

Comfort : Sustainability : Value EDGE Debate – 28 October 2008



#### Living Within Environmental Limits

Respecting the limits of the planet's environment, resources and biodiversity – to improve our environment and ensure that the natural resources needed for life are unimpaired and remain so for future generations.

### Ensuring a Strong, Healthy and Just Society

people in existing and future communities, promoting personal wellbeing, social cohesion and inclusion, and creating equal opportunity for all.

### Achieving a Sustainable Economy

Building a strong, stable and sustainable economy which provides prosperity and opportunities for all, and in which environmental and social costs fall on those who impose them (polluter pays), and efficient resource use is incentivised.

# Promoting Good Governance

Actively promoting effective, participative systems of governance in all levels of society – engaging people's creativity, energy, and diversity.

#### Using Sound Science Responsibly

Ensuring policy is developed and implemented on the basis of strong scientific evidence, whilst taking into account scientific uncertainty (through the precautionary principle) as well as public attitudes and values.

# Beyond the Abstract





"Every day, in 30 cities, in 11 countries, on 5 continents, we are making it possible for more than one million human beings to live, work, and breathe in our buildings. This is why we care so deeply about sustainable development."



# Making the Value Connection - Who is your market?



# Making the Value / Valuation Connection



### The Valuer's Primary Role – 'Scorekeeper'.....not 'Scoremaker'

- Market Value Interpretation of the market
- No mandate for personal prejudice

### But, this is not an excuse

Valuer's role is wider:

- Provides commentary on risks to value
- Client's 'sounding-board'
- Worth / appraisal input
- Due Diligence



"....and promote the usefulness of the profession to the public advantage"

# Making the Value / Valuation Connection



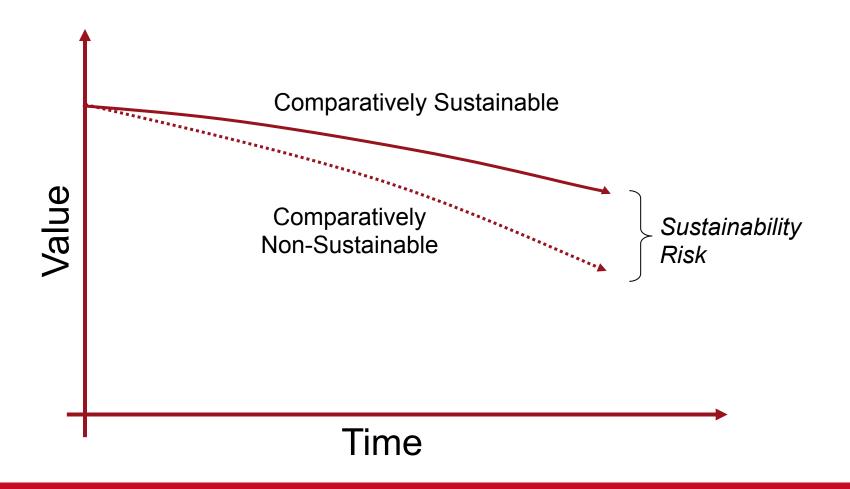
### Is it already 'in the numbers'?

- Is the market already differentiating
  - Little evidence of impact on value to date
  - How could the market differentiate?
- Have recent market conditions clouded the issue?

#### However.....

- Clear priority amongst certain occupiers
- Development of Specialist Funds
- Public Interest





# Profitability





TIMESONLINE

"Shops struggle to stay afloat"

"..it took several months for more than 170 shops in the lower malls to recover from having their businesses wiped out."

Meadowhall Centre Director, Mohammed Dajani



# Counting the cost



### **Future Trends**





### **Productivity**

"....it is also clear.....an increase in occupier productivity of only a fraction of 1% can equate to the entire annual rates or utilities bill."

"....losses to UK plcs arising out of ineffective workplaces are quite staggering, amounting to more than £135bn pa."



### Thoughts on Value Implications

- Property Specific
- Remember Value (or Worth) 'Drivers'

Value = Rent / Yield

Yield = Risk Free Rate + Risk Premium - Growth + Depreciation

Risk Adjustment

Will sustainability credentials help or hinder property's appeal to the market?

