

UNIVERSITI TEKNOLOGI MALAYSIA

BORANG PENGESAHAN STATUS TESIS

JUDUL: THE STUDY OF PROBLEMS FACED BY PROPERTY MANAGEMENT IN MANAGING THE HIGH RISE CONDOMINIUM IN MALAYSIA

SESI PENGAJIAN: 2005/2006

Saya NORAZIAH AZMIN BT ABD LATIF AZMI

(HURUF BESAR)

mengaku membenarkan tesis (PSM/Sarjana/Doktor Falsafah)* ini disimpan di Perpustakaan Universiti Teknologi Malaysia dengan syarat-syarat kegunaan seperti berikut :

1. Tesis adalah hakmilik Universiti Teknologi Malaysia.
2. Perpustakaan Universiti Teknologi Malaysia dibenarkan membuat salinan untuk tujuan pengajian sahaja.
3. Perpustakaan dibenarkan membuat salinan tesis ini sebagai bahan pertukaran antara institusi pengajian tinggi.
4. ** Sila tandakan ()

SULIT

(Mengandungi maklumat yang berdarjah keselamatan atau kepentingan Malaysia seperti yang termaktub di dalam AKTA RAHSIA RASMI 1972)

TERHAD

(Mengandungi maklumat TERHAD yang telah ditentukan oleh organisasi/badan di mana penyelidikan dijalankan)

TIDAK TERHAD

Disahkan oleh

(TANDATANGAN PENULIS)

(TANDATANGAN PENYELIA)

Alamat Tetap: 20, JALAN CAMAR 4/22
KOTA DAMANSARA
47810 PETALING JAYA
SELANGOR

PM Dr. Mohamad Ibrahim Mohamad

Nama Penyelia

Tarikh : _____

Tarikh : _____

Catatan * Potong yang tidak berkenaan.

** Jika tesis ini SULIT atau TERHAD, sila lampirkan surat daripada pihak berkuasa / organisasi berkenaan dengan menyakan sekali tempoh tesis ini perlu dikelaskan sebagai SULIT atau TERHAD. Tesis dimaksudkan sebagai tesis bagi ijazah Doktor Falsafah dan Sarjana secara penyelidikan, atau disertai bagi pengajian secara kerja kursus dan penyelidikan, atau Laporan Projek Sarjana Muda (PSM)

“I hereby declare that I have read this project report and in my opinion this report is sufficient in terms of scope and quality for the award of the degree of Master of Science (Construction Management)”

Signature :

Name of Supervisor : PM Dr. Mohamad Ibrahim Mohamad

Date : 15th May 2006

**THE STUDY OF PROBLEMS FACED BY PROPERTY MANAGEMENT IN
MANAGING THE HIGH RISE CONDOMINIUM IN MALAYSIA**

NORAZIAH AZMIN BT ABD LATIF AZMI

A project report submitted in partial fulfillment of the requirements for the award of
the degree of Master of Science (Construction Management)

Faculty of Civil Engineering
University of Technology, Malaysia

May, 2006

I declare that this project report entitled “The study of problems faced by property management in managing the high rise condominium in Malaysia” is the result of my own research except as cited in the references. The report has not been accepted for any degree and is not concurrently submitted in candidature of any other degree.

Signature :

Name : Noraziah Azmin bt Abd Latif Azmi

Date : 15th May 2006

Dedicated to my beloved parents and friends, for their everlasting support and encouragement to complete the course of studies.

ACKNOWLEDGEMENT

I wish to express my sincere appreciation to my project supervisor PM Dr. Mohamad Ibrahim Mohamad for his effort, encouragement and guidance.

In preparing this project report, I was in contact with many industry practitioners. They have given me tips and useful information in order for me to complete the data sourcing. I am very thankful to them.

Last but not least, I am grateful to all my family members and friends.

