



JONES LANG
LASALLE

Valuation and Sustainability: Are Rating Tools Enough?



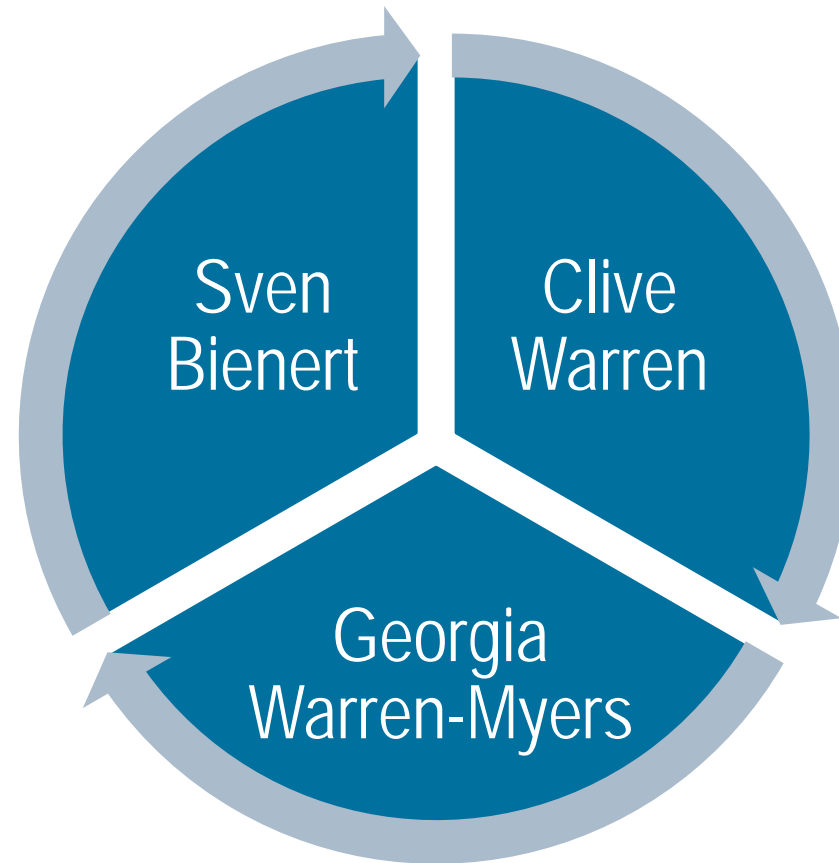
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Introduction

- Research
- Sustainability – What does it mean?
- How is it measured?
- Star Rating Analysis
- Valuation
- Issues Identified in Assessing Sustainability in Valuation
- Suggestions and Conclusions



Research





“Buildings that are designed, built and operated with low environmental, social and economic impacts, whilst enhancing the health, welfare and quality of the people that live and work in them.”

NZ Ministry for Environment



Advantages to Owners and Occupiers

BENEFITS	
OWNERS	OCCUPIERS
<ul style="list-style-type: none">▪ Reduced operating costs▪ Enhanced brand▪ Mitigation of future regulatory impacts▪ Reporting to stakeholders▪ Tenant retention▪ Increased rents▪ Differentiated position of asset▪ Shorter letting up periods▪ Increased market share▪ Higher net revenue return	<ul style="list-style-type: none">▪ Reduced operating costs▪ Enhanced brand▪ Mitigation of future regulatory impacts▪ Reporting to stakeholders▪ Employer of choice, employee retention▪ Enhanced building environment▪ Improved productivity▪ Decrease their footprint on the planet▪ Stronger tenant/owner/manager relationship



