



Asset Realisation Paper

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THE
WORLD
FEDERATION

OF KHOJA SHIA ITHNA-ASHERI MUSLIM COMMUNITIES

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1 INTRODUCTION

- 1.1** An important strength possessed by our community is the continuous investment into our assets.
- 1.2** This report will provide an introduction centred on the basic tenets and principles of the effective use of property – for the collective benefit of the KSI community.

2 DISCUSSION

- 2.1** When assessing property, the first and most important step is to ascertain which category the property falls within. For example, the property may be of a commercial, retail or residential nature.

2.2 Principles Associated with Asset Management

There are a number of principles governing effective asset management. One of these recommended to our community is the 'utilising properties at their highest and best use' principle. This principal is used in all property appraisal work.

- 2.2.1** For example, if an appraiser is asked to evaluate a retail building, the appraiser will look for the buildings highest and best use even if that means that given the location of the property its best use is as an apartment building.
- 2.2.2** To achieve the highest and best use, each property needs to have its own 'business plan.' Someone or a group of people need to think about how to extract the maximum value out of the property in questions. E.g. is the best course of action to renovate, sell or lease the property? Properties can either be viewed individually or collectively be observed and utilised as a single portfolio. Therefore for example a Jamaat could have an apartment portfolio or a retail portfolio and market these portfolios to tenants. There may be further reasons to encourage Jamaats to invest in portfolios such as a competitive advantage or the presence of opportunities etc.
- 2.2.3** Jamaats will need to determine accurate leasing rates in the area and conduct analysis of competing properties with similar characteristics.

2.3 Social Welfare

Apart from the financial aspect of property management, there are also many instances where properties have fundamentally provided social benefits that cannot be accounted for financially.

- 2.3.1** For example, if we have an apartment building where the aged or widows reside at sub market rents, then that property will provide a clear social benefit. More rent could be earned by the Jamaat by



removing the aged and the widows, but this would defeat the social benefit realised by the property.

Other examples of social benefits include community schools, and Madaris which promote Islamic and educational knowledge. These assets are invaluable despite the fact that these institutions do not create financial profit.

- 2.3.2 When determining the highest and best use of the property, it is critical that the social benefit provided by the property is carefully studied.

2.4 Regulation Challenges

We need to make sure that all our properties meet local and national regulations, in order to ensure that our assets do not transform into our liabilities.

2.5 Time Scales

The time scale will vary as per business plan or strategy of each individual property. Generally, properties do not provide quick profitable turnarounds and often business plans for properties take up to 5 years before bearing fruit.

2.6 Benefits

The benefits of effective asset management are clear to observe, and in fact creates an obvious ripple. If the community gains greater and more effective control over its assets, then we can earn more income from them, provide better social services which will inspire others to bequeath and donate property; as they would view the positive cycle and the clear positive knock-on effects.

3.0 RECOMMENDATIONS

- 3.1 The Executive Council should undertake a study of asset realisation of our community's properties. The World Federation recommends an asset register of all our community properties.
- 3.2 Identify strategies for enhancing returns on investment of these properties by working with Regional Federations and Jamaats on their investments.
- 3.3 The Secretariat should, using the help of professionals, report on the asset portfolios of the community to the Executive Council. This would create a clearer, more accurate picture of the total value of assets possessed by the community.