

# New Opportunities of Property Management under Economic Recession: In Multiple Ownership

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## Introduction

Difficulty is encountered in property management of multiple-ownership buildings in Hong Kong. However, the responsibilities and relationships between the flat owners of a multi-storey building and its property managers are dictated by the following:

1. Building Management Ordinance (BMO), Chapter 344
2. Deed of Mutual Covenant (DMC) signed the first owner of the building on behalf of all the other owners
3. Lease Condition of the land the building built on it
4. Code of Practice

These four areas are explained in the following paragraphs.

## Building Management Ordinance (BMO), Cap 344

The Building Management Ordinance (BMO), Chapter 344 is a most important ordinance regarding to the property management in Hong Kong. It facilitates the incorporation of owners (OC) of flats in buildings or groups of buildings and let the flat owners to form a legal entity and have legal capacity to deal with complicated building management and maintenance issues. It provides for the management of buildings or groups of buildings and for matters incidental. It also mentions that Owners Corporation is responsible for managing the common parts of the building and dictates that owners have to contribute funds to the management of the buildings. However, it does not provide any statutory guidelines on how the shares of property rights in the public area in the housing community should be divided. To certain extent, it is seen to be advantageous for the developer. (see Cap 344)

## Deed of Mutual Covenant (DMC)

The HKSAR government is the only legal owner of all land. Property owners in the high-rise buildings



are actually tenants in common with exclusive use rights over their own flats plus an amount of undivided shares in the entire lot and building. Deed of Mutual Covenant (DMC) is an important document signed by the first owner of the building on behalf of the remaining owners of the building to observe the terms and conditions stated in the DMC. It illustrates the proportion of shares of each owner, the use of building, the public area which is not exclusively owned by any owners, the rules that occupiers.

If there is any inconsistency between the DMC and the Building Management Ordinance, Cap 344, it is clear that BMO prevails. DMC states the rights and responsibilities of the property manager as well. If any violation of the manager to DMC occurs, the manager will be punished as stated in the DMC, instead other form of statutory punishment.

## Lease Condition

Lease condition is a contract between the government (as a lessor) and the land owner (as a lessee), which lists the site particulars and the details of the site and guarantees the conditions of the building to be kept as the time that the lease

was signed (with the use approved in the lease).

### **Code of Practice**

Code of Practice publicizes standards and practices of management and safety in relation to the common parts of a building that are to be observed and followed by an owners' corporation. In addition, it advises the management of the building areas including the common facilities and landscaping areas.

Complying code of practice can prevent statutory punishment to the property management company. Other than that, the property management company should also concern with the laws relating to Environmental hygiene and water supply (Public Health And Municipal Services Ordinance, Cap 132), Security (Security and Guarding Services Ordinance, Cap.460), Insurance (Employees' Compensation Ordinance, Cap.282), Financial management (Building Management Ordinance, Cap 344) etc.

### **Opportunities available in Hong Kong**

Under the recent economic recession, there are opportunities available in Hong Kong. One of them is facility management.

### **Facility Management (FM)**

Facility Management not only ensures all assets in good condition during their life cycle, but also concerns with the initial, operation, maintenance and disposal costs. The main theories of FM, such as strategic facility management and space planning etc, can hardly be implemented in the properties which are too small or not wholly owned real estate.

### **Example in U.S.**

With effective facility management, the life span of

a building is longer than that without it. Here are some examples. Life span of buildings in Japan is 40 years, that in US is 100 years while that in UK is 140 years. It is easily seen that effective facility management can extend the life span of a building.

### **Situation in Hong Kong**

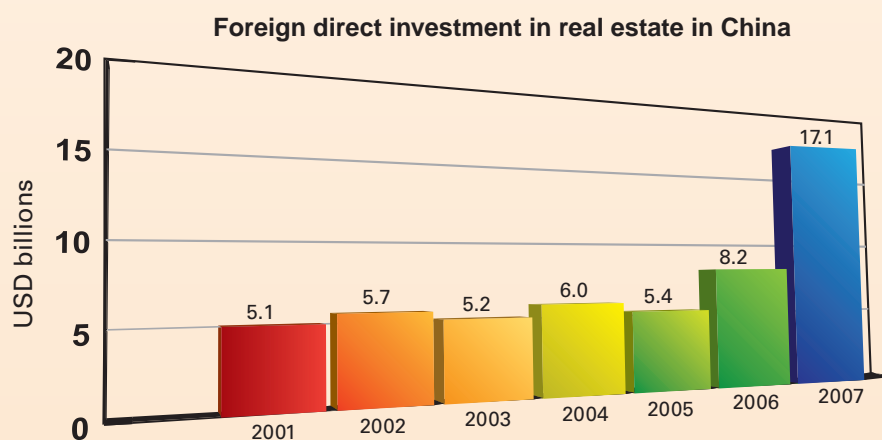
Hong Kong is a financial centre with modern facilities. Owners of a building have keen awareness of personnel costs as well as maintenance expenses of active and idle facilities under economic recession. It is important that asset management is usually charged to the accounting and/or finance department, and the information system department maintains information networks.

### **Green Management**

Another opportunity is Green Management in Hong Kong. Green Management is environmentally friendly to decrease operation costs. It relates to smoke-free workplace policy, paper saving, energy saving, waste collection for recycling. Friendly relations can be developed between the company to the public or HKSAR government.

### **Opportunities in China real estate**

In 2007, foreign direct investment (FDI) in real estate in China reached USD17.1 billion, compared with USD8.2 billion in 2006. The growing trend is expected to continue. Property management had not been well understood to the public in the Mainland. There were no Deeds of Mutual Covenant. Professionalism is in demand these days. In view of booms of the property market under emerging economy in China, professional property managers are needed. This can be regarded as opportunities for Hong Kong in the property management trade.



Source : China Statistical Information and Consultancy Centre

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