

# **Investment Opportunities in the Property Management Industry in Taiwan**

## **I. Reasons to Invest in Taiwan's Property Management Industry**

- A. The service scope of Taiwan property management is increasingly expanding. The output value of its three major categories of companies are estimated to reach 800 billion NTD.
- B. The professional talents of property management and related industry increases year by year, and the employment population grows sharply.
- C. Taiwan's real estate market continues to show rise in price and increase in volume, driving market growth in property management services.
- D. The property management market of luxury apartments and elderly care service carries great business opportunities.
- E. Characterized by high gross margin and EPS, property management industry is able to lower the operation risk of the enterprise at a large scale.
- F. As the signing of ECFA take effects, Chinese investment in Taiwan further stimulates the business opportunity in property management.
- G. The government continues promoting professionalism in property management service industry in response to the industry and social demands.
- H. The construction company, hotel and syndicates in Taiwan establish large property management companies are engaging in housing and

asset management.

## II. Analysis of Taiwan's Property Management Industry

### A. Current development of Taiwan's property management industry

According to "Guidelines and Action Plan of the Development of Property Management Service Industry" passed in December, 2004, Taiwan's property management service industry can be divided into three major categories: One, maintenance and use management of buildings and the surrounding environment: provide services from maintenance to cleaning, security, public safety inspection and equipment maintenance of affiliated facilities (plumbing, electricity, and air conditioning) of the responsible buildings and the surrounding area. Two, living and commercial support services: offer services from property agency and consulting to transaction management, living services (community network, caring service, babysitters, and home delivery logistics), living products (food, clothing, housing, transportation and recreation) and commercial support. Three, property management provides services from real estate management consulting to development and leasing and investment management. In recent years, as the scope of property management gradually expands, the improvement of service quality is required. Property management is the most popular industry in this century.

Table 1. A statistical overview of the relevant industry output of the companies registered as "property management company" since 2005

Category (enumerated)	Company Number	Employees	Relevant Output (NTD.)
Condominium management company	About 480	About 50000	About 12.5 billion
Security company	About 427	About 35374	About 15 billion
Cleaning service company	About 7400	About 150000	About 37.5 billion
Waste disposal company & vector mosquito prevention company (regulated by EPA)	About 2000	About 170000	About 68.7 billion
Real estate management consultancy & leasing agency	About 2649	About 16536 people (acquired licenses as real estate brokers and	More than 30 billion

		salespersons )	
Estimated		More than 420,000 people	

Note: (1) We have not built an industry statistical database regarding category one, two, three.  
(2) Output value estimated through analogy: China estimates property management industry contributes 10 % of its GDP. If estimated by 10 % of Taiwan’s GDP number, 8 trillion NTD, the output value of Taiwan’s property management service industry in category one, two, and three is around 800 billion NTD.

## B. An Overview of Real Estate Management Operation in Taiwan (Source: Taiwan Institute of Property Management)

The large property management companies are listed as follows

Currently Taiwan real estate management market is controlled by large enterprise groups’ reinvestment of property management. Companies such as Auk Contractors Co., Ltd under Pacific Construction Co., Shin Kong Life Real Estate Service Company under Shin Kong Life Insurance, Gowin Building Management, established by the joint venture of Goldsun Group and Secom Security, Yuan Lai property management under Farglory Construction, Fealty Properties Management under Far Eastern Group are the ones reaching a certain scale.

On top of that, foreign business also comes grab the household management market during this period. For example, Savills Property Services (UK) establishes a property management company by combining its experience in Beijing. Colliers International (previously known as Yi-Kao property service) especially target its market at commercial buildings and shopping center. Japanese company NIPPON HOUSING establishes Tokyo Property Management with its joint venture, Rebar Eastern Enterprise. Mitsubishi Electric and its reinvestment Chung Ling Property Maintenance Company, seize the market share by introducing “Japanese Butler service system”. In the future, high-class hotel style household building would be its target market.

