

THE IMPORTANCE OF THE PROPERTY MANAGEMENT COMPANIES AS CONDOMINIUM JURIDICAL PERSONS

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This study examined Bangkok's condominium management system with a particular focus on the role of property management companies as members of juridical persons. The number of condominiums in Bangkok has been proliferating rapidly, particularly in areas near the mass rapid transit system. The Thailand Condominium Act requires that a condominium juridical person be registered upon transfer of ownership of the first condominium unit. This study's analysis of data collected from interviews with 16 condominium juridical persons found that there are three types: 1) property management companies; 2) juridical person employees; and 3) a combination of 1) and 2). All but one condominium—which used the mixed management type—had hired property management companies to oversee management and maintenance. Reasons cited for this overwhelming preference included insufficient management and maintenance knowledge among juridical employees, and limited beneficial connections with outsourcers and suppliers among juridical person employees. The interview results demonstrate that the responsibilities of property management companies extend beyond their job description and include caring for residents, seeking solutions for condominium problems, and creative thinking for innovative proposals for alternative management practices.

Keywords: Management and maintenance, Problem, Interview, Duty, Bangkok.

1 INTRODUCTION

1.1 Background

Before 1979, there were no condominiums in Thailand. Residences were limited to detached houses, row houses, apartments, and leaseholds (a type of building similar to a condominium), and no laws or regulations existed to protect the rights of residents living in the same building. In 1979, the government enacted the Condominium Act, which led to the development of a condominium construction industry in Bangkok, with over 900 buildings during the first 15 years (Real Estate Business Promotion Bureau 2018). The construction of a mass rapid transit system improved accessibility and increased travel convenience, thus further stimulating condominium construction. Figure 1 shows the proliferation of condominiums constructed in Bangkok from 1979 to the present. In January 2018, there were 748,123 condominium units in the city.

The Condominium Act requires a condominium juridical person to manage and maintain in common property areas and a real estate company must register a condominium juridical person

upon transfers in the first unit’s ownership (Suvisit and Roachanakanan 2011). A condominium juridical person refers to a group of people who registers under this Act as a non-human legal entity, in other words any organization that is not a single natural person but is authorized by law with duties and rights and is recognized as a legal person and as having a distinct identity. A group consists of one manager and committees.

Real estate companies have had a dominant role in condominium unit sales; however, they often have little involvement in management or maintenance services due to the smaller profits available to them in these domains and the lack of staff with the required skills and experience. In response, numerous property management companies have been founded, and there are currently 632 such companies in Bangkok (Table 1) (Department of Business Development 2018).

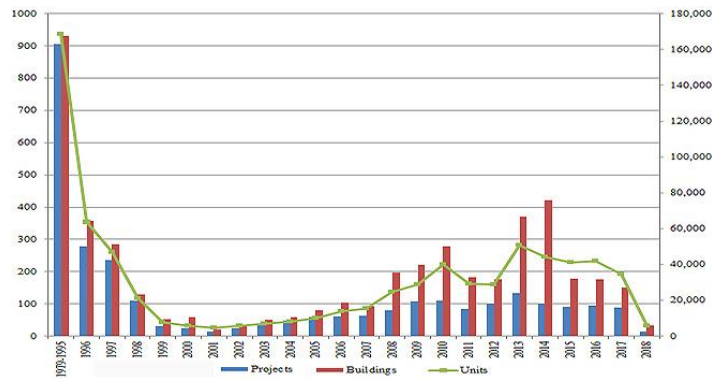


Figure 1. Condominiums in Bangkok.

Table 1. The number of property management companies in Thailand.

Region	Numbers		
	2016	2017	2018
Bangkok	601	620	632
Central region	146	157	162
Eastern region	452	479	480
Northeastern region	28	30	32
North region	33	35	39
South region	336	426	459
Western region	24	29	28
Total	1,620	1,776	1,832

Previous researches show that in the past, the owner of the project is the person who manages the condominium. The first property management company was hired to manage the condominium in 1981 (Sangsuwan 1999), the management system for mid-income condominiums in Bangkok can be classified into four types and all types have hired the property management companies to support in condominium management (Meesiri 1999), the duty of the property management company has changed to manage the relationship between residents (Rattanaprichavej 2016).

However, it is often difficult to find a person with the required maintenance and management skills to serve as both the manager and a committee board member of the condominium juridical person. Therefore, the condominium juridical person is often required to hire a property management company to maintain the condominium building and manage its operations. This

paper aims to explain the condominium management system in Bangkok and better understand the significance of property management companies as condominium juridical persons.

