

The Future of Housing Management

Administrators' report

**Kaj Hedvall
Matias Johansson
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YMPÄRISTÖMINISTERIÖ



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FOREWORD

On 22 December 2010, Minister of Housing Jan Vapaavuori invited Kaj Hedvall, Doctor of Science (Econ), Tuuli Kaskinen, Master of Science (Econ), and Matias Johansson, Master of Arts (M.A.) to form a committee of enquiry. In particular, this committee was tasked with exploring the current status of residential property housing management, and obstacles preventing development in the field. Another of its duties involved formulating development measures based on its report.

In Finland, there are around 123,000 terraced house buildings and apartment buildings. About 80,000 form housing companies, of which around 50,000 companies use housing management services. The value of these buildings is close to 320 billion euros, or roughly one half of Finland's national wealth. Residential buildings account for over 60 per cent of this value. In other words, all indicators suggest that this is a significant issue. The quality, functionality and serviceability of the building stock have an immediate effect on people's welfare.

Due to the building stock's age, the quality expectations of the ageing population and deficiencies in maintenance and repair measures, the building stock faces a growing need for maintenance. Preventive and systematic action can have a significant effect on the service level of a property and the costs of building maintenance.

The focal observation of this report holds that the field of housing management is affected by challenges which are very similar to those of other property sector services: building a genuine customer relationship is difficult, quality service is not distinguished from low-grade service, and pricing principles are unclear. The report concludes that these issues cannot be resolved by legislative amendments. Rather, developments within the industry will play a pivotal role.

The report covers other important development areas, such as the development of customer relationships, improvement in the comparability of prices and services, the reorganisation of housing management tasks, and networking. It also discusses the option of expanding the rather minor role of housing managers, in order to improve energy efficiency. On the other hand, as part of the increasing levels of renovation construction, energy efficiency improvements could create new, significant business opportunities for housing managers.

In a rapidly changing operating environment, the development of housing management services and housing management face new kinds of challenges and possibilities. The fresh views in his administrators' report provide the development of housing management and the housing management industry with a good basis for discussion and further action.

Tero Heikkilä, Managing Director of the Finnish Real Estate Management Federation, and Erkki Laitinen, Senior Construction Adviser at the Department of the Built Environment, acted as contact persons during the drafting of the report.

Helena Säteri
Director General
Ministry of the Environment

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Introduction

This report has been drawn up under assignment by the Ministry of the Environment.

The assignment involved the following:

- Investigate and evaluate the current status of housing management, with respect to residential properties and housing management services in particular, and the obstacles to development in the industry.
- Based on this investigation, propose development measures for housing management which correspond to future needs, while paying special attention to competencies.
- Suggest measures for developing housing management services.

Our observations, and the conclusions drawn from them, represent a view from outside the industry. In this respect they are likely to be incomplete and lack precision in terms of the details. Trade associations and other parties and stakeholders in the sector have conducted several extensive reports describing the sector's structure, focal points and challenges.

These works have not been summarised in this report, but are listed at its end. Earlier reports present a good overview of the situation and succeed well in describing the sector's own perception of the current situation and development issues. The text of this report includes no comprehensive references to the source literature, although it naturally constitutes a major part of the background on which the results and many of the conclusions are based.

Observations and proposals for action are based on and inspired by discussions and the source material. It is therefore clear that most views are based on ideas already familiar to the sector, while proposals for action are based on initiatives in progress or under planning. We are thankful for all ideas and suggestions raised in the interviews and other discussions.

Almost without exception, the discussions have proven that an open and positive attitude towards developing operations and revamping current practices prevails in the field. In the hope that operators in the sector and others who consult this report will recognise those intended, we declare our debt to the providers of ideas and true innovators we consulted. The authors of this report are aware of their own deficiencies in this respect.

HOUSING MANAGEMENT IN FIGURES

3 billion euros are spent each year on renovating housing company properties.

2 million Finnish people live in a property owned by a housing company.

2,500 housing managers and 3,000 other professionals work in the housing management sector.

800 is the number of housing management companies in Finland.

600 is the annual number of candidates graduating as Bachelors of Business Administration and Bachelors of Engineering, who have had the opportunity to study housing management.

3 is the average number of employees per housing management company.

Background

We are living through extremely interesting times in the housing management sector. An increasing amount of money is being spent on residence, whose costs continue to rise in tandem with energy prices and a greater need to renovate old properties. Consumer preferences are also changing. People are ready to invest in interior decoration, in their yards and other factors improving their comfort.

In Finland, two million people live in a property owned by a housing company. As a key bearer of responsibility and service provider in the same sense as a kitchen fittings or wallpaper shop, the housing manager has an impact on residential quality.

Most of us are housing management clients and interested in residence issues and the related quality, which makes housing management a much discussed issue. Newspapers discuss the housing manager's role and tasks because the sector affects the everyday lives of each and every one of us, thereby attracting wide interest.

In contemporary society, the importance of housing management is enhanced by the discussion on climate change and natural resources. In Finland, in order to meet climate change mitigation targets, major reductions are required in domestic energy consumption over the coming decades.

Housing managers are the key gatekeepers of residential energy consumption. By developing their own business operations, these gatekeepers could bring changes which reduce energy consumption and cut their clients' energy bills.

Housing management also has an indirect effect on society. As a consequence of climate change, the need for densely built city residences will rise. The state and municipalities are currently pondering ways of making residence in public transport areas inviting and cost-efficient. The entire service chain of apartment building residence plays an important role in this matter, with housing management as one of the links in this chain. If future housing management can significantly improve quality of habitation in housing company properties, it will become that much easier to mitigate climate change in Finland.

To conclude, housing management both interests and stimulates discussion. With good cause, it is also an emotional subject. If they have the will to do so, housing managers can participate in solving some of society's most intractable problems. Simultaneously, more interesting and effective business operations would be achievable. However, this requires that both the sector and its clients change their ways, as illuminated by the following observations and proposals for action.

Nine Observations by the Administrators

1. Housing management must make clients into kings

When a housing manager's telephone rings, the call often comes from another professional in the property's value chain, or the chair of the board of a housing company being managed. Most often, however, the call comes from a shareholder, the housing manager's actual client. Shareholders' queries range from seeking permission to perform repairs and questions about maintenance charge payments, to fixing a broken doorbell. In the worst case scenario, the call concerns major damage to the housing company property. A call on an urgent matter means busy times for the housing manager and less time to attend to other issues. This fragmented stream of minor requests from small clients can be viewed as crystallising the key challenges facing the housing management sector. Developing anew is difficult when continually engaged in 'firefighting'.

Housing management is a service business, which essentially comprises consumer services. This service is paid for by shareholders, who usually inhabit the flat they own. In other words, they buy a residential service, with respect to which the housing manager is the service provider.

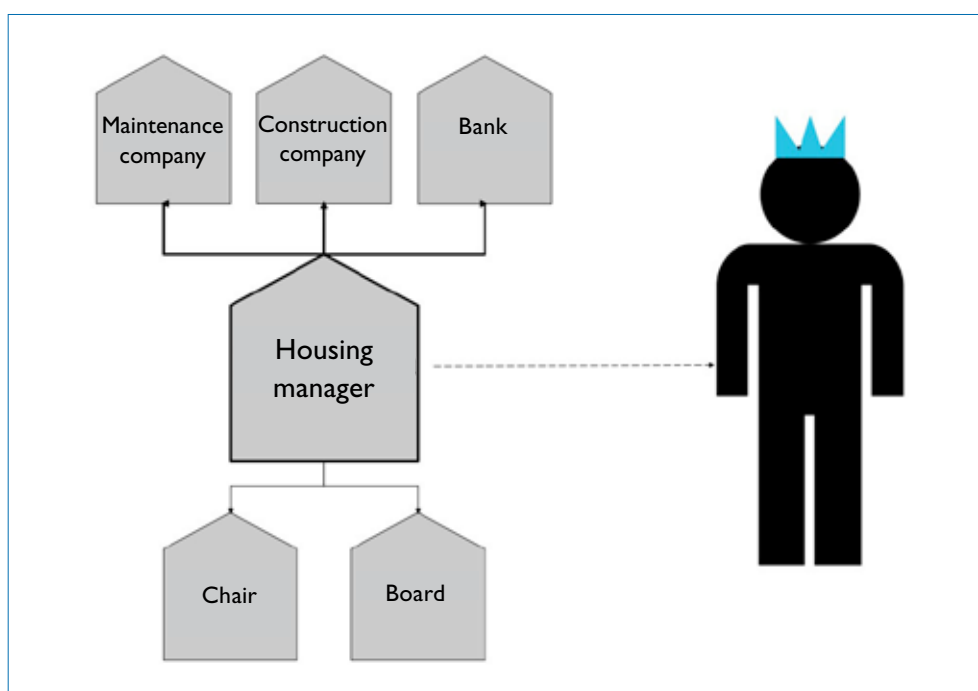


Figure 1. The relationship of a housing management company with the client and the network of professionals.

Nonetheless, the housing manager's relationship with the board of the housing company, rather than client relationships of a conventional nature, is emphasised in his or her work. The housing manager attends board meetings, the board makes plans and usually also draws up the housing management contract. This suggests that actual clients and payers, namely the shareholders, are often marginalised.