- a. Condominium management companies: companies enumerated with capital amount meeting OTC requirement (50 million NTD)

Company Name	Capital Amount
Shin Kong Life Real Estate Service Company	460 million NTD
Sinyi Property Management	140 million NTD
Gowin Building Management and Maintenance Company	254million NTD
Fealty Properties Management	50 million NTD
Yi Sheng Group	350million NTD

- b. Security company: over 1000 employees

Company Name	Capital Amount	Listed?
Shin Kong	About 3.4 billion NTD	Yes
Secom Security	About 4.3 billion NTD	Yes
Tokyo Property Management	100 million NTD	No
YKS Security	100 million NTD	No
Zhongri Security	111 million NTD	No
Group 4 Securic Taiwan	130 million NTD	No
YKS Security	300 million NTD	No
Dragon Security	250 million NTD	No
Jungkuo Security	300 million NTD	No

- c. Domestic cleaning service: more than 1000 employees

Company Name
Pac Chieh (awarded the first international ISO9002 quality certification in Asia, now restructured as Pac Chieh International Property Management Company)
CPG Cleaning Company
Janus Group
New High Cleaning Services

- d. Real estate management consultancies: Taiwan branch of a foreign company (parent companies are major international property management companies)

Company Name	Capital Amount	Employees
DTZ Holdings (UK)	10 million NTD	About 40
CBRE Taiwan Branch (U.S.)	10 million NTD	About 69
Colliers International (U.S.)	10 million NTD	About 200
Jones Lang LaSalle	13.5 million NTD	About 50

- e. Real estate leasing and brokerage firms:

Real Estate Sales Agency	Real Estate Brokerage Company
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New Land Developers Group, Top Scene, JSL	Sinyi Realty(the only listed realty company in Taiwan with capital amount 1.8 billion NTD and employees up to 1100), Pacific Realty, Yungching Realty, Eastern Realty, China Trust Real Estate, Century 21, Taiwan Realty, and H & B Realty
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### **C. Strong demand for professional property management**

The function of employees in property management industry has transformed from being manpower-intensive “labor-based” to “knowledge-based.” Developing professional knowledge has become the primary task for property management industry. Till June, 2014, 668 companies registered under the category of condominium management. The number is 3.41% more than the company registered last year. In addition, in 2014, 64,721 people acquired service accreditation for condominium management, and the number is 9.24% more than those acquiring the certification last year. Approximately, there are 218, 500 people working as director-general of property management (property manager), secretary (finance and administrative), security guard, electromechanical staff, and environmental hygiene worker, indicating that the demand for professionalism in property management has been increasing year by year.

### **III. Taiwan’s Real Estate Market Continues to Show Rise in Price and Increase in Volume, Driving Market Growth in Property Management Services.**

According to results of the Cathay Real Estate Index in the first quarter of 2014, there were 285 newly-built properties and 15,888 households for sale. Total sales amount of these cases is NT\$315.1 billion, and the major total price of each household falls at NT\$14.94 million. Cases under the category of condominiums account for the highest portion, 88%. Taiwan’s real estate market continues to show rise in price and increase in volume, which also suggest a great market demand for property management service.

### **IV. Luxury Apartments Carries Great Investment Opportunities in Property Management Service Market**

With the continuously rising house price, supply of luxury apartments are increasing. And these luxury apartments usually require higher service standard and quality. According to some researches, to maintain property level, luxury apartments must preserve their price value and maintain a certain level of expected potential. Luxury apartments, therefore, are in need of property management services to realize the expectation of investment. In his research (2010), Li Hai-jung suggests two dimensions of luxury apartments' demands for property management services: (1) Property demands of luxury apartments mainly focus on security, cleaning, electromechanical, and living services. (2) The highest standards of service personnel's quality regarding the above four categories is required.