1.2 Objectives

This study aims to investigate the management of condominium juridical persons and examine the management process of property management companies. This paper focuses on the mid-range condominium segment, which comprises condominiums priced between THB 70,000–100,000 per square meter (1 USD equals about 32 THB), and the city condominium segment, which consists of condominiums priced lower than THB 70,000 per square meter (The Thai Real Estate Association 2017)

1.3 Methodology

This research involved the distribution and analysis of interviews focusing on the importance of property management companies as condominium juridical persons. First, we reviewed the previous research about condominiums in Bangkok, including journal articles, books, dissertations, and studies performed by the Real Estate Information Center and the Department of Lands. Second, information was collected from interviewees living and working in condominiums, namely six committee members, three juridical person managers, seven area managers, 14 building managers, four assistance-building managers, and two management staffers. Interview topics were related to the management systems, maintenance plans and problems that occurred in the management of condominiums.

2 THE CONDOMINIUM JURIDICAL PERSON

As mentioned above, Section 31 of the Thailand Condominium Act requires that a real estate company must register a condominium juridical person at the Department of Lands upon transferring the first condominium unit to the customer, and Section 33 stipulates that the duly registered condominium juridical person “shall have the objectives to manage and maintain the common property with the power to do any reasonable acts for the benefits of the said objectives” (Tantikulan 2008). A condominium juridical person is a team consisting of one manager who may be a natural person or a juridical person and a committee board comprised of co-owners not less than three persons but not exceeding nine persons. The paragraphs below elucidate some important elements of the condominium juridical person system.

Information from interviews with 16 condominium juridical persons found that there are three categories of condominium juridical persons in Bangkok: 1) property management companies 2) condominium juridical person employees and 3) a combination of a property management company and condominium juridical person employee. All but one condominium—which used the third type—used the first type to oversee management and maintenance of the condominium. The first type is by far the most common form because it is difficult to find personnel with the required expertise and experience in management and maintenance to perform all the functions of condominium juridical person employees. Co-owners such as committee board members and residents often lack sufficient knowledge in these areas. When these co-owners hire a property management company, they are procuring a management team to support the condominium juridical person by providing staffing at the condominium building. Core members of such a management team include a building manager, administrator, accountant, and technician. Survey data identified the number of staff in a management team as ranging from 4 - 15 people per site, depending on the budget of the condominium juridical person and the scale of

the project. Table 2 displays the number of members and duties of each member in a condominium juridical person, and Table 3 presents information on management team numbers gleaned from the interviews.

Table 2. Condominium juridical person members and duties.

Member	Source	Number	Duty
Committee board	Co-owner	3–9	-Monitoring and control the work of management team -Arranging the meeting at least once every six months
Juridical person manager	-Co-owner -PMC -Natural person	1	-Sign an important and transaction documents -Providing security operations or taking actions in maintaining peace and order within the condominium
Management team: Building manager	PMC	1	-Manage the condominium in good condition -Monitoring the staff team working
Administrator	PMC	1–2	-Make the documents and keep the input-output documents -Coordinate about equipment and supplies purchasing
Accountant	PMC	1–2	-Make a document about revenue accounts and expense accounts -Keeping all accounting documents
Technician	PMC	2–5	-Controlling, checking and repairing the equipment and mechanical systems -Make a memo of maintenance systems

Table 3. Information of condominiums and property management gleaned from the interviews.

Condos Name	Developer	Project Area (m ²)	Property management company	Number of management team	Type of property management company
A	Pruksa	3,466	OPM	4	Independent
B	Pruksa	3,688	One Property	4	Independent
C	Pruksa	12,640	SMC	10	Independent
D	Noble	2,328	VPC Asia Pacific	7	Independent
E	NHA	n/a	CEMCO	4	Independent
F	NHA	n/a	QPM	10	Independent
G	NHA	25,651	Royal Fame	10	Independent
H	Asia Stars	3,992	Grand Estate	5	Independent
I	Rojana	3,920	JLL	12	Independent
J	SC Asset	6,140	U Life	7	Independent
K	Supalai	16,360	PMC	10	Independent
L	Land&House	10,348	Vertical	7	Independent
M	LPN	4,932	LPP	5	Subsidiary
N	LPN	12,800	LPP	7	Subsidiary
O	AP	3,276	Smart	7	Subsidiary
P	Ananda	26,017	The Works	15	Subsidiary

3 THE PROPERTY MANAGEMENT COMPANY

The property management company (PMC) is responsible for taking care of housing, the condominium, and the office building. It also manages the customer service and public utilities, including organizing personnel to provide assistance to the residents, manage budgeting, and systematically allocate income and expenses. Services performed by property management companies encompass the areas of facility management, environment management, community management, and financial and service operations (Rattanaprichavej 2016).

Table 3 identified two main types of property management companies, including companies that are subsidiaries of the real estate company that initially constructed the condominium project.

