

COMMERCIAL PROPERTY SERVICE CHARGE SEMINAR

Change we can all believe in

The Property Market and the Issue of Service Charges from a Practitioner's Viewpoint

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The Market

- Occupation is the key factor in property values
- The decade of excess overlooked cost factors
- The next decade will focus on costs and value
- Credit and finance now has new rules
- Markets move towards the lowest common denominator but are attracted to value.



The Property Profession and the RICS

- Fragmented – the RICS is not the property industry
- RICS is not an industry-wide regulatory body
- Regulation by statute takes time and tends to create the law of unexpected consequences.
- The RICS is a key player if statute is to be avoided but the Law Society and its members and others need to buy-in to the strategy
- RICS needs to engage all sectors of the property industry and promote the service charge code effectively
- Attitudes need to change in the industry: professionalism; accuracy of information; value for money; budgets.



The Future of the S/C Code

- The Code will need to evolve and promote simple messages of best practice
- Detailed requirements such as accounting procedures and declarations should be separate papers/notes/guidance
- Consider the badging of service charge certificates and accreditation demonstrating best practice is desirable and adds value
- The Lease Code and Service Charge Codes are not failures given they have identified both the problems and best practice - they are the springboard.



The Future of the S/C Code

- Need to identify where promotion needs to be and how the industry can come together to achieve global adoption
- Debate as to potential for RICS to promote to its members the Service Charge Code as either a Practice Statement or Guidance Note or both but there are risks here:
 - Many decision making clients are not chartered surveyors
 - We do not want a two tier industry but one which identifies those who encompass best practice and those who do not.



The Players in the Market

- Who are they:
 - Owners
 - Occupiers
 - Financiers and bankers
 - Shareholders and actuaries
 - Agents and valuers
 - Managing agents
 - Legal advisers
 - Professional bodies
 - Government – national and local



The Players in the Market

- Is there a need for a watchdog body, e.g. the equivalent of PIRC in the city who monitor and report on corporate governance and accounts – who will pay?
- Service level agreement options – standard contract – similar to CPR for expert witnesses in the Courts – “Thou shalt”
- Creation of performance measurement:
 - Benchmarks
 - Code compliance
 - Valuation of code compliant properties v valuation of non-compliant properties
 - IPD/IPF involvement for valuation, benchmarking and credibility.