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BEX The Building Exchange 2010, June 7th 2010, Brussels

“Greening Property Valuation in Europe” – Bringing sustainability to the real estate market valuation is key

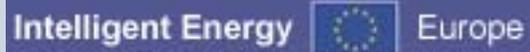
Prof. Dr. Sven Bienert MRICS

Director und Head of Real Estate Advisory Services, Austria
KPMG Financial Advisory Services GmbH

Head of Competence Center for Sustainable Real Estate, Germany
University of Regensburg



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Bienert – Greening Property Valuation in Europe

CV Bienert



Name	<ul style="list-style-type: none"> Sven Bienert
Position	<ul style="list-style-type: none"> Director, KPMG, Advisory, Head of Real Estate Advisory Austria Professor for sustainable real estate in Regensburg.
Qualifications	<ul style="list-style-type: none"> MBA (Finance), Certified Real Estate Manager (Master) , Dr. rer pol Certified Real Estate Appraiser (Austrian Licence), Member of the Royal Institution of Chartered Surveyors (MRICS)
Experience	<ul style="list-style-type: none"> Before joining KPMG Sven Bienert was working for different international leading consulting companies providing commercial real estate advisory services for professionals in Germany, Austria and Switzerland at an top executive level. He started his career in a German bank where he gained 4 years of experience in the finance sector. He was also for 4 years head of the Department of Real Estate Economics at the University of Applied Sciences in Kufstein-Tyrol, Austria. Sven is still involved in a lot of research and development projects working closely together with different universities and real estate institutions like ÖVI, RICS, TEGoVA and others. He is further more the founder of the first “Austrian Real Estate Benchmarking Institute”. He lectures regularly at universities, colleges and conferences on real estate topics and is author and publisher of several books about valuation and project finance. His real estate team consist of approx.10 professionals based in Innsbruck, Linz and Vienna. Real estate advisory projects range from valuation, portfolio management, feasibility studies, financial modeling to real estate restructuring. The single asset and portfolio valuations carried out amount to approx. 3 bn. EUR per year. Our Austrian based real estate experts have profound knowledge and market data of all CEE and SEE markets due to the fact that most of the Austrian listed real estate clients have a strong focus on these markets. Since 2008 Dr. Bienert started to offer services related to “Green buildings” like LEED certification, benchmarking, etc. and is project leader for a pan-european project for sustainability and property valuation.

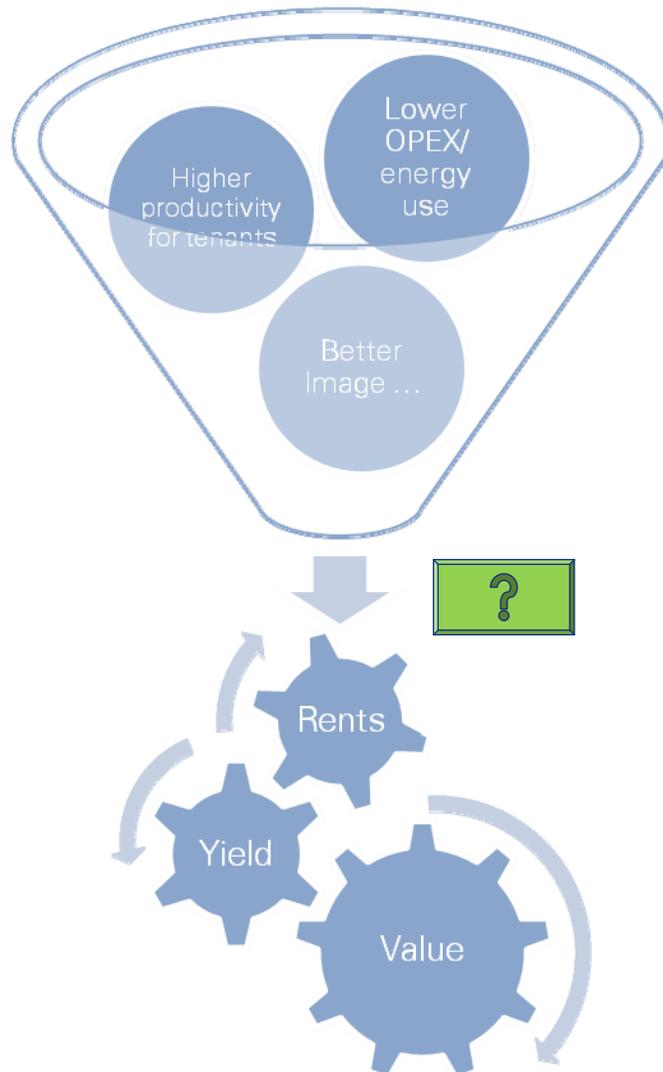
Bienert – Greening Property Valuation in Europe Green Value vs. Market Value



- A **Green Building** is a property that uses resources efficiently, reduce waste and CO2 emission, provide superior indoor air and other qualities, and avoid negative social impacts.
- **Energy efficiency** is therefore part of the various green building features.
- A **Green Value** is the net value added obtainable by a green property in the market compared to a non-green peer group.
- According to the definitions of green and market value it can be assumed that the green value is an **integral part of the overall market value.**

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What does a green building promise?