ABSTRACT

In recent years, more Malaysians are moving into stratified unit, especially in urban centers due to limited land availability. Thus, there is a greater awareness of the need for these properties to be well-managed. Property management has historically been underrated and is often associated with mundane maintenance work. However, with the increasing development of strata titled property and legislation to govern the property management of such property, there has been an increasing demand for professional property management skills. Therefore, this study has been developed with the aim to identify the main problems related to property management and the issue in managing the high rise condominium in Malaysia. The study was conducted through structured interview with professional property managers, and also through postal questionnaires. From the study, it was found that the most common complaint lodge by tenants in high rise condominium is defects in their unit not attended within time specified. The process and procedures of handling defects complaint from tenants are also inefficient. The most common problem faced by property management in managing the high rise condominium is poor collection of maintenance fee. The tenants do not pay up the maintenance fee because they are not satisfied with the maintenance work carried out by property management.

ABSTRAK

Sejak kebelakangan ini, penduduk Malaysia telah beralih arah kepada pembangunan bertingkat disebabkan keluasan tanah yang semakin berkurangan. Jadi, timbullah kesedaran bahawa pembangunan sebegini perlu diuruskan dengan sebaik-baiknya. Pengurusan hartanah sebelum ini selalu dikaitkan dengan kerja penyenggaraan yang kurang memuaskan. Jadi dengan bertambahnya jumlah pembangunan bertingkat ini, pengurusan hartanah yang profesional amatlah diperlukan. Kajian ini dijalankan dengan tujuan untuk mengenalpasti masalah yang dihadapi oleh pengurus hartanah di Malaysia dan isu yang berkaitan dengannya. Kajian ini dijalankan dengan cara temuduga bersama pengurus hartanah yang professional dan juga melalui soal selidik. Hasil menunjukkan bahawa aduan yang paling banyak diterima di kondominium adalah kelewatan kontraktor untuk menyiapkan kerja-kerja pembaikan di unit kediaman mereka. Di samping itu juga, prosedur untuk menangani aduan pembaikan daripada penghuni juga tidak cekap dan berkesan. Masalah utama yang dihadapi oleh pengurus hartanah di Malaysia adalah kekurangan jumlah kutipan caj penyenggaraan dan penghuni tidak mahu menjelaskan caj penyenggaraan kerana mereka tidak berpuas hati dengan cara pengurus hartanah menjalankan kerja-kerja penyenggaraan.

CONTENTS

CHAPTER	TITLE	PAGE
	TITLE PAGE	ii
	DECLARATION	iii
	DEDICATION	iv
	ACKNOWLEDGEMENT	v
	ABSTRACT	vi
	ABSTRAK	vii
	TABLE OF CONTENTS	viii
	LIST OF TABLES	xiii
	LIST OF FIGURES	xiv
	LIST OF APPENDIXES	xvi
1	INTRODUCTION	
	1.1 Introduction	1
	1.2 General Background	1
	1.3 Problem of Statement	2
	1.4 Aims of Study	3
	1.5 Scope of Study	4
	1.6 Brief Methodology	4
	1.7 Study Outline	5

2

FACETS OF CONDOMINIUM

2.1	Introduction	7
2.2	Definition of condominium	8
2.3	Types of condominium	8
2.3.1	Basic residential freehold estate condominiums	9
2.3.2	Townhouses, lofts and hi-rises	9
2.3.3	Commercial and industrial condominiums	11
2.3.4	Leasehold condominiums	12
2.3.5	Condominium rental pools	13
2.3.6	Timeshare condominiums	14
2.4	Establishment of a condominium	16
2.4.1	Due process	16
2.4.1.1	Overview of establishment stages	17
2.4.1.2	Construction of new condominium	19
2.4.1.3	Conversion of existing buildings to Condominium	22
2.4.2	Documents	23
2.4.2.1	Declaration	23
2.4.2.2	Deeds	26
2.4.2.3	Bylaws	27
2.4.2.4	Rules	28
2.4.2.5	Articles of incorporation	30
2.4.2.6	Public offering statement	31
2.5	Characteristic of condominiums	31
2.5.1	Deeded parking	31
2.5.2	Assessment	32
2.5.3	Insurance	35
2.5.4	Common elements	37
2.5.5	Limited common elements	38
2.5.6	Real estate taxes	39

