

23rd NATIONAL REAL ESTATE CONVENTION



REAL ESTATE REALITIES – 2014 AND BEYOND
24th October 2013, Thursday | PJ Hilton, Petaling Jaya

WHO SHOULD ATTEND?

Bankers
Real Estate developers
Builders
Real Estate Analysis
Real Estate Investors
Corporate Leaders
Investment Advisors
Fund Managers
Property Consultants
Valuers
REIT Players
Retail Consultants
Asset Managers
and others.

FOR REGISTRATION
AND MORE
INFORMATION,
PLEASE CONTACT:

ROYAL INSTITUTION OF SURVEYORS MALAYSIA (RISM)

3rd Floor,
Bangunan Juruukur,
64 - 66, Jalan 52/4
46200 Petaling Jaya,
Selangor Darul Ehsan
E : secretariat@rism.org.my
T : +603 7954 8358
+603 7955 1773

Or you may also call

PERSATUAN PENILAI, PENGURUS HARTA, EJEN HARTA & PERUNDING HARTA SWATA MALAYSIA (PEPS)

T : +603 7960 1318
(SUSAN)
F : +7960 1518
E : secretariat@peps.org.my

TENTATIVE PROGRAMME

08.00-08.45 am	Registration
08.45-09.00 am	Arrival of Guest-of-Honour
09.00 – 10.00 am	Welcome Address <i>by Organising Chairman, Sr Adzman Shah Mohd Ariffin</i> Opening Address <i>by RISM President, Sr P. Tangga Peragasam</i> Official Opening And Speech by 'Guest-of-Honour' Press Conference Refreshments & Networking
10.00-10.30 am	Paper 1: "The Property Market Outlook For 2014" <i>by YBhg. Dato' Sr Abdul Rahim Rahman</i>
10.30-11.10 am	Paper 2: "New Growth Centres In Malaysia – Klang Valley, Penang, Johor And Kota Kinabalu" <i>By Sr Ho Chin Soon</i>
11.10-11.40 am	Paper 3: "Changing Trends In The Property Market" <i>by Mr Siva Shanker</i>
11.40-12.30 pm	Paper 4: "The Impact Of The New Strata Management Act" <i>by Mr Andrew Wong</i>
12.30-1.00 pm	Paper 5 : "Affordable Housing " <i>by: YBhg. Dato' Abdul Mutalib Alias</i>
1.00-2.00 pm	Lunch
2.00-2.30 pm	Paper 6 : "Post Budget Review-Impact On Real Estate" <i>by: Bank Analyst</i>
2.30-3.00 pm	Paper 7: "Asian REITs – Where Are We Heading" <i>by: Prof. Dr Ting Kien Hwa</i>
3.00-3.30 pm	Tea Break
3.30 – 4.00 pm	Paper 8: "Investing In Foreign Properties" <i>by Sr C.M. Boyd</i>
4.00 – 5.00 pm	Panel Discussion – On: • Investment Opportunities – What Next?



23rd

NATIONAL REAL ESTATE CONVENTION

Real Estate Realities – 2014 and Beyond

Join us on

24th October 2013, Thursday
PJ Hilton, Petaling Jaya

Jointly organised by :



PEPS





Educational Loan Awards for 2012/2013

Royal Institution of Surveyors Malaysia invites application from Malaysia Citizens for Educational Loans to pursue full-time courses at local universities.

Universities

University of Malaya
University of Technology Malaysia
University of Technology MARA
University of Science Malaysia
International Islamic University of Malaysia
University Tun Hussein Onn Malaysia

Field of Study

Land Surveying
Quantity Surveying
Building Surveying
Property Management / Estate Management

Eligibility

- Candidates must have obtained an offer for admission for full time studies to any of the universities in any of the field specified above.
- Candidates must not have received any scholarship or financial assistance from the Government or any other organization.
- Candidates must have obtained at least CGPA of 3.20 to be short listed to call for an interview.

Special Incentive

- Degree course candidates who obtained in their studies with CGPA 3.75 and above, the student having to first apply for the conversion of the loan to scholarship for consideration and approval by General Council.
- Diploma course candidates are not eligible to apply for conversion of their loan to scholarship.

Value of Loan

Degree: Up to RM7,000 per annum
Diploma: Up to RM5,000 per annum

Guarantors

Candidates shall obtain the consent of two acceptable guarantors who must provide personal guarantee for repayment of the loan.

Repayment of Loan

Loan amount must be repaid with a period of not less than 36 months after the recipient has graduated.

How to apply

The application form, may be obtained from the RISM Secretariat or downloaded from RISM website:
<http://www.rism.org.my>.

All application must be sent to:

The Chairman

Scholarship and Education Fund Committee

Royal Institution of Surveyors Malaysia
3rd Floor, Bangunan Juruukur, 64-66, Jalan 52/4, 46200 Petaling Jaya

The Malaysian Surveyor is a quarterly publication which covers the development of the surveying profession, innovations in the surveying technology and surveyors' contribution towards the property market and building industry.

The Institute as a body does not hold itself responsible for statements made or opinions expressed in the articles and advertisements printed in this publication, or for the strict accuracy of references to law cases, which are intended only as a gloss on authorised reports. Rights of translation and reproduction reserved.

President
Sr Tangga Peragasam, FRISM

Hon. Secretary General
YBhg. Dato' Sr Lau Wai Seang, FRISM

Editorial Board

Editor
Prof. Sr Dr. Ting Kien Hwa, FRISM

Members
Sr Dr. Yasmin Mohd Adnan, FRISM
Assoc. Prof. Sr Dr. Adi Irfan Che Ani, MRISM
Assoc. Prof. Sr Dr. Syahrul Nizam Kamaruzzaman, FRISM
Dr. Norngainy Mohd Tawil
Sr Mohamad Shazali Sulaiman, MRISM
Sr A. Mahadevan, FRISM
Prof. Sr Dr. Hj. Wan Muhd Aminuddin Wan Hussin, FRISM
Sr Dr. Tan Liat Choon, MRISM
Sr Dr. Zulkiflee Abd. Latif, MRISM
Prof. Sr Dr. Shattri Mansor, FRISM

Secretary to the Board
Zarinah bt. Danial

International Advisory Board
Prof. Graeme Newell
University of Western Sydney, Australia
Sr Noushad Ali Naseem Ameer Ali, PPRISM
Massey University, Auckland, New Zealand

Royal Institution of Surveyors Malaysia
3rd Floor, Bangunan Juruukur
No. 64-66, Jalan 52/4
46200 Petaling Jaya
Selangor Darul Ehsan
t: +603 7954 8358 (hunting line) / 7956 9728 / 7955 1773
f: +603 7955 0253
e: editor@rism.org.my
w: www.rism.org.my

Subscription Rates for Non-Members (Quarterly 4 issues)

Local		RM48
Overseas	ASEAN countries	US\$30
	Asia & Australia	US\$40
	Europe, Africa & America	US\$55

Publishing Consultant
DeCalais Sdn Bhd
G-1-1, Plaza Damas
60, Jalan Sri Hartamas 1
Sri Hartamas
50480 Kuala Lumpur
T +603 6201 0725
F +603 6201 0756
E: arvind@decalais.com

The Malaysian Surveyor

THE PROFESSIONAL JOURNAL OF ROYAL INSTITUTION OF SURVEYORS MALAYSIA

CONTENTS

Peer Review Articles

6 Green Office Building Investment in Malaysia: A Review

Mona Isa, Ting Kien Hwa, Megat Mohamed Ghazali Megat Abd. Rahman, Ibrahim Sipan

20 Basic Housing Design Approach as the Strategy in Addressing House Pricing Issue for Middle-Income Citizens

A.R. Musa, N.M. Tawil, A.I. Che-Ani, H. Basri, S. Johar

24 Risk Management Formula for Outsourced Property Maintenance and Management Success

Lee Chin Sheng

Managing Stress

30 Learning How to Handle the Stress of Difficult Co-workers

W. M. A. Wan Hussin FRISM

Management

34 Innovation: Keeping Your Company Young, Vital & Profitable

Dee Reavis

Book Review

36 Money Laundering in the Real Estate Sector Suspicious Properties

Prof. Sr Dr. Ting Kien Hwa

RISM Activities

38 15th International Surveyors Congress, 52nd RISM Annual General Meeting & Annual Dinner

41 RISM Royal Charity Golf Tournament 2013

RISM In The News

42 G'ovt Appreciates Surveyors' Role in Property, Construction Industry - Hajjji

43 Catherine Heads Surveyors Institute In Sabah

Information

44 Press Release: Asia is tipped to be the world's fastest growing construction market between now and 2020...

Member Updates

45 List Of New Members
February - May 2013



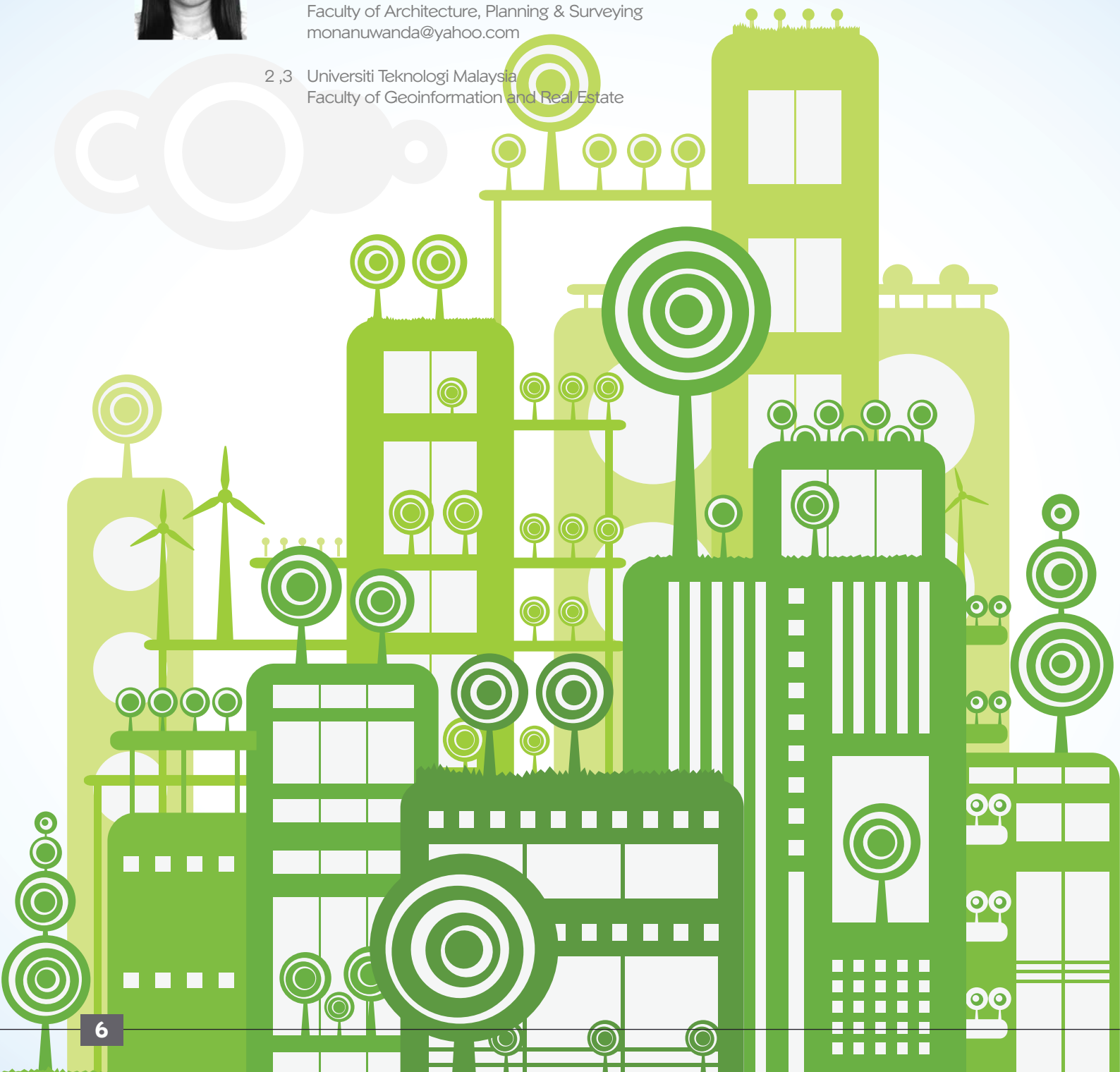
Green Office Building Investment in Malaysia: A Review



Mona Isa¹, Ting Kien Hwa¹, Megat Mohamed Ghazali Megat Abd. Rahman², Ibrahim Sipan³

1 Universiti Teknologi MARA
Faculty of Architecture, Planning & Surveying
monanuwanda@yahoo.com

2,3 Universiti Teknologi Malaysia
Faculty of Geoinformation and Real Estate



This paper discusses the significant factors contributing to rationalising green office building investment in Malaysia. It also discusses the roles of investors and their participation in such investment. This review, based on previous research studies, contributes to an extension of property investment theoretical underpinning in green office building. Green Office Building is considered a new investment option which could enhance return by implementing green characteristics, either in new building construction or retrofitting an existing building with the aim to achieve a better return: financially, socially and environmentally. This paper also focuses on the barriers that prevent investors in making investments in green office buildings.

1. INTRODUCTION

GREEN REVOLUTION IN THE BUILDING environment has attracted the attention of the world, with the green building concept becoming a new trend in developed nations, namely the United Kingdom (U.K), United States (U.S), New Zealand, Australia and Canada, and it has also spread to developing countries, including Malaysia. The green revolution improves the functions of buildings, hence, providing a new paradigm for investors to invest in green buildings since it promises better and higher returns as compared to non-green buildings (Pivo & McNamara, 2005).

There is a growing awareness of the need to protect the environment, as well as conserve natural resources for both the present and future generations. The current interest in a sustainable green living environment will spur the demand for more eco-green buildings in place of conventional ones. This might make investing in green-rated buildings a viable venture, in view of potentially higher rental premium vis-à-vis capital values.

To encourage investment in the construction of green buildings, many countries have introduced various initiatives, such as tax incentives, vouchers, rebates and green grants (Choi, 2009). Studies on the benefits derived from green real estate investments have led to the green investment rationale. However, there is still some uncertainty about the returns on such investments. Why are investors prepared to take the risk to invest in the relatively new green concept of property construction and what are the main factors that encourage them to invest?

Investments in green buildings began in 1940, and the progress of global green building continues to create milestones of achievement. The definition of "sustainable development" in the 1987 Brundtland Report has been extensively used by many researchers to define the purpose of sustainability. This definition stresses the importance of sustainable development as "Development that meets the need of the present without compromising the ability of future generations to meet their own needs" (World Commission on Environment and Development, 1987, pg. 43). This definition encompasses a wide range of sustainability areas and emphasises the concept of balance between social, economic and environment. In 1992, the Earth Summit in Rio provided a fresh understanding of the intimate link between

environmental problems and issues such as economic and social justice. Agenda 21 was established to aim for a better world for global sustainable development.

Since the concept of sustainable development was introduced, investors began to divert their interest to environment friendly buildings for their long-term benefit. The investment concept emphasises a wider spectrum, encompassing tangible and intangible values. From some literature reviews, it was noted that investors did invest in green properties bearing in mind the long-term benefits and accepting the universal call for sustainable development that encompassed energy cost savings (Harrison & Seiler, 2011; Choi, 2009; Goering, 2009), productivity gain (Singh, 2009), capital value and rental appreciation (Eichholtz, Kok, & Quigley, 2009; Turner & Frankel, 2008; Myers, Reed, & Robinson, 2007).

Investment in green office buildings gives a more meaningful return from the economic, social and environment perspectives as compared to investment in conventional office buildings, which focus only on financial returns (Issa, Rankin, & Christian, 2010). Investors in real estate should also take into account the impact of social sustainability, such as the productivity and well-being of occupants, as well as the advantages and benefits of green features to the environment, such as energy efficiency, recycling etc., and macro green terms, i.e. reduction of green house gas. The importance of the social aspect of real estate investment is reflected in its value-added and profitable return not only to investors but also in an improved environment for office workers and building users (Kimmet, 2008).

Thus, this paper will discuss the characteristics of green office buildings and the return on such investment. In addition, categories of investors will be identified to determine whether each investor has the same characteristics when they are certain to invest in relatively new investment of a green office building. Thus, a strong theory underpinning of green office building investment is illustrated in rationalising such investment in Malaysia.

2. GREEN OFFICE BUILDING STANDARD AND ACCREDITATION

The characteristics of green office buildings are subject to the understanding of what constitutes the green features of the building itself. There are various definitions and guidelines from the perspectives of green accreditation

agencies and scholars to determine whether a building is green. Each green office building has its own identity and unique features that distinguish it from a conventional or normal building. Among the significant features found in a green office building is a recognised green building rating or green accreditation based on the level of green features, design and material used in its construction.

Every country has its criteria for a green building rating system to certify whether a building is green or not. This rating system, or Green Assessment Tool, is the calibrating mechanism that measures whether a building fulfils the green criteria that has been determined by the authority. In Asia Pacific countries, the development of green building associations and rating tools started in 2000. Korea was among the first to establish the Korea Green Building Council (KGBC) and introduced Green Building Certification System (GBSC), followed by Japan (Comprehensive Assessment System For Built Environment Efficiency-CASBEE), Australia (Green Star), Hong Kong (Hong Kong Built Environment Assessment Method or known as HK-BEAM), New Zealand (Green Star), Singapore (GreenMark), Indonesia (GreenShip) and Malaysia (Green Building Index) in 2009.

The Malaysian Institute of Architect (PAM) and the Association of Consulting Engineers of Malaysia (ACEM) were the agencies responsible for setting up a green building rating system known as Green Building Index Malaysia (GBI) in April 2009 to certify and accredit green rated buildings in Malaysia. To be awarded the GBI ratings, the building must meet six (6) criteria: energy efficiency; indoor environmental quality; sustainable site planning and management; material and resources; water efficiency; and innovation.

There are six categories of GBI Assessment, namely: Non-Residential New Construction (NRNC), Non-Residential Existing Building (NREB), Residential New Construction (RNC), Industrial Existing Building (IEB), Industrial New Construction (INC) and Township Tool. Table 1 shows the GBI Index classification.

The main objective of GBI Malaysia is to achieve sustainable development by providing proper green guidelines for the construction industry and property players, such as property developers, designers, contractors, related government agencies, property owners and related agencies of such guidelines. The objectives of the green guidelines can be summarised as follows:

- a) To establish a common language and standard of measurement to rate green buildings;
- b) To promote integrated building designs which are focussed on green development;
- c) To recognise and reward environmental leadership;
- d) To transform the built environment by reducing the environmental impact of development;
- e) To ensure new buildings remain relevant in the future and existing buildings are refurbished and thereafter sustained properly to remain relevant.