In US-Numbers (here LEED)...

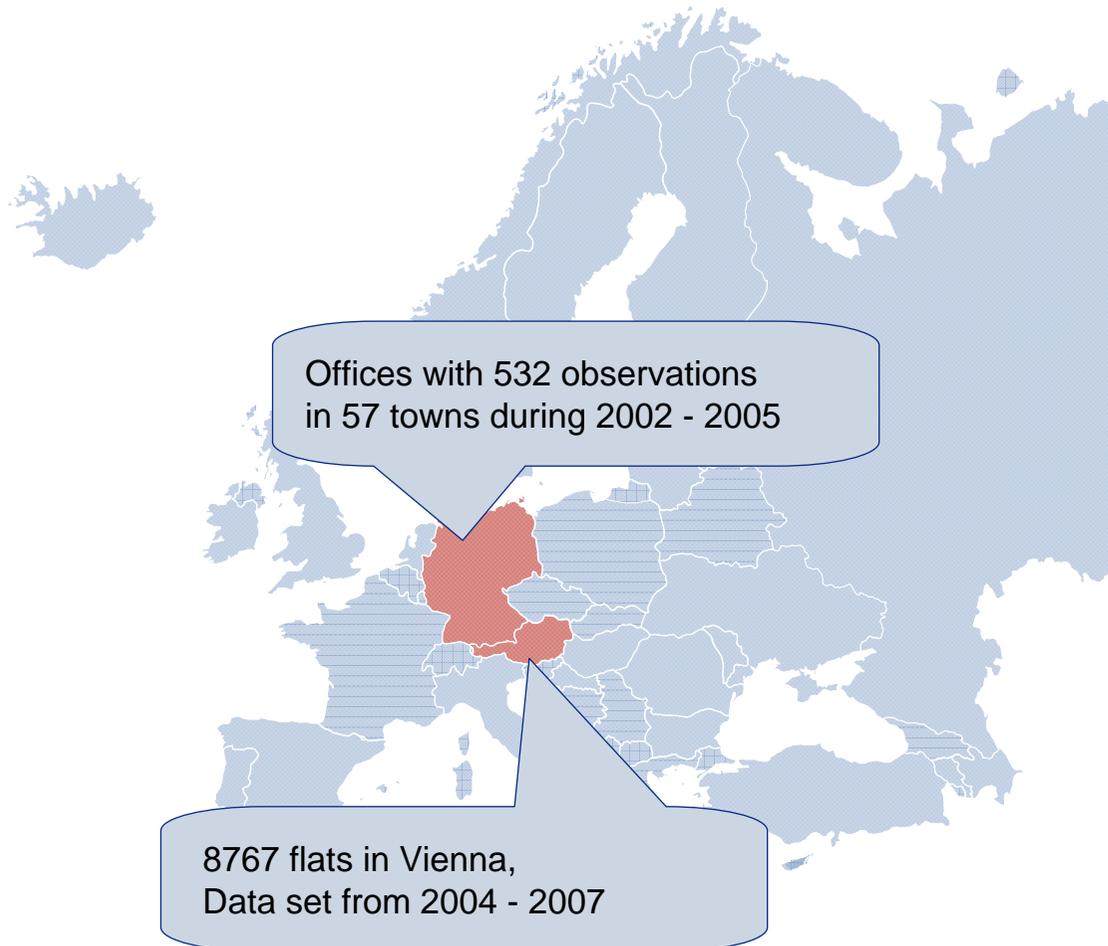


- 8-9 % Decrease of operating expenses
- 7,5 % Increase of the current market value
- 6,6 % Increase of the ROI
- 3,5 % Increase of the occupancy rate
- 3 % Increase of rent

Source: U.S. Green Building Council, Date: 15.04.2008

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Few empirical results in Europe (hedonic pricing/multiple regression) – IMMOVALUE research for developed markets



1

The „hard“ way: using advanced methods!

2

Question at the beginning: can a single valuer ever perform this for every valuation? - **NO**

3

Aim: Finding the proof for the connection between lower energy cost and higher rents

4

Result: 100 % increase in energy cost will shift rental income up to 9,5 %.