According to Taipei Revenue Service's initial recognition of luxury apartment when Taipei first tax on it in 2011, there are 269 buildings sharing the features of a luxury apartment building with a total of 11, 177 households, from which the most luxury apartments are situated in Daan District with 52 of them, while the second most are in Xinyi District with 43 of them. As for the number of households, Zongshan District has the most 2,073 households. With the number of 1,457 households, Xinyi District is ranked in the second place. Till June, 2014, there were 144 companies registered as management and maintenance companies in Taipei. Based on the 269 luxury apartment buildings that Taipei City Government is to levy luxury tax on, on average, each management and maintenance company may provide service to 2 luxury apartment buildings. However, it is not true. Less than 10 companies are offering A-class maintenance and management services to luxury apartments in Taipei, such as Tokyo Property Management, Yi Sheng, Guomao, Fealty Properties Management, and Pauian Archiland. Each company serves at an average of 26 luxury apartment buildings.

## **V. Taiwan Property Management Service Industry Has features of High Gross Margins and High EPS**

During this time of economical fluctuation, high gross margins are able to lower the operation risk of the enterprises. If it promises market growth, the

industry would certainly become the priority for investment. As indicated in table 2, Taiwan's property management service industry carries the above features.

Up to Aug, 2012, there are two Taiwan's major OTC property service management companies in Taiwan. The below table shows their operating results in the past two years:

**Table 2. Operating results of Taiwan's major OTC property management companies in two recent years**

Company Name	Secom Security	Shin Kong Security
Code	9917	9925
Listed/OTC	上櫃	上櫃
Capital Amount in 2013(million)	4,445	3,798
Revenue in 2012(NT\$:milion)	6,199	3,873
Revenue in 2013(NT\$:milion)	12,613	7,516
Growth of revenue(%)	103.47%	94.06%
Gross margin in 2012	50.08%	48.30%
Gross margin in 2013	38.15%	34.45%
EPS in 2012	4.33	2.56
EPS in 2013	4.48	2.71

Source: organized on Market Observation Post System

## **VI. As ECFA take effects, Chinese investment in Taiwan further stimulates the business opportunity in property management**

After ECFA is signed, the influence of Chinese investment becomes increasingly obvious. The airlines, tourism industry, financial institutes, top 100 state-run enterprises come and seek for office locations in Taiwan. Their plans to set up branch offices in Taiwan are expected to motivate another wave of leasing demands and asset management demands in A-class office market. It would possibly bring about potential benefits for office market, which stimulates the business opportunities in property management.

Considering the economic recession, enterprises begin to stress the quality of asset management so as to increase the asset rental revenue and enhance asset quality. These factors would easily be reflected on the net worth and stock price. The trade normalization between cross straits enables Chinese investment in Taiwan or Taiwanese enterprises' entry into China market, However, it also

suggests that the property management industry and quality of asset management would receive even more attention.

## VII. Taiwan’s Property Management Service Industry has Much Room for Development

With the largest capital scale, the security industry has long been the leading industry in Taiwan’s property management, followed by management and maintenance of condominiums. Cleaning service was the major business for early companies handling condominium management and maintenance. That was why companies with smaller scale usually outsourced electromechanical service and fire facilities maintenance.

According to the survey results from the divisional forums on “Draft Law of Property Management Service Industry” conducted by Architecture and Building Research Institute, Ministry of the Interior as well as the integrated data from the south area, the actual scope of business of “property management service industry” can be seen from the following table.

Table 3. Property management service industry’s scope of business

Scope of Business	Covering %	Scope of Business	Covering %
Management of property	13.60%	Property security	12.10%
Management and maintenance of condominiums	13.60%	Property facilities maintenance	12.10%
Living and commercial support	13.60%	Operational management of property assets	10.60%
Management of the surrounding environment	12.80%	Building diagnosis and repair	9.00%

Source: Architecture and Building Research Institute, Ministry of the Interior (2008)

As suggested in the above table (table 3), Taiwan, for current stage, merely maintains the security management and ensures the availability of the building surrounding facilities. To keep up the pace with the advanced countries, much room for development is still required.