When housing managers themselves describe their professional skills, they emphasise their experience in board activities and management of the supplier network. Housing management is described using arguments close to those of a B2B business service. Client work is mainly cited as an operational hindrance and a drain on resources. Because the earnings logic of housing management is mainly based on a fixed-price monthly charge, which is often fairly low, it is most cost-effective to keep clients at bay, responding to their messages as sparingly as possible. This is the only way a housing manager can manage and set reasonable limits to his or her work.

The housing management sector appears to be particularly lacking in client relationship skills. Deficiencies in service-mindedness are visible in arguments which often cite the clients' amateurism as a problem. The majority of housing managers interviewed expressed the wish that housing company boards consisted of professionals and that board meetings could be held during business hours. Many seemed to think that their clientele will become more professional in time.

However, the idea of property sector professionals on the board of every housing company is wishful thinking. Half of the Finnish population lives in properties owned by housing companies. This group will continue to include both well-informed clients and clients viewed as troublesome in terms of their living habits and service demands. These troublesome clients are a familiar sight in all service sectors. The consumer can rarely be considered an expert in any given operation, including in housing management. Increased respect for the client and a 'customer is king' attitude would provide housing managers with one way of raising their own profiles.

In addition clients, meaning both residents and shareholders, must understand that a housing management company is not a public service but a service provider; clients themselves are responsible for the quality of the service they purchase. If they are dissatisfied with the service, they should inform the housing management company of this. They should also express their wishes for and opinions on their service needs. At the moment, too many housing companies invite housing management tenders based on highly deficient information – after the tendering round, they simply select the cheapest offer. In such a case, price is the only determining factor. The emergence of better services is highly unlikely in a sector in which clients are not prepared to investigate and demand quality.

Nonetheless, building a good client relationship begins with an improved offering. By providing higher-quality services and carefully describing them to clients, a housing manager can improve his or her clients through training. In addition, new residents in a housing company property should be contacted quickly, in order to build confidence in the housing manager. This generates a natural, functioning relationship based on which the shareholders know who they can contact and what kind of service they can expect.

Even now, client training and the need to grow expertise are being discussed within the sector, but these are mainly understood in terms of increasing the client's understanding of the sector's operations and logic. However, it would be worthwhile giving consideration to the fact that the client could create added value and bring change. As the importance of issues such as environmental and energy matters increases, and the involvement of residents is required to resolve them, viewing the client as a part of activities is likely to become a prerequisite for being able to respond to challenges already identified. Such challenges include energy conservation and bringing genuine changes to the nature of residence and the related services.

Observations:

- Housing management is a service business, consisting of consumer service. A shareholder is a housing manager's client.
- Like consumers in all service sectors, shareholders and board members are amateurs. Strengthening democracy among residents and working with people are an essential part of a housing manager's work.
- Shareholders are responsible for buying quality service and giving feedback. A housing manager is not a public servant.

Actions:

- Client-orientedness should be moved to the core of housing managers' work: the client is a subject of and resource for development.
- Well-informed clients should both demand and pay for good service. A culture of appreciating good service must be promoted. In this, communities representing residents and shareholders hold a key position.

2. Making markets function – openly displayed prices and services, and regular negotiations

In the last six months, dozens of press articles have discussed the way housing managers and housing management companies cash in on new services. This discussion has revealed that, despite the truthfulness of the claims being made, pricing in the sector permits speculation. Since comparative information is scarce, the client easily feels mistreated, and the service provider is unable to plausibly justify its pricing from the client's point of view.

Housing management is an unusual business sector in that it employs little capital. Fixed costs are almost nonexistent. For example, in order to perform its tasks a maintenance company must own machines and equipment. The fact that a housing manager needs to make no such investments creates a low threshold for entering the sector and enables newcomers to offer services profitably, at very low prices.

Around 80 per cent of housing management companies' turnover comes from fixed monthly charges based on contracts. A housing manager therefore profits from maximising the number of monthly contracts. With a high number of clients and strong price competition, housing managers do not always appear to have sufficient time for maintaining a high service level in all locations.

Within the sector, pricing is deemed a key challenge to housing management business operations. According to players, commissions by clients do not match the service contents. Housing managers note that the fixed monthly charge makes it difficult to improve service quality, while selling new services to the client is almost impossible.

It is true that a fixed remuneration structure results in cross-subsidy between clients. The shareholders of housing companies requiring little work pay significantly more for their service than companies with renovations in progress, or otherwise requiring more work from the housing manager than average companies. As for standardised work descriptions, they result in non-optimal sets of services at various stages of the properties' life cycle. The structure of the Finnish Real Estate Federation's (FREF) latest task list is based on the assumption that basic tasks, as referred to in legislation, are covered by basic charging, while the FREF recommends that other tasks should be negotiated contract-specifically. In practice, housing companies have viewed this definition of tasks and the related negotiations as challenging. On the

other hand, housing companies which have aimed at other forms of contract report that requests for non-standard housing management tenders are few and far between.

At the moment, most of the varying element of housing management charges consists of remuneration for meeting attendance, copying fees and other apparently obligatory expenses. The leading companies in the sector have also introduced genuinely separately charged services. By acquiring such services, a housing company can obtain, say, renovation planning services from a housing management company, in addition to ordinary housing management services. However, these services still constitute only a small portion of the sector's total turnover.

In the solution-based business of the future, a company would offer its clients various product bundles which create added value and are wholly subject to separate charging. For example, various plans, strategies, energy efficiency measures or services during a major renovation would constitute such services, separate from ordinary housing management. In housing management companies, such well-planned and well-branded separate services are offered and led by project managers. In this case, customers are willing to pay for such services. This facilitates the purchasing decision and highlights the benefits gained through the additional service. Furthermore, this method enables, for example, additional housing services needed during renovations to be priced into the renovation budget, with expenses distributed over a longer time frame by means of a financing charge.

Currently, only a small number of such separately-charged services are being offered; these are usually included in fixed charges, or ordered from a third party such as contractors.

Including these services in a housing manager's service portfolio would be beneficial to the housing management business.

Static contract models and the sector's contract stock, which is rather old on average, result in the pricing problem universal to the service sectors. Quality players find it hard to differentiate themselves due to near-identical service descriptions, while the actual service content and quality must be evaluated through experience.

It therefore seems likely that the housing management sector will need to develop new contract practices and open pricing models. At the moment, both housing managers and housing companies fear that open contract practices would lead to undesirable price developments, which makes them reluctant to reshape their contracts.

Some housing management companies openly distribute basic pricing information on their websites. The "Hyvä Isännöintitapa" housing management practice guidelines observed by companies authorised by ISA, a Finnish registered association for authorising housing management companies, requires a company to "clearly describe its services and pricing principles". The ISA authorisation could be further developed to require open basic pricing, which would cover services offered to both housing companies and shareholders. Transparency of pricing and contract practices usually helps the parties to display genuine service benefits and ensures that pricing corresponds to the service level.

Apart from separately-charged services, another possible way of develop pricing would be to introduce incentive-based contract models. New contract models have been successfully implemented in the business premises sector, in both professional rental activities and property management services. The results indicate that even a modest incentive improves the benchmarking of operations, improves contract models and unifies the goals of the orderer and producer. A common contract culture should be developed in the housing management sector, for example through trade associations. Although clients and suppliers are perhaps not yet ready to adopt performance-based contracts, it is clear that, in the coming years, incentive-based contract models will appear in the housing management sector.

To improve incentive-based contract models, new ways of measuring profitability must be developed. One such measuring tool is the scorecard, widely used in the service sector. The scorecard clarifies the goals of an operation and is used to evaluate the activity's profitability. It is a tool typically developed by the sector itself, to help clarify its development goals. The housing management sector would have to create its own scorecard criteria. Customer satisfaction, energy targets and service performance and quality are typical scorecard sections in the property business owner sector. Transparent follow-up of these components alone would already give good housing management companies an opportunity to stand out. In practice, the board would draw up a scorecard based on the sector's general guidelines. This scorecard would define the basis for a preliminary incentive-based model. Housing management quality would be annually evaluated with the help of the scorecard, by means of a dialogue between the housing manager and the board.

A common scorecard would also promote the comparability of the sector's performance data. Scorecards facilitate the evaluation of housing management companies' service quality by clients. This is of vital importance, as the housing management client currently finds it difficult to recognise value and pay for it. Product descriptions are identical, while the actual content and quality of operations has to be evaluated through experience. Raising the level of evaluation data would be a key means of enabling improvements in the sector's contract culture.

Observations:

- Contract stock is old and both parties avoid contract negotiations.
- A fixed total price model prevails, although its challenges are understood.
- New models have been developed, but implementation thresholds remain.

Actions:

- ➔ Take the bull by the horns in contract negotiations and create updated contracts.
- ➔ Openly display pricing.
- ➔ The sector should develop incentive contract models. For example, the remuneration system for housing managers could include a performance reward based on customer satisfaction, standardised annual energy consumption and the board's evaluation of collaborative performance (by using the housing management scorecard as a tool).
- ➔ The sector should take anticipatory action and begin preparing a scorecard.

3. From Jack of all trades into a housing management team – divided opinions on company growth

The typical working day of a housing manager involves an endless number of disparate tasks. A resident at Kuuratie 4 makes a call to report that water began dribbling through the kitchen ceiling during the night. Notices of removal pile up in the email inbox. Balcony repairmen call and report that they have accidentally drilled through into the apartment. Furthermore, a housing company meeting is held at Päijänteentie 147 in the evening. The housing manager's phone rings and his email inbox continuously fills. This could be termed multi-channel chaos. Nonetheless, the majority of housing managers employ "one man and a phone" model to run such operations. One person responds to everything happening at the customer interface.

