

# PROPERTY ACTION PLANS

## 1.0 Introduction

### 1.1 Purpose

The purpose of this Business Focus element is to explain the role of the Member in providing Property Action Planning services to clients.

### 1.2 Scope of this Business Focus Element

This Business Focus element applies to Members providing Property Action Planning services to clients covering any opportunity, threat or problem associated with property.

### 1.3 Definition

Property Action Planning is the provision of suitable and adequate information and sound advice in response to the needs and objectives of a client relevant to any opportunity, threat or problem associated with property.

### 1.4 A Form of Consultancy

Property Action Planning is a form of consultancy which enables Property Professionals to focus their property and market knowledge, apply their research, analytical and technical skills and use balanced judgement in providing sound advice in response to clients' property opportunities, threats and problems. It may relate to purchase or sale of real estate, the development or redevelopment potential of property, or financial management and property planning activities. It can include involvement in purchase and marketing strategies, security risk analysis and risk minimisation, performance analysis and improvement, negotiation and expert representation, project feasibility and sensitivity analysis, potential identification and re-zoning. The range of Property Action Planning consultancy services which Members can offer is very broad given the dynamics of property and their ability to tailor services to a client's particular needs and objectives. Annexed to this Business Focus element is a list of some Property Action Planning scenarios.

## 2.0 Establishing the client's needs and objectives

### 2.1 Develop a Clear Understanding

It is fundamental to develop from the outset a clear understanding of the client's specific needs and objectives. Assuming the initial consultation is in person, this will involve listening to what the client has to say and asking appropriate questions. This will be particularly necessary where the client is a new client or is unsure as to what is required. This process should extend beyond the actual issue to establish the context in which the consultancy is to be carried out. While it may involve developing some understanding of the client's financial arrangements, it should not attempt to supplant the role of a financial planner. A basic understanding of other property assets and longer term objectives of the client will be important in many instances. Other circumstances may need to be considered. The property action plan needs to suit this particular client as well as the property.

It is an action plan for the client, not just for the property.

### 2.2 Confirm in Writing

At the initial consultation, as much information as possible should be taken down at the time in note form. When it appears that the subject has been well covered, summarise the position with the client to ensure you clearly understand his needs and objectives. It would be beneficial to confirm this in writing for the client as well as indicating what plan of action you propose, what type of report you consider appropriate and the basis of your fee. Provide an extra copy of this letter for the client to sign and return as acknowledgment.

### 2.3 Personal Consultation

If initial instructions are received 'in writing', you should arrange an initial personal consultation or if not practical, make verbal contact with the client to help personalise the relationship and open up lines of communication. Any additional information obtained should be noted on file and where appropriate confirmed in writing along with the other matters as referred to above.

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### 2.4 The Importance of Communication

Consultancy will often require frequent communication with the client especially if the task is complex, has many phases, involves other experts or involves a development project. If the task will take some weeks or months, it is important to keep your client informed of progress even if no problems are being encountered or you need no additional information from your client. A brief letter every one or two weeks just to let the client know that the Property Action Plan is progressing will do much for the client's peace of mind and your reputation. Of course, it may also be wise to schedule further meetings especially where alternatives need to be considered before progressing the plan.

### 2.5 Obtaining and Relying on Other Experts Reports

Where it is considered that other expert's reports are necessary, you should obtain your client's written approval and an undertaking on payment of the fee (or a confirmation letter signed by the client). You should explain to your client that you will rely on the information provided in arriving at any assessments or recommendations in your Property Action Plan.

### 2.6 An Opportunity to Extend Your Service

At times you may be contacted to simply provide a valuation report, however as you communicate with the client, you may find that the need may actually be for a Property Action Plan. Many clients may not realise just how much assistance you can provide. By letting them know you can increase the benefits you provide and your relevance to them.

## 3.0 Content of Property Action Plans

### 3.1 What Issues to Address

Property Action Planning covers a very broad range of property-related issues addressing clients' needs and objectives. The possible issues to address will therefore be numerous, but by focussing on the subject, the purpose and the client, you will be able to decide what issues to address.

### 3.2 Detailed Report

More often than not, the overall report will be detailed. That is not to say that all sections of the report will need to be detailed. For example, if

the client knows the property well and is primarily interested in development alternatives, planning and timing, then the report on his Property Action Plan should not need a detailed description of the property. It would however, be prudent to include a statement to the effect that 'the property is understood to be well known to the client and for the purpose of the plan is not considered to warrant detailed description, but rather is briefly described as follows'. (Similarly in other cases where only brief or limited detail is provided, some comment should be made as to why this amount was considered adequate.) The report could be expected to be detailed in relation to the specific issues important to the client's needs and objectives. In the above instance, development alternatives, planning and timing and any related assessments, feasibility studies and sensitivity analyses would be detailed. With detailed reports, it is beneficial to provide a very good summary which would probably run to between two and five pages. It should give your client a good overview of the main aspects of the report and the Property Action Plan. As a guide, it should be capable of almost standing on its own as a Summary or Short-form Style Report.

### 3.3 Summary Style Report

Where specifically required by a client, a summary style report can be provided. This could take the form of the first two sections of a detailed report (i.e. summary and client detail) but without a table of contents. In such cases it is recommended that the client section include note of this limitation. This could be to the effect of 'We are instructed to provide a Report Summary only which we are informed is adequate for our client's current requirements. A comprehensive report can be obtained if further and better particulars are subsequently required'.

