

Professional Role in Ensuring Standard and Valuable Properties for Sri Lanka to be a Rich and Prosperous Nation

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Overview

Standards properties as well as valuable properties are key concerns in the real estate development and management in providing global property needs and wants. This is confirmed by the UNs Sustainable Development Goals which emphasizes the sustainable cities where standard and valuable real estates are fundamentals (www.un.org). In fact, property standards and property values are interdependent variables. It is expected to embrace international property standards as real estate markets are evolving towards international markets. In line with this, there has been an increasing shift towards International Valuation Standards (IVS), and there is a practical requirement to be aware of such IVS (Australian Property Institute, 2008) to assist global real estate industry through standardized professional services. Further, most of local authorities in developed cities have set property standards in ensuring safe and healthy housing and other real estate in their cities concerning both private and public properties. Those local authorities have well communicated such standards with relevant parties to ensure the provision of their services as well as mitigations of issues in this regards (<http://www.walthamforest.gov.uk>; <http://guelph.ca/>; <http://www.mtas.utk.edu>).

There are over 1250 Sri Lanka Standards relating to products, commodities, materials, processes & practices in Sri Lanka (<http://www.slsi.lk>). However, it is not seen any such standard on building/structure/real estate/premises as a product except some materials and some components such as machines, equipment etc. Furthermore, planning laws enforced by the Urban Development Authority has been used to a greater extent in urban areas as a monitoring mechanism of some aspects of property development and management (www.uda.gov.lk). However, these regulations and procedures are mostly related with private properties. It is also not perfectly implemented practically resulting several illegally developed or modified buildings and structures in urban areas. In case of public properties such as parks, walking tracks, pavements, public building etc are developed mostly in haphazard way without monitoring by a central system or mechanism (Ariyawansa, 2009). However, valuers and accountants use some standard only to regularize the method of valuation but not the quality of properties.

The Royal Institution of Chartered Surveyors has taken a measure launching a set of best practice standards applicable in property transactions among real estate agents and brokers worldwide with the view to minimize gaps between national practices, negative image of property agent and brokers etc (<http://www.pie-mag.com>). However, impact of the RICS on the country's property standard is not significant as the country associates with the RICS in a minimal way.

Sri Lanka to be a Rich Nation

Developing quality/standard property in catering to national as well as global property needs is a challenge faced by Sri Lankan property market. Particularly, the country's property market has become a key factor in reaching the target of the country's dream of becoming an internationally recognized developed nation in

near future. In this connection, catering to domestic property needs is not the sole role of property market but also to cater the property needs of “global (...liezed) community”. Thus, properties should be prepared so as to offer any one from any region of the world as well as modernized locals who have transformed their lives from low-income to middle-income status and targeting towards high-income status. Therefore, application of accepted property standards is an essential phenomenon for higher satisfaction of property users as well as for an efficient management of properties (property owners). Hence, it is needed to discuss the significant of application of property standard, different overseas experience as well as impact of property standards on property values and property management in transforming economies like Sri Lanka.

Standard properties and quality of properties are fundamental requirements for a country when it is transferring its status from low-income to middle-income and then middle-income to high-income. Term “STANDARD” can simply be defined as a set of norms, conditions, systems, processes, items, places, or any component accepted by organization(s) and/or wider society locally and/or globally. It refers to a level of quality or attainment, something used as a measure or model in comparative evaluations. Moreover, it is a moral rule that should be obeyed, a pattern or model that is generally accepted (<https://dictionary.cambridge.org>). Standards are required to ensure health, wealth and prosperity of individuals, groups and wider society. In short, it is a prerequisite for the social wellbeing.

International Scenario on the Matter of Standard Properties

Many countries emphasis health and safety regulations related with property development and management in ensuring standard properties. Property professionals, specially valuers, must keep such requirement in mind when they take professional decisions

such as leases are being granted, freehold or leasehold are being valued etc. Further, it is said that deductions may have to be made to allow for the cost of complying with the regulation (Eric Shapiro et al, 2013). The matter of health and safety related with properties directly or indirectly link with several other standards such as technical or engineering standards, market standards, legal standards, professional standards and so on. For instance, RICS emphasizes that all Responsible Businesses in Land, Construction, Real Estate Use and Investment etc should make sure the Sustainable Development Goals (SDGs) to be a reality (<https://www.rics.org>) paving the way to upgrading the life standard of global nations. It is also clear that all such property standards may act as a key determinant of cost of property and user satisfaction. Further, it is a major controlling factor for properties preventing from obsolescence.

