SUMMARY

The aim of property management is to maintain value for money. For a commercial property, at an appropriate point in time, an important decision has to be made, that is, whether to opt for refurbishment to extend its economic life or to carry out redevelopment to realise the greater potential gain. Each decision has different cost and revenue implications. The building owner must go through a complex decision making process to select the best alternative. Buildings should be flexible and adaptable. More medium and high-rise buildings will reach the end of their economic life in the near future. A critical decision would be required. An understanding of the relevant determinants influencing the decision making for the alternative course of action is therefore pertinent.

This dissertation attempts to examine various factors leading to the need for, and influencing the choice between refurbishment or redevelopment. The theoretical framework of the alternative courses is established and qualitative hypotheses are formulated and tested. The concepts, objectives, relative advantages and significant factors influencing the decision are critically evaluated. Selected examples of actual cases are studied to illustrate the principles involved. The decision making process is influenced by a number of uncontrollable external factors such as the economic performance, government policies.
planning control, technological and environmental changes; and some intrinsic internal factors including physical condition, design, layout and financing.

The public sector generally adopts refurbishment to overcome functional obsolescence. In the private sector, the economic life of the building is much shorter. Profit maximisation is the key objective. Building owners adopt refurbishment to remain competitive in the rental market. Some owners adopt a product improvement strategy and aim to remarket refurbished building for en bloc sale. Periodic refurbishment is an effective tool to counter condition, functional and tenant obsolescence. It is a cheaper way to extend the economic life of a physically sound and technologically flexible building.

Redevelopment is preferred when the value of the cleared site is greater than the capital value of the building. Location, accessibility and intensity are important factors favouring redevelopment. Most redevelopment projects are concentrated in the traditional CBD area in the vicinity of Raffles Place and Collyer Quay because of high land value, the high permitted maximum plot ratio(10) and proximity to the Raffles Place MRT Station. When the plot ratio of the existing development is near to the maximum allowable, refurbishment will be an economically viable alternative.