Among the green rating systems recognised in Malaysia are: Green Building Index (GBI), Leadership in Energy and Environmental Design (known as LEED, USA) and GreenMark (Singapore). CASBEE (Japan) will be adopted to evaluate Iskandar Malaysia Low Carbon Society (LCS) Blueprint (Bernama, 2012). The Construction Industry Development Board Malaysia (CIBD) is now progressing with a Construction Industry Standard Green Performance Assessment System in Construction (GreenPASS) for green rating accreditation (CIBD, 2012) as an alternative to developers and contractors to obtain green accreditation for green technologies and to measure actual carbon emissions that are produced by the buildings and released, into the environment.

Eichholtz et al. (2009); Fuerst & McAllister (2010); Harrison & Seiler (2011); Miller, Spivey, & Florance (2008) has shown that buildings with established green certification such as LEED, Green Star and Energy Star have positive effects on occupancy rate, rental and market value. However, problems arise when a building that has initially been certified green by a green accredited agency fails to fulfil the green criteria upon its completion. Apart from that, each element appearing green on buildings should be analysed carefully because not all rating systems have the same standard as some rating systems focused only on energy efficiency (Runde & Thoyre, 2010). The inconsistency of weight distribution of green criteria has been pointed out by Reed et al. (2009). This is with regard to different weights for management, energy, transport, health, well-being, water, materials, land use, ecology, pollution and sustainable sites given by international green accreditation such as BRE Environmental Assessment Method (BREEAM), LEED, Green Star and CASBEE. From comparative rating tools available around the world, it is noted that energy

Table 1: GBI Index classification

Points	GBI rating
86+ points	Platinum
76 to 85 points	Gold
66 to 75 points	Silver
50 to 65 points	Certified

Source: Green Building Index Malaysia (2013)

Table 2: Four key pillars in National Green Technology Policy

Energy	Energy independence and efficient use of energy
Environment	Maintain and reduce environmental pollution
Economy	Generate national economy through green technology
Social	Improving the quality of life

Table 3: Malaysia Income Tax/ Stamp Duty Incentives for GBI Certified Building

Building expenditure incurred by a person or company (Income Tax (Exemption) (No. 8) Order 2009*)	<ul style="list-style-type: none"> • 100 percent tax exemption on additional capital expenditure to obtain GBI certificate • Set-off against 100 percent statutory income • Once in a lifetime claim on GBI buildings • Incentive claim once certificate is issued for new buildings and upgrade of existing buildings • Effective date: Buildings awarded GBI Certificate from 24 October 2009 to 31 December 2014
Property buyers (Stamp Duty (Exemption) Order 2009)	<ul style="list-style-type: none"> • Stamp duty exemption based on additional cost to obtain GBI certificate • Buildings and residential properties with GBI certificate • Applies only to purchases from developers • First property owner only • Effective date: Sale and purchase agreements executed from 24 October 2009 until 31 December 2014

Source: PriceWaterhouseCoopers (2010)

efficiency is the main criterion in each tool, followed by cost-saving due to effective use of resources and indoor environmental site quality, in addition to other criteria, such as technology, transportation, innovation, management and economy.

Generally, most countries apply the same equation in defining green office buildings, i.e. green accreditation according to green features applied on the buildings in which it is measured by the green criteria laid down by green accreditation bodies. The buildings will then be certified according to the green ratings of each green assessment systems.

Findings by Rahardjati, Khamidi, & Idrus (2010) show energy efficiency and indoor environmental quality are the most important GBI criteria.

3. GREEN OFFICE BUILDING INVESTMENT INITIATIVES IN MALAYSIA: AN OVERVIEW

The Malaysian government's commitment is seen in terms of awareness of the importance of green building government and the environment. The establishment of the Ministry of Energy, Green Technology and Water (KeTTHA) in 2009, and the existence of Low Energy Office (LEO) Building Putrajaya, shows Malaysia's commitment on sustainable development. Prime Minister, Dato Seri Najib Razak launched the National Green Technology Policy in the same year. The objective of the policy is to produce and apply the development of products,

equipment and systems with the aim to preserve natural and energy resources. Sectors involved in this program are the energy, building, water, waste and transport sectors. The use of green technology in building refers to the use of green technology in construction, management, maintenance and demolition of a building. This policy is expected to speed up the national economy and promote sustainable development that is based on four key pillars as shown in Table 2.

Under the 10th Malaysia Plan 10 (2011-2015), the government aims to increase public awareness and commitment to green technology in the use and application of technology for products, equipment and systems in the local market, increasing domestic and foreign direct investment and expanding the study in local research institutions and institutions of higher learning. There are various incentives provided by the government to realise the agenda. Beginning on 1 January 2010, eligible companies can obtain a maximum loan of RM50 million, of which 60 percent of the loan is government guaranteed, and an interest subsidy of 2 percent for green building projects under the KeTTHA.

Tax incentives also attracted to property players to apply the "green" theme in their development. This is parallel to the Malaysia Green Technology policy to ensure sustainable development, and at the same time, work to conserve the environment for future generations. The tax incentives offered in Malaysia are summarised in Table 3 (Price Waterhouse Coopers, 2010).

Note: Not applicable to a company which has been granted investment tax allowance or pioneer status under the Promotion Investment Act 1986 (Act 327) in respect of qualifying expenditure incurred on activity for generation of renewable energy or for conservation of energy.

Agencies that support government initiatives to encourage the development of green buildings include GBI, CIDB and Malaysian Green Building Confederation (MGBC). These agencies are responsible for conducting seminars, workshops and conferences related to the green building accreditation process, membership and knowledge to increase public awareness, and to attract the interest of investors and developers. To realise this mission, there must be a strong collaboration among the real estate industry and regulating ministry, and be supported by academic learning and research discussion. The academic research should be emphasised in the local context of encouraging green building development and construction.

By comparison at large, the number of green office buildings in Malaysia is still low compared to other nations. The closest comparison is Singapore, where GreenMark was established in 1995; the number of accredited green buildings is approximately 1,274 in 2012 (BCA, 2013). Singapore has enforced a minimum requirement of environmental sustainability standard for existing buildings and the percentage of green buildings in Singapore was approximately at 16.9 percent in 2012, targeting to reach 80 percent of green buildings by 2030 (BCA, 2013).

In 2011, the Minister of Housing and Local Government confirmed that out of 200 buildings that have applied for registration under GBI, only three (3) fulfilled the GBI criteria and another 40 were in the probation stage. The buildings that met the criteria are i.e. Pusat Tenaga Malaysia building, Suruhanjaya Tenaga building (or known as Diamond building) in Putrajaya and KEN building in Bangsar (Utusan Melayu, 2011). These three buildings are office buildings. Until the end of 2012, the significant increase in the number of green office building construction can be seen, with another 54 buildings certified with provisional certification (Green Building Index, 2013). Those numbers are expected to increase positively for the next five years.

4. BARRIERS IN GREEN OFFICE BUILDING INVESTMENT

The major barriers to green investment in real estate include: the high initial cost in green building development and construction; slow recovery of long-term cost savings (Issa et al., 2010); the Green Building Index (GBI) standard, which is not enforced in green building construction (Yoke, 2011), the increase of expenditures for green appliance design and energy-saving material at design stage; lengthy planning and approval process for new green technologies and recycled materials; and unfamiliarity with green technologies. These conditions have resulted in delays in design and construction process (Zhang, Platten, & Shen, 2011). Furthermore, practitioners in the property industry

Investment in green office building by investors can be enhanced if the construction costs can be reduced and the benefits can be increased;

often identify high financial outlay and slow recovery of the long-term cost savings as barriers to the increase in the adoption and investment of green buildings (Issa et al., 2010). As a result, investors are not interested to invest in green building construction due to the delay in earning benefits in the forthcoming years.

Most barriers in the green real estate investment can be divided into five categories (Choi, 2009), which are:

- (a) knowledge gaps in green development quantification,
- (b) lack in communication,
- (c) ownership structure,
- (d) operating cost accountability,
- (e) issues on funding, risks and process.

The knowledge gaps in green development quantification and lack in communication are the major factors that contribute to rising cost of green office building construction. The developers encounter difficulty in constructing green buildings as they do not have adequate expertise to construct such buildings and the construction materials are relatively expensive. To be more precise, one of the problems faced by developers is the lack of green technology and green materials (Alias et al., 2010). Two important factors that affect the cost of green office and commercial buildings in Malaysia are:

- a) the coordination and experience of the project consultant's team
- b) early adoption and implementation of a green design strategy in the building design and planning stages (Hamidi, 2010).

Investment in green office building by investors can be enhanced if the construction costs can be reduced and the benefits can be increased; as for existing green office buildings, the investors prefer to receive capital appreciation or rental growth and low maintenance (Sayce et al., 2007).

The drivers influencing demand and supply for green building is still being developed and requires further research such as the beneficial characteristics for such buildings (Lutzkendorf & Lorenz, 2007). A comprehensive proposal should be made through public awareness,

government agencies for provision of green incentives and regulating policies to ensure adherence to increase demand and improve the functionality and quality of green buildings.

Falkenbach et al. (2010) classify three main drivers that affect real estate investors, namely a) external drivers (green incentives and certification, national regulations and customers' decision making), b) corporate drivers (branding); and c) property-level drivers (risk and cost reductions, increased in property value and rental). They identify that evaluating and ranking the important drivers into different classes is difficult because each investor has different characteristics in making investment, and each of these factors have different affects, depending on the investors' requirement.

Research on buildings with green eco-labelling such as LEED and Green Star, found that it had a positive impact on the rental and market value. However, it is yet to be proven in the context of Malaysia (Ting, 2009). Generally in Malaysia, the importance of green buildings have has obtained recognition as early the year 2007; however, its importance was not given due acknowledgement by investors and occupiers. Currently, green properties are being sold at a price higher than non-green properties due to the price positioning strategy used by the developer (LaSalle, 2011). However, the price differences that show that these green properties are better than the non-green properties are yet to be proven. Therefore, it is important to establish whether green office building and its quality contributes to higher price and higher rental rate or are there additional factors that contribute to such differences in comparison to conventional office buildings.

The interest in the construction of green office buildings in Malaysia was highlighted in an article in *The Star* newspaper (1 April 2009) entitled "Promoting Green Buildings: An Index is now in place in Malaysia to rate such properties." Investors, nevertheless, would surely welcome more information about green office buildings before committing their financial resources on a long-term basis. Investors might wonder whether there is any significant difference in return from an existing prime office building compared with that of a similar green building. Theoretically, green buildings may have a lower level of obsolescence and operating cost, therefore offering better net operating income and lower capitalisation rate (Ting, 2009). The issue is why property developers are not keen to invest in the construction of green buildings in Malaysia and what investment returns do property investors expect in the investment of green office buildings. Literature reviewed thus far has been focused on the business case (reduced

cost and value added) for green buildings from the perspective of property owners, developers and tenants, and has largely ignored the investors' perspective (Heb et al., 2010).

This is the gap that leads to the study on the expected return by various investors in the green office buildings investment and whether the green features have a relationship that contributes to a higher return on investment. The study is expected to fill the void of such findings in Malaysia in the context of the advantages for investment in green office development as compared to conventional ones.

5. RETURN CONCEPT: GREEN VS NON-GREEN

The benefits of investing in green buildings consist of tangible and intangible attributes, which form total benefits from investment made. It measures tangible (monetary) and intangible (non-cash) benefits to society as a whole. Tangible benefits of sustainable returns on investment are financial returns and cost savings, such as reduction of electricity, water, sewerage, waste disposal and operational savings, which directly increase income from the building. In addition, intangible benefits are classified into social and environmental benefits, such as reduction of CO₂, green house gas and chemical emissions, and solid waste. Other significant benefits of investing in green properties are an improvement of health and productivity. Therefore, the return covers three aspects of environmental, economic and social performance. From the literature, financial return and benefits of green office building investments are discussed in the following sections.



JS VALUERS PROPERTY CONSULTANTS SDN BHD
Registered Valuers - Property Manager & Consultants
Real Estate Agents - Compensation & Rating Valuers

Unit No. B-11-15, Block B, Megan Avenue II, 12 Jalan Yap Kwan Seng, 50450 Kuala Lumpur
Tel: 03-21624133 Fax: 03-21624188
Email: admin@jsvaluers.com.my Website: www.jsvaluers.com.my

OFFICES AT

KOTA KINABALU, SABAH

Unit No. B1123, 11th Floor
Wisma Merdeka Phase II
Jalan Tun Razak
88000 Kota Kinabalu, Sabah
Tel: 088-254877 (5 lines), 216502 Fax: 088-256812
Email: kotakinabalu@jsvaluers.com.my

SANDAKAN, SABAH

1st Floor, Lot 11, Block 19
Bandar Indah
Mile 4, Jalan Utara
90000 Sandakan, Sabah
Tel: 089-217013, 229117 Fax: 089-220614
Email: sandakan@jsvaluers.com.my

TAWAU, SABAH

Lot 5, Block 31, 2nd Floor
Fajar Complex
91000 Tawau, Sabah
Tel: 089-765621, 765622 Fax: 089-765623
Email: tawau@jsvaluers.com.my

PENANG

Room 105, 1st Floor
(Formerly Southern Bank Building)
No.21, Lebuhr Pantai
10300 Penang
Tel: 04-2625003, 2624985 Fax: 04-2634525
Email: penang@jsvaluers.com.my

SUBANG JAYA, SELANGOR

No. 52, (1st Floor)
Jalan SS15/4C, Subang Jaya, 47500 Selangor
Tel: 03-56369199 (3 lines) Fax: 03-56369193
Email: selangor@jsvaluers.com.my

IPOH, PERAK

JS's House @ 11, Jalan Labrooy
30100 Ipoh
Perak
Tel: 05-5062698, 5063098 Fax: 05-5062098
Email: ipoh@jsvaluers.com.my

MIRI, SARAWAK

Lot 760, 1st Floor
Jalan Merpati
98008 Miri, Sarawak
Tel: 085-418101, 428101 Fax: 085-413101
Email: miri@jsvaluers.com.my

MELAKA

No. 669A, Jalan Melaka Raya 8
Taman Melaka Raya
75000 Melaka
Tel: 06-2833338 Fax: 06-2868400
Email: melaka@jsvaluers.com.my

BATU PAHAT, JOHORE

32A-1B, 2nd Floor
Jalan Rahmat
83000 Batu Pahat, Johore
Tel: 07-4317327, 4323191 Fax: 07-4317327
Email: batupahat@jsvaluers.com.my

RESEARCH & CONSULTANCY

Unit No. B-11-15, Block B,
Megan Avenue II,
12 Jalan Yap Kwan Seng,
50450 Kuala Lumpur,
Tel: 03-21624133 Fax: 03-21624188
Email: consultancy@jsvaluers.com.my

Table 4: High Return in energy efficiency investment

	Investment per SF (\$)	Rate of Energy Savings (%)	Annual Savings per SF	Savings per 100k SF office building (\$)	Asset Value increase at a 10% capitalisation rate (\$)	Simple payback
Janitorial services	0.01	5	0.14	13,500	135,000	Immediate
Operation and maintenance	0.05	9	0.20	19,800	198,000	4 months
Lighting	1.04	16	0.36	36,000	360,000	3 years
Heating, ventilation and cooling	1.21	9	0.21	20,700	207,000	6 years
All combined	2.30	40	0.90	90,000	900,000	2.5 years

(Note: calculations are based on national averages and 0.09 per kWh blended rate for office properties and given in USD)

Source: Pivo & McNamara (2005)

5.1 ECONOMIC RETURN

Capital value and rental appreciation are a result of the significant effects of green office building investment. The factors that make the difference to the value of the green property are green rating given to the building. The green certification thus promotes the value of the building indirectly by enhancing brand image. Prominent eco-labelling agencies such as LEED and Energy Star have a positive impact on the occupancy rate, premium and rental value as compared to conventional buildings. Fuerst and McAllister (2010) used hedonic regression analysis to measure the effect of green certification on both the rent and price of 110 LEED-certified buildings and 433 buildings with Energy Star label, without taking into account the differences in micro-location. The results suggested that occupancy rates in LEED certified buildings were 5-7 percent higher, followed by occupancy rates that were 1.5-3.5 percent higher in Energy Star labelled buildings, depending on the market segments.

A regression analysis also showed that Energy Star and LEED-certified office buildings had a 6 percent higher rental value and a 16 percent higher selling price as compared with non-certified buildings situated within the same sub-market (Eichholtz et al., 2009).

In Australia, the Environmentally Sustainable Development (ESD) building concept, or green building, is readily accepted by owner-occupiers as it could produce high values and benefits, but its acceptance in the investment market requires more research and investigation (Robinson, 2005). Investors need to have a better understanding of how green buildings are related to income generation, rental values, ESD building

performance, productivity enhancement and building occupiers' satisfaction.

There is a positive effect of green development in residential property prices as evidenced through the hedonic pricing technique in comparing residential property prices from 2002 to 2009 in the American cities of Frisco (green) and McKinney (non-green) in Texas (Aroul, 2009). There is a similarity between residential buildings and office buildings in that there is a positive impact of green elements on the market value of both types of property.

Similarly, in Singapore, buildings recognised by GreenMark green certification perform positively on rental and capital value (Marusiak, 2012). Meanwhile in Malaysia, the effect of these differences can be seen from the price positioning of the product, although there has been limited research to show that green certification has a positive impact on the property value. Therefore, the impact on rents and capital appreciation as a result of these green features is still uncertain. Due to the unavailability of data on green office buildings for secondary sale or rent in the property market in the country, the rate of return from green buildings cannot be reliably established.

The main difference between the green and non-green buildings investment is the cost savings. In the basic principles of investment, cost reduction will affect directly the returns. The main benefit of investing in green buildings is energy consumption saving (Deutsche Bank Research, 2010; Goering, 2009; Choi, 2009; Eichholtz et al., 2009; Singh, 2009; Turner & Frankel, 2008; Harrison & Seiler, 2011). The green buildings save energy

approximately 20 percent to 35 percent in annual energy costs as a result of building in differing green eco-labelling, such as LEED and Energy Star (Goering, 2009). The benefits of green buildings can be linked to investment return based on cost minimisation and maximisation of revenue leading to a higher investment return.

Rahardjati et al. (2010) expounded that green buildings offers economic benefits compared to non-green buildings in cost savings through conservation of energy, water and waste; minimise operational and maintenance costs; and gains in production and health of building occupants. With energy conservation, investors will enjoy the societal benefits, including lower green house gas emissions, less water pollution and better public health (Pivo & McNamara, 2005). At the same time, it reduces operating costs and improves net operating incomes leading to higher capital.