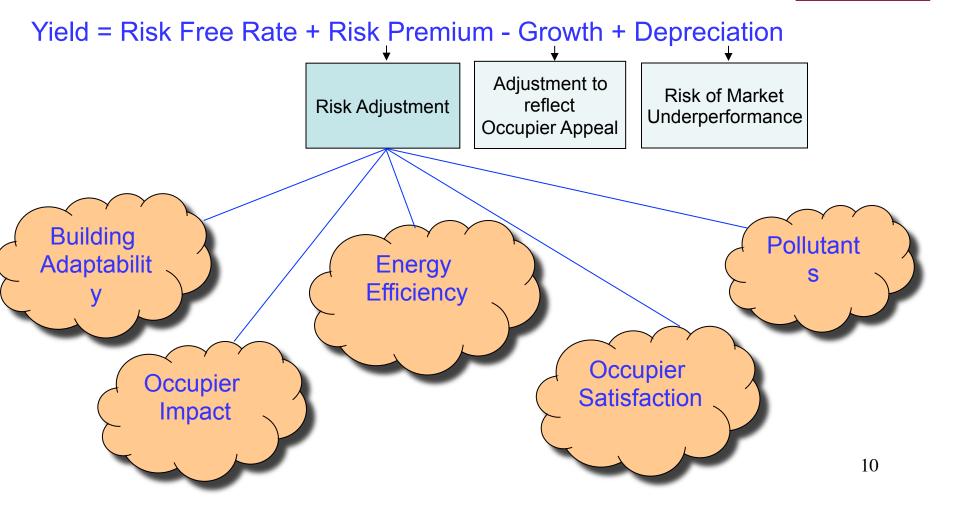
Adjustment to reflect Occupier Appeal

Will sustainability credentials help or hinder property's rental growth prospects?

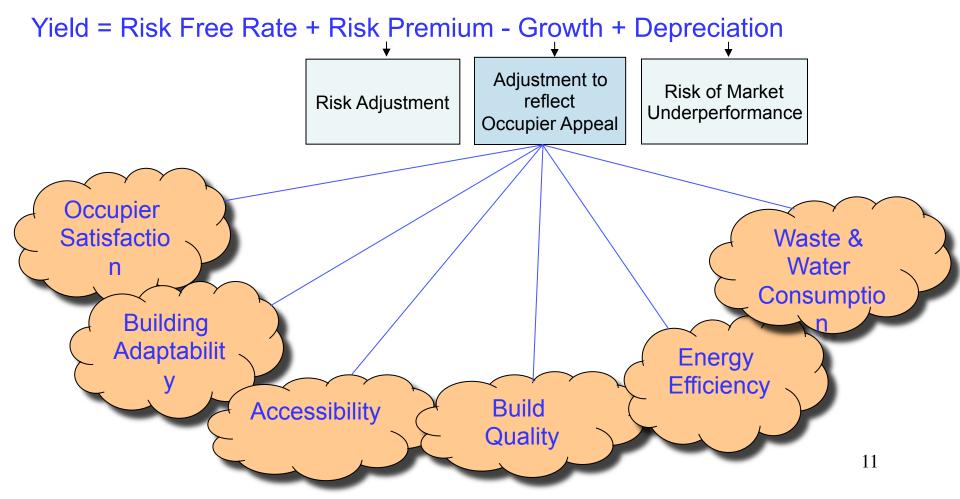
Risk of Market Underperformance

Will sustainability credentials help or hinder property's 'battle' with physical obsolescence?