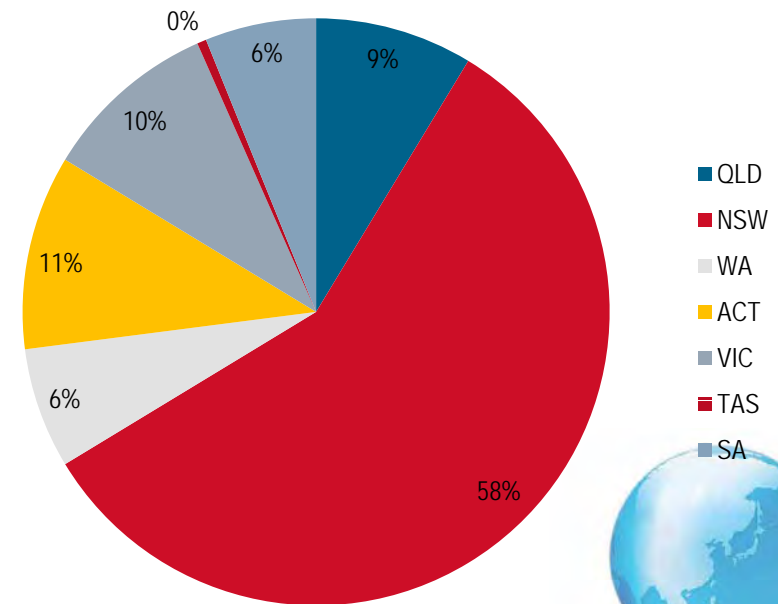
How is it measured?

- Rating Systems
 - Green Star (LEED / BREEAM)
 - Design focused / New buildings primarily
 - Environmental focus
 - Weighted categories
 - 6 stars (4 stars and above)
 - NABERS (Energy Star)
 - Operational performance
 - Building data
 - 5 stars
 - Austria – Energy Rating certificates



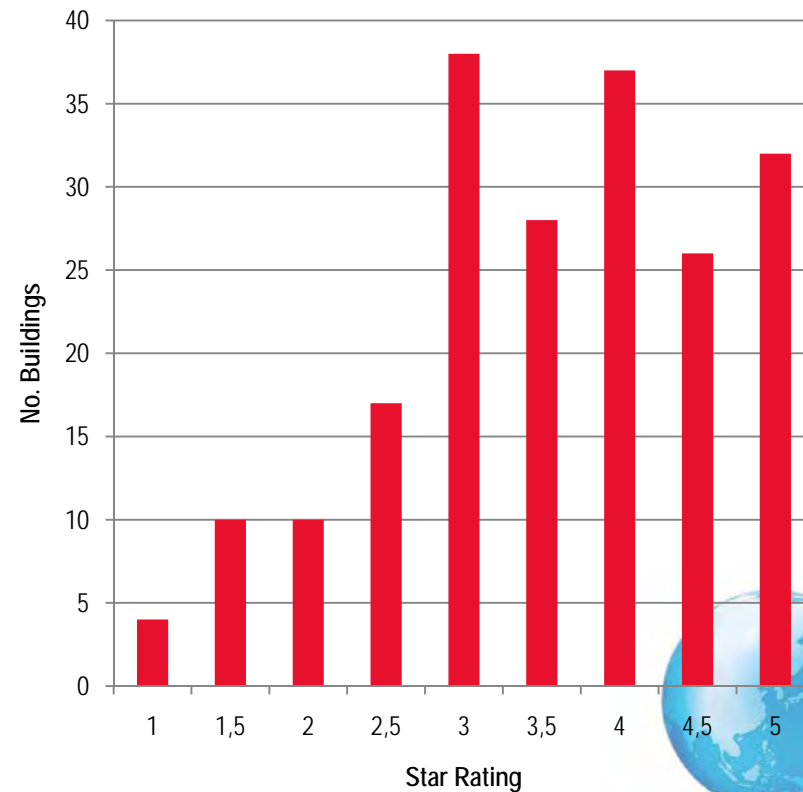
NABERS

- NSW Government Scheme
 - Incorporates ABGR (Energy)
- 208 buildings
 - 56% (113) in NSW
 - 11% (21) ACT