Table 4 shows the studies made by the U.S. Environmental Protection Agency on the experiences of real estate investment companies participating in the Energy Star program. The result shows that companies can save on energy costs an average of USD2.30 per square foot with a reduction in energy consumption by 40 percent. Each year, these companies can reduce energy costs of USD0.90 per square foot and shorten payback period of 2.5 years.

The benefits of green buildings can be linked to investment return based on cost minimisation and maximisation of revenue leading to a higher investment return. A survey of 400 commercial real estate users in Singapore reveal that cost saving and higher property value benefits are the main factors that influence respondents' willingness to invest in or occupy green buildings (Addae-Dapaah et al., 2009).

5.2 SOCIAL BENEFITS

Among significant social benefits of green office building investment is that the building offers a better air circulation that leads to an improvement of health, productivity and safety. Building is synonymous with us because the population of urban areas is fully utilising the building either for work, recreation or living. According to Choi (2009), most Americans spend 90 percent of their time inside the building. It is estimated that indoor levels of pollutants may be two or five times higher and occasionally more than 100 times higher than outdoor levels. Therefore, the green building would be the best form of investment as it is carefully designed to generate good ventilation.

Having green features will provide a good impact on the occupants' well being and increase employee productivity. The productivity is achieved by improvement of ventilation quality, excellent natural light and the capability of building users to

control the indoor quality (Heb et al., 2010). Tenants are willing to pay more to rent green office buildings because of the benefits enjoyed by them. It has been shown that the green buildings do not only save energy and operating costs, but also give a positive effect in the physical and psychological well-being of the occupants and occupancy productivity after moving to LEED office buildings (Singh, 2009). In this study, samples of occupants in two green office buildings with similar characteristics but different levels of green eco-labelling were taken as case studies. Interviews were made at the pre-move and post-move stages, where employees who moved into green buildings from non-green buildings indicated that their productivity had increased due to a better ventilation system in green buildings. This has led to the reduction of sick leave, for such as ailments as asthma, respiratory problems, depression and stress. It was found that the mean value for the effect of office Indoor Environmental Quality (IEQ) on average productivity has changed from -0.8 percent to +2.2 percent, a 3 percent improvement.

The key success of a building in adapting to the environment is by achieving better investment returns and building performance. This is expressed by Edwards (2006), stating the main benefits of investing in environmentally-built office buildings, such as *"reduced investment risk through changes to environmental legislation and rising fuel prices, improved rental income through better image for building, increase lettable area through reduction in the volume of the building's mechanical services, improved building flexibility through*

QS JUB UTARA SDN. BHD. (224397-P)

BQSM Permit No. : 1993/FC00007

Chartered Quantity Surveyors	: Juru Ukur Bahan Bertauliah
Construction Cost Consultant	: Penasihat Ekonomi Pembinaan
Project Managers	: Pengurus Projek

PENANG OFFICE

56D, 2nd & 3rd Floor, Perak Plaza
Jalan Perak, 10150 Penang, Malaysia
Tel: 04-2285441 Fax: 04-226 6528
Email: jubutara@gmail.com

Table 5: Classification of Sustainable Building and its benefits

<ul style="list-style-type: none"> • Minimisation of life cycle costs/cost effectiveness from a full financial cost-return perspective • Reduction of land use and use of hard surfaces • Reduction of raw material/ resource depletion • Closing of material flows • Avoidance/reduction of hazardous substances • Reduction of CO2 emissions and other pollutants • Reduction of impacts on the environment • Protection of health and comfort of building occupants/users as well as neighbours 	<p>Economic, environmental and social aspects</p>
<ul style="list-style-type: none"> • Preservation of the building’s cultural value • Maximisation of the building’s serviceability • Maximisation of the building’s functionality 	<p>Aspects related to the fulfillment of users and occupants’ needs</p>

Source: adopted from Lutzkendoft & Lorenz (2005)

structural simplicity, lower construction costs by avoiding air-conditioning, enhanced workforce productivity and better marketability through improved working environment and company image.”

5.3 ENVIRONMENTAL BENEFITS

The difference between green and non-green buildings is having the buildings known as environment-friendly buildings. Therefore, the benefits from the environment perspective are the reduction of pollutants to the environment. This is the result from the characteristics of a sustainable building with specific design, layout and material used in the construction. Green buildings contribute to the lower risk of environmental pollution, as compared with the existing real estate that is known as a contributor to environmental pollution through resource depletion, energy consumption, water pollution and waste (Addae-Dapaah et al., 2009). Effects of pollution reduction are characterised by the building itself as explained in Table 5. Investment benefits in the green building can also be seen indirectly through building classification in terms of material use, design that maximise building serviceability and functionality.

6. INVESTORS AND THEIR CHOICE OF INVESTMENT RETURN

Investment in real property is carried out by three categories of investors widely known as: a) private person or private trusts; b) institutions, such as insurance companies, pension funds, charities, property funds, banks and property unit trusts; and c) property companies also known as property developers. Investors are those who buy financial assets, albeit with some risks, in the hope of increasing their wealth (Landsburg, 2011). Each category of investors may have different investment objectives in the same venture.

Institutional investors are the largest group of investors in many countries – such as investment companies, mutual funds, brokerages, insurance companies, pension funds, investment banks and endowment funds. They are described as bodies with strength in funds, widely invested by sector and geography, strong influence in property market, main actor in market with professional internal team (Parker, 2000) and big entities with big sums of capital to invest (Huyghebaert & Hulle, 2004). They invest in financial and real assets to form a good variation in their investment portfolio (Nielson, 2008) and to play a major role on real estate development with a high investment power. The influence can be seen, whether direct or indirect, towards Gross Domestic Products (GDP) growth and financial growth in the country (Huyghebaert & Hulle, 2004).

Davis (2005) has shown that the pension funds as institutional investors influence the development of financial markets by moving the economy from financial institutions to market development phase that speeds up the economic growth. However, Harichandra (2004) found that institutional investors have strong causal impact on stock market development and economic growth, but not directly to the development of the intermediaries. A survey by Nappi-Choulet (2006) in the three countries of Switzerland, Netherlands and Sweden identified institutional investors such as pension funds to be the largest entity investing in real property, followed by insurance companies, property investment companies, asset management companies and banks. About 85 percent of the investors prefer to invest in residential properties, while 77 percent of the investors prefer to invest in office buildings.

The top five largest institutional investors in Malaysia are: Employees Provident Fund (EPF), Permodalan Nasional Berhad (PNB), Lembaga Tabung Haji (TH), Lembaga

Table 6: Investors and Choice of Investment/Return

	Private person	Developers/ Property Companies cum investor	Institutions
Types of investors	Individual investor, executor or trustee	Developers/property companies which deal with real estate development	Local authorities, pension funds, insurance companies, investment trusts, unit trusts, private or public institutions, banks or financial institutions (local or foreign), charities or trustees, building societies
Types of investment undertaken	Passive investment shares; Direct investment: Property for rent or occupied	Passive investment: high geared investment capital consisting of a high proportion of loans to ordinary shares Direct property investment: property owned provides the security against borrowing while interest charges are covered by regular rents.	Passive investment: fixed-interest stocks, shares; Direct property investment: commercial, industrial, agricultural, residential properties, where the property is acquired by direct purchase, or direct participation in development rather than purchase of shares in property companies.
Returns expected from investment made	Satisfaction, income, profit	Profit, income, prestige in property ownership and flagship buildings	Profit, income, prestige in property ownership, flagship headquarters

Source: (Greer & Kolbe, 2003; Hargitay & Yu, 1993, Bloom, Weimer, & Fisher, 1982; Balchin, Kieve, & Bull, 1988)

Tabung Angkatan Tentera (LTAT) and National Social Security Organisation of Malaysia (SOCSSO).

EPF has been the largest national pension system since its introduction in 1951. This institution protects the interests of social policy and the social security system to generate long-term revenue with an estimated investment of RM526.75 billion in 2012. Under EPF real estate equity investment, there are 30 subsidiary companies which are among the top companies listed on Bursa Malaysia Main Board. Among them are: Malaysian Building Society Bhd (64.4 percent), RHB Capital Bhd (45.24 percent) and Malaysia Resources Corporation Bhd (42.2 percent), and the remaining 27 companies account for the remainder, with a market share between 13 percent to 18.68 percent in equity investment (Employee Provident Fund, 2013).

Insurance companies have been long-time investors, with their flagship office headquarters located in Klang Valley; among them are: American International (AIA), Prudential Assurance Malaysia, Great Eastern Life Assurance and Tokio Marine Life Insurance Limited (Top10of Malaysia.com, 2013).

There are 987 property developers and property companies registered under Real Estate and Housing Developers' Association Malaysia (REDHA), which represent the second largest investors in the country (Redha, 2013). Property developers are also known to be investors as they are involved in direct investment in real estate development (Rotheroe & Richards, 2007). They prefer to invest in commercial properties to earn capital appreciation. Some of them invest in office building with the investment objective of earning capital gains and for their own occupational use (Nappi-Choulet, 2006). The three types of investors are summarised in Table 6.

From Table 6, it can be seen that investors can either be active or passive, depending on the kinds of investments they make. Active investors make direct investments, and the type of property purchased depends on the amount of their available capital. When considering property as assets, investors are primarily interested in commercial real estate because such properties usually generate relatively stable rental income (Berry, Greal, & Deddis, 1995). Investors generally invest in different types of property in order to diversify investment risk.

Table 7: Choice in Property Investment Portfolio in United Kingdom

Type of property	Percentage of portfolio
Shops	25-30
Offices	45-55
Industrial and warehousing	15-25
Agricultural	0-5

Source: *Mcintosh & Sykes (1985)*

Every decision made by these investors is influenced by current liabilities, interest rate and how capable the asset is to hedge against inflation, portfolio regulations, accounting standards, tax systems and social responsible investment (SRI). In addition, high return on investment and internal rate of return (IRR) were considered as the primary factors in investment decision-making (Nappi-Choulet, 2006). A large investor has the opportunity to have a larger data base of in-house knowledge and the capability to invest large sums of capital in real estate markets. The choice of property investment portfolios in the United Kingdom (UK) is explained in Table 7.

Table 7 shows that institutional investors are more interested in income-generating properties. Real estate investors consider rental income from properties to be the best form of investment because of the assurance of a periodic return, reasonable management requirements and the tax advantages of depreciation deductions against an appreciating value (Wiedemer, 1979). From the Table 7, it is noted that about half of the investment portfolio (45 percent - 55percent) is active investment in office buildings. Diversification strategies in real estate portfolios are aimed at optimising investment returns with reduced risks. In order to reduce risk of investment, investors tend to hold the property for a longer period of time. In United Kingdom (UK), the average holding period for commercial properties, including office buildings, is approximately 14 years (Hordijk & Teuben, 2008).

7. EMPIRICAL RESEARCH RELATING TO GREEN OFFICE BUILDING INVESTMENT

A study of 400 commercial real estate users in Singapore was made to identify the perceptions of users of green buildings and their perception towards their decision to occupy and or invest in them. It was found that respondents are aware and appreciate the benefits of green buildings, but they are not yet ready to occupy or invest in green buildings as they are concerned with the monetary return. However, they are willing to invest if green buildings are proven to reduce costs and have higher property values (Addae-Dapaah et al., 2009). This shows that green buildings are a future investment option if it is shown to produce better returns than ordinary buildings.

Another study on property developers and investors in New Zealand was carried out to see investors' perception of sustainable buildings and their actions with regards to their own commercial portfolios as well as the impact upon sustainability. The purpose of this study was to examine the relationship between the sustainability element and the market value of an office building. Results of the study show that green buildings will be an important component of property portfolios in the future. The researchers also suggested a more detailed study be conducted since the industry has yet to identify the added values of sustainable buildings, which has not been integrated into the process of evaluation (Myers et al., 2008).

A further study on twenty investors was carried out in the United Kingdom, which included institutional investors, property investment consultancy companies and property companies. It was carried out to gain their perceptions on the significance and relevance on sustainable criteria, such as annual operational energy efficiency, climate control, waste management, water management, pollution, physical adaptability of the space and accessibility. The result of the study confirmed the importance of addressing sustainability within the commercial property stock, especially on issues such as annual climate control and accessibility by car (Ellison et al., 2007).

Similar research was undertaken by Sayce et al. (2007) in the United Kingdom on 240 institutional investors, valuation surveyors, property developers and financial institutions to identify whether factors such as green incentives could provide direct impact on rental value and yield. It is found that sustainable building investment is subject to risk mitigation and there is no evidence of return on investment.

Studies conducted by Issa et al. (2010) on Canadian specialists of 1200 LEED professionals on the practitioners' awareness and confidence in research work assessed the cost premiums, long term cost benefits and health and productivity benefits of green buildings. The statistical analysis using t-test and mixed-model Anova test showed that the respondents were still unsure about the results of the literature conducted in the field of the green buildings, especially on the costs and benefits of green buildings. They also argued that the decision to go green is totally dependent on the owner of the

building. But they agreed that green buildings can save energy costs, which is the most important type of savings in green buildings.

In Malaysia, there is yet a study to be made on investors with respect to green office building investment. The study made by (Alias et al., 2010) is geared towards homeowners in Penang and Klang Valley in determining their level of awareness and understanding on the green homes concept. The result of the study showed that the green concept is still in its early stages. Most of the respondents are still unsure about the existence of green homes and their acceptability level is very low due to high prices in the market compared to the price of an ordinary house. There is a gap on the need to investigate Malaysia investors' perspective on the benefits and return on investment of green office buildings in the country.

8. CONCLUSION

Green office building is an investment option for investors following greater global awareness on sustainability. The importance to move towards green building construction is highlighted by the Malaysian government, yet the numbers for going green are still low compared to other nations. As there is a lack of studies conducted on green office building investment in Malaysia, it is necessary to fill the gap in identifying investors' expected return on green office building investment. It is important to identify what are the drivers towards investment of such buildings and the strategies to overcome such barriers towards investing in green office buildings. In this paper, barriers towards investing in green office buildings are identified and discussed. It is hoped that, more transparent discussions on returns could give a clearer picture and more confidence to investors to invest or retrofit the buildings. ■

References

- Addae-Dapaah, K., Hiang, L. K., & Sharon, N. Y. S. (2009). Sustainability of sustainable real property development. *Journal of Sustainable Real Estate*, 1:1, 203-225.
- Ali, H. H., & Nsairat, S. F. A. (2009). Developing a green building assessment tool for developing countries-Case of Jourdan. *Journal of Built and Environment*, 44(5), 1053-1064.
- Alias, A., Sin, T. K., & Aziz, W. N. A. W. A. (2010). The Green Home Concept- Accetability and Development Problems. *Journal of Building Performance*, 1:1, 130-139.
- Aroul, R. R. (2009). A Master's thesis entitled 'Going Green: Impact on Residential Property Value'. The University of Texas at Arlington.
- Azlina Abdul Jalil, & Rashidah Abdul Rahman. (2010). Institutional Investors and Earning Management. *Journal of Financial Reporting and Accounting*, 8:2, 110-127.
- Balchin, P. N., Kieve, J. L., & Bull, G. H. (1988). *Urban Land Economics and Public Policy*: Macmillan Education.
- BCA (2013). Build Green: Inaugural Issue 01/2012. Building And Construction Authority (BCA). <http://www.bca.gov.sg/GreenMark/others/BGreen20121010.pdf> Accessed on 23/2/2013.
- Bernama. (2012). Pelan tindakan LCS Iskandar Malaysia tarik minat pelabur: Najib. *BeritaHarian*.http://w1.bharian.com.my/bharian/articles/PelantindakanLCSIskandarMalaysiatarikminatpelabur_Najib/m/mArticle. Accessed on 23/2/2013.
- Berry, J., Greal, S. M., & Deddis, B. (1995). *Urban Regeneration: Property Investment and Development*: E&FN SPON.
- Bloom, G. F., Weimer, A. M., & Fisher, J. D. (1982). *Real Estate*. New York John Wailey & Sons.
- Choi, C. (2009). Removing Market Barriers to Green development: Principles and Action Projects to Promote Widespread Adoption of Green Development Practice, *Journal of Sustainable Real Estate*, 1:1, 107-138.
- CIDB (2012). Seminar Empowering Green Technology Towards Sustainable Construction (in conjunction with soft launch of Construction Industry Standard Green Performance Assesment System in Construction (Green PASS).
- Chua, S. C., & Oh, T. H. (2011). Green Progress and Prospect in Malaysia. *Renewable and Sustainable Energy Reviews*, 15(6), 2850-2861.
- Davis, E. P. (2005). *The Role of Pension Funds as Institutional Investors in Emerging Markets*. Paper presented at the Korean Development Institute Conference, "Population Aging in Korea: Economic Impacts and Policy Issues" http://m.kdi.re.kr/data/download/attach/7798_4_3.pdf. Accessed 23/2/2013.
- Department of Statistics Malaysia. (2013). Economic Cencus Construction.<http://www.statistics.gov.my>. Accessed on 12/3/2013.
- Deutsche Bank Research. (2010).: <http://www.dbresearch.com> Accessed 23/11/ 2011.
- Edwards, B. (2006). Benefits of Green Offices in the UK: Analysis from Examples Built in the 1990s. *Journal of Sustainable Development*, 14, 190-204.
- Eichholtz, P., Kok, N., & Quigley, J. M. (2009). Doing Well By Doing Good? Green Office Buildings. *Center for the Study of Energy Market (CSEM)*, <http://escholarship.org/uc/item/4bf4jogw> Accessed 18/10/2012.
- Ellison, L., Sayce, S., & Smith, J. (2007). Socially Responsible Property Investment: Quantifying the relationship between sustainability and investment property worth. *Journal of Property Research*, 24:3, 191-219.
- Employee Provident Fund Malaysia. (2013).<http://www.kwsp.gov.my> Accessed on 23/2/1013