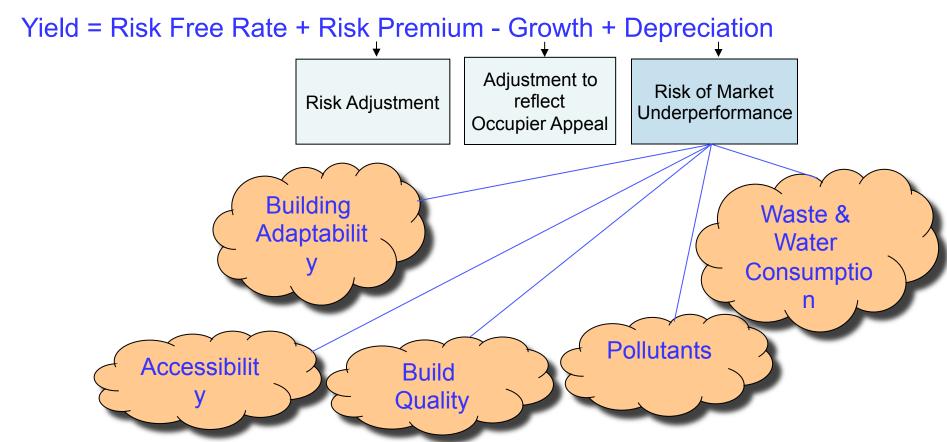










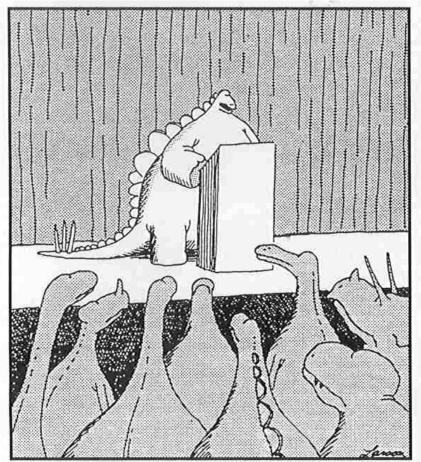


### Sustainability: A Valuer's Perspective



### To Conclude

- Changing Times in the Real Estate Sector
  - 'Property' targeted initiatives arriving.
  - Challenges to culture / traditional understanding of 'the market'.
- Value Shift is reliant on Market Reaction
  - Valuer duty-bound to reflect the market....not lead it!
  - But, clear responsibility to understand new market dynamics.
  - Potential for market shift will grow with better understanding.
- Valuation / Appraisal Methodology Thought Process should be challenged
  - Techniques will evolve
  - Important to understand & differentiate...
    - Impacts of Obsolescence & Depreciation.
    - How does / will a property fare against its peers?
    - Where & When are the 'risk points'?
    - Where is money best spent on maintenance and refurbishment?
  - Consider wider pressures of Triple Bottom Line.



The Far Side AST IMPRESSIONS — 2002 —

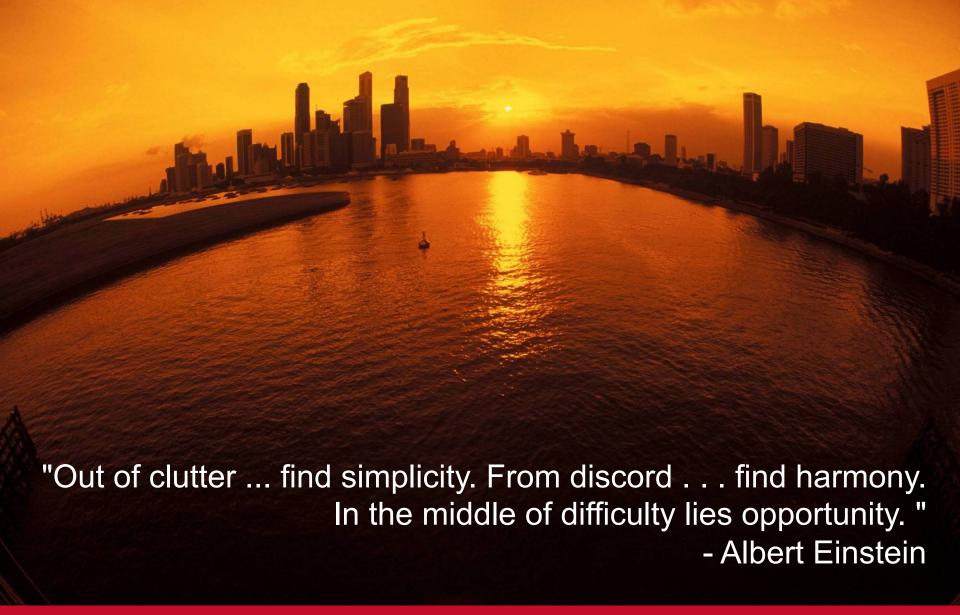
### March

"The picture's pretty bleak, gentlemen... The world's climates are changing, and we all have a brain about the size of a walnut."

Saturday 23

"That was then...."





".....this is now!"