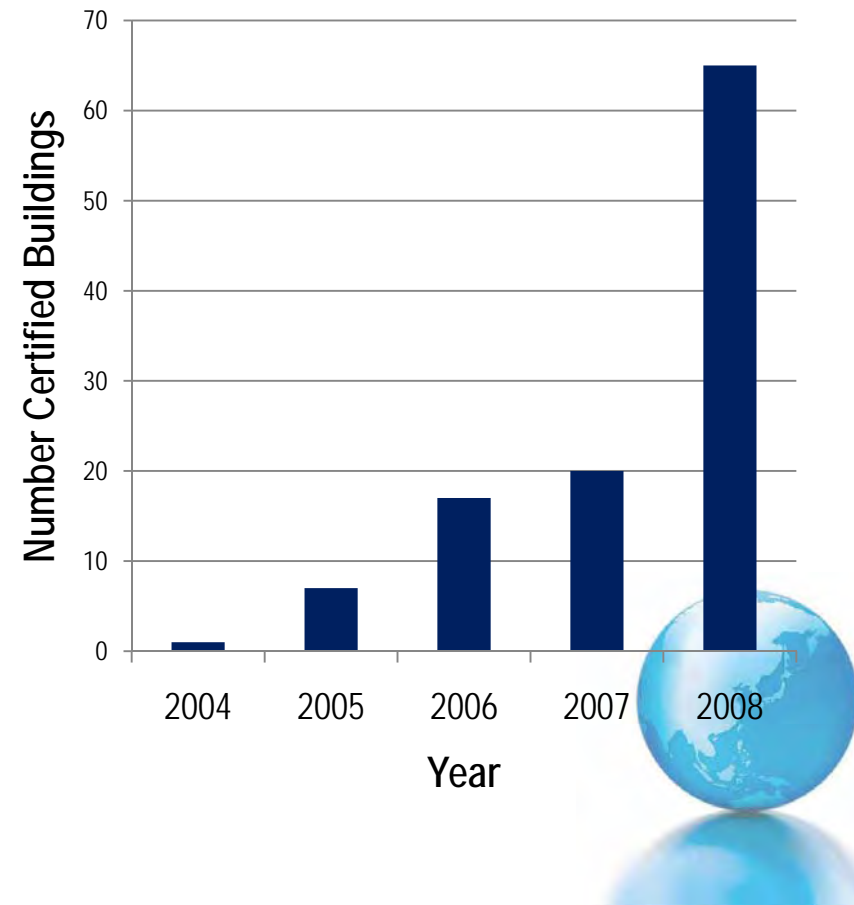
NABERS

- Energy Rating
 - 202 buildings
 - 47% 4* or above
- Water Rating
 - 128 buildings
 - 22% 4* or above