- Falkenbach, H., Lindholm, A.-L., & Schleich, H. (2010). Environmental Sustainability: Drivers for the Real Estate Investor. *Journal of Real Estate Literature*, 18: 2203-223.
- Fuerst, F., & McAllister, P. (2010). An Investigation of the Effect of Eco-Labeling on Office Occupancy Rates. *Journal of Sustainable Real Estate*, 1:1, 49-64.
- Goering, J. (2009). Sustainable Real Estate Development: The Dynamics of Market Penetration. *Journal of Sustainable Real Estate*, 1(1), 167-201.
- Green Building Index Malaysia. (2013). Green Building Index Criteria <http://www.greenbuildingindex.org> Accessed many times since 2012.
- Greer, G. E., & Kolbe, P. T. (2003). *Investment Analysis for real estate decisions*, Dearborn Real Estate Education.
- Hamidi, B. (2010). A Master's thesis entitled 'A Green Cost Allocation Model For Office and Commercial Buildings in Malaysia'. Universiti Teknologi Malaysia, Johor Bahru.
- Hargitay, S. E., & Yu, S.-M. (1993). *Property Investment Decisions - A quantitative approach*. London: E & FN Spon.
- Harichnadra, K. (2004). *Institutional Investors, Financial Sector Development and Economic Growth*. National University of Singapore, Singapore.
- Harrison, D., & Seiler, M. (2011). The political economy of green office buildings. *Journal of Property Investment & Finance*, 29:4, 551 - 565.
- Heb, T., Hamilton, A., & Hachigian, H. (2010). Responsible Property Investing in Canada: Factoring both environment and social impacts in Canadian Real Estate Market. *Journal of Business Ethics* 92, 99-115.
- Hordijk, A., & Teuben, B. (2008). The Liquidity of Direct Real Estate in Institutional Investors' Portfolio: The Netherlands. *Journal of Property Investment and Finance*, 26:1.38-58.
- Huyghebaert, N., & Hulle, C. V. (2004). The Role of Institutional Investors in Corporate Finance. *Tijdschrift voor Economie en Management*, XLIX:4, 689-726.
- Issa, M. H., Rankin, J. H., & Christian, A. J. (2010). Canadian practitioners' perception of research work investigating the cost premiums, long term costs and health and productivity benefits of green buildings. *The Journal of Building and Environment, Elsevier*, 45:7,1698-1711.
- Jenny Marusiak (2012). Properly Pricing Green Building. <http://www.eco-business.com> Accessed on 23/2/2013.
- Kimmet, P. (2008). *Redefining sustainable real estate investment*, Paper presented at the 14th RIM Real Estate Society Conference, http://www.pres.net/Papers/Kimmet_Redefining_Sustainable_Real_Estate_Investment.pdf Accessed on 23/2/2012
- Landsburg, S. E. (2011). *Price Theory and Applications*, 5th ed., South-Western Thomson Learning.
- LaSalle, J. L. (2011). *Asia Pasific Property Digest 2nd Quarter 2011*. <http://www.joneslanglasallesites.com/appd/> Accessed on 23/2/2012.
- Lutzkendorf, T., & Lorenz, D. (2005). Sustainable property investment: valuing sustainable buildings through property performance assessment. *Building Research and Information*, 33(3), 212-234.
- Lutzkendorf, T., & Lorenz, D. (2007). Integrating sustainability into property risk assessments for market transformation. *Building Research and Information*, 35:6, 644-661.
- MaCartney, D. (2007). Definition of sustainable commercial buildings. <http://www.yourbuilding.org> Accessed on 23/2/2012.
- Mcintosh, A. P. J., & Sykes, S. G. (1985). *A guide to institutional property investment*: Mac Millan.
- Miller, N., Spivey, J., & Florance, A. (2008). Does Green Pay Off?. *Journal of Real Estate Portfolio Management*, 14(4), 385-400.
- Myers, G., Reed, R., & Robinson, J. (2007). *The Relationship between Sustainability and the Value of Office Buildings*. Paper presented at the 13th Annual Pacific Rim Real Estate Conference.
- Myers, G., Reed, R., & Robinson, J. (2008). *Investor Perception of the business case for sustainable office buildings: evidence from New Zealand*. Paper presented at the 14th Annual Pacific Rim Real Estate Society Conference 2008, Kuala Lumpur.
- Nappi-Choulet, I. (2006). The Role and Behaviour of Commercial Property Investors and Developers in French Urban Regeneration: The Experience of the Paris Region. *Journal of Urban Studies*, 43:9, 1511-1535.
- Nielson, K. M. (2008). Institutional Investors and Private Equity. *Review of Finance*, 12, 185-219.
- Parker, D. (2000, 23-17 January 2000). *An Institutional Perspective On Property Research*. Paper presented at the 6th Annual Pacific Real Estate Society Conference, University of Technology, Sydney Australia <http://davidparkercomau.melbourneitwebsites.com/files/2000presconf.pdf>. Accessed on 23/2/2013.
- PricewaterhouseCoopers. (2010). Green Tax Incentives for A Sustainable Malaysia: Pw. [Http://services.eumcci.com/index.php?option=com_docman](http://services.eumcci.com/index.php?option=com_docman). Accessed on 7/10/2011.
- Pivo, G., & McNamara, P. (2005). Responsible Property investing. *International Real Estate Review*, 8(1), 128-143.
- Rahardjati, R., Khamidi, M. F., & Idrus, A. (2010). *The Level of Importance of Criteria and Sub-Criteria in Green Building Index Malaysia*. Paper presented at the International Conference on Sustainable Building and Infrastructure (ICSBI 2010). <http://eprints.utp.edu.my>.
- REDHA. (2013). REDHA Directory 2012-2013: Real Estate and Housing Developers' Association Malaysia (REDHA).

Reed, R., Bilos, A., Wilkinson, S., & Schulte, K.-W. (2009). International Comparison of Sustainable Rating Tools. *Journal of Sustainable Real Estate*, 1: 1, 1-22.

Robinson, J. (2005). Property Valuation and Analysis Applied to Environmentally Sustainable Development. from http://prres.net/papers/Robinson_Property-Valuation_Of_Esd.Pdf.

Rotheroe, N., & Richards, A. (2007). Social return on investment and social enterprise: transparent accountability for sustainable development. *Journal of Social Enterprise*, 3:1, 31-48.

Runde, T. P., & Thoyre, S. (2010). Integrating Sustainability and Green Building into the Appraisal Process. *Journal of Sustainable Real Estate*, 2:1, 221-248.

Sayce, S., Ellison, L., & Parnell, P. (2007). Understanding investment drivers for UK sustainable property. *Building Research & Information*, 35:6, 629-643.

Singh, A. (2009). A Master's thesis entitled 'Life Cycle Cost Analysis of Occupant well-being and productivity impacts in LEED offices', Michigan State University.

Ting, Kien Hwa (2009). Promoting Green Buildings: An Index is now in place in Malaysia to rate such properties. <http://biz.thestar.com.my/news/story.asp?file=/2009/4/1/business/3380625&sec=business> Accessed on 23/2/2012.

Top10 of Malaysia website (2013).

<http://top10malaysia.com/home/>. Accessed on 23/2/2013

Turner, C., & Frankel, M. (2008). Energy Performance of LEED® for New Construction. https://wiki.umn.edu/pub/PA5721_Building_Policy/WebHome/LEEDENERGYSTAR_STUDY.pdf Accessed on 23/2/2013.

Utusan Melayu (2011). Hanya 3 bangunan penuhi criteria GBI. *Utusan Melayu*. Retrieved from <http://www.utusan.com.my/utusan/info.asp?y=2011&dt=1005&pub=Utus...> Accessed 7/10/2011.

WCED.Brutland Commission, 1987, Our Common Future: Report of the World Commission on Environment and Development, 20 March 1987. <http://worldinbalance.net/intagreements/1987-brundtland.php>. Accessed on 23/2/2013.

Wiedemer, J. P. (1979). *Real Estate Investment*, Reston Publishing Company, Inc, Reston, Virginia, A Prentice-Hall Company.

Yoke, N. W. (2011). A Master Degree's thesis entitled 'Perception of life cycle costing in Malaysia green building'. Universiti Teknologi Malaysia., Johor Bahru.

Zhang, X., Platten, A., & Shen, L. (2011). Green property development practice in China: Costs and barriers. *Building and Environment* 46:11, 2153-2160.

With Best Compliments

from



Md. Isahak Dan Rakan-Rakan Sdn Bhd

پاکتھان انٹرنیشنل

(Company No.: 028967-W), LJB M Permit No. 1993/FC00013.

Head Office

G22A Jalan Pandan Prima 2,
Dataran Pandan Prima,
55100 Kuala Lumpur
Tel: (603) 9287 4949
Fax: (603) 92877552
E-mail: piqs@streamyx.com
Web: www.pakatan.net.my

Kuching

Lot 7022, 1st Floor
Section 64, KTLD, Jalan Pending
93450 Kuching Sarawak
Tel: (6082) 330223
Fax: (6082) 330221

Penang

70, Off Jalan Mahsuri
11950 Bandar Bayan Baru, Pulau Pinang
Tel: (604) 642 0255
Fax: (604) 642 0262
E-mail: pakatan_png@yahoo.com

Kota Kinabalu

Lot 3-3, Blok A, 3rd Floor
Ruang Plaza Lagenda
Heritage Plaza, Jalan Lintas Luyang
88830 Kota Kinabalu, Sabah
Tel: (6088) 716696



ISO 9001:2000
ID NO. 1940



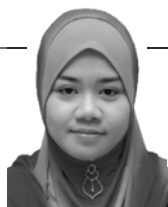
AIQS



RICS

Basic Housing Design Approach as the Strategy in

Addressing House Pricing Issue for Middle-Income Citizens



A.R. Musa¹, N.M. Tawil¹, A.I. Che-Ani¹, H. Basri²,
S. Johar¹

1 Department of Architecture
2 Department of Civil & Structural Engineering
Faculty of Engineering and Built Environment
UKM Bangi
azza.ukm@gmail.com



The issue of people's affordability in owning a home, especially among middle-income people, has been frequently debated and become of major interest among certain parties. However, this issue is overwhelming and subsequently critical to people with middle income because the requirement for home purchasing for this type of people is restrictive, rendering them unqualified to buy even a low-cost house. Among the factors of this difficulty, which can be resolved and examined in this study, would be the design intricacies and the price increase of construction materials.

The objective of this study serves as an early exposure of the new concept of housing to the community. Further studies need to be done to investigate the actual costs of construction and to prevent hidden costs or additional costs which would be incurred on the new owners. Therefore, this study will introduce the approach of basic house concept design as an avenue to overcome any issues concerning price increase. The basic housing design approach is a strategy to provide affordable housing for middle-income citizens, with the concept offering a home with a bedroom, kitchen, toilet and living area. Furthermore, this concept is adopted as a step towards reducing the market price for houses; this is done by reducing the use of interior construction materials, but at the same time, allowing the owners to add some space in the future, according to their needs.

1. Introduction

IN ENSURING THAT EVERY COMMUNITY OBTAINS its accommodation, various housing policies and regulations have been implemented by the Malaysian Government by status and affordability. The concept of affordable housing seeks to ensure that the houses provided are reasonably priced, for all income groups, be it those with low income, middle income or high income [1]. The main goal of housing policies lies in creating an environment where everybody can afford to have a comfortable home, according to their status, and which tailors to their current lifestyles. Housing policy serves as an action plan formulated by the government to influence the housing sector towards a particular goal [2]. This implies that the housing policy does not necessarily point to resolving housing issues. Policy implementation of housing policies is motivated by the home ownership democracy objective that the government aspires to achieve [3].

Various government programmes have been introduced to meet current housing needs. One implementation of the new programme is 1Malaysia Housing Programme (PR1MA). This programme was designed by the government to ensure affordable housing for middle income groups, especially in urban and suburban areas, involving households earning between RM2,500 to RM5,000 a month [4]. The programme is designed to help middle-income groups but not those that make more than RM6,000 a month, regardless of those who work with the government, private sector or self-employed, offering a home unit price ranging from RM150,000 to RM300,000 by location [5].

The exorbitant prices of houses [6] have always been of concern to young, would-be house buyers, who only recently have stepped foot into the working world. With meagre income, the chance for them to own a house is slim. Nowadays, buyers no longer have to pay a 10 percent deposit of the total price of the house they plan to buy to housing developers [7]. However, house prices tend to be very high, especially when compared to the population's total income and the increased prices of basic necessities. These factors hamper young people's effort to obtain a landed property.

In this vein, studies on affordable houses for middle-income people can significantly help resolve any emerging conflicts, other than not prolonging the anxiousness among this younger population to have their own terrace homes. The market price, which goes beyond their affordability, forces them to seek other alternatives in order to fulfil the demands of their lives [8]. The drastic increase in the price of housing is said to be explained by several internal and external factors in the construction, such as the price increase of global construction materials, the increasing rate of the labour force, design intricacies and several other factors [9].

2. Study Methodology

To fulfil the purpose of this study, several approaches have been adopted to obtain both the primary and secondary data. The methods adopted to derive the primary data are through survey, fieldwork and observation. In the meantime, to obtain the secondary data, we have been going through theses, journals, articles, interviews and so on. Every method employed is aimed at reaching the objectives and fulfilling the goals set in the study.

Library studies and observation are regarded as practical tools for examining the related issues in detail, and determining sustainable construction materials and housing design methods thought to be appropriate to be integrated in the housing design which is able to reach high GBI. Interviews and survey are used to analyse the degree of affordability of middle-income citizens in owning medium-cost houses. The focus is on terrace, semi-detached houses and the variables influencing the affordability to own this type of medium-cost houses around the Klang Valley. The issue of housing affordability often concentrates on two main aspects, namely income and house pricing.

This fieldwork materialises by looking closely into the already-available terrace houses' designs already fully constructed. Further work involves making assessment and carrying out the simulations, together with the additional costs involved in the terrace houses' construction, This is done so that these unnecessary costs that should be shouldered by the building owners can be identified.

3. Problem Solution

The aim of this study is placed on developing new housing that applies the concept of sustainably designed affordable construction for the middle-income population. The study's concentration is on their ability to afford their own homes at the early phase of settling down and working. In this work, several approaches will be introduced towards enabling this young generation with middle income to have their own homes.

Diagram 1: The proposed home concept



Among the concepts proposed is the basic home concept, or the flexible plan concept, whereby owners are free to add space or room if needed, according to their own affordability and convenience. The concept of basic housing seeks to ensure that the prices offered in the market are low and affordable, whereas the second concept is of a self-built flexible plan, whereby owners can rearrange and renovate their own rooms from the basic houses provided for them. This concept actually serves as a strategy to give the opportunity to the middle-income earners to own landed homes such as the terrace houses with reasonable prices.

Next, the aim of this study is to propose a sustainable, affordable design for these earners, through the application of the flexible plan concept. This concept is illustrated in Diagram 1, where it sets the target to fulfil the current needs of these people with reasonable housing prices using sustainable construction materials. In addition, owners can choose to renovate or add interior spaces or rooms, according to current needs and to add the number of rooms or spaces to cater to the increasing number of family members.

The design strategy recommended suggests the concept, design and the framework of a development strategy of the landed property for people earning middle income to be able to overcome the problem of escalating prices of houses in Malaysia currently and in the future. The concepts proposed (basic homes or flexible homes) will allow the homes to evolve horizontally and vertically (refer to Diagram 2). This concept



PERUNDING UKUR K S N
(Land Survey Consultant)

41A JALAN SS 15/4
47500 SUBANG JAYA

Tel: 03-56 33 53 61

Fax: 03-56 33 52 92

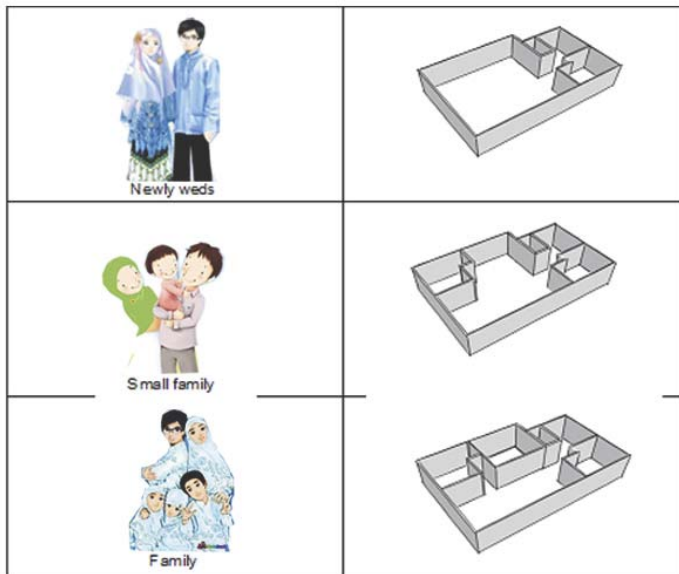
E-mail : ksnair2@gmail.com

ksnls6@gmail.com

SURVEY SERVICES

- LAND TITLE SURVEY
- SUB-DIVISION OF BUILDING (Strata title)
- UNDERGROUND LAND (Stratum title)
- TOPOGRAPHICAL SURVEY
- ENGINEERING SURVEY

Diagram 2: The concept of a home with horizontal evolution



makes allowance for the addition and renovation of houses based on current requirements and desires of the owners, such as when their families have grown larger.

The young earners will be able to own their own landed houses at an affordable price, and still be able to obtain basic houses and expand them according to needs. This could entail adding more rooms without involving wet construction, and adding another storey to two or three storeys without affecting the existing structure of the house. By examining the level of acceptance of the Malaysian community (especially among young executives) when it comes to construction structure, construction costs and minimum span of the land, we should be able to overcome the issue of affordability for young executives seeking their own landed property.

This is due to the fact that the expected outcome of this study is that the proposed houses would stay at prices found affordable by people with middle level salaries.

4. Conclusion

After food, owning a home is a basic essential for everyone, irrespective of their level of income. On this realisation, this study was initiated on the basis that the house price increase crises has become increasingly persistent for the past three years. The issue of construction material price increase stands prominent as the main speculation in the rise of house pricing. The government needs to continue to step up and take more initiative to address the issue by targeting the middle income citizens.

Therefore, this study proves to be significant to aid the middle-income people, especially the young executives who aspire to be in possession of landed property, with the adaptation on the current environment, especially the economy. This certainly lightens everyone's burden, especially those living in urban areas, which are always pressured with various financial obligations.