Over time, the job description of a housing manager has become multifaceted. Originally, the housing manager was a board member chosen from amongst the housing company's shareholders who, on the basis of either the householders' trust

or minor compensation, ran errands for the property. Housing managers of this kind are still in existence. However, multiplying responsibilities, hopes and expectations have led many housing companies to purchase housing management services from an external provider. Some professional housing managers also view themselves primarily as board members, or, in other words, a member of a group whose task it is to take good care of the premises and run them well.

Nowadays, the housing manager is often viewed as the housing company's **chief executive officer**. He or she is responsible for the company's daily administration and running its day-to-day business. In the grounds given for the Housing Companies Act, the housing manager is compared to a chief executive officer. The National Board of Patents and Registration of Finland (NBPR) makes the same comparison. The NBPR also enters the housing managers of housing companies into the Trade Register. In addition to practical arrangements, the work of a CEO in other companies includes steady strategic management and communication on strategic choices. This requires broad knowledge of issues affecting the company, handling such information in a versatile manner and conveying it to the board and shareholders. However, housing managers typically engage in little long-term financial planning and are poorly equipped to do so. This makes strategic management difficult. Furthermore, a housing manager rarely has a large number of workers, whose work is directed as by a CEO. Since a housing manager must be the CEO of at least ten companies, the related work is quite different to that of CEOs of other companies.

Lately, the job descriptions of housing managers have been subject to new pressures. Solving the energy and environmental challenge requires broader technical skills than before. Rental housing companies and large housing management companies have acquired this kind of know-how by hiring **technicians** or property managers with a technical education. Contractors of this kind can concentrate on HVAC modifications, equipment acquisitions and repair plans. Since a typical housing manager has a business education, technical tasks of this nature cohere poorly with his or her traditional job description.

A new challenge better suited to business graduates lies in the provision of better accounting skills to the board and shareholders. Information on developments in the value of an apartment and the repayment period of an investment affects the renovation decisions taken. When progress is needed in renovations and repairs, new, easily understandable accounting information is required on how the repairs will affect the property's value and apartment prices. Price development and equality among shareholders in terms of apartment value are key issues in the new Housing Companies Act. In other words, there is a need for a certain kind of **housing company controller**, whose task would be to generate understandable accounting data for residents and shareholders.

Incessantly ringing telephones and crammed email inboxes pose yet another challenge to a housing manager's job description. In order to make their everyday work meaningful and rewarding, housing managers need to be skilled **project managers** able to make the various pieces of the process work. They must be able to work with a wide supplier network, manage the work of housing company boards and resolve the stream of requests coming from individual shareholders.

A single individual would need to be a magician to satisfy these combined requirements. The challenge of "a one man and a phone" operation lies in the fact that, in this service sector, production is almost always part of the customer interface. A house cannot be taken to a repair shop. Instead it is maintained and repaired while in use. A one-person housing management company should therefore be backed by a supplier network whose members must be capable of meeting residents and interacting with clients. An example would be plumbing renovations, which always require additional work by the resident. The flow of information usually bottlenecks

in such operations involving networks, since members of the supplier chain (such as subcontractors) consider the next link in the supply chain, and not the final payer, as their client. Practical client interaction does not work if information is expected to flow solely through the housing manager.

Companies of many sizes are likely to operate in the future housing management market. It seems, however, that executing housing management tasks in the best possible way will require more than one person. Future housing companies may be run by a multi-professional team. In such a case, the housing manager's work would be a single subtask of housing management. Housing management involves experts from various fields, each of whom plays an important role in managing and maintaining the property. There are various schools of thought on how this will affect the sector's company structure.

Large companies view **increasing company size and a consolidating sectoral structure** as the sector's key trends. An advocate of this school of thought has suggested that "in the future, housing management will be run by 6–7 companies". This argument is grounded on the view that the know-how requirements are too varied for a general housing manager. The solution lies in dividing tasks within the company, with production based on the company's internal resources.

Another school of thought considers it likely that **the range of company sizes will remain the same or change so that the market is divided between large organisations and those of almost micro-size**. Differences in housing company sizes and in their current stage of the lifecycle are thereby presented as counterbalances to the consolidation trend. Small companies will continue to be operated in a less professional manner and by smaller players. Another justification presented is the earnings logic. "Small housing companies are unprofitable for a large organisation." In small housing companies, the owners are closer to the operations and, in some cases, more select. For example, the residents of small housing companies for detached, semi-detached or terraced houses are able to take care of most of the company's joint issues by themselves and only require light housing management.

Those housing companies which do not expect repairs or other demanding renovations can also be maintained by light housing management, **in which case housing management companies will specialise in managing different stages of property lifecycles**. Larger organisations will take care of the demanding stages of the lifecycle, such as refurbishments, while smaller ones see to the rest.

Network thinking perhaps constitutes another school of thought in the sector. According to this, the housing manager brings together services acquired through networks. Expertise can thereby be bought and the size of the housing management organisation is unimportant. One woman and a phone could thus be just as competent as a larger organisation. This school of thought finds its role models in the management of business premises, in which the promise of added value is based on open and transparent calls for supplier tenders and on network management.

At a conceptual level, regional maintenance companies can also represent this operating model. In regional maintenance companies, maintenance and housing management are delivered as a bundle without openly calling for tenders. The underlying idea is that successful projects create cost savings. Actual renovation expertise is acquired from outside and combined with knowledge of the properties' history, derived from maintenance operations and familiarity with local conditions. In such a case, it could be said that the benefits of the network model are attained.

Although a clear evaluation of the cost effects of different models cannot be presented here, it is likely that, in the future too, profitable business and good service can be provided by various combinations in the links of the value chain. The claim could even be made that the prospects of, for example, the regional management company model will improve as the amount of transparent comparative data in the

sector increases. In this case, the cost level and quality of self-generated maintenance could be evaluated without calls for tenders.

Players in the sector are almost unanimous that the growing average size of housing management companies is a positive change. Limiting operations to a certain shape or size, however, is not a solution to the sector's development. Since housing management always requires a local presence to some extent, building an extensive, nationwide housing management organisation seems as challenging as it is elsewhere in property services. Such an organisation could presumably be built by creating networks of local players, as in property maintenance services, for example. Franchise-type operations would be a possible solution.

A number of housing management companies employing several people have arisen alongside one-man businesses. Realia, the largest housing management company in Finland, employs about 500 professionals. A number of companies with a few dozen employees are also on the market.

In many ways, the Finnish housing management market is comparable to that of other European countries. For example, the results of an international survey conducted by the Finnish Real Estate Management Federation indicate that no such model, solving the challenges facing the sector, yet exists in other European countries.

The housing company model, sometimes claimed to be the root of the sector's problems, does not appear important from this viewpoint. It has even been suggested that the housing company model could become an export product. For example, the Swedish market clearly appears less developed. The French model, whereby operations have set limits, seems to render housing management work inflexible.

Observations:

- A key issue in housing managers' work lies in controlling multi-channel chaos.
- The skills requirement is growing exponentially: a housing manager needs to be an engineer, a controller, a CEO and a project manager.
- Pioneers have emerged in the sector, handling housing management as multi-professional teams.
- Opinions differ on how the changing work description will affect the market structure.
- Company sizes will grow, but small-business activity is also needed. Companies of many sizes will exist in the future, but there will also be consolidation.
- Finnish housing management compares well internationally and the sector can be considered as at least attaining a good European mid-level.

Actions:

- Teams of 4 to 5 experts with diverse skills for housing management. "One man and a phone" housing managers could join networks which share information systems and expertise.
- Housing management is a service, not a person. Housing management communities should be given a clear role, by legislation, as the implementer of all housing management. Housing management company bylaws should be changed, in order to allow a housing management community to conduct housing management.

4. The housing management sector is developing in a way typical of service sectors

According to many players, the work description of a housing manager is almost at a dead end. Some say that the role is unclear, while others think that company sizes must grow in order to meet current requirements. From the point of view of service development, the challenges and problems raised seem to apply fairly universally to all services in the property and construction sectors.

As an activity, housing management only professionalised fairly recently. A housing manager used to be chosen collectively from among the owners. The regional maintenance company model emerged as a consequence of regional building. This model helps constructors organise post-sale maintenance and other activities in the new area. Housing management is now more clearly becoming a professional business, handled by organisations and specialists.

The property and user service sector has long been seeking the best possible way of acquiring excellent services. Buyers want to see talented, competent people in the service and do not feel that an organisation would bring added value to this. Service concepts and the associated brands are viewed as fairly insignificant when evaluating service and service quality. Talented individuals are considered to provide a service with its real value. A cleaning company's brand is of little benefit if the cleaner does not clean properly. Of course, while this is true, it creates a scalability problem in service production. A personified service cannot grow beyond the person in question. When the working hours of an expert delivering a service are filled, provision of uniform service quality meets its limits.

Like planning and construction, housing management is an expert service. When the aim is to make these services grow, a purely person-centered service process cannot be scaled beyond the resources of the person in question. Another example of such a pure service is massage. This process is both human- and customer-centered and is consumed as it is produced. The service experience is mostly good, but the scaling problem limits service production. A pure service like this does not function without infrastructure or other structures, such as information management and systems.