## **VIII. A Growth Market in Aging Population Has Brought Demands for Property Management Services.**

Early in September 1993,

Aging population, 65 years and older, was 1.48 million, which account for 7.09% population. Taiwan is an aging society based on WHO's standard. As of 2013, there are 2,694,406 aging people in Taiwan, 11.53% of total population. According to Council for Economic Planning and Development, the number of aging population will be 20.1 % of the total population by 2014, meaning that one out of every five people is an elderly person. The impact of an aging society has brought changes to people's lifestyles and social structure, which will bring out new demands and problems. It also implies great business opportunities in home care service industry. Care service industry in an aging society has become an emerging industry in Taiwan. After the implementation of the new labor pension system, the elderly should find a dignified retirement solution for themselves. A concept about integrated elderly housing services is an inevitable trend in the future. The elderly housing program nowadays mostly focus on facility maintenance and relevant services. Most of the existing buildings for the elderly have been established for decades. The future strategy for elderly housing projects will lay emphasis on building renovation and increase of property services to cope with the aging residents. Maintenances of software and hardware facilities as well as caring services will also be emphasized.

In their research about property management service industry and information service support system, Architecture and Building Research Institute indicates that, under the category of business item specified in Ministry of Economic Affairs, in addition to condominium management service industry (code number I801011), the elderly housing industry (code number H703110) is also subject to the elderly welfare law, building technical regulations, building design and construction, and the points for elderly housing management. Elderly housing services cover rather similar scope in that of property management

services. The only difference is the service target, item and facilities are all under specific regulations. Elderly housing service can be said to belong to a specific property management service industry (Chen, Pei-chun 2008). From the above mentioned, diverse elderly housing programs and huge demands from the market are two obvious scenarios. Buildings for the elderly or retirement villages are both trends in the future. How to help the elderly lead a dignified and healthy life and providing instant services through “property management services” are also reasons why this industry is worth the investment.

## **IX. Construction Developers, Hotel Owners, and Syndicates in Taiwan have all Established Large Property Management Companies for Housing and Asset Management.**

### **a. Domestic syndicates**

Many syndicates and relevant enterprises in Taiwan have invested in the market of property management. For instance, Athena Development Company of Miramar Group established Athena Property Management. Sunrise Golf & Country Club of Sunrise Group established Sunrise Property Management. U.S. Cushman & Wakefield is allied with Taiwan’s REPro International. Cesar Park Hotel (Hung Kuo Group) also provides housing property management services. Fealty Properties Management used to be a building management office of Yuan Ding Construction, the affiliated company of Far Eastern Group. Fuban Financial builds office and residential buildings with its Fuban Group. Prince Housing & Development and Sin Kong Life both have their own property management companies.

### **b. Company transformation**

There are also companies transforming their scope of business from a dedicated service to professional property management services, such as Pac

Chieh Property Management Group, CBMC, Tokyo Property Management, and Chien Hsiang Property.

**X. The Government Continues Promoting Professionalism in Property Management Service Industry.**

- a. Continue supporting the development of property management industry

“Condominium Management Ordinance” was enacted in 1995. In 2004, “Guidelines and Action Plans for Property Management Service Industry Development” was approved by Council for Economic Planning and Development. In 2008, President Ma mentioned property management as one of his policies in his “Environmental Policy White Paper.” In 2009, Property Management Service Industry Act (Draft) was formulated by Architecture and Building Research Institute. In 2011, Construction and Planning Agency planned to amend “Condominium Management Ordinance”. All of these policy makings have shown that the government supports property management industry strategically and views the industry’s development as its persistent policies.

- b. Property management industry in Taiwan has moved from the stage of legalization to industrialization.

In the “Guidelines and Action Plans for Service Industry Development” approved by Council for Economic Planning and Development in October, 2004, “property management” is included as an industry with the government’s strategic support and development. The scope of business has expanded from traditional property management to “management and maintenance of buildings and the surrounding environment,” “living and commercial support service,” and “assets management.” Property management industry has redefined its position in legal, economic, and social angles through the perspective of an emerging industry. It has officially entered into the stage of industrialization.

- c. Property management is included in the formal education system.

Organizations of property management industry have been set up successively, including relevant societies, unions, and associations. People have reached a consensus on accumulating industry knowledge and solidifying industry competitiveness. More than 20 colleges in Taiwan have set up departments about property management or offered relevant courses to develop professional talents. People's professional level is sure to better a lot in the future.