### 3.4 Checklist

Annexed to this Business Focus element is a short checklist of headings which may be useful as a prompter in the initial consultation. You can use it to decide what the Property Action Plan report will include and the order in which points will appear. In Business Focus 2 [BF 2], there is a Report Compilation Prompter which has a series of dot points as content prompters for each report heading and sub-heading. By no means is the list intended to be exhaustive nor is it intended that you would need to address every point under any selected heading. Use it to help you decide

(or remember) what points to address under the headings you select. You decide the order as well.

### **3.5 Valuation Techniques Applicable but Not Always Required**

Consultancy and Property Action Planning is not divorced from property valuation. Most, if not all of the techniques used in valuation studies are also applicable to the analyses performed in consulting and Property Action Planning. However a Property Action Plan may not require any valuation, or it may use one or more valuations as part of a broader analysis.

### **3.6 Maintain Objectivity and Support Findings**

Although the tools common to valuation and consulting may be used differently in each Property Action Planning assignment, Members should at all times maintain their objectivity and support their findings with facts extracted from competently conducted research. By their nature, Property Action Planning assignments are often more subjective than valuation assignments. Therefore, a Member undertaking a Property Action Planning Assignment should identify and evaluate both facts and judgments and then relate findings to the financial decisions under consideration.

## **4.0 Property Action Plan Workshops**

If you are interested in diversifying your practice by providing this type of service, you may do so as soon as you like. If you wish to be able to use the report formats developed by the Institute, you will need to attend a workshop. This will give you a better understanding of how to provide the service and how to promote it. Contact your divisional office for details of the next workshops nearest to you.

## **Annexure 1 Property Action Plans**

A Property Action Plan is tailored to a client's situation and objectives. It may cover one, or a combination of several, of the following property action plan scenarios involving property, development and construction projects, investments and markets.

- Sale Price Maximisation and Marketing Strategies
- Purchase Price and Purchase Risk Minimisation

- Property Investment Analysis, Assessment and Recommendations
- Property Aggregation Potential and Strategy
- Property Dis-Aggregation to Optimise or Expedite Realisation
- Investment Opportunity Identification and Portfolio Suitability
- Property Portfolio Performance and Composition Review
- Comparative Investment Property Yields and Income Volatility
- Development Alternatives, Planning and Timing
- Re-Development Profit Potential and Risk
- Extension and Refurbishment Cost-Benefit Analysis
- Changing Technology and Regulations Impact Assessment
- Change of Use Potential and Process
- Re-zoning to a more Profitable or Beneficial Use
- Development Consent to Enhance Marketability or Undertake Project
- Highest and Best Use Potential Identification and Capitalisation
- Project Feasibility, Timing and Finance
- Security Risk Analysis, Risk Minimisation and Equity Outlook
- Equity Recovery Maximisation Strategy
- Purchase and Development Funding to Leverage into Opportunities
- Operating Cost Reduction to Improve Return and Add Value
- Holding Cost Minimisation Pending Opportunity Capitalisation
- Specialised Trading Property and Business Opportunity Analysis
- Improving Tenancy Mix to Secure Income and Increase Value
- Public Authority Acquisition Compensation Maximisation
- Property Partition to Resolve Partnership Problems
- Lease Terms and Conditions Advice, Assessment and Negotiation
- Dispute, Tribunal Hearing or Litigation Expert Evidence Presentation
- Insurance Adequacy Advising and Assessment

The range of potential services Members of the API can offer is broad given the dynamics of property and their ability to tailor services to a client's particular needs and objectives.

## **BUSINESS FOCUS 3**

### **Property Action Plan**

Prepared by a Member of the API for

#### **OWNERS**

Sale  
Development Analysis  
Performance Optimisation

Property Action Plans provide relevant, concise and timely advice to meet the needs and objectives of a Client.

Property Action Plans identify and analyse property-specific Strengths, Weaknesses, Opportunities and Threats. A Report sets out recommended client actions to enhance and capitalise on property strengths and opportunities and to minimise and reduce weaknesses and threats. It may also identify areas of uncertainty or concern, recommending specialists reports or production of documents prior to, or as a condition of, any binding agreements. Where warranted, the report also provides appropriate assessments of Market Value or rent.

A Property Action Plan can address such issues as:

- Marketing Strategy
- Purchasing Strategy
- Market Analysis
- Risk Minimisation
- Property Suitability
- Specialists Reports
- Highest and Best Use
- Operating Cost Reduction
- Tenancy Mix
- Yield Analysis
- Holding Cost Minimisation
- Profit Analysis
- Income Volatility
- Development Options
- Timing
- Insurance Adequacy
- Development Consent
- Change of Use
- Cost-Benefit Analysis
- Sensitivity Analysis
- Re-zoning

#### **BUYERS**

Purchase  
Investment Analysis  
Opportunity Identification

**Broad Vision, Balanced Judgement and Sound Advice**

Members of the API look objectively at individual properties or portfolios, initial concepts or development-approved projects. They research and analyse market data and dynamics, bringing broad vision, balanced judgement and sound advice to your Property Action Plan.

**Maximise Profit and Returns**

**Reduce Risks and Expenditure**

**Capitalise on Opportunities**

**Consult a Member of the API for your Property Action Plan**