If the aim is to broaden the service and expert resources are limited, services must be turned into products. For example, a service can be divided into subparts: someone specialises in client reception, someone else in the parts which require actual expertise. This not only necessitates the recognition of service elements and fitting them together, but also an organisation and systems. In housing management, the largest companies are pursuing this development. The content of their service has been sliced up, with the aim of directing expert resources towards actual core business operations. Operating models turned into concepts and the information systems supporting them are being used to increase service scale.

As services go electronic, it is inevitable that several parallel client channels will be used. This multiple channel model eats away at resources if the client flow is not efficiently channelled towards resources. Housing management has traditionally set out on the basis of having key resources continuously at residents' disposal. Since it is known that a housing manager usually takes care of several locations, it is unsurprising that clients view both the housing manager's availability and speed of service as a problem.

In evaluating the level of maturity of housing management services, it could be said that they are at the same stage as manufacturing industry around 8–10 years ago, in its development into a service. Services are being productised, but mainly from the viewpoint of rendering production more practical. The sector has not yet reached the

stage at which it would be driven by offering ready-made solutions which provide the client with added value. When services have been turned into products and the service provider is able to assemble them into solutions whose added value is truly recognised by the client, the resulting state of affairs can be called a solution business.

It has not been easy to identify the earnings logic of a solution business in industrial expert services. This nonetheless constitutes the difference between those companies which successfully negotiate structural change and those whose business is in trouble. Identifying the earnings logic of services is vital, but also challenging to companies operating in the housing management sector. The difference between them and manufacturing industry is that the added value created by property services is usually considered smaller than that of manufacturing industry. However, a solution business is beginning to emerge in housing management. Producing finished, customer-oriented solutions is a future trend.

The current housing management paradigm is still rather remote from the world in which the client transforms from object into subject. As a subject, the customer paying for the service is genuinely engaged in participating in the development of services and changes in operations. Current terms used for communal development of this kind include 'co-creation' and 'crowd-sourcing'. With their help, clients and stakeholders are harnessed as development partners and business operators, working together with a company at the core of the business.

Nothing, however, suggests that housing managers would have less opportunity, than other services in the sector, to successfully turn their expert services into concepts and gradually move over to a solution-based business. It could even be claimed that a housing manager's role as the service integrator and gatekeeper of the value chain would be easier to productise and differentiate, as a typical knowledge-intensive expert service. Furthermore, as the amount of renovation construction increases, the cash flow through housing managers' hands will also increase. By developing solution-based business activities, the housing management sector has the possibility to increase its business and profits.

Observations:

- Clients define their expertise requirements on a personal level. Experts are traded instead of the productised operating models or concepts of a company or organisation. The property sector is beset by a "flesh market," in which buyers hunt for the right person.
- Concepts and brands have little significance.
- Service development is production-oriented, and the client is not yet a partner in this.
- Electronic operating models are in a stage of rapid development.

Actions:

- Housing management companies should aim at producing client-oriented solutions and turning their services into products.
- The sector should develop its own means of improving quality and differentiating good players. Examples include quality award competitions and internal benchmarking.
- The housing management sector should actively participate with other service sector pioneers in developing quality assessment systematics into a form which would better suit a service business.

5. Open information on a property is a resource, not a threat, to the housing manager

The requirement for transparency and comparability has increased significantly in the administration and management of housing companies. Interviews clearly indicate that housing company boards, shareholders and residents view the openness, understandability and availability of information as central areas in need of development in the sector. With consumers having experienced open information in several other sectors, shareholders and residents are beginning to demand the same of housing companies.

As the need for renovations increases and shareholders become more interested in housing and its costs, housing companies must be led in a planned and proactive manner. Planning and proactivity require that decisions are made on the basis of sound background information, such as historical information on procedures performed in the property, and comparative data on other, similar locations and operations. The current situation, in which the housing manager holds a significant amount of the information, which is collected and displayed to the residents only once a year, limits the board's and the shareholders' possibilities to evaluate the quality of housing management and administration in their property. It also impairs quality of decision-making with regard to renovations and maintenance.

In spite of electronic information systems, electronic communication between housing companies and housing managers has so far remained rather undeveloped. In the coming years, housing management will enter a situation similar to that experienced earlier in the banking sector; banks had to invest a significant amount of resources and time in the construction of electronic client channels before clients accepted them.

In this aspect, too, the relationship between housing companies and housing managers can be compared to the development of the business premises sector, which saw animated discussions in the early 2000s on the proprietary rights of information concerning properties. At that point, it was realised that outsourced operations and extended supply chains were decentralising property-related information. Stakeholders were accumulating information needed by the owner. It became the responsibility of property owners to ensure that they had the right to their own information and that the information format enabled transfer between service providers or systems, without any loss of data or usability.

In the business premises sector, this was not only understood to be a question of immaterial rights, but also of the quality, comparability and transparency of the information. Professional owners understood the value of comparative data and the sector's interest in sector-specific benchmarking comparisons quickly increased. At the moment, extensive cost, rent, client satisfaction and various benchmarking comparisons constitute an essential part of the management of business properties.

In the housing sector, the situation is not equally clear. The market is quite transparent when it comes to housing markets and apartment values, and the state has created solutions which improve price comparability. With respect to housing maintenance and consumption data, transparency and comparability are only at their initial stage. The most important database of such information is that concerning housing company costs published by Statistics Finland. However, these publications lack important comparability data.

Residents of housing companies rarely have the opportunity to openly and understandably compare, for example, the cost and expenditure structure of their house to that of other properties. Legislation stipulates that a housing manager must take the initiative in providing the board with any information it needs to perform its

tasks. To enable the decision-making and evaluation of past decisions, comparative and historical information must also be available.

Deficiencies in comparative data have been noticed as housing companies plan for more extensive renovation and reform projects. Technical reports, and possibly also cost estimates, are conducted in support of decision-making, but price and feasibility evaluations are not easy to acquire. Associations in the sector are collecting a creditable amount of data concerning, for example, the costs of a plumbing renovation. However, the possible results of, say, energy efficiency improvement projects are difficult to evaluate in advance, since comparative data is not available. This fact can also be said to hinder the implementation of such projects.

Larger housing management companies and regional organisations benefit from the fact that the properties' maintenance, repair and expenditure data accumulates for use by companies. Residents and single housing companies, however, are disadvantaged as comparative data is accumulated by precisely those companies to which it is valuable as property and a resource. A similar situation exists in the housing market, where the best data is only available to professional housing agents.

Companies have the right to benefit from the data they have gathered. They also have the best prerequisites for developing the refinement of data. By doing this, companies develop their operations, which should eventually have an effect on the service provided to customers. Furthermore, improving energy efficiency and promoting refurbishments represent an important public interest. This provides a reason for make such information partly public, for example by publishing it in an open database. As a consequence, improvements would be made in the project planning prerequisites of those housing companies which have no housing manager or whose housing manager does not operate on a sufficiently broad scale to permit the collection of comparative data.

In addition to current financial statement data, this open database should include, for example, maintenance need reports, the property's electricity, water and heating consumption data, and sufficient age, structure and size information concerning the property. The database could be maintained by the Ministry of the Environment, which also maintains a database on apartment prices.

It is important to note that, in spite of the abovementioned information being public, housing management companies have the possibility to collect more detailed, regional or property-specific data and, on their basis, create higher-quality services. Broader-based information might also increase independent comparisons between housing companies. A future scenario can be imagined in which the best housing companies are listed and ranked in *Kaupparehti* or *Talouselämä* economy magazines.

Housing companies must ensure that data pertaining to their own properties is preserved and remains usable, whether or not the housing management service continues. The current general conditions governing the housing management sector stipulate that agreements must be separately drawn up for information of this kind. In light of the fact that housing management contracts are quite old on average, it is likely that such agreements have been made only rarely. This applies to both the property's accounting, consumption data and shareholder information, and information concerning the property itself and its maintenance, repairs and structure.

Information system development is crucially associated with information management and usability, by both housing companies and housing management companies. The housing management sector needs to develop solutions for enterprise resource planning, property data maintenance and client communication, as well as data transfer between different systems.

In Germany, the local housing management umbrella organisation DDIV has been collaborating with the sector's software producers. Such co-operation may widely influence the creation of the sector's tools and common standards, whose

development is usually secondary in company-specific software development. Tool development co-operation frees up the resources of single housing management companies for improving actual service production processes, while speeding up the sector's development.

In the Finnish business premises sector, examples of such development include the e-EHYT and e-KYY projects, which promoted the transfer and maintenance of properties' key information, conducted by RAKLI – The Finnish Association of Building Owners and Construction Clients. It would be beneficial to develop software co-operation at the earliest possible stage, to facilitate their integration into different systems.

The housing manager sector has seen a rise in multifunctional software. Such software is likely to increase its market share. Software development is focused outside the sector, an important trend since it is certain to speed up software development and promote the functionality of housing management software. However, it is important that software takes account of information preservation and transferability. Software producers need to create the best tools possible for housing companies' information management purposes. At the same time, housing management companies are responsible for making the best possible use of data accessible through the software, although information must remain the property of the housing company.

Another important field of development lies in housing management companies' client information systems. In the future, these will become the main channels through which housing companies' information and communication are passed. Until now, however, their use has been quite low. Whether or not their use will become more common depends on transferring information from company information systems to the web and on having clients use these services. Most housing management software already combines enterprise resource planning systems, accounting and client communication quite well, but commercial solutions are just beginning to enter into general use. In particular, the number of users could be increased with the help of feed-based systems such as RSS feeds, which allow users to choose which information concerning their housing company they read and when.