5

So up front investment cost for energy saving can be compared to rental premiums

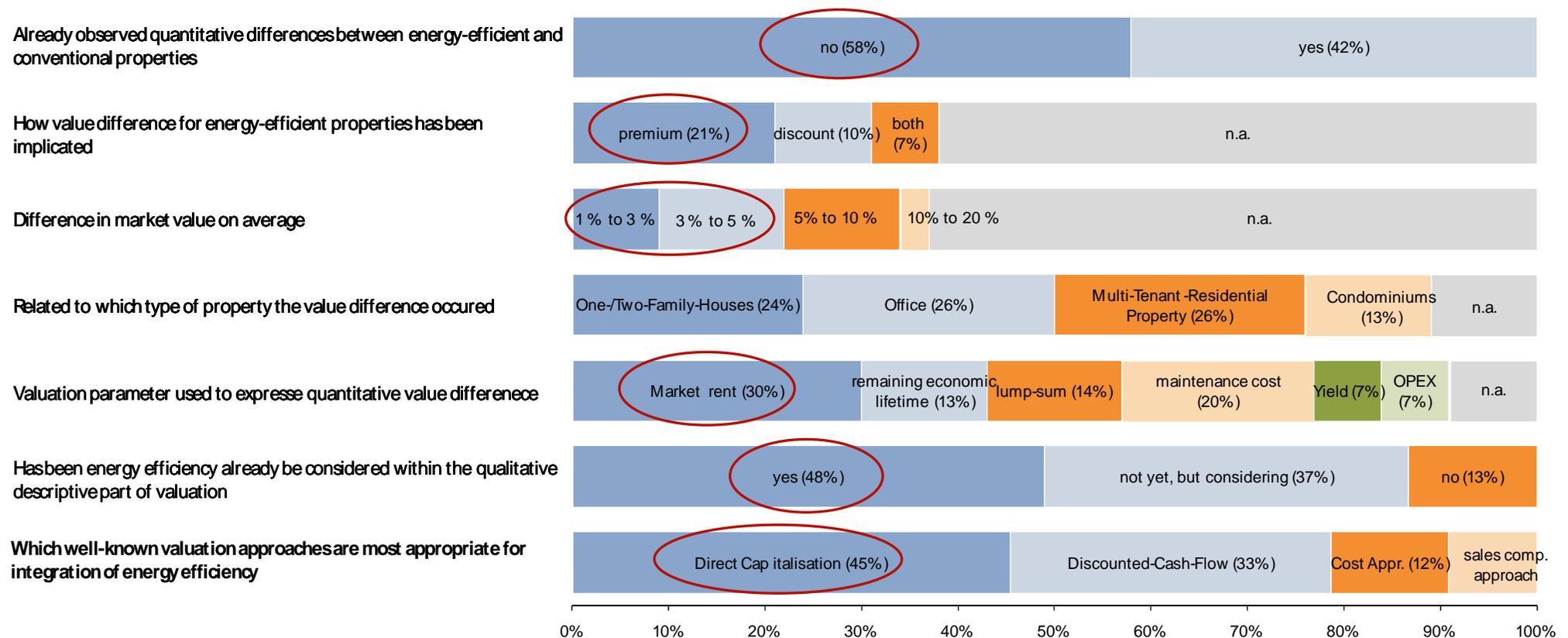
6

There is no “One fits all marktes rule”!