GBCA – Green Star

- 109 Certified buildings
- 1 in 2004
- 65 in 2008
- 95 are office buildings



GBCA – Green Star

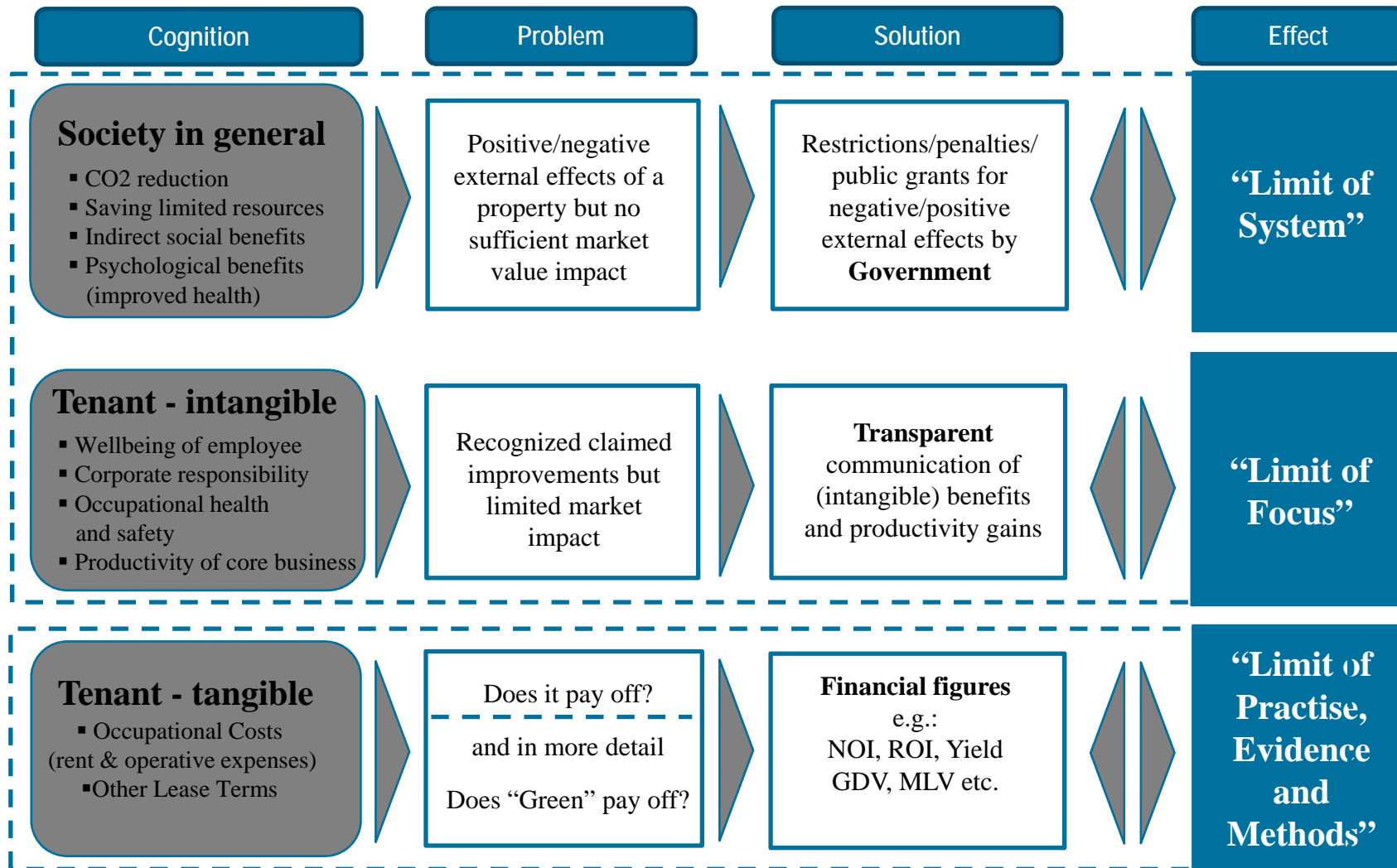
	Office Design			Office As Built		
State / Star Rating	4	5	6	4	5	6
VIC	5	16	3			
NSW	8	6	3		3	
SA	2	7	1	2	2	
QLD	10	10	2		1	
ACT	2	2	1			
TAS	1	1	0			
NT	0	0	0			
WA	4	2	1			
Total	32	44	11	2	6	0



Valuation

- Valuation of commercial real estate utilises the Discounted Cash Flow (DCF) and Income Capitalisation, basis for assumptions is founded on the comparative analysis of transactional data
- Comparable evidence – or lack there of in regards to 'sustainable buildings'
- Variables – how does sustainability fit in?
- Common perception of 'added value' or is it a discount for 'non sustainability'?
- Or is sustainability just another parameter within the heuristic characteristics of a building?







Various rating tools world wide, lack of comparability across schemes, lack of assessment ability within rating systems to analyse ALL the building stock

Knowledge of rating tools and application

Don't "make" the market, just reflect it!

The market is not "always X %"
– there are no general rules!

Remember that it is a difference to raise the value of Properties instead of cutting down a on values for Non-Greens! Follow the market!

Find comparables!



Action and the Way Forward....Jones Lang LaSalle

1. Professional education to assist appraisers to fully understand the potential impact.
2. In each (full) valuation report the green value contribution of the property should be discussed in a specific section of the report.
3. Compile a data base of transactional information regarding, rents, sales prices, ratings and operating expenses
4. The support of more research work to isolate the value drivers of green features further.



Conclusions and Recommendations

1. Appraisers should share their experiences regarding sustainability in a transparent way. Especially comparable data should be collected and shared.
2. Appraisers need more impartial evidence of how green features contribute to the overall value.
3. Green labels and sustainability rating systems must more clearly address the language of the appraisal community to be understood and transferred into monetary measures.
4. Valuations standards need to address the new topic of sustainable issues directly and help appraisers to process the information gathered correctly.



Thank You!! Any Questions??

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