Regarding electronic operating models, the sector nonetheless appears to be heading towards a rapid development phase, which will see systems improving, while becoming more multifunctional and clearly more common. This is sure to have a major effect on housing management, housing company administration and the internal communication of housing companies.

Observations:

- The amount of property-specific data is being increased by information systems becoming more common, and by better planning and documentation of repairs and renewals.
- A housing company's proprietary rights to its own data is often left unconfirmed.
- Weak availability of information makes it difficult to evaluate operations and compare issues such as the plans of a housing company.

Actions:

- Housing companies must ensure that data pertaining to their own properties is preserved and remains usable, whether or not the housing management service continues.
- Energy efficiency and refurbishment data must be collected into an open database. In addition to financial statement data, this open database should include content such as maintenance need reports, the property's electricity, water and heating consumption data, and sufficient age, structure and size information concerning the property. This database could be maintained by a body such as the Ministry of the Environment.
- The housing management sector must promote information comparability and transferability between housing companies.

6. A house needs an identity – the housing management should grow the house's value

Two possible paths lead a housing company to decide on renovations. One of them – unfortunately somewhat widespread – begins with problems noticed by shareholders and residents. The windows are draughty or water damage occurs repeatedly. Defects are repaired when noticed, but a need for a major renovation is eventually discovered. The matter is brought before a housing company meeting, and the hustle and bustle of repair begins. In this case, the housing manager's role is reduced to calling for tenders and managing communication during the renovation.

A better practice, promoted by the new Housing Companies Act, would be to conduct renovations in accordance with a condition evaluation, to the schedule and in the order laid out in a long-term maintenance plan appended to the evaluation. Shareholders are entirely capable of anticipating forthcoming renovations, and unpleasant surprises are usually avoided. A good maintenance plan is a sound means of planning technical repairs, but does not reveal the level of living comfort or service quality to which the property aspires. New means are needed in pursuit of these.

Housing companies have rarely discussed and decided on the kind of future they envisage for themselves, in other words, the house's identity. Is our house the most beautiful on the block, or does it offer the least expensive accommodation in the western suburbs? This situation prevails in spite of the fact that planned, proactive action is an overpowering strategy for a housing company. The more reactive a building's management is, the poorer the living comfort and the higher the costs which usually ensue.

Drawing up a strategy should not even prove difficult. Housing is more predictable than the rest of the property sector. The preferences of residents, consisting of shareholders and tenants, change at a significantly lower pace than those of clothes shop or grocery store customers. There is no reason to change the core operation of, say, an apartment building with great frequency. Nonetheless, it is still advisable to hold occasional discussions on this and put it on record so that changing residents and the developing operating environment are visible in the strategy.

In the interviews, both housing managers and other players in the sector praised housing company strategies as excellent means of managing a housing company. After the house's strategy or operating philosophy has been clarified, all acquisition and renovation decisions are easier to make. Acquiring additional services and conducting repairs is easier for the housing company after residents have jointly decided on the kind of house in which they wish to live. Once the basic strategy has been clarified, other planning can be rooted in the goals of the core operation, namely housing and living comfort.

A strategy eases a housing company's decision-making, particularly since, as the strategy is being prepared, people have to discuss major, financially difficult issues before they become acute. Solving major questions together reduces the number of conflicts at a later stage. In the future too, people will have divergent interests and incentives to become "free riders" in their housing company. It is always beneficial to buy an investment apartment in a property whose other residents take care of the house in an active, spontaneous and devoted manner. Legislation provides models for these and other conflicts between residents, and such models appear to work rather well. A well-prepared strategy will also help in situations like these, while improving the quality of the housing market. Deals are easier to close when there is clarity on the kind of habitation to which the residents aspire and the property's maintenance principles.

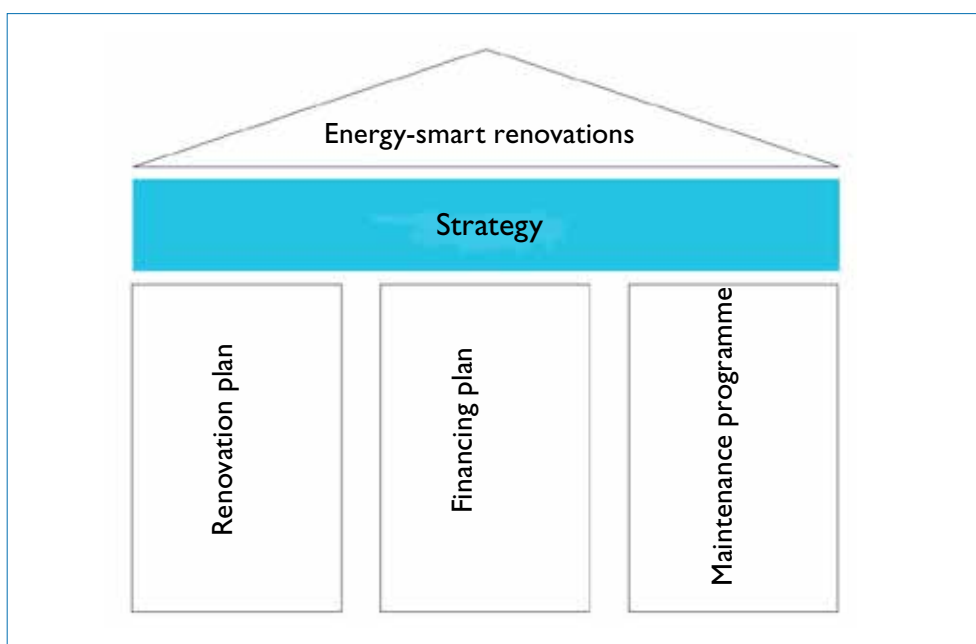


Figure 2. Strategies and plans facilitating housing company management.

For a housing manager, a wisely crafted strategy can be worth its weight in gold. Preparing a strategy which is approved by the shareholders unifies and clarifies the residents' goals, makes decision-making easier and facilitates the management and evaluation of operations. All this contributes to the housing manager's daily work, since maintenance costs and the sought-after quality are easier to evaluate. Because it concretises the jointly defined strategy, the housing manager's basic work also becomes more valuable in the eyes of clients. The housing manager can also take responsibility for the long-term development of the value of the residents' property.

For a housing management company, a strategy may open an effective path towards selling additional services. If the housing manager has a good service offering, he or she will be able to offer the housing company the kinds of additional services

which the strategy denotes as necessary. Major housing management companies and other consulting companies in the sector have at least understood the necessity of such upper-level instructions. They clearly offer a broader outlook over the horizon and contents of long-term planning. For example, property strategy preparation services are available, in addition to the maintenance need report-level provided for in legislation. Most concepts also offer a clearly more systematic approach to forecasting maintenance needs than necessitated by minimum requirements. Engineering offices, for example, launch cooperation with housing companies by drawing up a strategy for them, followed by other plans. Eventually, they prepare the actual renovation plan, call for tenders and usually also supervise the renovation. A strategy enables long-term cooperation with a housing company.

It is evident that, in defining a property's strategy and the goals, maintenance needs and management requirements derived from the strategy, there is no need for consultancy services. In this matter, the resident is an expert, and goals can be set by means of joint, interactive work which promotes the unity of the housing community and improves the board's understanding of the residents' actual intentions. As a housing expert, the housing manager can, however, take part in launching processes and improving their quality.

In addition to the long-term maintenance plan and the property strategy, new kinds of financing plans might help increase the number of repairs. The interviews suggest that housing companies need something similar to a controller who would be able to generate easily understandable accounting data on the costs of renovations and higher-quality maintenance, as well as their effects on housing costs and apartment values. It is likely that only a small portion of housing company shareholders are currently able to read financial statements and budgets well enough to genuinely support decision-making. Naturally, a good housing manager or board chair explains the key points of a financial statement in board meetings, but the papers are often accepted without careful consideration. In the future, a good and understandable financing plan could form one of the practices of good planning. It should include estimates of the effects of energy price fluctuations on housing costs, the repayment periods of various renovation options, and the likely impacts of various investments on apartment values.

Observations:

- Being systematic is the key success strategy of a housing company.
- Many properties have not outlined their strategy, which is hindering the systematic application and evaluation of maintenance and renovations.
- Development projects, whose aim is to build up operating models for the creation of housing company strategies, are currently in progress within the sector.
- A service offering exists for defining the operations of a property and forecasting the required measures.

Actions:

- A property strategy should become a key tool for planning the future. A written property strategy should be a prerequisite for receiving renovation subsidies from the Ministry of the Environment.
- General strategy development models, whose development is in progress, must be widely anchored across the entire sector. Drawing up a strategy must become a part of normal operations and is the common task of the whole sector.

7. The housing manager should become the key gatekeeper of housing energy consumption

Finnish properties will require unprecedented levels of repair in forthcoming decades. In order to mitigate climate change and achieve greenhouse gas reduction targets, significant reductions are required in the energy consumption of properties. According to the “For an Energy-Smart Built Environment 2017” programme, by 2017 Finland must attain the targets, set by the EU’s 20-20-20 package for 2020, within its built environment. The programme includes increased renovation construction, integration of energy production with properties and the implementation of environmental classifications. In addition, it appoints housing managers as a central group of gatekeepers in terms of attaining climate targets.