International professional institutes such as Royal Institution of Chartered Surveyors (RICS) and Australian Property Institute (API) etc seem to be keen of the area of property standards as they have identified the need of protecting the reputation of valuation professions. Thus, these organizations are mostly addressing the valuation procedures, rules and regulation, methods of valuations, code of conduct and professional ethics etc. Dianne, (2009), as in Gunawardene and Ariyawansa (2017), says that “Establishing common and consistent standards for all estate and letting agents is an essential step in the growth of consumer protection in this sector. He is focusing on consumer protection, which shows more specific aim. For that purpose, as he explains the Property Standards Board (PSB), created by RICS, ARLA and the NAEA will provide a focal point for the residential property sector to come together for a common purpose. The common purpose that he emphasized is that establishing and endorsing universal standards in residential property services and enhancing the

consumer experience in buying, selling and renting property. Yet, this is also not addressing clearly the quality aspects of property.

It is found that studies are mostly attempting to discuss about the standards relating to materials only. In Sri Lanka, property standard is a poorly concerned aspect and some attempts are made only as legislative requirements such as permissions, approvals, license etc. As a whole, available studies or applications on property standards do not address adequately on quality of property and property management issues. Building Economics and Facility Management researchers in University of Moratuwa have conducted some studies which are focused more on physical aspects but less on social aspects (Nisa Zainudeen, Sepani Senaratna, Suranga Jayasena, Raufdeen Rameezdeen (2006). Accordingly, it seems that comprehensive studies about “impact of property standards on property management” is a timely requirement.

The UN Global Compact asks companies to embrace, support and enact, within their sphere of influence, a set of core values in the areas of human rights, labour standards, the environment, and anti-corruption (www.un.org, www.rics.org) aiming to prevent from all sort of discriminations including the property sector encouraging standards at large. In connection with the environment, real estate sector is highly responsible. Standards properties directly help to maintain environment quality. Use of standard material, machine, process etc are very important in this connection. Land use planning, construction industry, material etc produce more greenhouse gasses, waste resulting degradation of the land, water and air. This emphasises the maximum and proper use of natural resources, for which property standardization is essential. This implies that lower quality of material and construction and use of such property increase cost of maintenance, replacement,

rehabilitation and rebuilding paving the way for more damages for the environment. Hence, it seems that embrace of suitable property standards may be an appropriate solution for the problem of environment pollution.

Further, in September 2015, all 193 Member States of the United Nations adopted a plan for achieving a better future for all – laying out a path over the next 15 years to end extreme poverty, fight inequality and injustice, and protect our planet (www.un.org). As per the “Agenda 2030”, there are 17 Sustainable Development Goals (SDGs) and 232 related indicators that address the most important economic, social, environmental and governance challenges face by the world today. In line with this, RICS explains that the “SDGs clearly define the world we want – applying to all nations and leaving no one behind” (www.rics.org). It is noteworthy to mention that among the 17 SDGs, “Sustainable Cities” is one which essentially maintains the property standards.

Benefits of Standards in Properties

- Prime responsibility of property Standards is to protect the safety and welfare of different users of the property by reducing and altering trends of deterioration in buildings, structures and neighborhoods. – *this implies the maximum benefits for the users for the longest possible duration; maximum effective life span of properties.*
- Standards help to generate and retain valuable properties – *ensuring the highest value of property, maximum returns for properties.*
- It is essential to have proper standards for smooth and reliable market operations – *market efficiency and effective transactions.*

- Management of property is easier when the properties are standards in quality and quantity – *highest and best use in the highest possible life span of properties.*
- Property standards provide protection against possible defects/ imperfections/ weaknesses, which are dangerous or potentially dangerous to human life or detrimental to our community and environment by preventing the best use of properties and raising property related issues, finally remain properties as “less valuable (under-serviced, under-utilized, or expensive) properties”. – *this implies the increase of national assets through standard properties.*

Type of Standards in Properties

There is a wide range of aspects to be considered in order to establish standards properties. Such aspects can be classified and noted as Land and Building Structures related standards, Technical standards, Management standards, Engineering standards, Professional standards, Legal standards, Social/Cultural standards, Market standards, and National/Regional/International standards etc. Following table briefs major concerns under different aspects of property standards in Sri Lanka.