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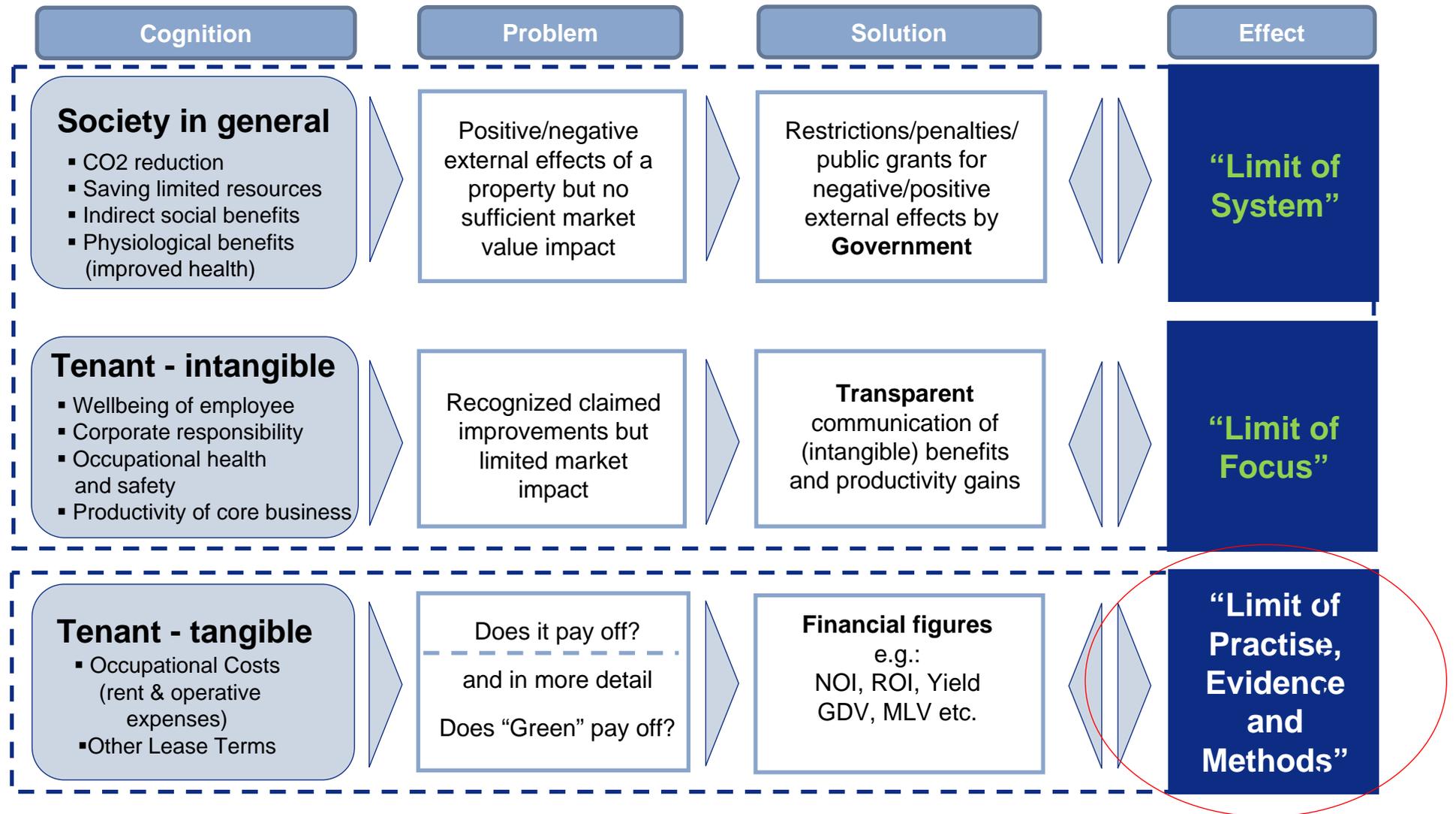
Interim results – European property valuation practice (IMMOVALUE-Survey)

Final results will be available soon at IMMOVALUE website – www.immovaluelog.com



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Integration of green attributes – three major obstacles (Or why markets failed)



Bienert – Greening Property Valuation in Europe

Some basic answer & discussion points!



- 1 Could there be a general premium / discount rule ? **NO**
(due to willingness to pay)
- 2 Do we need new valuation methods? **NO**
(since existing tools can display everything)
- 3 Could there be a pan-European approach/guidance to these aspects? **YES**
(since the fundamental challenge is the same)
- 4 Should we distinguish between developed and less transparent markets? **YES**
(since data input is required for proper calculation)
- 5 Do we also need to revise report structures accordingly? **YES**
(since the aspects need to be addressed in the text)
- 6 Since in principle things are not new. Are there already valuers who handle this aspect in the right way? **NO**
(since some training will be necessary for everyone)

IMMOVALUE Project Contact

Prof. Dr. Sven Bienert, MRICS



Tel. +43 512 599 96-5321
Fax. +43 512 599 96-5021
e-mail sbienert@kpmg.at

Address Kudlichstraße 41-43
4020 Linz

Adamgasse 23
6020 Innsbruck

Publication supported by:



Bienert – How does cost of energy affect your real estate business

Published empirical research results on green value

Variable \ Country	USA (Mc Graw, Hill Construction 2005)	USA (Mc Graw, Hill Construction 2008)	USA (Miller et al. 2008, using CoStar Database)	USA (Fürst, McAllister. 2008, using CoStar Database)	USA (Eichholtz et al. 2009, using CoStar Database)	Australia (Bowman, Willis 2008)
Rental Growth for non-Green	-	-	-	-	-	-1.50%
Rent Premium for Green	3.00%	6.10%	-	-	3.00%	X
Energy Star	-	-	2.80%	-	-	
LEED	-	-	0.30%	-	-	
Energy Star/LEED	-	-	-	11.80%	-	
Effective Rent	-	-	-	-	6.00%	-
Decrease Operating Expenses	8.00-9.00%	13.60%	-	-	-	-
Reduction cap rate	-	-	-	-	-	0.25-0.50%
Improved ROI	6.60%	9.90%	-	-	-	-
Increase occupancy ratio	3.50%	6.40%	-	-	-	-
Market value	7.50%	10.90%	-	-	-	-
Selling price	-	-	-	-	16.00%	X
Energy Star	-	-	5.76%	10.00%	-	
LEED	-	-	9.94%	31.00%	-	
Energy Star/LEED	-	-	-	11.40%	-	

Bienert – How does cost of energy affect your real estate business

Theoretical potential rent premium