2.5.7	Regulation	40
2.5.8	Zoning	41
2.6	Homeowners association	41
2.6.1	Responsibilities of the association	42
2.6.2	Rights and powers of association	43
2.6.3	Master association	44
2.6.4	Directors and officers	45
2.6.5	Committees	46
2.6.6	Lawsuits	47
3	PROPERTY MANAGEMENT AND MAINTENANCE	
3.1	Introduction	48
3.2	Definition of property management	48
3.3	Property Management Code of Practice	49
3.4	Roles and responsibilities of property management	49
3.4.1	Taking care of other people's money	49
3.4.2	Share value and share unit entitlement	50
3.4.3	Collection of rent and service charges	50
3.4.4	Insurance	51
3.4.5	Filing complaints	51
3.4.6	Disputes between occupiers	51
3.4.7	Homeowner's association	51
3.4.8	Property tax	52
3.5	Maintenance fee	52
3.5.1	Allocation of maintenance fee	53
3.5.1.1	General maintenance	53
3.5.1.2	Administration	54
3.5.1.3	Capital reserve	55
3.5.1.4	General expenses	55
3.5.1.5	Deferred maintenance	55
3.5.1.6	Utilities	56

3.6	Sinking fund	56
3.7	Building maintenance	57
	3.7.1 Definition of building maintenance	58
3.8	Property manager and maintenance	59
3.9	Maintenance plan	60
	3.9.1 The life of the building	61
	3.9.2 The standard to be achieved	61
	3.9.3 Financial implication	62
	3.9.4 Responsibility for maintenance	62
	3.9.5 Financial policy	62
3.10	Building defects	63
	3.10.1 Liability for defects in building	64
	3.10.1.1 Liability under building contracts	64
	3.10.1.2 National House Building Council Scheme	65
	3.10.1.3 Statutory obligations	65
3.11	Issues in condominium management	67
	3.11.1 Poor collection of maintenance fee	67
	3.11.2 Poor management of sinking fund	68
	3.11.3 Vandalism	69

4 DATA COLLECTION AND ANALYSIS

4.1	Introduction	71
4.2	Literature review	72
4.3	Personal interview and postal questionnaire	73
	4.3.1 Preparation of questionnaire	73
	4.3.2 Response to questionnaire	75
	4.3.3 Frequency analysis	75
	4.3.4 Relative Index	76
	4.3.5 Limitation of survey	77

5	DATA COLLECTION AND ANALYSIS	
5.1	Introduction	78
5.2	Response background	78
5.3	Condominium management	85
5.3.1	Major complaints lodge by tenants in high rise condominium	85
5.3.2	Process and procedures of handling defects complaint from tenants.	87
5.3.3	Problem faced by the property management in managing the high rise condominium.	88
5.3.3.1	Maintenance charges and sinking fund	89
5.3.3.2	House rules	94
5.3.3.3	Vandalism	96
6	DISCUSSION OF RESULTS	
6.1	Introduction	97
6.2	Results and discussion	97
6.2.1	Major complaint lodge by tenants in high rise condominium	98
6.2.1.1	Defects not attended within specific time	98
6.2.1.2	Poor quality of workmanship	100
6.2.1.3	Services and facilities not ready when purchasers took over the Vacant Possession.	101
6.2.1.4	Design deficiency	102
6.2.1.5	Customer service provided by property management	103
6.2.2	Process and Procedures of Handling Defects Complaint from Tenants	103
6.2.3	Problems faced by Property Management in managing the high-rise condominium	104

	6.2.3.1 Poor collection of maintenance fees and sinking fund	105
	6.2.3.2 Vandalism	106
	6.2.3.3 House rules	106
7	CONCLUSION AND RECOMMENDATIONS	
	7.1 Introduction	108
	7.2 Conclusion	108
	7.2.1 The major complaints lodge by tenants in high rise condominium	109
	7.2.2 To review the current process and procedures of handling defects complaints from tenants.	109
	7.2.3 To investigate the problem faced by property management in managing the high-rise condominium.	109
	7.3 Recommendation for future research	110
	REFERENCE	111
	APPENDIX	112