Housing management clients are also changing. An increasing number of consumers consider ecological purchase decisions important. When the customers of property transaction services were researched, over 40 per cent of people buying apartments found ecological criteria at least quite important while making their purchase decision. The housing managers interviewed also noted that residents and shareholders are showing an interest in properties’ energy consumption. Interest in energy matters is increasing as energy prices rise. All indications suggest that this trend is gathering speed. The energy industry estimates that the price of district heating has risen by an average of 11 per cent a year. Invoices faced by shareholders as the consequence of a cold winter have risen at an even higher rate than this.

Half of the building stock of 2050 has already been built. Existing building stock will require extensive renovation during the coming decades. Housing managers cannot avoid playing a central role in this task. How swiftly, effectively and resident-friendly these tasks can be accomplished – and what kind of business they can create out of all of this – depends entirely on them.

Development of the housing management sector requires not only new pricing mechanisms, but also the creation of entirely new service products. Companies which succeed in the service sector are typically able to find connections between consecutive links in the value chain and thus create added value. While ordinary companies concentrate on doing what they have always done, a successful company seeks new service opportunities among its subcontractors or buyers.

Renovation construction is one of the growing sectors close to housing management. Property construction’s focus is shifting from new construction to property maintenance and renovation, since most of the housing stock needs extensive repairs as energy prices rise. This offers housing management companies a good opportunity to develop new service business.

Society would also benefit from active housing management companies. Operating in their new role as energy consumption gatekeepers, housing managers can offer housing companies strategies and renovation plans whose implementation would reduce energy consumption. This would also assist progress towards the societal targets set for energy efficiency in properties.

In light of the interviews we have conducted, it seems that housing managers are not benefiting from these opportunities. “We take care of the everyday jobs, while larger projects are ordered from an engineering office,” summarised one of the housing managers interviewed. The problem lies in housing managers’ inability to use their know-how to influence housing companies which persisting in acquiring expert services from elsewhere. Engineering offices and construction companies seem like more reliable partners. Housing management companies typically have strong networks of contractors and engineering offices, but the housing manager’s role is limited to calling for tenders, which yields little revenue.

However, renovation planning, comprehensive solutions and resident communications require the kind of expertise and network typically possessed by housing management companies. They can offer shareholders added value, with which other players might find it difficult to compete. In addition, they are able to cooperate with shareholders and residents in planning a strategy for the whole property, are familiar with the properties' technical properties due to their long experience, and have the channels required for resident communications.

The letterbox of a detached house dweller is constantly filled with advertisements concerning heat pumps, solar thermal collectors, and improving one's living comfort with a new set of windows. Finns are avid renovators and interior decorators, currently spending more money on habitation than ever. The share of housing costs has seen a steady rise since the 1980s, and will continue increasing as energy prices rise, resulting in larger heating and renovation costs. In consequence, people's interest in renovations and paying for them will grow.

No one, however, is marketing their services directly at housing company shareholders. When the query "living comfort" was entered into Google Image Search, it only yielded images of detached houses. Comfortable habitation within a housing company is paid for by the shareholder, but decisions are made by others.

This opens up a special niche for housing management companies. By communicating new product and service concepts directly to paying customers, they could promote good renovation decisions and, in turn, sales of their own additional renovation construction services.

Forerunners among housing management companies have already grasped the nettle. Some companies' basic services include training an energy expert within each housing company and providing property checks. Meanwhile, other housing management companies employ energy efficiency experts, who sell their project skills to companies as separately chargeable services.

It is possible to broaden the market of such services significantly from their current state. To achieve this, products must be packaged better, their service promise improved, and pricing made more open.

A good example is the Green Office service developed by WWF Finland and targeted at offices. It has significantly helped reduce office energy consumption. The Green Office combines user motivation, energy consumption measurement and a clear savings target. The housing sector is also a promising environment for promoting this kind of collaboration, of which the Pieniä tekoja ("small deeds") campaign running in the region of Southwest Finland is a good example.

Similarly, housing managers could turn resident consultation, consumption measurement and housing companies' savings targets into packages. Consulting and management of measurement data are closely associated with promoting energy renovations of various sizes. Once residents' interest in energy issues has been kindled and they understand their economic magnitude, the housing manager is better equipped to sell other energy-related design services. Correspondingly, after a renovation has taken place, its benefits are easier to harness if the residents are committed to energy conservation.

Table 1 describes five renovation measures which improve energy efficiency. They begin from the smallest measure, balancing the radiator network, and end with the largest, transforming the entire property into a passive house. Each measure is accompanied by visions of the possible additional services which a housing manager could offer for them.

Table I. Options for improving energy efficiency in housing companies and ideas on additional housing management services.

Energy efficiency measure	Price category	Energy saving potential	The housing management company offers...
Balancing the radiator network and adjusting air conditioning	If the equipment is in order, labour costs amount to thousands of euros. If new thermostats etc. are needed, tens of thousands of euros.	0–15%	a separate design service for equipment investments, conducted by a technical expert. Regular adjustments are included in the yearly contract.
Regular property renovation and maintenance	According to studies, these measures pay for themselves in terms of reductions in unexpected costs.	0–20%	a promise of good maintenance design as part of the housing management company's good brand and basic service.
Reduced warm water use	Renewing old water equipment pays for itself in a year. It is usually difficult to make investments in meters cost-effective in old properties, even with a long repayment period.	0–30% of hot water	a water use plan as a separate product. Reducing water usage is a sales argument and justifies buying a plan and its implementation.
Building own energy production	Hundreds of thousands*	0–100%	an entire product family or a subsidiary company to offer services for properties' own energy production.
Full renovation into a passive house	millions of euros	80–100%	a service which makes it easy to evaluate costs and begin the project. During the project, shareholders need various forms of guidance and negotiations and, for example, temporary housing and quality communications.
Developing the use of shared premises such as yards, washing houses and guest rooms		Difficult to calculate, but the savings potential could be significant, if the downward trend in room density can be halted.	premise services to help design and maintain shared premises of good quality. In this way, a housing company can put all the premises it owns into active, profitable use.

* 300,000 euros, a housing company of 62 apartments switched from district heating to geothermal heating. The calculated repayment period is 7 years.

Observations:

- In order to develop, the housing management sector needs new business.
- Housing management companies could offer their clients planning, bulk analysis and resident communication service packs.
- Sectoral challenges particularly emerge in the low level of profit margins and lack of research and development experience. The housing management sector therefore needs support, especially in developing new service product concepts.

Actions:

- Housing management companies need to conduct their own, large-scale research and development.
- The development of the sector should be supported by a project within the framework of the Green Growth programme of Tekes (the Finnish Funding Agency for Technology and Innovation).
- The development of housing management should be piloted in a Living Lab spirit in sustainable cities, for example in Lahti or Tampere.
- Housing companies should have a Green home concept, in the spirit of the WWF's Green Office service, created by trade associations or other third sector players such as the WWF.

8. Training exists, but the sector needs to employ the best people

The majority of new housing managers enter the sector as a switch of profession. Few students plan to become housing managers at the beginning of their studies. As in the case of most officials, no training exists for directly preparing housing managers. The skills needed for the profession are typically acquired through general economics and technology training programmes and work experience.

A total of ten universities of applied sciences also offer study modules specialised in housing management as part of Bachelor of Business Administration, Bachelor of Hospitality Management and Bachelor of Engineering degree programmes. An increasing number of new housing managers have completed a Bachelor's degree in a university of applied sciences. In 2009, a total of 649 students began to pursue studies in a degree programme which also offers housing management oriented studies.

Those who are already working as housing managers can improve their skills through sector-specific, additional and continuing education. KIINKO Real Estate Education is the most important provider of additional and continuing education. It annually organises housing manager (ITS) and leading full-time housing manager (AIT) education and degree programmes.

Skills acquired through work as housing managers can also be demonstrated and confirmed with a vocational housing management degree. Although the vocational housing management degree is a competence-based qualification, training for it is also available. Most of those who complete the degree participate in the training.

Each year, a significant number of individuals complete training preparing them for a housing management career. In 2009, slightly over 500 people entered training for a vocational housing management degree in various educational establishments. The number of people who begin studying for a vocational housing management degree has nearly doubled since 2007. During the last year, student numbers have been cut while more importance has been accorded to work experience and practical training.

Table 2. Housing management education classified according to education providers and level of education. (Source: Selvitys isännöintialan koulutuksesta, 2009)

		Education leading to a degree		Additional and continuing education
Upper secondary level		Vocational colleges		KIINKO Real Estate Education
	Basic degrees	Vocational housing management degree 2 years, 512 places		housing manager education and degree (ITS®), approximately 80 places
	Continuing vocational training	Special vocational degree in business management for the housing management sector 1 year, 24 places		leading full-time housing manager education and degree (AIT®), approximately 80 places
Tertiary level		Universities and higher education institutions	Universities of applied sciences	
	Basic degrees	Lower university degree in real estate economics, 3–4 years (64 places)	Housing management study modules as part of Bachelor of Business Administration, Bachelor of Hospitality Management and Bachelor of Engineering degrees, 3–4 years (649 places)	Specialisation studies in building management, technical housing management and housing management 1–2 years, 117 places
	Postgraduate degrees	Higher university degree in real estate economics, 2–3 years		

* The number of student places indicated inside brackets refer to study programmes which include real estate and housing management related study modules.

In 2009, housing management companies recruited approximately 320 housing managers, 90 technical experts and 240 other professionals. Additionally, a maximum of more than one hundred housing managers will leave the sector each year after the mid-2010s, as workers in the sector begin to retire. In other words, the housing management sector has a growing need for new professionals.