The advantages of using this type of property management include expedience because the design and construction are known to the company, which facilitates operations and communication between the condominium juridical person, the management team, and the real estate company. The latter also tends to have its own technician teams to support condominium maintenance. However, residents perceive this system as unfair because the subsidiary organization belongs to the real estate company. The second type is the independent company, which includes Thai companies as well as those based overseas. The main advantage of using this type is that it reduces the chance of corrupt relations between the property management and the real estate companies. However, some smaller companies will not have a technician team to support maintenance work, and they might be unable to spare extra time for solving additional problems in the condominium unrelated to maintenance.

4 RESPONSIBILITIES OF PROPERTY MANAGEMENT COMPANIES

The working system of property management companies is divided into supporting teams, namely the accounting and technician divisions, which stand by at the head office, and the onsite management team, which consists of a building manager, administrators, accountants, and technicians. These teams are coordinated by a juridical person manager who liaises between the head office and the condominium site. The onsite management team works with the committee board as a representative of the co-owners and has a duty to attend committee board meetings, which the committee board generally arranges to be convened monthly as a means to follow up on the work of the management team.

The main duty of the management team is to manage and maintain the common property of the condominium; however property management also assists residents in addressing issues related to their private property. The management team is responsible for purchasing maintenance materials and equipment, as well as creating the condominium’s budget and procuring outsourced services and suppliers such as security guards, housekeepers, gardeners, and pest control services for the approval of the committee board. Therefore, the management team needs to have knowledge of financial management as well understand the physical structure of condominium and building systems. The committee board has a duty to give comments and approve the budget and procurements. For example, Figure 2 outlines the procurement process to hire supplier companies and purchase equipment in condominiums.

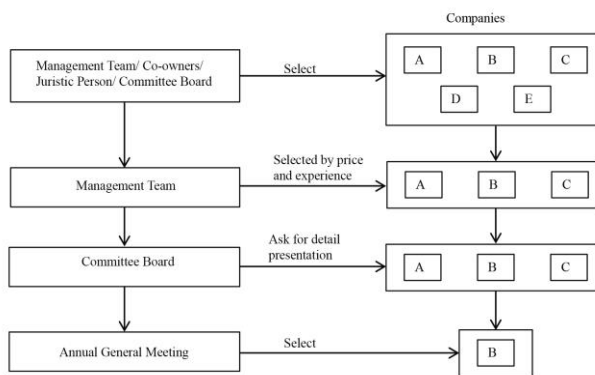


Figure 2. Procurement process in condominiums.

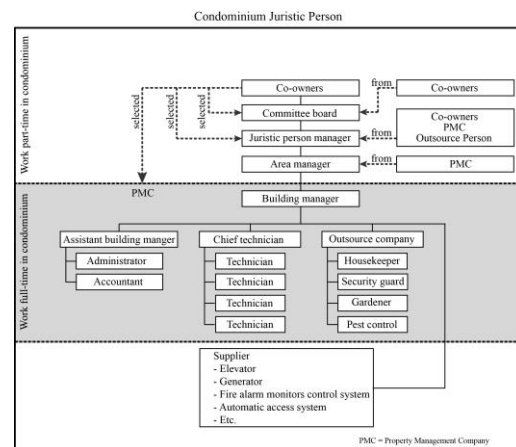


Figure 3. Structure of a condominium juridical person.

Figure 3 shows the structure of a condominium juridical person; one group comprising people who are not onsite on a daily basis, namely the committee board, juridical person manager, and area manager. The second group encompasses daily (full-time) onsite staff engaged in condominium operations of management and maintenance, specifically the management team of the property management company, the outsourced companies, and the suppliers. The outsourced companies and suppliers do not belong to the property management company; however, the management team has a duty to control all operations and services, which requires it to coordinate with the head offices of external companies, include summarizes the various work reports for co-owners at the annual general meeting.

5 CONCLUSION

Condominium owners lack management and maintenance knowledge and skills, do not have specialists in these fields inside the condominium, and lack connections with outsourcers and suppliers. These limitations in their ability to manage and maintain condominiums can result in long-term problems as the building ages. Therefore, it is necessary to hire a property management company with the necessary knowledge and experience to support the daily operations of a condominium to enhance the effectiveness and longevity of their use. Condominium owners thus avoid having to spend time managing and solving problems that they are ill-equipped to address, including creating and overseeing maintenance and repair budgets and managing the building's equipment, services and external relationships. Furthermore, the management team of the property management company is part of the condominium juridical person that works at the condominium daily and takes care of its residents. Such advantages have resulted in property management companies becoming essential elements of the condominium juridical system, and property management companies have continued to proliferate in Bangkok. However, there is no license of professional practice in property management, including no standards and each company uses its own standard to manage condominium. The government cannot monitor and control the management of condominiums. Therefore, the government or related departments must have a supporting role and set the condominium management standards for working and monitoring.

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