LIST OF TABLES

TABLE NO.	TITLE	PAGE
5.1	Number of full time employees	79
5.2	Years of companies' experience in managing building	80
5.3	Status of the building	81
5.4	Number of building	82
5.5	Condition of building	83
5.6	Average size of building (sq.ft)	84
5.7	Major complaints lodge by tenants	85
5.8	Frequent ways to lodge complaint	86
5.9	Problems faced by property management	87
5.10	Maintenance charges per sq.ft	88
5.11	Reasons tenants do not pay maintenance fee and sinking fund	91
5.12	Pre committee meeting	92
5.13	Action against defaulters	93
5.14	The way maintenance is carried out during insufficient of fees	94
5.15	House rules abuse by tenants	95

LIST OF FIGURES

FIGURE NO.	TITLE	PAGE
1.1	Study flowchart	5
2.1	Stages of condominium establishment	17
2.2	Assessment process	33
5.1	Percentage breakdown of of full time employees	80
5.2	Percentage breakdown of years of companies' experience in managing building	81
5.3	Percentage breakdown of status of the building	82
5.4	Percentage breakdown of number of buildings	83
5.5	Percentage breakdown of condition of buildings	84
5.6	Percentage breakdown of average size of buildings	85
5.7	Percentage breakdown on frequent ways tenant lodge complaints	86
5.8	Percentage breakdown on problem faced by property management	89
5.9	Percentage tabulation for maintenance charges per sq.ft	90
5.10	Percentage breakdown on pre committee meeting	92
5.11	Percentage breakdown on action against defaulters	93
5.12	Percentage tabulation on the way maintenance work is carried out during insufficiency of fee	94

LIST OF APPENDIXES

APPENDIX	TITLE	PAGE
A	Survey questionnaire	112

CHAPTER 1

INTRODUCTION

1.1 Introduction

This chapter is an introduction to the study. It presents an overview of the study briefly on the background, specifying the aims, expressing the problem statement, formulating the study methodology, setting the report outline and qualifying the limitation and scope of the study.

1.2 General Background

As millennium approaches and land becoming more scarce, the competitive land use will cause price to rise thereby making the building of more high rise buildings and apartments more imperative especially in cities and urban areas. The creation of more and more strata types of developments has resulted in the need of professional property management (Andrew, 2003). Property management is more than just rental collection, light bulb changing and garbage disposal-that is only its

most basic function. (New Straits Times, 2 January 2006). Today, the discipline has evolved to become a science, involving aspects such as the formulation of a value creation strategies, improving revenue flows, unlocking latent real estate values through 'marriages' with adjacent properties and negotiation of tenancies (Gurjit, 2005).

Malaysia has seen a lot of creative property development over the years but less than creative property management. In fact, it is commonly said that Malaysia is a clever builder but poor managers. The issue of poor property management has become such a concern among property professionals and consumers that it has been discussed in several property seminars. (New Straits Times, 25 September 2005).

To ensure the quality of performance of the property management, all property managers and property agents must accredited to a minimum standard and must engage in continuous professional development to keep with the latest changes and development in the field.

1.3 Problem Statement

Maintenance of the high rise condominium and apartment are vital to ensure that the value of the building remains if not enhance. Based on the Complaints Statistic 2003 by National House Buyers Association, management and maintenance is the second highest complaint, which contributes 19% of the total complaint. The problem of maintenance and upkeep of high rise building are and will be becoming more difficult and complex.

At present, the developers manage the condominiums and apartments before they hand over to the individual buyers after the issuance of individual title. A nominal sum for maintenance and upkeep of common property will be imposed by the developer but in practice, majority of purchasers do not pay up. The developer

may cut off water and electricity supply to the individual units who do not pay up the fees but this is not normally done and problem arise when developers do not maintain common property because of lack of funds. When individual titles are given over to the owners, the developer surrenders the maintenance of common property to a management corporation which is normally run by volunteers among residents.