It is hoped that this study can help the country in handling issues pertinent to the increasing house price, whereby the younger citizens who earn moderate income (RM3,000-RM6,000) are only eligible and qualified to own storey homes such as the apartment with the price less than RM200,000. This study anticipates that this younger generation can become eligible to own landed property with affordable prices. Everyone should be entitled to enjoy the comfort of their own homes as stressed through home ownership democracy, indicated by the conviction that home ownership is in line with a human's natural desire to have their own assets and properties for security and as a vehicle to prove that their basic rights can be enhanced. ■

References:

- [1] Suhaida M.S., Tawil M.N., Hamzah N., Che-Ani A.I. and Tahir M.M. A Conceptual Overview Of Housing Affordability In Selangor, Malaysia. *World Academy of Science, Engineering and Technology*. 2010. Pp. 72.
- [2] National Housing Policy, 2010. National Housing Department Ministry Of Housing And Local Government.
- [3] Julaihi & Abdul Hadi. 1999. *Aspek Budaya Dalam Reka Bentuk Perumahan Malaysia*. Kuala Lumpur: Satiawacana.
- [4] PR1MA, <http://www.pr1ma.my/>. [Assessed 10 October 2011].
- [5] Magendran Rajagopal, 2011/07/05. PR1MA: Pinjaman hingga 105 peratus, *Berita Harian*.
- [6] Puteri Ameera Mentaza Khan, Rosadah Mahamud, Norhaya Kamaruddin. 2012. Overview of Housing Affordability for First Time Home Buyer in Malaysia. *3rd International Conference on Business and Economic Research (3rd ICBER 2012) Proceeding*, 12-13 March 2012. 388-400.
- [7] Shahrudin Idrus, 2011. Memahami ekologi perumahan. Rencana, arkib *Utusan Malaysia*, 29 January 2011.
- [8] Wan, N. A., Hanif, N.R and Singaravelloo, K., 2010. "Housing affordability issues for middle income households: *The Malaysian Perspective*." ENHR 2010 Conference, Istanbul, Turki, July 4-7.
- [9] N. Hamzah M.A. Khoiry, M.A.M. Ali, N.S. Zaini, I.Arshad, 2011. *Faktor Luaran Dan Dalaman Yang Mempengaruhi Harga Rumah Teres Di Bandar Baru Bangi*. *Journal Design + Built*, 2011. pp 1-7.



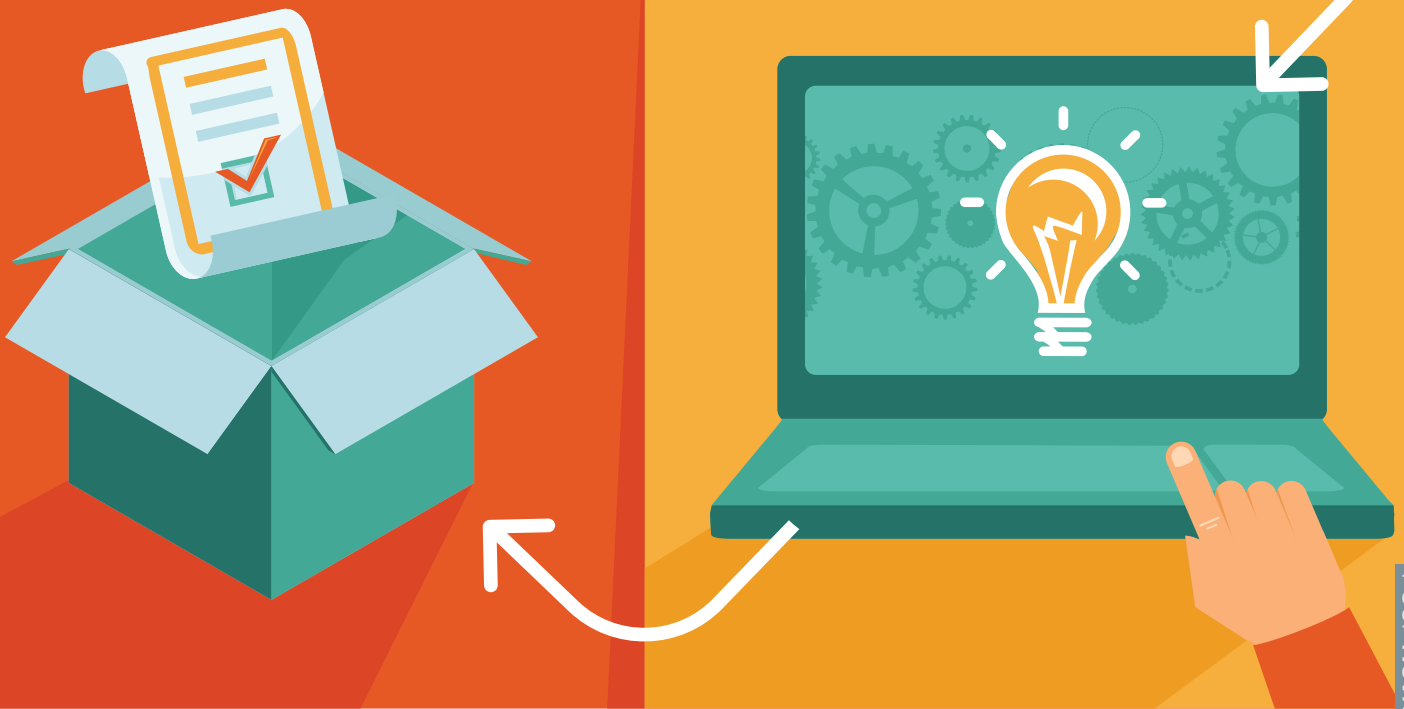
Risk Management

Formula for Outsourced Property Maintenance and Management Success



Lee Chin Sheng
cs_lee86@yahoo.com

With outsourcing as the popular sourcing strategy in today's competitive business environment, it faces risks in different aspects that make it quite challenging for its successful implementation. Managing risks within property maintenance and management services outsourcing is essential for clients to safeguard their interests. Such risks can be categorised under three headings: client-based risks, contract-based risks and common risks. These are the principle risks for property maintenance and management services outsourcing, and it is imperative for the client to ensure that each of the risks is acknowledged and that the mitigation or approach for each is agreed and documented beforehand.



1.0 Introduction

OUTSOURCING IS A BUSINESS PROCESS OR practice where certain functions, such as manufacturing, operations and other value-added activities, are contracted out to a third party or an external source (Rodriguez and Diaz, 2008; Dubem et al., 2012) to attain business level benefits (Lei and Hitt, 1995; Lee et al., 2012). Sharpe (1997) defined outsourcing as turning over to a supplier those activities outside the organisation's chosen core competencies. Gilley and Rasheed (2000) recognised outsourcing as procuring something that was either originally sourced internally or could have been sourced internally, notwithstanding the decision to go outside. Lee (2012) provided clarification for the definitional confusion by positioning outsourcing as a process that involves the organisation in engaging an external specialist for the provision of certain specialised trades or services under a contract basis.

Outsourcing has become incredibly widespread in the last decade, where it has changed from a peripheral business function in the past to more important business functions being outsourced today (Salma et al., 2007; Tafti, 2005; Yang et al., 2008). Lankford and Parsa (1999) publicised a study that proves that outsourcing is the trend of the future, and those organisations that have already adopted outsourcing are satisfied with the result. To better support the business operation that has adopted outsourcing in part of the core or non-core function, the possible risks must be managed and mitigated. Numerous studies have reported on the risk factors associated with outsourcing of functions (Dubem et al., 2012). However, few past studies have indicated that most of the organisations are outsourced without regards to the implications of risks involved (Lonsdale and Cox, 1997; Adeleye et al., 2004; Hoecht and Trott, 2006; Dubem et al., 2012). This

situation may place the business in a high-risk position. Rationally, such risks should first be recognised in order to better manage this famed procurement strategy, which would then lead to a better or desired outcome.

2.0 Property Maintenance and Management Outsourcing

Maintenance is a combination of activities carried out to retain an item in, or restore it to, an acceptable condition. Property maintenance and management (PMM) is a highly complex sphere of operations involving the interaction between the technical, social, legal and fiscal determinants that govern the use of buildings (Paul Wordsworth, 2001). It is an essential activity, which supports lifestyle and livelihood, and maintains the considerable asset value. As mentioned by Francis and Joseph (2005), a building will continue to be a valuable asset only if it is properly operated and maintained. It requires maintenance to keep up its structural integrity, water-tightness and aesthetic appearance, both inside and outside (ibid).

The PMM function is often being considered by organisations as non-core activities that are mainly in up-keeping the workplace to support the running of their core business activities (Lee, 2012). Essentially, it will be overlooked on its importance toward the entire business blueprint (ibid). Owing to this phenomenon, organisations have a tendency to outsource their PMM function to external parties. Seemingly, the retention of PMM skills and experiences within the organisation is no longer significant. Under this circumstance, PMM will naturally be treated as a peripheral piece and therefore, the management or policy maker in the organisation may start losing focus on it.

When an organisation transfers the responsibility of PMM by means of outsourcing to an external service provider, it does not mean that the risks are also being transferred. According to Dubem et al. (2012), the outsourcing process is loaded with various uncertainties, and just like human activities, it is risk prone. As mentioned by Jiang and Qureshi (2006), there is a range of unnoticed risks often concealed in an outsourcing contract. Therefore, it is important to identify and analyse the critical risk factors associated with PMM outsourcing. This is with the view towards providing stakeholders an insight into the risk components that may require proactive mitigation measures.

3.0 Rationale of Managing the Risks

Risk is defined by Abbasi et al. (2005) as the probability of occurrence of some uncertain, unpredictable and even undesirable events that would change prospects for the probability of success of a given investment. Risk management is the course of action planned to reduce the risk of an event from occurring and minimise the consequential effects should that event occur (Keith, 1992). Within the PMM outsourcing context, the risks can impact on the success or failure of the contractual relationship between the buyer (client) and seller (service provider). Resources are invested in this procurement strategy and the organisation must ensure an effective delivery of services and that the investment is fully maximised.

To ensure the risk management effectiveness, the correct risks must be identified. Risk identification is the first step of risk

management (Lubka, 2002). If the organisation which outsources the PMM functions to a service provider does not succeed in identifying all possible losses or gains that challenge them, these non-identified risks will therefore become non-manageable (Greene and Trieschmann, 1984). Inability to identify possible losses may lead to no mitigations towards such risks and the effect could be unpredictable. In contrast, the inability to identify possible gains is equal to loss, as according to Dickson and Hastings (1989), missing a good positive possibility that an organisation seeks is a problem equal to bearing losses. Hence, outsourcing risk management is an important piece for every organisation that adopts this procurement strategy for their PMM functions in order to maximise the gains and minimise the losses.

4.0 Risks Categorisation

Outsourcing strategy in PMM is a complex process that involves varying aspects and parties. Numerous risks that need extra attention by the outsourcing client are common within the process. Generally, PMM outsourcing risks in the client context can be categorised as: (i) client-based risks; (ii) contract-based risks; and (iii) common risks.

4.1 Client-based Risks

Client-based risks are the threats that may occur due to the lack of knowledge, awareness and experience, as well as lessons-learned in the client organisation. Generally, it consists of three risks as follows:

i. Lack of experience

Client may or may not have experience with outsourcing strategy in terms of PMM function. Regardless, whether the client outsourced before or is outsourcing their PMM function for the first time, they may not have sufficient experience dealing with this strategy in aspects that include work quality audit, performance measurement and so on. These are the basic skills that a client must be equipped with to better manage the PMM outsourcing.

ii. Imprecise responsibilities

The role of the client in the PMM outsourcing will start to be unclear and vague if the responsibilities are not clearly defined and recognised in the first place. Client will need to play their role and part in order to drive such dealings with the service provider towards success. It is worth noting that the success of such dealings is not only dependable on the service provider's performance, but also on the collaboration from the client.

iii. Interruption to work deliveries

Client tends to be overly concerned on the PMM outsourcing work deliveries. This is because the client organisation must make sure that their strategy (to outsource PMM function) works and that the return of such investment is maximised, so therefore, excessive or illogic expectations are always set. Their anxiety,



YONG DAN MOHAMAD FAIZ SDN. BHD.
(13239-K)

**QUANTITY SURVEYORS AND
CONSTRUCTION COST CONSULTANTS**

No. 18-1 Jalan PJS 8/12, Dataran Mentari, 46150 Petaling Jaya, Selangor

Tel: 03-56329999 (Hunting Line) Fax: 56363723 / 56367723

E-mail: ymfsb@unifi.my

Lembaga Juruukur Bahan Malaysia Permit No. 1993/FC00009

YONG DAN MOHAMMAD FAIZ (SABAH)

Lot 23 Block C, 2nd Floor Plaza Grand Millennium,

Jalan Pintas Penampang,

89500 Penampang, Sabah.

Tel: 088-733 611 & 088-733 622

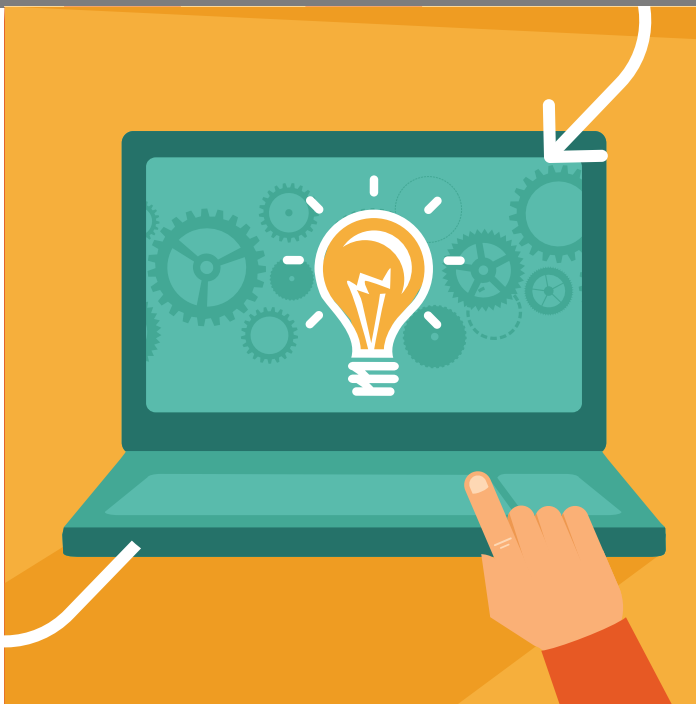
Fax: 088-733 699 Email: ymfsabah@yahoo.com



In Association With Rider Levett Bucknall

Singapore, Hong Kong, Jakarta, Bangkok, Vietnam, China, Philippines,

Australia, New Zealand, Great Britain, Europe, Africa, Middle East, India, U.S.A., Canada



which turns out to be a series of meticulous work checking, may become unnecessary pressure given subconsciously to service provider and cause disruption to outsourced PMM work deliveries.

4.2 Contract-based Risks

Outsourcing is initiated by a contract (Lee, 2012) that ties the client and service provider under such agreements that have been agreed prior to the enforcement of such legal relationship or partnership. The following risks are directly or indirectly associated with outsourcing contract and need to be focused on. They are:

i. Imprecise definition on scope of services

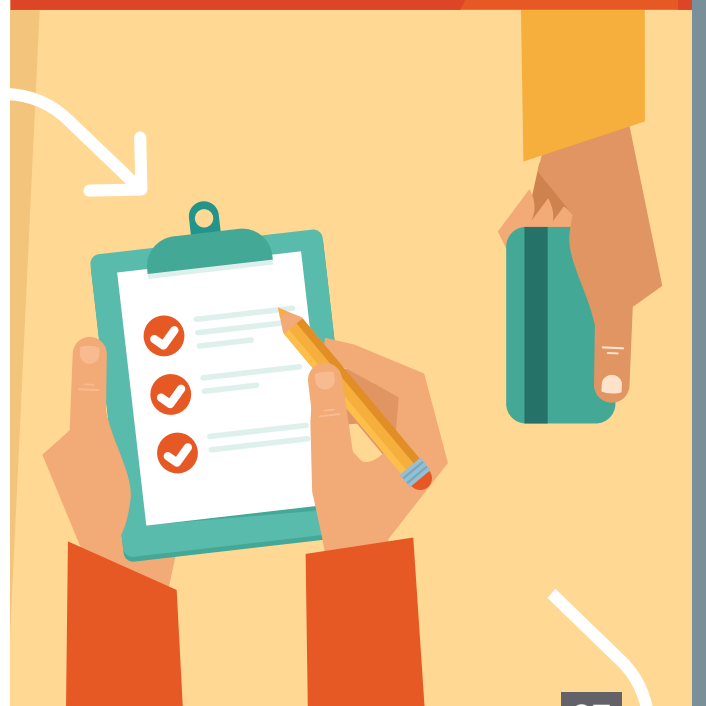
Client will lose the main objective or intention to outsource PMM function if the scope of services by service provider is not made clear and determined at the beginning stage. This is similar with imprecise responsibilities risk as discussed above. It is necessary for client to clearly understand their own responsibilities, as well as the responsibilities of their appointed service providers.

ii. Imprecise or lack of service level agreement

Service Level Agreement (SLA) is part of the agreement in the outsourcing contract that stipulates the agreed work acceptance, quality and performance level by both client and service provider. It mainly serves as outsourcing performance audit framework in auditing and tracking of the service deliveries. An inadequately defined SLA in an outsourcing deal will cause client the inability to measure the success or failure of the contract.

iii. Absence of standard form of contract

Unlike any other property related contract, such as a construction contract, there is no standard form of contract for PMM outsourcing available for adoption.



The content, job scope, responsibilities and other clauses that form the main element of the contract are solely based on the justification of each client and service provider. Outsourcing client or service provider is usually not capable of drafting or customising such contract. With no comprehensive and a well-elaborated standard form of contract, there may be some important aspects missing in it without the client's or service provider's awareness.

iv. Hidden or additional operation costs

Due to the three risks stated above, there may be some hidden or additional operation costs involved in order to perform the works that were ambiguously defined. The objectives of outsource PMM function will not be achieved if the operational costs are increased and exceed the budget set for such functions in client organisation.

v. Absence of service quality benchmark

Service quality benchmark serves as a point of reference in terms of the desired service quality level for performance measurement purposes. If there is no such benchmark for PMM outsourcing, service providers will be unaware of the quality level that they are supposed to achieve as the perception of quality is very subjective and varies between individuals.

With the right approach in managing PMM services outsourcing risks, the client will tend to be more confident towards this business partnership with service provider.