Compared to other European countries, Finnish housing management education is quite comprehensive. In several European countries, housing management education almost solely relies on post-experience education organised by the sector's parent organisations. An interesting exception to this is the Netherlands, where education leading directly to real estate and housing management has long been organised in both vocational schools and universities of applied sciences. According to a survey conducted by the Finnish Real Estate Management Federation, this has enabled the sector to become more professional and evolve.

In Finland, study programmes offering education suitable for the housing management sector also provide education which would fulfil the housing management sector's future needs. However, the greatest challenge facing the current education system lies in attracting and training new people for the sector. Most companies in the housing management sector are small, and their opportunities for

recruiting and training individuals with no prior practical experience in the field are very limited. One in two housing management companies employs less than three persons, in which case recruiting a new worker is a significant investment. This often makes it difficult for new people to enter the housing management sector and for current housing management companies to remain in operation as their personnel retire.

When interviewed, companies within the sector in particular expressed a desire to develop housing management education in order to bring better educated and more-skilled people into the sector. However, university degree structures do not allow specialisation on a broader basis than currently undertaken, and no educational course can produce ready-made professionals. Professional skills are acquired by working within a profession. In both housing management and other sectors, ultimate responsibility for attracting educated people into the sector and providing them with continuing education lies with the sector's companies and organisations. As a consequence, the attractiveness of the housing management sector needs to be improved among students.

The Finnish Real Estate Management Federation and KIINKO Real Estate Education have responded to these challenges by launching projects which, in collaboration with the sector's companies and educational institutes, offer educational paths to becoming a housing manager. Joint efforts by the entire sector are needed, to render the housing management sector able to compete for the best, appropriately trained professionals. Ensuring traineeships and familiarising students with the housing management sector is of vital importance to the sector's future. As in other sectors, large and growing companies play a bigger role in this, but small companies also need to participate in introducing students to the sector, otherwise they will lack competent workforce in the future.

Because a housing manager was previously highly independent and its clients used to certain methods, recent graduates may find it difficult to assume the role of a housing manager. Such difficulties can be avoided by dividing tasks within housing management companies and reorganising responsibilities. By dividing duties such as management, technical expert tasks and customer service for housing management teams, thereby replacing the current client-specific division of labour, housing management tasks can be created which better suit fledgling professionals.

Although there is no need to increase the amount of education, its contents should be developed in the coming years. Energy efficiency expertise will be highly important to many housing managers in the future. If competence is not raised to a clearly higher level than now, it will be difficult to create additional energy efficiency services. Client-oriented energy efficiency education would therefore be a key measure for improving the sector's competitiveness.

This report suggests that another area in which education should be developed is selling skills and customer service. Housing management education might benefit from placing an emphasis on areas such as developing one's own operations and product selection, increasing client-orientedness, and the ability to create new service concepts. Success in these will have a decisive impact on whether the housing manager sector grows significantly more profitable and has a wider impact on society than now.

On a broader scale, training programmes could be better built to support cross-sectoral education. Housing management is a typical modern sector crossing traditional boundaries between disciplines. For this reason, housing management education would substantially benefit from changes in the current educational paradigm.

Modularity plays a significant role in current housing management education. In order to master the various tasks of a housing manager, many of the sector's professionals supplement their business knowledge with technology studies and

vice versa. To enable individual study paths of this kind, it is important that housing management studies in universities of applied sciences, the vocational housing management degree, the AIT and ITS degrees, possible future specialised vocational housing management degrees and continuing housing management training programmes take better account of students' prior education and competences.

Observations:

- The business and technology education currently delivered by universities of applied sciences provides the housing management sector with sufficient new professionals. It would be natural to concentrate sector-specific education in post-experience and continuing education.
- The vocational housing management degree is important as an indication of basic competence in the sector.
- Small company sizes make recruitment and induction difficult.
- Increased education cannot improve companies' ability to train new workers.

Actions:

- The sector needs to attract the best professionals from among those with a suitable education. Students and recent graduates can be helped to enter the housing management sector, by creating collaboration models to facilitate their employment and acquisition of traineeships.
- This fragmented sector, mainly consisting of small companies, must collaborate in order to get through to students. Large companies and trade associations play a vital role in this.
- Customer service and selling skills are the core of housing management services; education in the sector needs to reflect this emphasis. In light of coming challenges, the importance of energy efficiency competence in housing management education should be increased.

9. The sector cannot be developed through regulation

A significant proportion of the housing management sector's general rules have already been agreed. Housing management task lists, general terms of contract and the definition of good housing management practice play an important role in defining the sector's general outline. The sector's own ISA quality management system also provides housing management with an optional regulatory structure.

Regulation of housing management in Finland mainly corresponds to practices in Europe. In several European countries, legislation and other regulation are applied to housing managers' tasks and responsibilities. Regulation of expertise and practices is mainly left to sectoral organisations. The sector's own ethical rules are particularly important in the United Kingdom and Ireland, but such rules have also been published in the Netherlands, for example.

Among large European countries, France is the only country in which the housing management sector is strongly regulated. French legislation aims to protect housing company shareholders and extensively defines the tasks and responsibilities of housing management companies. Strictly defined tasks and a lack of unequivocal quality indicators have driven the French housing management sector into harsh price competition, which is further limiting companies' possibilities to develop their services. Because service content is regulated and price competition is setting a price

ceiling, companies must cut down on service quality to make a profit. Regulation has thus begun to indirectly impair service quality.

It has also been suggested in Finland that tighter regulation should be applied to housing management, in order to guarantee the position of shareholders and the service quality of housing management. For example, when the Housing Companies Act was last amended, thought was given to introducing housing management qualification requirements. In its current form, the Housing Companies Act imposes barely any competence demands on housing managers. The terms of this law mainly concern general disqualification and business prohibitions.

Many hope for stricter regulation of the housing manager sector, with good reason. On the one hand, housing managers are seen as the only professional members of housing company boards, and play a key role in ensuring the management and maintenance of property. On the other, improving the quality of housing management services is deemed necessary, both by clients and companies within the sector.

Maintaining qualification requirements on a legal basis, or a controlled register of professionals, is often justified by the role which the housing management sector can be seen to play in managing the entire residential property stock. The idea is that, by using regulation to ensure the competence of residential property housing managers, it should be possible to directly influence management of the residential property stock and secure a certain minimum quality in services provided to housing company shareholders.

In the context of qualification requirements and a register of professionals, housing management is often compared to property transaction services and auditing. The competence of workers in these fields is supervised by means of licensing systems. In both fields, licensing has yielded good results in terms of improvements to quality and reliability.

However, housing management as a sector significantly differs from these. Auditing and property transaction services are one-off services, usually in a specific form. Housing management is continuous and its contents vary depending on its target and aims. As a housing company board is part of a continuous client-provider relationship, it has the possibility to oversee and develop the housing manager's operations. One-off services do not offer such a possibility, as the client-provider relationship ends after the service has been provided. Furthermore, whereas a housing manager's operations are supervised by annual audits, larger-scale technical projects have their own supervisors.

The versatility of housing management services complicates their licensing. In practice, differences in housing company sizes, lifecycle stages and methods of organising services make it impossible to define a housing management minimum which would suit all cases and still measure the contents of housing management in some way. Also, in future there will be a need to offer both part-time administrative housing management and comprehensive regional maintenance company services for housing companies of various sizes. Strict licensing would endanger the availability of housing management services throughout Finland.

As housing management is compared between Finland and other countries, it seems that its problems are not caused by the legislative system or regulations; the sector is undergoing similar problems in countries whose regulative systems significantly differ from that applied in Finland. The likely cause is not legislation and regulation, but poor comparability of prices and services. The aforementioned issue has already been discussed in this report.

Voluntary regulation could, however, promote the comparability of services. Competence certificates created for customer-oriented service sets and approved by the entire sector would be a natural tool for making purchases easier and defining service contents and quality. In addition to ordinary housing management services,

these sets of services could be built around different stages of the residential property lifecycle, such as refurbishments and additional construction. Clear definitions of service contents and quality would help clients define their own needs. They would also create a basis for solution-based service packaging within the sector and allow much more effective comparisons between different suppliers.

Voluntary certification's advantage over obligatory licensing lies in the way it makes markets more open and clear. In particular, the scope of obligatory licensing is limited to the establishment of new companies. Such limits could hinder the availability of housing management services, particularly in sparsely populated areas. Licensed housing management would also exclude new housing management solutions from the market. In the case of voluntary certification, the basic idea is to have the market organise itself spontaneously and measure its operations. The latter would increase transparency without limiting company-specific solutions in terms of the scale and execution of housing management. Well-defined service packs would switch the discussion from housing management prices, to content and quality. Such a development would benefit both residents and housing management companies.

Observations:

- The problems facing housing management cannot be solved by means of legislation.
- There would be no justification for applying the peremptory licensing and certification systems used in property transaction services, auditing or electrical engineering, to housing management.
- The sector's rules have been comprehensively defined in task lists, general terms of contract and operating instructions. In addition, the housing management sector has its own quality management system which is in common use, particularly by larger companies.

Actions:

- An obligatory licensing system or register system cannot be the driver of development.
- Housing management companies and clients, namely shareholders and boards, have a shared responsibility to develop housing management.
- A sector-oriented, voluntary certification system promoting quality- and competence-based differentiation would facilitate service acquisition and quality assessment of operations.