Shoddy workmanship and defect is also one of the major complaints in high rise condominium, which contributes by 11% of the total complaints received by National House Buyers Association in year 2004. Currently, all developers have their procedures of handling defects complaint from tenants, however it is believed that the procedures are inefficient and ineffective resulted in more complaints from tenants that their defects in their unit is long outstanding.

This study has examined closely on the major complaint received by tenants in high rise condominium, the effectiveness of the procedures of handling defects complaint from tenants and the problems faced by property management mainly on poor collection of maintenance fee and the reasons why tenants do not pay up the maintenance fee.

1.4 Aims and Objectives

The aim of the study is to identify the main problems related to property management and the issue in managing the high rise condominium in Malaysia. To achieve the above aim, the following objectives have been deliberated for this study:

1. To evaluate the major complaints lodge by tenants in high rise condominium.
2. To review the current process and procedures of handling defects complaints from tenants.

3. To investigate the problem faced by property management in managing the high rise condominium and provide necessary solution for better management.

1.5 Scope of the study

The scope of this study is focusing on the high rise condominium in Kuala Lumpur and Selangor. It is limited to buildings not less than 20 storeys only with more than 1,000 sq.ft per unit.

1.6 Brief methodology

The study was conducted using two (2) methods, namely:

- i) A literature review which was conducted using various means such as books, newspapers and articles to obtain general information on the facets of condominiums, property management functions, roles and responsibilities and issues in condominium management.
- ii) A structured interview and postal questionnaire for property management team and also project managers that involve in development of the condominium.

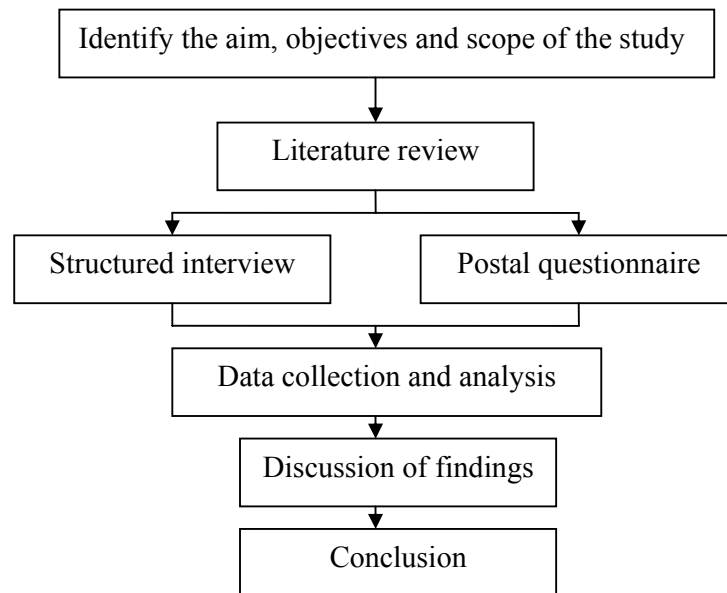


Figure 1.1: Study flow chart

1.7 Study outline

The report is presented in seven (7) main chapters. This chapter introduces the report outlining aims and objectives and general overview of the paper.

The second chapter describes the facets of the condominium including definition of condominium, types of condominiums, how to create a condominium, elements of a condominium and homeowner association.

Chapter Three discusses the definition of property management, Property Management Code of Practice, roles and responsibilities of property management, maintenance fees and sinking fund, building maintenance, relationship between property management and maintenance, building defects and finally, issues arise in condominium management.

Chapter Four discusses on the type of study methodology and its procedures. The process of data collection and analysis is also explained in this chapter.

In Chapter Five, the collection of data through questionnaire survey is shown together with tables and figures and also the analysis of the data.

Chapter Six is on the discussion of results or research findings.

Finally, Chapter Seven is the conclusion, which meets the objectives stated earlier and recommendation for future study.