4.3 Common Risks

Apart from the two categories of risks discussed above, there are some other general risks that are potentially perilous to client organisations that are worthy to be aware of. These are as follows:

i. Lack of skill or competence to manage the outsource relationship

Outsourcing as a procurement strategy can be somewhat challenging to manage due to its complication in terms of relationship management. It is a type of dealing strategy between humans. Therefore, good negotiation and communication skills are the key competencies that an outsourcing client must possess. The lack of good negotiation skills may cause the client to not be able to deal with service provider for maximum benefits and advantages from their investment, as well as not being capable in managing dispute with service provider. Lack of good communication skills in turn may cause the accurate message or objective to be misinterpreted by service provider.

ii. Confidentiality leaks

In outsourcing the PMM function to a service provider, client organisation is exposed to the risk of confidentiality. This in turn may leak the company details to a certain extent, office access pass code and so on. Such risks need to be managed well with the aim of reducing leakage of confidentiality as much as possible. This is one of the significant aspects that concern outsourcing clients in adopting this procurement strategy.

iii. Inappropriate allocation of risks

In the aspect of risk management, inappropriate allocation of risks is also considered as one of the critical risks that need to be focused on. The two involved parties in an outsourcing contract, both client and service provider, would need to arrive at an agreement with regards to risks allocation and apportionment. A logical and fair risks allocation may develop a strong tie in this partnership.

iv. Sudden termination of contract

Client must be prepared for a circumstance where the service provider unexpectedly wishes to pull out from the job and terminate the contract with the client. To be

*With Best Compliments
From*

JUBM Sdn Bhd
(27638-X) 

In association with

LangdonSeah

LANGDON & SEAH SDN BHD (520443-H)
(Formerly known as Davis Langdon & Seah (M) Sdn Bhd)

Quantity Surveyors : Construction Cost Consultants
Juru ukur bahan : penasihat ekonomi pembinaan

MANAGED SOLUTIONS:

Maximising value for clients investing in infrastructure, construction & property

Petaling Jaya

Wisma JUBM, 2 Jalan PJU 5/15, Kota Damansara
47810 Petaling Jaya, Selangor Darul Ehsan
Tel: 03-6156 9000 Fax: 03-6157 8660

Penang

Suite 3A.3, Level 3A, Wisma Great Eastern
No. 25 Lebuh Light, 10200 Penang
Tel: 04-264 2071 / 2072 / 2073
Fax: 04-264 2068

Johor Bahru

47, Jalan Setia Tropika 1/30, Taman Setia Tropika
81200 Johor Bahru, Johor Darul Takzim
Tel: 07-232 8300 Fax: 07-232 8232

Kota Kinabalu

Suite 8A, 8th Floor, Wisma Pendidikan, Jalan Padang
P. O. Box 11598, 88817 Kota Kinabalu, Sabah
Tel: 088-223 369 Fax: 088-216 537

Kuching

3rd Floor, No. 2 Jalan Song Thian Cheok
93100 Kuching, Sarawak
Tel: 082-232 212 Fax: 082-232 198



Over 50 years of
construction cost management
...in trusted hands



In association with
LANGDON & SEAH

Langdon & Seah: Brunei, China & Hong Kong, India, Indonesia, Malaysia, Philippines, Singapore, South Korea, Thailand, Vietnam

geared up for this risk, the client should constantly source for alternative PMM services outsourcing firms for unforeseen support. It will be good if the internal employee from the client organisation who oversees and manages the PMM outsourcing services is able to acquire the technical and practical skills from service provider so that the expertise can also be retained internally.

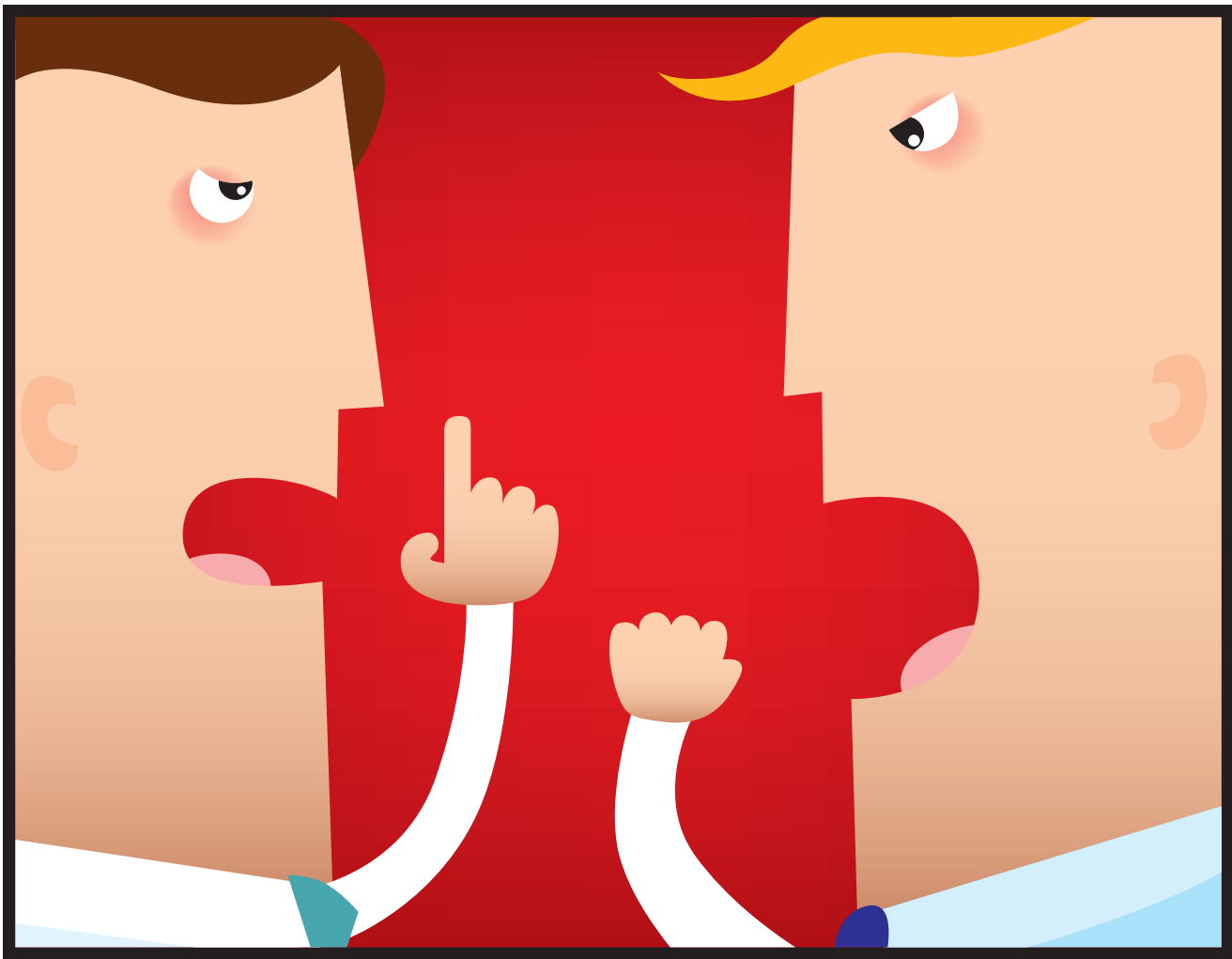
5.0 Conclusion

The risks based on the three categories, which are client-based risks, contract-based risks and common risks

discussed above, provide the insight and awareness to organisations that have outsourced or are considering outsourcing their PMM function to external service providers. These risks should be clearly noted by outsourcing client so that a resolution can be strategised to avoid or overcome them. With the right approach in managing PMM services outsourcing risks, the client will tend to be more confident towards this business partnership with service provider. This will thus create a positive platform so that this procurement strategy can gain recognition and move to an even higher level. ■

References

- Abbasi, G. T., Abdel-Jabar, M. S. and Abu-Khdegeh, A. (2005), Risk Analysis for the Major Factors Affecting the Construction Industry in Jordan, *Emirate Journal of Engineering Research*, Vol. 10, pp. 41-47.
- Adeleye, B. C., Annansingh, F. and Nunes, M. B. (2004), Risk Management Practices in IS Outsourcing: An Investigation into Commercial Banks in Nigeria, *International Journal of Information Management*, Vol. 24, pp. 167-180.
- Dickson, G. C. A. and Hastings, W. J. (1989), *Corporate Risk Management*, Witherby & Co., London.
- Dubem, I. I., Stephen O. O., Prince, B. and Onuwa, O. (2012), Analysis of Risks Associated with Facilities Management Outsourcing: A Multivariate Approach, *Journal of Facilities Management*, Vol. 10 Iss: 4 pp. 301-316.
- Francis, Y. and Joseph, L. (2005), The Trend of Outsourcing for Building Services Operation and Maintenance in Hong Kong, *Facilities*, Vol. 23 No. 1/2, pp. 63-72.
- Gilley, K. M. and Rasheed, A. (2000), Making More by Doing Less: An Analysis of Outsourcing and Its Effects on Firm Performance, *Journal of Management*, Vol. 26 No. 4, pp. 763-790.
- Greene, M. R. and Trieschmann, J. S. (1984), *Risk and Insurance*, South Western Publishing Co., Cincinnati, OH.
- Hoecht, T. R. and Trott, P. (2006), Innovation Risks of Strategic Outsourcing, *Technovation*, Vol. 26 No: 5/6, pp. 672-681.
- Jiang, B. and Qureshi, A. (2006), Research on Outsourcing Results: Current Literature and Future Opportunities, *Management Decision*, Vol. 44 No. 1, pp. 44-55.
- Keith, A. (1992), Facilities Risk Management, *Facilities*, Vol. 10 No. 4, pp. 14-18.
- Lankford, W. M. and Parsa, F. (1999), Outsourcing: A Primer, *Management Decision*, Vol. 37 No. 4, pp. 310-316.
- Lee, C. K. M., Yeung, Y. C. and Hong, Z. (2012), An Integrated Framework for Outsourcing Risk Management, *Industrial Management and Data Systems*, Vol. 112 Iss: 4, pp. 541-558.
- Lee, C. S. (2012), Overview of the In-house and Outsourcing Strategies for Property Maintenance and Management Services, *The Malaysian Surveyor*, Vol. 47 No. 1, pp. 54-56.
- Lei, D. and Hitt, M. (1995), Strategic Restructuring and Outsourcing: The Effect of Mergers and Acquisitions and LBOs on Building Firm Skills and Capabilities, *Journal of Management*, Vol. 21, pp. 835-859.
- Lonsdale, C. and Cox, A. (1997), Outsourcing: Risks and Rewards, *Supply Management*, Vol. 2 No. 14, pp. 32-34.
- Lubka, T (2002), Risk Identification: Basic Stage in Risk Management, *Environmental Management and Health*, Vol. 13 No. 3, pp. 290-297.
- Paul Wordsworth (2001), *Lee's Building Maintenance Management*, Blackwell Science.
- Rodriguez, T. F. E. and Diaz, M. R. (2008), Effects of Internal and Relational Capabilities on Outsourcing: An Integrated Model, *Industrial Management and Data Systems*, Vol. 108 No. 3, pp. 328-345.
- Salma, B., Lyes, K., Abderrahman, E. M. and Younes, B. (2007), *Quality Risk in Outsourcing*, International Conference of Service Systems and Service Management, pp. 1-4.
- Sharpe, M. (1997), Outsourcing, Organisational Competitiveness, and Work, *Journal of Labour Research*, Vol. 18 No. 4, pp. 535-549.
- Tafti, M. H. A. (2005), Risks Factors Associated with Offshore IT Outsourcing, *Industrial Management and Data Systems*, Vol. 105, pp. 549-560.
- Yang, Y., Luo, N. and Bigang, H. (2008), *Technology Innovation and Risks in Outsourcing*, International Conference on Risk Management and Engineering Management, pp. 416-421.



Learning How to Handle the Stress of **Difficult Co-workers**



Wan Hussin W.M.A.

PhD, MBA, BSc (Hons), Dip.LSurv, FRISM, MSP, MAALS, CPUL
Licensed Land Surveyor under Act 458 (Revised 1991)
Universiti Sains Malaysia

In one of my recent presentations to a group of junior technical and administrative staff at a government office, one of the many questions that was posed and deliberated at a great length was how and what to do with difficult co-workers. Surprisingly, roughly three in four workers admitted that there's at least someone in the office that is making others miserable. Problems range from the free-flowing office gossip, the bad boss, the slacker who always gets away with almost everything, office bullies and employee negativity, just to name a few. So, what's the best way to deal with difficult co-workers so that life goes on and the performance indicators stay intact?

Realising the true situation

WE ARE ALL DIFFERENT IN MANY WAYS. DEALING with difficult co-workers must be at a severe state if the current means of handling them has not lead to a positive outcome. It can become increasingly worse if the good workers become followers, who then “negotiate their good image” and the situation becomes a miserable, chaotic office environment. This could cause the staff to think of leaving or consider staying just for the sake of survival, while ignoring the office’s goals and objectives.

While there may be various options in dealing with the chaotic situations and the varying human characteristics, getting on the right track for the overall betterment is always a challenge. The following could be some of the ways in dealing with these difficult co-workers from various perspectives, but whether it is workable depends on the art and knowledge of handling these situations.

a) The workplace

Depending on the size of the organisation, there should be a formal human resource department, or just one person who supervises everyone and takes charge of the overall employee peace-keeping task, as well as the daily running of the office. It could be the boss, the department head, the supervisor or somebody senior enough to monitor the overall situation.

It’s effective to document the specific concern formally to the person in charge, avoiding personal attacks, but make sure you concentrate on issues that are bothering you. Proof or evidence can be useful to support those claims and they can be anonymous.

b) The individual level

Solving problems individually is always a challenge if you are lacking the skills of negotiating, positive communications and persuasive debate. More often than not, the same words pronounced differently in two different extreme tones could mean the opposite.

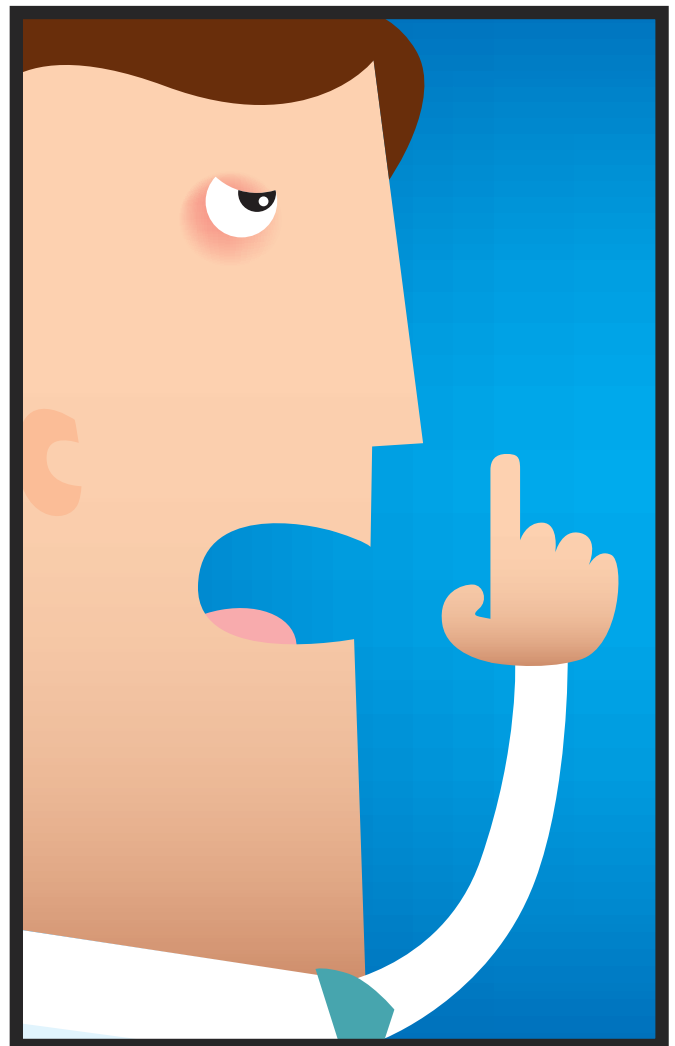
If you have to object to something that was said to you, just do it in an assertive manner as oppose to being aggressive. The art of positive communication stresses on being polite, but you must also be firm when confronted with off-colour jokes, the abnormal extra work demands or whatever that’s worth mentioning for the general improvement of the way the office is run on a daily basis. The battle is already half won when there is positive communication and the message is out for everyone’s consideration.

c) The personal level

This level of initiative on a personal level is never the same as individual level since the problems at hand may not affect you as strongly or indirectly. Depending on the level of effect, perhaps ignoring problems or letting them roll off your back is the best option, as they may seem too small an issue to discuss further. It may not be that easy for a start, but it may be worth an effort in the long run.

For example, the office is hot with your secrets being spread around by someone. The effective remedy is to have a word with the person who is spreading gossip, but the most effective solution is to stop sharing your secrets with him.

The battle is already half won when there is positive communication and the message is out for everyone’s consideration



If you have to listen to a colleague who likes talking in the meeting, but lacks intellect, just bear with it, as he will stop talking after he is finished. Of course not everything can be ignored, including the colleague who likes talking in the meeting, as he may have his points to be shared, but just ignore his lengthy diatribe and focus on some other things. Some problems will bother you much less than you would think.

d) The personal decision

Life is always full of challenges and the skills of handling them make it more fun in the maturing process. Efforts to solve those problems around you may bear fruit, but the ripening process may take time, with some ripening faster than others.

Efforts to talk to co-workers, bosses, human resources and anyone else there is to talk on issues that you think needs resolving should go on continuously. There may seem to be no effective solution to any of the problems at hand, especially the big ones. Maybe you can't live further with the problems; nothing else could be done to change them; and there are still people causing significant daily stress. And now you have concluded that life is better off without them around you. Then you may consider changing jobs or your workplace.

Ultimately, it is always a sad ending in life if this happens after working and making friends for some time, but there could be a better job waiting for you outside. Maybe what happened is actually a way for you to be inspired to find a new job. You wouldn't have been seeking it out for a better career path if you didn't have a difficult co-worker or a boss that prompted you to make a change. It is always wise to realise that there are potential positives in every situation, but the trick is just to find them.

e) The political encounter

The issue of office politics is always an alarming issue that is discussed in many forums. It is something most people recognise when they see it in action, sometimes right in front of their eyes, but they find it difficult to define the true meaning. Many define it as the use and misuse of power in the workplace, so it implies that office politics is not necessarily a bad thing and sometimes unavoidable.

Thus, office politics is something very familiar to almost everybody, even with the one-man-show and the freelancers. One doesn't have to work in the office to understand and be familiar with office politics. Office politics is very funny in many aspects and can be even funnier if one doesn't know how to handle it wisely, as it can lead to severe stress if one fails to cope with it. Techniques used in resolving office conflicts can be very challenging.

