Planning for the Operation, Management and Maintenance of Township Malls

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Advent Asset Management
1. **Background to Advent Asset Management**

2. **Management Structure and Context**
   - Asset Management vs Property Management

3. **Operating Processes**
   - Income Management
   - Expense Management
   - Budgeting

4. **Conclusion**
Background to Advent Asset Management

- Wholly-owned subsidiary of the Public Investment Corporation
- Created in 2006 to manage township mall portfolio
- Assets under Management – R3.1 billion (January 2010)
- 410 000m² under management
- Perform both asset and property management functions

**What does a property asset manager do?**

- Maximise rental payable by tenants through the provision of superior space
- Purchase shopping centres for clients (developments or going concerns)
The term ‘operations and management’ could form a combination of issues covered under the titles of property and asset management.

- It is dependent on the firm and its skill sets.

In Advent, operations management falls within the sphere of ‘property management’.

- Tenant Billings
- Lease Administration
- Facilities Management
- Maintenance
- Contract Management
- Creditors
- Debtors
- Budgets
- Occupational Health & Safety
WHAT does Advent manage?

- All physical aspects contained on the erf, including:
  - Taxi/Bus/Parking Facilities (cleansing, reticulation, security)
  - Leased Space
  - Reticulation and maintenance of services to tenants (elec, water, sewerage, security, air con, etc)
  - Anchor tenants: storage spaces, delivery yards (cleansing, reticulation, security)
  - Common Areas (cleansing, security, lighting, air con, etc)
  - Ablution facilities (maintenance, cleansing, security)
  - Landscaped areas (cleansing, garden maintenance)

- Stakeholder/Relationship management: tenants, transport and local authorities, community organisations (notably hawker, taxis), surrounding landlords, etc
Central City, Mabopane - Stakeholder Management
Management Structure and Context

Central City, Mabopane - Stakeholder Management
Operating Processes

income – expenses = net income
Operating Processes

- Income processes:
  - Leasing process:
    - Which tenant? Why? How does it add value?
  - Billings process:
    - Accuracy of data, recovery management
    - Rent collection
    - Billings without collection = worthless
    - Accurate receipting, timeous action against errant tenants – 14 days
    - Constant KPI measurement – 5% of billings
Expense Management:

- Recoveries management
  - Municipal expenses largely recoverable: manage usage (peak demands), % recovery levels
- Service Provider/Contract Management
  - Procurement processes, manage documentation and content
  - Types of services procured, specification development, performance management
- Municipal and contractual expenses are largely a payment processing issue – require appropriate Delegation of Authority to be effective

Operating Processes

- Municipal Expenses
  - Electricity, Water, Rates, Refuse, Sewerage
- Ad hoc Maintenance
  - Planned Maintenance
- Cleaning
  - Security
  - Meter Reading
  - Landscaping
4. Facilities and Maintenance Management

- Physical condition of property is pivotal in income maximisation
- Ad Hoc/Unplanned Maintenance and Planned Maintenance cannot be treated the same

- Ad hoc/Unplanned
  - Replacement of smaller items (plumbing, lights, paving, etc)
  - Requirements are largely related to day-to-day operations, identified and executed on-site within appropriate budget limits

- Planned
  - Medium/Long-Term outlook
  - Roofing, air conditioning, external common areas, etc
  - Combination of operational and capital items
  - For Advent, follows a two-year budgeting cycle
  - Centralised planning and execution
Operating Processes

Phalaborwa – Centre Refurbishment (LT capital planning)
Expense management can only take place when two things are present:

- Good control environment (processes); and
- Good measurement (detailed budgets).

The budgeting process creates an **action plan** and **contract** between all managers:

- This contract marries the strategic with the operational;
- It requires negotiation and detailed analysis to be effective;
Operating Processes

Draft 1 Budget

First Order Checks:
- Projected Net Income
- Projected Yields
- Rates/m2 per line item
- Compare rates between properties
- Search for anomalies

Draft 2 Budget

Second Order Checks:
- Projected Growth
- Mark-to-market

Final Budget

Board Approval

First Order Checks:
- Projected Net Income
- Projected Yields
- Rates/m2 per line item
- Compare rates between properties
- Search for anomalies
The role of a property manager is to maximise rental payable by tenants through the provision of superior space.

- Superior space is clean, secure and well maintained.

Rigorous planning/budgeting allows for:

- The maximisation of income – by understanding the connection between leasing, vacancies, recoveries and income; and
- The control of expenses – by creating measurable limits (notably for variable expenses such as Maintenance) and performance targets.

**Remember:** The processes applicable to a township centre are not dissimilar to those applicable to any other retail asset – only the content might be different.

**Also remember:** space is space, whether you are managing a shopping centre, an office block, an office park, a precinct...or a town centre...

- Provide clean, secure and well-maintained space (whatever that space comprises of), and you will be able to maximise the value to end-users – tenants, landlords, consumers...and citizens...