

From perpetual to wasting asset: A time for paradigm shift?

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Purpose

– This paper aims to present an objective overview of the factual discourse around the wasting nature of real estate for an appreciation of the resultant exacting management responsibility. The durability feature of real estate has had consequential implications on the appreciation of the asset class.

Design/methodology/approach

– The paper uses literature survey and key informant interview to identify the peculiar features of real estate to understand the exacting responsibility of its ownership and management.

Findings

– The study reveals that real estate is a specialised investment asset that requires extra management care, costs and specialised expertise to retain its investment value. Thus, the asset is not inherently perpetual but wasting and requires conscious physical and functional management, which are dependent on sound financial management.

Practical implications

– Real estate investment decisions must be made with the exacting management responsibility in mind. Both individual and corporate investors must use a sinking fund policy to meet the financial liability involved in managing both income and non-income properties. The Government of Ghana must create a National Infrastructure Maintenance Fund and adopt a National Infrastructure Management Strategy for managing the existing stock of public real estate.

Originality/value

– It is the first literature appraisal and facts collation on the wasting nature of real estate and its attendant exacting management responsibility with a call for paradigm shift in our understanding of this investment asset.

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