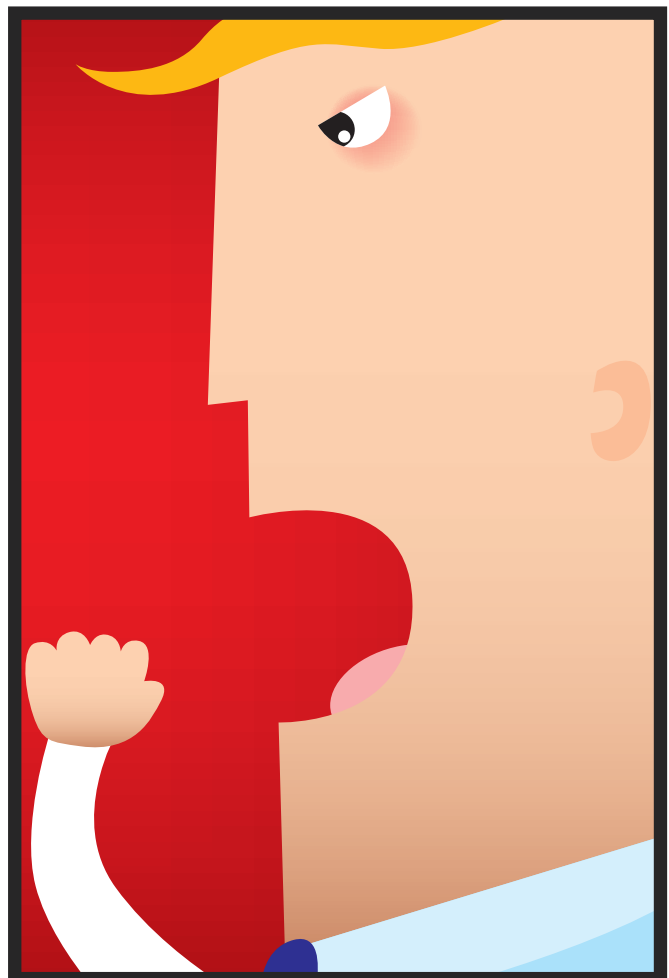
Anyone who has ever had any job, big or small, whether it's from the government sector, private bodies or individuals, knows that the dynamics among those that are part of the work environment play an important part in how a business transaction is done. The failure to handle office politics wisely could translate into financial loss, which may in turn translate into job loss.

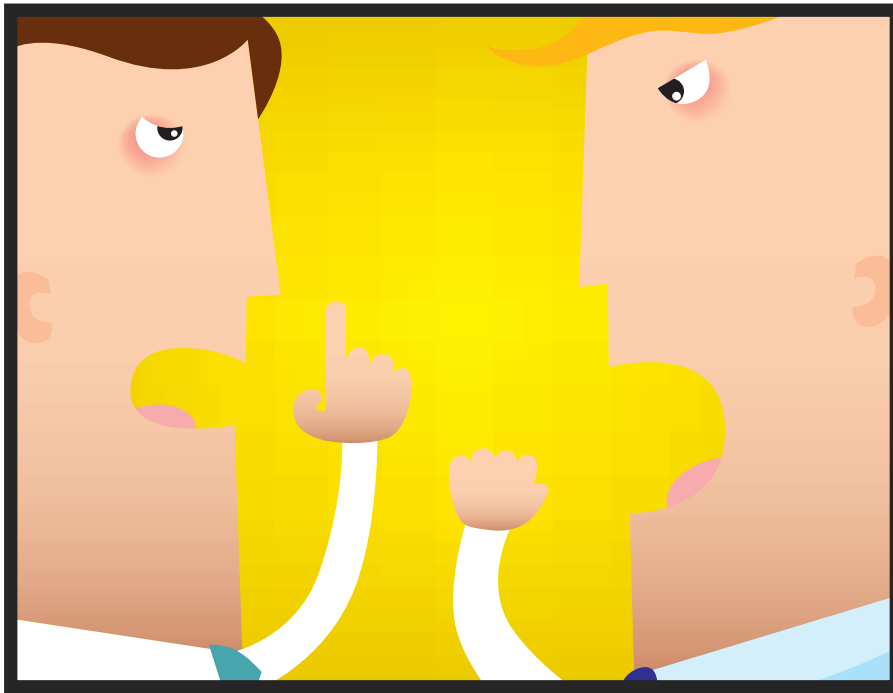
f) The gossip lovers

Gossip, sometimes termed as grapevine, is an unavoidable presence in all workplaces. It is especially the damaging when it spreads false information. On the other hand, office gossip can have its place and can be beneficial when information isn't very forthcoming. The office grapevine could be the effective channel for carrying important news where everyone can benefit from paying careful attention to the bits of data that trickle down.

But gossip sometimes can be very damaging when a lot of what comes down the pike is downright false. The problem with gossip is that it carries both elements of truth and untruth, so it should be viewed with a cynical eye. So, before you act on something you hear, confirm that it's true. Keep in mind that the words may get mangled in the gossip transfer process and may differ greatly from the initial concept. Be very careful about telling even a trusted co-worker anything that you wouldn't want everyone to know, as not many people are good at keeping a secret.

**Life is always full of challenges
and the skills of handling them
make it more fun in the
maturing process**





...the effort to minimise workplace negativity, especially so by the bosses, must be a living culture

Many of us may have achieved a great success at work, be it in the form of getting a contract or a job award, or anything that complements the list of successful moments. We often like to share the good news with co-workers and friends. In the process of sharing, though, one may not know who it will reach, as it's beyond control.

Thus, it is always important to be straightforward in telling things to others. You shouldn't have to be under handed when it comes to letting someone know how you feel. However, being direct isn't always the best approach. Use the grapevine to your advantage and take everything you hear with a grain of salt.

The art of dealing with difficult co-workers

The workplace is always a place where a bunch of people with a jumble of many different personalities works together. There are some who are easy to work with and there are some who always create an unsound working environment. What sets the workplace apart from many other places is that everyone, even the difficult people, must cooperate in order to be productive.

Negativity at work can be harmful. Negativity often results in a loss of productivity and a high rate of turnover. Negativity is contagious as it spreads around the office. Those who have negative feelings will first seek out others who feel the same way, and then try to influence those who don't.

But negativity isn't always bad. It sometimes brings existing problems out of the darkness, which are in turn resolved. Workplace negativity will always impact the culture of an organisation when it is allowed to persist unchecked. Workplace negativity is most easily stopped

before negativity becomes all encompassing. But, the effort to minimise workplace negativity, especially so by the bosses, must be a living culture.

Handling the stress

In many circumstances, disrespect among co-workers is not that uncommon. Also, difficult co-workers are often there to stay. When people decide to leave their jobs, employers are losing good people, and there's the added burden of having to hire and train new ones. For co-workers, it means having to get used to working with new people and picking up the slack until new employees can be found, or the existing ones are well trained.

The saddest part of the lack of respect in the workplace is that many people don't realise they are being disrespectful. They aren't trying to hurt someone's feelings. They just aren't trying to not do that. Many may not realise that the benefits of having good relationships with their co-workers can create good workplace relationships that can help them do their job better. They can make going to work every day enjoyable and always look forward to a more civil workplace.

Respect is the foundation of all good relationships. Do your best to avoid offending those with whom you work.

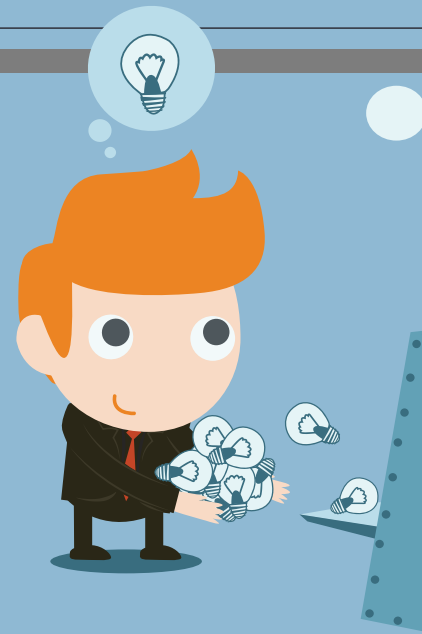
That's the key to handling stress of difficult co-workers. ■

W.M.A. Wan Hussin is a Professor at the School of Civil Engineering, Universiti Sains Malaysia. He conducts several courses on stress management and delivers public lectures and brain storming sessions on management issues for various organisations. He is currently a Licensed Land Surveyor, Member of the Association of Authorised Land Surveyors (MAALS) Malaysia, Fellow of the Royal Institution of Surveyors Malaysia (FRISM), a Malaysian Speaking Professional (MSP) of the Malaysian Association of Professional Speakers, a Certified Professional Utility Locator (CPUL) and can be reached at wmabwh@gmail.com.

Innovation

Keeping Your Company Young, Vital & Profitable

Dee Reavis



Are you running your business into the ground? That's what you are doing if you aren't innovating. It's "innovate or die" you know. Products have a life cycle. Eventually they die. You have to continually give birth to new products in order to keep your company young, vital and profitable.

Gillette's Innovation Strategy

Let's examine the fruits of the innovation strategy for Gillette razor blades. Following is a list of the innovation made by Gillette over the years:

- * Safety razor invented in 1895
- * Razor marketed specifically to women 1916
- * Razor dispenser 1946
- * Stainless Steel blades 1963
- * Double-blade razor 1971
- * Disposable double-blade razor 1976
- * Razor with a pivot point 1977
- * Razor with a lubricating strip 1985
- * Razor with spring-loaded blades 1990
- * Razor with microfins 1995
- * Razor with three blades 1998
- * Manual Razor with battery power 2004
- * Razor with five blades 2007
- * Razor with rear trim blade 2007

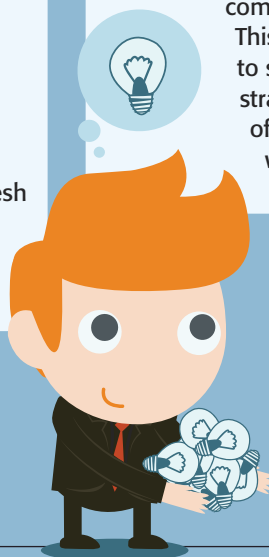
Gillette innovated on a regular basis to provide fresh new products to market. There was only one invention, but a stream of innovations. In 1999 Gillette's market value was \$43 billion dollars.

What Does an Innovation Strategy Look Like?

Your innovation strategy should be an integral part of your business plan. SWOT analysis is an excellent starting place. SWOT stands for strengths, weaknesses, opportunities and threats. Once you know the major factors that will likely impact your business for good and bad, then it is time to make your innovation plan.

Consider how the management of Gillette might have approached innovation in the 1960's. Their prime product, the safety razor, was no longer covered by patent protection. There were a number of competitors coming into their market space. Management attacked this threat head on. Their plan was to innovate their core product to differentiate themselves from their competition. As a result they introduced a double bladed safety razor in 1971.

This new product was a success, but their competitors soon learned to duplicate it. This threat required continuous innovation to stay ahead of the game. Gillette's stated strategic innovation goal was to earn 40% of their revenue from products introduced within the last five years.



Once you know the major factors that will likely impact your business for good and bad, then it is time to make your innovation plan.



An Innovation Strategy Model

Let's create a possible innovation plan for Gillette in the 1960's:

Strengths:

1. Strong products for shaving
2. Strong demand for products
3. Efficient manufacturing facilities

Weaknesses:

1. Lack of diversity in products

Threats:

1. Increasing competition against core products

Opportunities

1. Products for women.
2. Increased the value of products to the consumer.

From our SWOT analysis we as Gillette's management could make the following innovation plan:

1. Goal: 40% of revenue from products introduced within the last five years.
2. Create diversity in the product line by introducing products for women.
3. Develop new products continuously to stay ahead of the competition.

The following action plan was used to accomplish the innovation plan:

1. Commit a significant portion of resources to research and development to innovate new products.
2. Create a diverse group of innovators from different cultures and backgrounds.

Gillette's actual implementation of their innovation strategy resulted in research and development centers in the United States, Great Britain, Spain and Germany.

Summary

This brief look at innovation strategies has given you an idea of their importance. In addition, you now have a basic understanding of how to implement them. Without innovation a company will gradually succumb to market forces and become obsolete. ▣

Book Review

Money Laundering in the Real Estate Sector

Suspicious Properties

Unger, Brigitte and Ferwerda, Joras, 2011, 175 pages,
Edward Elgar, Cheltenham, UK
ISBN 978-1-84980-126-3



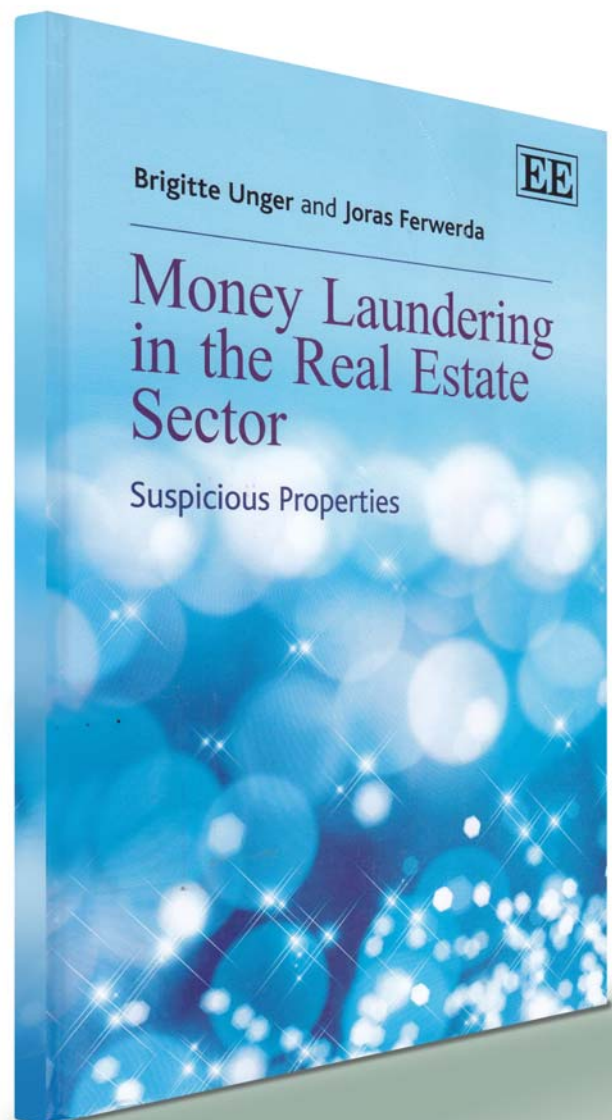
Reviewed by Ting Kien Hwa
Universiti Teknologi MARA, Malaysia

WHILE THERE ARE VARIOUS RESEARCH and publications on money laundering, those focusing on money laundering in real estate are relatively few. The research reported in this book is the first to examine the characteristics of properties which are suspicious of being used in money laundering.

There are three parts to this research. Part one is to develop indicators and apply them to land registry data and tax administration data to identify conspicuous real estate objects.

The authors have developed an initial 25 indicators which are categorised into financing, ownership, subject property and the transaction amount. Due to missing information, only 17 indicators are operationalised and used in the study. Whilst the indicators are identified via literature review, the indicators are only able to help to provide a list of conspicuous properties. Due to lack of prior knowledge (i.e. no supporting police data and no similar research) there is no prior evidence that these indicators identified through literature review are indeed reliable. To further identify likely properties that are used in money laundering, criminological analysis are applied to find out which indicators are reliable and important.

Part two is to apply criminological analysis to find out which indicators are reliable and important in identifying the conspicuous properties. In fact when the indicators are combined with criminological data, it is able to identify a new set of conspicuous properties that could have been missed if relying purely on the indicators.



The book aims to provide knowledge to readers to estimate, interpret and evaluate econometric models with confidence

Part three uses statistical analysis to link Part one with part two. This involves the use of frequency of indicators, correlation analysis and probit econometric analysis.

This study has demonstrated well the use of a multidisciplinary approach in researching real estate laundering issues. It combines data mining, criminological analysis and econometric analysis to systematically identify and to analyse conspicuous property investments. The study for this book is based on the joint efforts of three ministries and involved different academic disciplines of criminology and economics.

This book helps in detecting real estate money laundering by establishing early warning systems

developed based on a number of unusual characteristics of property transactions. The research method helps to identify conspicuous cases that need further investigation by the relevant authorities. The econometric analysis shows that the best indicators to identify conspicuous objects are: foreign owner, owner is a company newly established and unusual price fluctuation.

This book would be useful for those responsible to monitor money laundering such as those working in law enforcement and the regulatory bodies such as professional regulatory boards, securities commissions, the stock exchange and international organisations e.g. World Bank, IMF and the UN.

Overall this book will appeal to postgraduate research students for its thoroughness in discussing an integrated multidisciplinary study that covers concept development, data collection, analysis and interpretation in detail. More importantly this book shows how a good piece of original research that involves real estate economics and criminology can be conducted.

This book will also appeal to postgraduate students who are researching on an esoteric topic like real estate money laundering as an assignment topic. For the general reader, Chapter 3 which discusses forms of criminal real estate money laundering will be an interesting read. ■



BAHARUDDIN ALI & LOW SDN BHD

(R.O.C. No. 63558-U) LJBM No.: 1993/FC00010

Jurukur-Jurukur Bahan Berkanun & Ekonomis Pembinaan
Chartered Quantity Surveyors & Construction Cost Consultants

Head Office

217 & 219, Jalan Perkasa Satu,
 Taman Maluri, Cheras,
 55100 Kuala Lumpur

Tel: (603) 9285 3744
 Fax: (603) 9285 5452/6231
 Email: balow@balow.com.my
 Website: www.balow.com.my

Branch Office

72B, Jalan Abiad,
 Taman Tebrau Jaya,
 80400 Johor Bahru,
 Johor Darul Takzim

Tel: (607) 333 8480
 Fax: (607) 333 9614
 Email: balowjb@balow.com.my
 Website: www.balow.com.my





15th International Surveyors Congress, 52nd RISM Annual General Meeting & Annual Dinner

THE 15TH INTERNATIONAL SURVEYORS Congress was held on 27 – 28 June 2013 together with the 52nd RISM Annual General Meeting and Annual Dinner on 29 June 2013 in Istana Hotel Kuala Lumpur.

The theme was “Current Economic Scenario: Challenges and Opportunities”. It provides a platform for surveying professionals to meet, exchange knowledge and share experiences with others so as to further equip ourselves to face the challenges in the current world and local economic scenario. It also exposed new paradigms of practice management and explore the contemporary strategies in procedural and technological advances within the profession.

The congress was officiated by the Chief Secretary of Wellbeing, Housing & Local Government Malaysia, YBhg Datuk Arpah Binti Abdul Razak who represented the Deputy Minister. The total participants were 561 and the total number of exhibition booths was twenty-two. There were thirty-one speakers including the chairperson.



For the 52nd Annual Dinner, the Guest of Honour is the HH, Y.A.M. Tengku Panglima DiRaja Selangor, Tengku Sulaiman Shah Alhaj Ibni Almarhum Sultan Salahudin Abdul Aziz Shah Alhaj. The recipients for RISM Excellence Award 2013 were:

- 1 **Contribution Towards Sustainability** – Sr Dr. Choong Weng Wai
- 2 **Lifetime Achievement** - Sr Chee Kok Thim & Sr Chow Chee Phing
- 3 **Malaysian Surveyor of the Year** – YBhg. Datuk Sr Hamid Bin Ali

It is hoped that all participants benefited in one way or another in their endeavours towards the future as well as moulding of the innovative as well as inspire our professionals for the future. ■



RISM Royal Charity Golf Tournament 2013

THE SECOND EDITION OF THE ROYAL CHARITY GOLF TOURNAMENT WAS SUCCESSFULLY held at the Glenmarie Golf and Country Club in Shah Alam on Sunday, 9 June 2013. The event was again graced by Her Majesty Seri Paduka Baginda Raja Permaisuri Agong, Tuanku Hajah Aminah D.M.N., D.K., D.K.H, O.P.C.