Table 01: Some Positive and Negative Concerns of Standards in Sri Lanka

Area of Standards	Positive Concerns	Negative Concerns
Land related and building structures related standard	Having legal title, survey plans, zoning regulation, building regulations for different purposes etc.	Having illegal titles, violation of zoning and building regulations etc. resulting many illegal buildings / structures. Several property crimes.
Technical Standards	Considering Strength of Structure, Provision of appropriate service etc	Lack of knowledge of these aspects among stakeholders and poor quality of infrastructure and other services.
Management Standards	Applications of general management, HRM, Strategies like security funds, link with professional bodies etc.	Lack of awareness and application of management, particularly the area of Corporate Real Estate Asset Management (CREAM).

Engineering/ architectural and Planning Standards	Considering of strength and suitability of structures, quality and quantity of material/ equipment, machineries etc mainly in large scale construction, but less in other scales	Lack of suitable structures/space for individuals, families, groups, society, environment, economy due to inappropriate need analysis before development of properties.
Professional Standards	Provisions of professional bodies as norms, minimum requirements, regulations, general practice etc. (RICS, IVSL, ICTAD, UDA, etc)	Lack of awareness of general public and even key stakeholders. Lack of integration among different professional bodies. Poorly attending on ethics, code of conduct and professional negligence.
Minimum standard of basic property needs	Having toilets nearly 100% of households, drinking water and electricity 100% of households, improved road network throughout the country etc.	Quality of construction and maintain of toilet and wash rooms in private and public places are very poor. Often breakdown of services, very high cost of electricity, water etc. Quality of water is questionable.
Standard public properties	Leisure places, parks, walking tracts, pavement for pedestrians, toilets/wash rooms, canteen/ restaurants – available to a certain extent.	Quality of construction and maintain of public places are inadequate. Properties should be modern and hygienic, not suitable for elders, differently able once.

Concluding Remarks and Role of professionals

In connection with the real estate (land and landed property), all individual properties, public properties as well as built premises should be in line with required standards in order to achieve expected benefits of all users. In fact, property development and property management are the processes through which required standards are ensured (Ariyawansa, 2016). In these processes, there are several occasions where expected property standards are evaluated and monitored, such as, appraisal/ estimating values, different testing, various approvals, several registrations, provision of services, obtaining CoC etc from acquiring/purchasing a land for construction up to residing in a developed property and during the use of the property.

Minimum Standards: The country must have a minimum level of acceptable standard for private as well as public places in area of toilets, washrooms, canteens/restaurants etc. These places must be prepared to be suitable for any person of the world. No need to have separate toilets for local and foreigners. No need to charge for toilet, it should be free of charge. This is essential to enhance the tourism industry in the country. Minimum standards should be recommended and monitored by a national property standard council (PSC) such a council should be established in line with the requirements of Sri Lanka Standards Institute (SLSI) or any other appropriate competent body like National Building Research Organization (NBRO). There is a national need to establish a public body to monitor quality and standards in connection with all private and public buildings, structures, premises of the country.

Properties Accessible to all: Walking tracks, pavements, walking corridors in buildings, counters of service areas of buildings and premises etc should be developed to be usable for all including differently able, children, and specially for elders as the world is reaching the “era of population ageing” (Perera, 2009: Perera, 2018). For this, it is needed to consider some ethical concepts such as Social Policy, Corporate Social Responsibility (CSR), Equal Rights and so on. It is also needed to develop a system through which all related professionals can share their knowledge and experience so as to make sure the property standard/quality in practice enabling to ensure the social well-being at large.

In concluding, it can be pointed out that estimating values of properties for different purposes are key events, where property appraiser or valuer is supposed to evaluate the standards and proposes the value of the subject property. Factors that increase and /or decrease the value of properties are detected by valuer using his/her subject knowledge, experience and scientific

predictions. “Solutions for property issues”, “remedies for property defects”, “recommendation for upgrading property status” etc can be noted in valuation reports at the request of clients. Accordingly, it can be rationalized that the role of valuer i.e. analyzing property standards and providing necessary recommendations, is significant for the country to be a prosperous nation.

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