of clients’ businesses.”*

2.4 Property Asset Life Cycle

As we have commented, the management of the property asset is performed throughout the life cycle of property assets, and therefore, it is essential to define it. All property assets have a beginning and an end, the process that constitutes the whole process we call the Life Cycle. The life cycle of property assets is born from the very idea of carrying out an activity that involves the assets, their development, going through the stages of project, design, purchase or execution, start-up, operation and maintenance, until their eventual recycling, discard or final disposal.

There are three phases, which we have considered the most important by bringing together a large number of sub phases: Asset Creation or/and Acquisition Phase, Life Phase, and Rationalization or/and Elimination of Assets Phase. Each of the three phases mentioned above is analyzed below:

2.4.1 Asset creation or/and acquisition phase

When an organization has decided to make a capital investment to achieve its strategic plan, the following four strategies are the most commonly chosen by organizations:

- Acquisition of existing assets of another organization.
- Construction of new assets, either in new areas or as additions to existing facilities.
- Replacement of existing assets at the end of their useful or economic life.
- Renovation of existing assets to extend their useful life.

Usually, the management in the Creation and Acquisition phase of property assets has four major sub-phases listed as follows:

- **Conceptual:** The Property Asset Manager defines your project team. The team confirms the outputs, benefits and criteria of success (financing, health and safety and client objectives, etc.).
- **Definition:** The Property Asset Manager explores one or more options and selects the one that best satisfies the project results within the constraints of the project success criteria.
- **Implementation:** The Property Asset Manager acquires the solution to the approved project, with detailed objectives of time, cost, quality, etc.
- **Delivery and closing:** The finished project is delivered to the end user. The Property Asset Manager determines whether the expected benefits have been accomplished and the learned lessons are identified or not.

2.4.2 Useful life phase

A Property asset has a total life, which we could define as the statistical average that reflects the life expectancy of such good expressed in years, under normal conditions of operation and maintenance. Of course, what the Property Asset Manager has to look for is the useful life, that is, the probable life in which the Property Asset is expected to serve within the limits of economic efficiency. Within this phase, there are two large sections that we call Maintenance and Operations. Below we detail each one of them:

- **Maintenance:** The overall objective of maintenance is to ensure that assets remain safe and operational to meet their service and performance obligations. The maintenance phase usually takes a significant amount of time and represents a significant proportion of an organization's budget. Maintenance takes many forms and needs to be properly determined and documented for assets in accordance with the Asset Management Strategy and Asset Management Plans, the most significant of which are: Inspection, Testing and Monitoring, Preventive Maintenance, and Corrective maintenance.
- **Operations:** Property asset transactions are critical to achieving an organization's objectives and service delivery requirements and therefore it is important that Property Asset Managers provide guidelines on how to operate property assets within appropriate operational parameters. An asset management strategy would define the organization's approach to ensuring that assets or asset systems meet their functional requirements, operate to deliver the required level of service, meet all legal and technical requirements for health, safety, physical, functional, and financial levels of performance.

2.4.3 Rationalization or/and asset elimination phase

In general, the buildings have an approximate life expectancy between 50 and 75 years; although, in reality, this interval can be smaller. After this time, the building requires for its survival a general or partial intervention. Within this phase, there are two large sections that we call Evaluation and Disposal, recycling or sale. Below we detail each one of them:

- **Evaluation:** By monitoring, measuring, analyzing, and evaluating their property assets, the importance of such assets can be reviewed in relation to the proposed results, objectives and requirements of the product or service as well as to verify the Applicability of the objectives of asset management. In this way, it will be possible to evaluate and support the decision making (situation, environment, use, etc.)

- **Disposal, recycling, or sale:** It is the decision-making about the property asset, once this evaluation is made. Among other activities, we have: Disposal of the asset, Total or partial rehabilitation, sale of the asset, etc. This phase would close the cycle of the Asset Life Cycle.

3 PROPOSAL FOR ACTIONS

The vast majority of organizations, cannot align the disposition, quality and efficiency of property assets with their current business strategy, that is, they are poorly managed. There is a necessity to develop the Property Asset Manager figure, in order to achieving at least similar numbers to our neighboring countries (UK, France, Germany, etc.). Our two proposals are:

- (i) General development of Property Asset Management:
 - a) Develop a definition, functions and methodology to help create a specific training in our country.
 - b) The appearance of new associations or their incorporation to the existing ones as Agents with their own identity.
 - c) The appearance of new masters, courses, etc. that will develop the figure.
 - d) The appearance of biography adapted to the Spanish market
- (ii) Development of the obligations of the Property Asset Manager:
 - a) Being in possession of the **professional title** or **training** that enables the fulfillment of the conditions required to act as Developer delegate. In the Anglo-Saxon countries, professional certification is compulsory for recognized Associations, for example: IAM, RICS, etc.
 - b) Assume the functions of the **Developer** in relation to the agents involved in the Process, assuming their representation and decisions.
 - c) Underwriting **Insurance** to guarantee their performance against third parties.
 - d) Comply with legal provisions affecting it, including liability arising from existing contracts.

4 CONCLUSIONS

Within the new Agents of the property sector, the last figure to appear is the Property Asset Manager. As has been progressing the knowledge of their services, by the customers, who have been hiring these agents, unless they knew them as being regular services in their countries of origin.

From our point of view, one of the consequences of the crisis is that the developers want to have a greater professionalism of the agents involved in the building and property process, which forces this figure to have some knowledge under the umbrella of a University Degree or a Master, or a Certification. Therefore, it is necessary to search for sources of content through professional courses that contain the knowledge requested, to establish guarantees and avoid intrusion in a sector significantly affected by the crisis.

The most important consequence of the work carried out is the necessity to promote the development of the Property Asset Management figure given the existence and development of this activity in Spain and the need of the sector in general for a professionalization of services.

References

- Asociación de Promotores Inmobiliarios de Madrid (ASPRIMA), 2016. Retrieved from <http://www.asprima.es/> in May 2016.
- Asociación Española de Dirección Integrada de Proyecto (AEDIP), 2016. Retrieved from <http://aedip-project-management.com/> in May 2016.
- British Standards Institution (BSI), 2017. Retrieved from <https://www.bsigroup.com> in January 2017.
- Instituto de Empresa (IE) Business School, IE Executive Programme in Property Management, 2017. Retrieved from <http://www.ie.edu/executive-education/industry-programs/real-estate-building/> in January 2017.
- Institute for Asset Management (IAM), *The IAM Handbook*, Version 3, August, 2006.
- Institute of Asset Management (IAM), *Asset Management – an Anatomy*, Version 1.1, February, 2012.
- International Facility Management Association España (IFMA), 2013. Retrieved from <http://ifma-spain.org/> in May 2013.
- ISO 55000:2014, *Asset Management: Overview, Principles and Terminology*, ISBN 978-0-580-75127-1, 2014.
- ISO 55001:2014, *Asset Management: Management Systems-Requirements*, ISBN 978-0-580-75128-8, 2014.
- ISO 55002:2014, *Asset Management: Management System-Guidelines for the Application of ISO55001*, ISBN 978-0-580-75129-5, 2014.
- Master en Dirección Integrada de Proyectos de Construcción (MeDIP), 2009. Retrieved from <http://www.medip.es> in May 2016.
- PMM Business School (PMM), MBA Business & Physical Asset Management, 2017. Retrieved from <http://pmm-bs.com/master-gestion-de-activos/> in January 2017.
- RICS, Royal Institution of Chartered Surveyors, 2017. Retrieved from www.rics.org/ in January 2017.