Registration started as early as 12.00 noon with golfers receiving their goody bags, which included golf shirts and golf balls. Everyone was requested to wear the sponsored golf shirts for the photography session. The shirts were sponsored by the Pakatan International Md. Isahak and the golf balls were sponsored by the Iskandar Region Development Authority (IRDA).

The event started with the photography session with all the golfers and Her Majesty Raja Permaisuri Agong taking a group photo. Immediately after that the golfers were ushered to their respective tee boxes for a shot gun tee off.

There were a total number of 78 golfers of which five were lady golfers participating in this event with Her Majesty being the winner of the ladies category and Sr Mohamad Rosli Hashim of the QS Division emerging as the champion amongst the surveyors. Her Majesty was very pleased with the tournament and thanked all who donated for her chosen charity. ▣

Raine&Horne

Raine & Horne International Zaki + Partners Sdn. Bhd.

Head Office

Perpetual 99, Jalan Raja Muda Abdul Aziz,
50300 Kuala Lumpur
Tel: 03-2698 0911
Fax: 03-26911959
Email: rhizpkl@streamyx.com
<http://www.raineandhome.com.my>

- Valuers
- Market & Feasibility Researches
- Property Investment Advisers
- Estate Agents
- Rating Valuation Consultants
- Plant, Machinery & Equipment Valuers
- Property and Project Managers

Branches

Penang	04-263 8093	Kelang	03-3342 0193	Petaling Jaya	03-7880 6542
Seremban	06-763 9510	Johor Bahru	07-386 3791	Kuching	082-235 236
Ipoh	05-253 2804	Subang Jaya	03-5631 9688	Miri	08-5433 701
Melaka	06-284 8322	Kuantan	09-515 7100	Kota Kinabalu	088-266 520



► *Representative officers throughout Asia, Australia, New Zealand, Europe, America & Africa*



G'ovt Appreciates Surveyors' Role in Property, Construction Industry – Hajiji

Source: New Sabah Times, 9 September 2013

KOTA KINABALU: Surveyors have taken an active role in helping the government to shape and move the property and construction industry forward.

Minister of Local Government and Housing, Datuk Hajiji Haji Noor said that the state government is very appreciative of the role played by surveyors especially under the Barisan Nasional government where Sabah has seen tremendous development over the last two decades.

"If the building construction industry were to be compared to a chair, then the surveying profession definitely serves as one of the four legs that support the chair, alongside architects, engineers and so on.

"In other words, without the surveying profession the industry would be incomplete or handicapped," he said in his speech at the Royal Institution of Surveyors Malaysia (RISM) Sabah branch 31st Annual Dinner cum Installation at a hotel here, on Saturday.

He said, the theme 'From Turbulence to Greener Pastures' for 2013 reflected today's turbulent and changing nature of the business arena.

"The property and construction industry in Sabah enjoys a good run so we hope the good times will always be here to stay.

"However, a perpetual upswing scenario is not realistic and we must always be prepared when there is an eventual slowdown in the property and construction as well," said Hajiji.

He added that the Sabah property market has indeed frog-leaped over the past few years and the property and construction industry is one of the fastest growing industries in the state.

"New property developments are quickly snatched up either for investment or for self-occupation.

"In an environment of political stability coupled with a buoyant local economy, the property sector has become one of the most desired avenues for investment," he said.

Hajiji also added that the government was aware of the efforts from professional institutions and associations, including RISM, to improve the state's economy, and was grateful for their contribution.

He said the government was open to suggestions from professional bodies to improve the delivery system.

"I hope that the institution will make greater contributions to the growth of the nation and creates greener pastures for everyone," he added.

At the installation ceremony, the Sabah branch of RISM appointed Catherine Yen as its new Chairperson.



Minister of Local Government and Housing, Datuk Hajiji Haji Noor

Catherine Heads Surveyors Institute In Sabah

Source: Borneo Post Online, 9 September 2013

KOTA KINABALU: Catherine Yen took over from Maria Othman as the chairlady of the Sabah branch of the Royal Institute of Surveyors, Malaysia (RISM) at its 31st Annual cum Installation Dinner in Kota Kinabalu on Saturday.

Catherine was installed by the national vice-president of RISM, Dainna Baharudin who represented its president, P. Tangga.

The guest of honour was Local Government and Housing Minister Datuk Hj Hajiji Hj Noor.

Also present were organising chairman Hj Safar Untong who is also the new deputy chairman of RISM Sabah, and State Land and Survey Department director Datuk Hj Osman Hj Jamal who was made a Fellow of the Royal Institution of Chartered Surveyors (RICS), an international professional body.

Othman was presented the Distinguished Membership by the chairman of the Malaysian Board of RICS, Kwan Hock Hai.

Reading the citation for Othman's award was the chairman of RICS Sabah, Datuk Kenneth Yen, a senior surveyor who is the father of Catherine.

According to Kenneth, the Fellowship was in recognition of Othman's



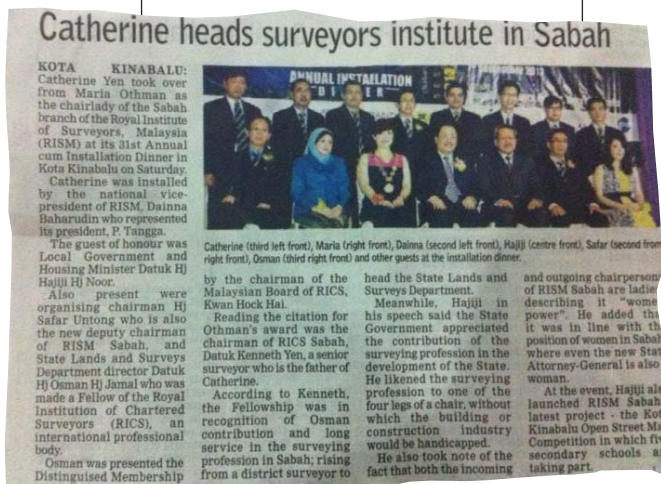
contribution and long service in the surveying profession in Sabah; rising from a district surveyor to head the State Land and Survey Department.

Meanwhile, Hajiji in his speech said the State Government appreciated the contribution of the surveying profession in the

development of the State. He likened the surveying profession to one of the four legs of a chair, without which the building or construction industry would be handicapped.

He also took note of the fact that both the incoming and outgoing chairpersons of RISM Sabah are ladies, describing it "women power". He added that it was in line with the position of women in Sabah, where even the new State Attorney-General is also a woman.

At the event, Hajiji also launched RISM Sabah's latest project – the Kota Kinabalu Open Street Map Competition in which five secondary schools are taking part.



Press Release

Asia is tipped to be the world's fastest growing construction market between now and 2020, with Indonesia and in particular Jakarta forecast to have the highest potential in terms of both market growth and profitability.

SINGAPORE (August 1, 2013) – Construction spending in Asia is forecast to account for almost one half of total global construction spending by 2020. Recent rapid growth in the region has largely been at the expense of declines in both Western Europe and North America, according to the latest Asia Construction Outlook report launched by AECOM and Davis Langdon, an AECOM company.

Published twice a year, Asia Construction Outlook is designed to provide a regular review of, and forecast for, the construction markets in Asia.

Asia Construction Outlook 2013 presents the latest update of the construction market in Asia midway through 2013. The report reveals industry activity levels in 2012 and provides near- and longer-term forecasts for construction by region, country and city. The findings are based on analysis of sector statistics combined with the results of market sentiment surveys undertaken by 41 AECOM construction experts across nine countries in Asia.

"Market intelligence of this type is invaluable for proactive organizations looking for new or alternative markets to enter and is something that can be overlooked by construction businesses, which often tend to be reactive" said Dr. David Crosthwaite, author of the paper and associate director of AECOM's business intelligence team.

AECOM's analysis highlights the following key trends:

- **Asia will be the world's fastest growing construction region between now and 2020.**

While Western economies have slowed, Asia has maintained strong growth and has been less impacted by the global economic downturn in recent years. Asia has also become increasingly dependent on domestic demand, through burgeoning affluence and urbanization, for its continued growth. Asia is the largest regional construction market worldwide, accounting for some 40% of global construction spending in 2012. Indeed, construction spending in Asia is forecast to account for almost one half of global construction spending by 2020.

- **Growth in India depends on its ability to attract private finance.**

Given its population size comparable to that of China, India offers a significant level of opportunity, however, its

construction sector is only about one-third the size of the China market. With public investment levels likely to be constrained, India's growth will greatly depend on its ability to attract private finance.

- **Indonesia is identified as a strong potential growth market after China.**

China accounts for some 41% of the Asia-Pacific region's total construction spending, with expenditures of US\$1.25 trillion last year. In addition, Indonesia emerges as a particularly interesting market. Construction spending in the world's fourth most populous country accounted for more than a quarter of the nation's GDP in 2012, with around half of this expenditure funding infrastructure projects. Meanwhile, the AECOM's survey also found that Jakarta, the capital of Indonesia, is viewed as the number one city in the region for potential market growth and profitability.

- **New spending and funding trend in the construction sector identified.**

Construction activities will shift away from non-residential structures and, instead, move towards infrastructure and then, in the longer term, to residential projects. Funding models are also evolving in Asia, with growing use of private finance, including public-private partnerships (PPP).

- **Japan's construction spending is unlikely to sustain.**

Japan is also identified as a key growth market through to the end of the decade. Japan is expected to see sizeable growth in construction spending through to 2018 as the earthquake/tsunami reconstruction effort gathers pace. However, the reconstruction is only expected to provide a short-term spike in construction activity which is likely to return to trend later in the decade.

"Coupled with our 40 years of experience in the market, I believe this paper will provide an insightful perspective for the industry to understand the construction trends and activities in the region," added Dato' Sri Kandan, Chairman, Davis Langdon KPK. "Long-term planning and managed implementation are the keys to the sustainability of the construction industry, particularly in Asia."

About AECOM

AECOM (NYSE: ACM) is a global provider of professional technical and management support services to a broad range of markets, including transportation, facilities, environmental, energy, water and government. With approximately 45,000 employees around the world, AECOM is a leader in all of the key markets that it serves. AECOM provides a blend of global reach, local knowledge, innovation and technical excellence in delivering solutions that create, enhance and sustain the world's built, natural, and social environments. A Fortune 500 company, AECOM serves clients in more than 140 countries and had revenue of \$8.2 billion during the 12 months ended March 31, 2013. More information on AECOM and its services can be found at www.aecom.com. Follow AECOM on Twitter at @AECOM.

Please visit the following link for more details.

http://www.aecom.com/Where+We+Are/Asia/_news/Asia+is+tipped+to+be+the+world's+fastest+growing+construction+market+between+now+and+2020

LIST OF NEW MEMBERS

February – May 2013

QUANTITY SURVEYING

MEMBER

Sr Chong Juang Kai
Econcos Consultats

Sr Tan Pei Ling
Langdon & Seah Sdn Bhd

GRADUATE

Alnazril Kamil Bin Farid Kamil
ARH Jurukur Bahan Sdn Bhd

Alan Ting Wee Leong
Gamuda Berhad

Ariel How Jun Keat
Vincent Tan Associates, Sel

Arina Nadiyah Md Amir
JUBM, Sel

Asma' Salsabila Ahmad
KPK QS (SM) S/B, KL

Chieng Hui Tzyy
Langdon Seah (Singapore) P/L

Chi Kong Kian
SP Perunding, Sabah

Dewi Noorain Bolhassan
PUBM QS, SWK

Goh Chuan Yang
SP Perunding, Sabah

Goh Chung Han
Langdon & Seah Sdn Bhd

Hui Con You
Puncak Pulangan Sdn Bhd

Intan Syafiqah Bt Mohd Zulkiffi
ARH Jurukur Bahan Sdn Bhd

Khairunneza Adibah Abdul Majid
Perunding Kos KVC, Sabah

Lai Kee Fei
Jurukur Bahan FPS Sdn Bhd

Law Weng Chung
KPK QS (SM) S/B, KL

Lim Chin Hwa
KPK QS (SM) S/B, KL

Lim Hock Kee
Perunding Kos Bersatu Sdn Bhd

Liu Meng Chian
Jurukur Bahan FPS S/B, KL

Loo Chui Shen
KPK QS (SM) S/B, KL

Md. Zawawi Bin Md. Nor
W & K Perunding Ukur Bahan

Michele Tiong Kui Ching
YF Lee Quantity Surveyors, Sel

Mohamad Azmi Ahmad @ Abdullah
KPK QS (SM) S/B, KL

Mohamad Zulfadly Abdul Razak
ARM Perunding S/B, Sel

Mohd Aiman Che Azmi
Empayar Perunding S/B, Sel

Mohd Fahmi Bin Mohd Noordin
AsZ Consult Sdn Bhd

Mohd Hazwan Mohammad Rosli
Perunding DMA S/B, KL

Mohd Syafiee Bin Zainudin
ARH Jurukur Bahan Sdn Bhd

Muhammad Afif Fadhuli Mohd Fuad
JUBM, Sel

Muhammad As'adi Ramon Zahedan
JUB Central S/B, KL

Noor Ashima Shahimi
Mokhnar & Associates, KL

Nur Sazirah Anuar
Jurukur CEM, Johor

Nurul'Ain Bt Baharudin
ARH Jurukur Bahan Sdn Bhd

Nurul Izyani Abdul Wahab
Perunding P&S, KL

Ooi Joon Aun
Northcroft Lim Perunding

Patricia Yong Siaw Lan
Abdul Latif Consultant, Sabah

Ruzida Hassan
JUBM, Sel

Sim Maw Jin
KPK QS (SM) S/B, KL

Syazwan bt Abdul Wahab
KPK QS (SM) S/B, KL

Syed Azman Syed Alwi
HMR & Associates

Tam Ket Yong
SP Perunding

Yong Sui Fung
Prokosnan Konsultant

PROBATIONER
Saw Soo Sen
Perunding PQS, Sel

Wong Sen Choy
Toffo S/B, KL

STUDENT

Lew Pey Huey
JB Bergabung S/B, Johor

Nur Athirah Abdul Latif

Saranraj a/l Thanganuthu

Tan Chen Wei

PROPERTY MANAGEMENT, VALUATION AND ESTATE AGENCY SURVEYING

MEMBER

Sr Azman b Mab @ Adnan
JPPH Pulau Pinang

Sr Che Aniru b Che Yaakub
Rahim & Co

Sr Fazidah @ Fazida Amir
Northgate Real Estate Cosultants, Kedah

Sr Hii Wei Jin
CH William

Sr Maimunah Sapri
UTM Skudai

Sr Mohd Fauzi Ariffin
Bahari & Co., Johor

Sr Ong Teng Eng
Rahim & Co

Sr Ragunathan a/l Arumugam
Azmi Real Estate Mgmt S/B, KL

Sr Tan Chean Hwa
CH William

Sr Teo Lim Sen
CH William

GRADUATE
Shahrul Azmi Ahmad
Intra Harta, Penang

PROBATIONER
Chuah Wen Qing
Sunway Construction S/B, Sel

Edwin Ong Keat Meng
Nil

Ling Ngiuk Hung
Putra Perdana Construction S/B, Putrajaya

Tan Jun Yi
Allied Group Prop. Serv. S/B, Penang

STUDENT

Mezric Manoharan Thomas
Burgess Rawson

Chew Yi Wen
GEOMATIC AND LAND SURVEYING

FELLOW

Sr Abu Husin Jantan
Jurukur Wardah, Sabah

Sr Tan Ah Bah
JUPEM HQ

Sr Tuan Baharom Tuan Mahmood
UTM KL

MEMBER

Sr Abd Razak Mohd Yusoff
UTM Skudai

Sr Ahmad Her Rahmad
Jurukur Selatan, Johor

Sr Awan ak Amal
Land & Survey Departm., Sarawak

Sr Ivin Amri b Musliman
UTM Skudai

Sr Khairulnizam b M Idris
UTM Skudai

Sr Ko Cheo Kwang
LS Survey Consultant S/B,

Sr Lee Kong Fah
Jurukur Selatan, Johor

Sr Maihizam Hj Mohd Zin
Jurukur GV-Tech S/B, Sel

Sr Mohd Farid Mohd Ariff
UTM Skudai

Sr Muhamad Uznir b Ujang
UTM Skudai

Sr Muhammad Imza Hassan
UTM Skudai

Sr Mustaza Fazuli b Yatim Mustapa
Syarikat Air Selangor

Sr Ng Eng Seng
Kumpulan Ukur Petanah, Melaka

Sr Norhakim Yusof
UTM Skudai

Sr Norina Omar
Politeknik Kuching, Sarawak

Sr Normasrizal b Nor Adabi
Jurukur Intan Malaysia, Sel

Sr Nurul Hawani Idris
Jurukur Selatan, Johor

Sr Pang Siow Juen
Politeknik Kuching, Sarawak

Sr Redzuan Nasir b Ramli
Jurukur Intan Malaysia, Sel

Sr Shahabuddin Ameruddin
UTM Skudai

Sr Shahrudin Mohd Said
UTM Skudai

Sr Suhaimi Ahmad
JUPEM Labuan

Sr Dr. William Belton Moinin
Jurukur Dr Moinin, Sabah

GRADUATE

Chan Chen Hui
Jurukur Bakti, Johor

Endry a/l Ching
IBR Ukur Consultant, Sel

Norman Chai Wuihern
Geosurvey Consultant, Sarawak

Rafizi Rasdi
SO Survey Consultants, Sel

Tuan Hamdan Tuan Ismail
Jurukur Indah, Sel

Wan Mohd Haffiz b Wan Deraman
Jurukur Aznan, Sel

STUDENT

Aika Fatiha Zikri

Farah Liana Abdullah

Mohammad 'Akashah Shaikh Ibrahim

Mohammad Khalis b Mohd Zakri

Mohammad Nur Syafari b Ismail

Mohd Fikri b Mokhtar

Muhamad Za'imul Umam b Muktar

Norhasnizah Che Omar

Norraina Mohd Zaidi

Nor Azira Che Omar

Nur Azifah Md Bakri

Nur Hidayu Jamaludin

Nurul Aina Mohd Yusoff

Nurul Ain Ismail

Siti Fatimah Mohamad

Siti Noor Aqilah Samsul Anuar

FIG


KUALA LUMPUR
2014

XXV FIG Congress

"Engaging the Challenges, Enhancing the Relevance"
16 - 21 JUNE 2014, MALAYSIA



Organisers



Principal Supporters



Supported by

Platinum Sponsors