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In addition, informal discussions with several people fine-tuned our ideas. Our thanks for this!

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<i>Author(s)</i>	Kaj Hedvall, Matias Johansson, Tuuli Kaskinen			
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<i>Publication series and number</i>	Reports of the Ministry of the Environment 14en/2011			
<i>Theme of publication</i>				
<i>Abstract</i>	<p>The Ministry of the Environment invited a committee of enquiry to investigate the current status of residential property housing management and housing management services, as well as obstacles preventing development in the sector. The committee was also charged with proposing measures promoting the development of housing management services.</p> <p>This report makes the focal observation that the field of housing management is affected by challenges very similar to those faced by other property sector services: building a genuine customer relationship is difficult, quality service is not distinguished from low-grade service, and pricing principles are unclear. The report concludes that these issues cannot be resolved by legislative amendments. Rather, development within the industry will play a pivotal role.</p> <p>Key sectoral development areas highlighted include the development of customer relationships, improving the comparability of prices and services, reorganising housing management tasks, and networking. The report also urges housing company boards to improve the planning of their operations and bear responsibility for the selection of housing manager, the definition and supervision of the housing manager's tasks, and the development of his or her activities.</p> <p>In addition, the report ponders the strengthening of the housing manager's role as a gatekeeper of energy efficiency. Housing managers currently play a rather minor role in the payback evaluation, planning and implementation of energy efficiency measures. However, together with increasing levels of renovation construction, energy efficiency improvement projects could create new, significant business opportunities for housing managers.</p> <p>With respect to education, the committee finds that sufficient commercial and technical education is being provided to meet current and future housing management needs. Here, a particular problem lies in attracting and training people for the sector who have the appropriate education. Meeting these challenges will require broad cooperation between the housing management sector and education institutions, in order to develop training programmes. Another important development target lies in shifting the emphasis of studies specialising in housing management. Much greater importance should be accorded to the role of service competencies in the education of housing managers.</p> <p>With respect to developing the housing management sector, key steering possibilities are presented in promoting openness of information, for example by establishing a database for residential properties' maintenance, repair, modernisation and consumption data and creating general systems that facilitate on-the-job and apprenticeship contract training among small companies.</p>			
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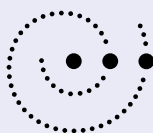
KUVAILEHTI

<i>Julkaisija</i>	Ympäristöministeriö Rakennetun ympäristön osasto		<i>Julkaisu-aika</i> Joulukuu 2011	
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<i>Julkaisun teema</i>				
<i>Tiivistelmä</i>	<p>Ympäristöministeriö kutsui selvitysryhmän selvittämään asuinkiinteistöjen isännöinnin ja isännöintipalvelujen nykytilannetta sekä toimialan kehittämiseen liittyviä esteitä ja ehdottamaan toimenpiteitä, jotka tukisivat isännöintipalveluiden kehittämistä.</p> <p>Selvityksen keskeisenä havaintona on, että isännöinnin toimialaan vaikuttavat hyvin samantyyppiset haasteet kuin kiinteistöalan muihinkin palveluihin: aidon asiakassuhteen rakentaminen on hankalaa, laadukas palvelua ei erotu huonolaatuisesta ja hinnoitteluperusteet ovat epäselvät. Raportin johtopäätöksenä on, että näiden haasteiden ratkaiseminen lainsäädäntöä muuttamalla ei ole mahdollista, vaan ratkaisevaa on toimialan oma kehitystyö.</p> <p>Tärkeimpiä tässä selvityksessä esilletuotuja isännöintialan kehitysalueita ovat asiakassuhteen kehittäminen, hintojen ja palveluiden vertailtavuuden parantaminen ja isännöinnin tehtävien uudelleenjärjestely sekä verkostoituminen. Selvityksessä haastetaan myös asunto-osakeyhtiöiden hallituksia suunnittelemaan toimintaansa paremmin ja kantamaan vastuuta isännöitsijän valinnasta, isännöinnin tehtävien määrittelystä, valvonnasta ja toiminnan kehittämisestä.</p> <p>Selvityksessä käsitellään myös isännöitsijän roolin vahvistamista energiatehokkuuden portinvartijana. Tällä hetkellä isännöitsijöiden rooli energiatehokkuustoimien kannattavuusarvioinnissa, suunnittelussa ja toteutuksessa on melko vähäinen. Yhdessä korjausrakentamisen lisääntymisen kanssa energiatehokkuuden parantamishankkeet voivat kuitenkin luoda isännöitsijöille merkittäviä uusia liiketoimintamahdollisuuksia.</p> <p>Koulutuksen osalta työryhmä toteaa, että kaupallisen ja teknisen koulutuksen koulutusmäärät ovat riittävät suhteessa isännöitsijöiden nykyiseen ja tulevaan tarpeeseen. Koulutukseen liittyen ongelmana on erityisesti sopivan koulutuksen saaneiden henkilöiden houkutteleminen isännöintialalle ja työhön perehdyttäminen. Näiden haasteiden ratkaisemiseksi tarvitaan laajaa yhteistyötä isännöintialan ja koulutuslaitosten välillä harjoitteluohjelmien kehittämiseksi. Tärkeä kehityskohde on myös isännöintiin erikoistuneen koulutuksen painotusten muuttaminen. Isännöitsijöiden koulutuksessa palveluosaamisen merkitystä pitäisi kasvattaa selvästi.</p> <p>Keskeiset julkisen sektorin ohjausmahdollisuudet isännöintialan kehittämiseksi liittyvät tiedon avoimuuden edistämiseen esimerkiksi perustamalla asuinkiinteistöjen ylläpito-, korjaus-, perusparannus- ja kulutustietoja koskeva tietokanta ja luomalla yleisiä pienten yritysten työharjoittelua ja oppisopimuskoulutusta helpottavia järjestelmiä.</p>			
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PRESENTATIONSBLAD

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Sammandrag	<p>Miljöministeriet sammankallade en utredningsgrupp för att klargöra dagsläget i bostadsfastigheternas fastighetsförvaltningstjänster och hindren för branschens utveckling. Gruppens uppgift var också att föreslå åtgärder som skulle stöda en förbättring av fastighetsförvaltningstjänsterna.</p> <p>En väsentlig observation i utredningen är att fastighetsförvaltningsbranschen påverkas av mycket likadana utmaningar som annan service i fastighetsbranschen: att bygga upp en äkta kundrelation är svårt, högklassig service kan inte skiljas från svag och grunderna för prissättningen är oklara. Rapportens slutsats är att det inte är möjligt att lösa dessa utmaningar genom att ändra lagstiftningen, utan branschens eget utvecklingsarbete är avgörande.</p> <p>Enligt denna utredning är de viktigaste områdena som fastighetsförvaltningsbranschen bör stärka en utveckling av kundrelationen, förbättring av möjligheterna att jämföra priser och tjänster och omorganisering av uppdragen i fastighetsförvaltningen samt nätverksbyggande. I utredningen utmanas också bostadsaktiebolagens styrelser att planera sin verksamhet bättre och att ta ansvar för valet av disponent, definiering av fastighetsförvaltningens uppgifter, övervakning och förbättring av dess verksamhet.</p> <p>I utredningen behandlas också en stärkning av disponentens roll som portvakt för energieffektiviteten. Idag är disponenternas roll rätt liten i energieffektivitetsåtgärdernas lönsamhetsbedömning, planering och genomförande. Kombinerat med ökat reparationsbyggande kan projekten för att förbättra energieffektiviteten skapa betydande möjligheter till affärsverksamhet för disponenterna.</p> <p>Beträffande utbildningen konstaterar arbetsgruppen att utbildningsvolymerna i det ekonomiska och tekniska området motsvarar disponenternas nuvarande och kommande behov. Samtidigt är det ett problem att locka i synnerhet personer med lämplig utbildning till fastighetsförvaltningsbranschen och att vägleda dem i arbetet. För att lösa dessa utmaningar behövs ett omfattande samarbete mellan fastighetsförvaltningsbranschen och utbildningsinstitutet för att förbättra träningsprogrammen. Ett viktigt utvecklingsobjekt är att ändra tyngdpunkterna i specialutbildningen för disponenter. Insikter i service bör få betydligt större vikt.</p> <p>Den offentliga sektorns styrmedel för att utveckla fastighetsförvaltningsbranschen ligger i att främja tillgången till information genom att till exempel etablera en databas över bostadsfastigheters underhålls-, reparations-, ombyggnads- och konsumtionsdata samt genom att skapa offentliga system som underlättar små företags arbetspraktik och läroavtalsutbildning.</p>		
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On 22 December 2010, Minister of Housing Jan Vapaavuori invited Kaj Hedvall, Doctor of Science (Econ), Tuuli Kaskinen, Master of Science (Econ), and Matias Johansson, Master of Arts (M.A.) to form a committee of enquiry, with the task of exploring the current status of residential property housing management and obstacles preventing development in the field. The committee was also tasked with proposing development measures based on its report. This report makes the focal observation that the field of housing management is affected by challenges very similar to those faced by other property sector services: building a genuine customer relationship is difficult, quality service is not differentiated from low-grade service, and pricing principles are unclear. Other important development areas covered include the development of customer relationships, improving the comparability of prices and services, reorganising housing management tasks, and networking. The report also examines the prospects of expanding the rather minor role of housing managers in order to improve energy efficiency, and questions pertaining to education. The key findings are summarised in nine statements, the related observations and actions.



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