



Turning the generic concept of « Green Value » into action

**SBA Annual Conference
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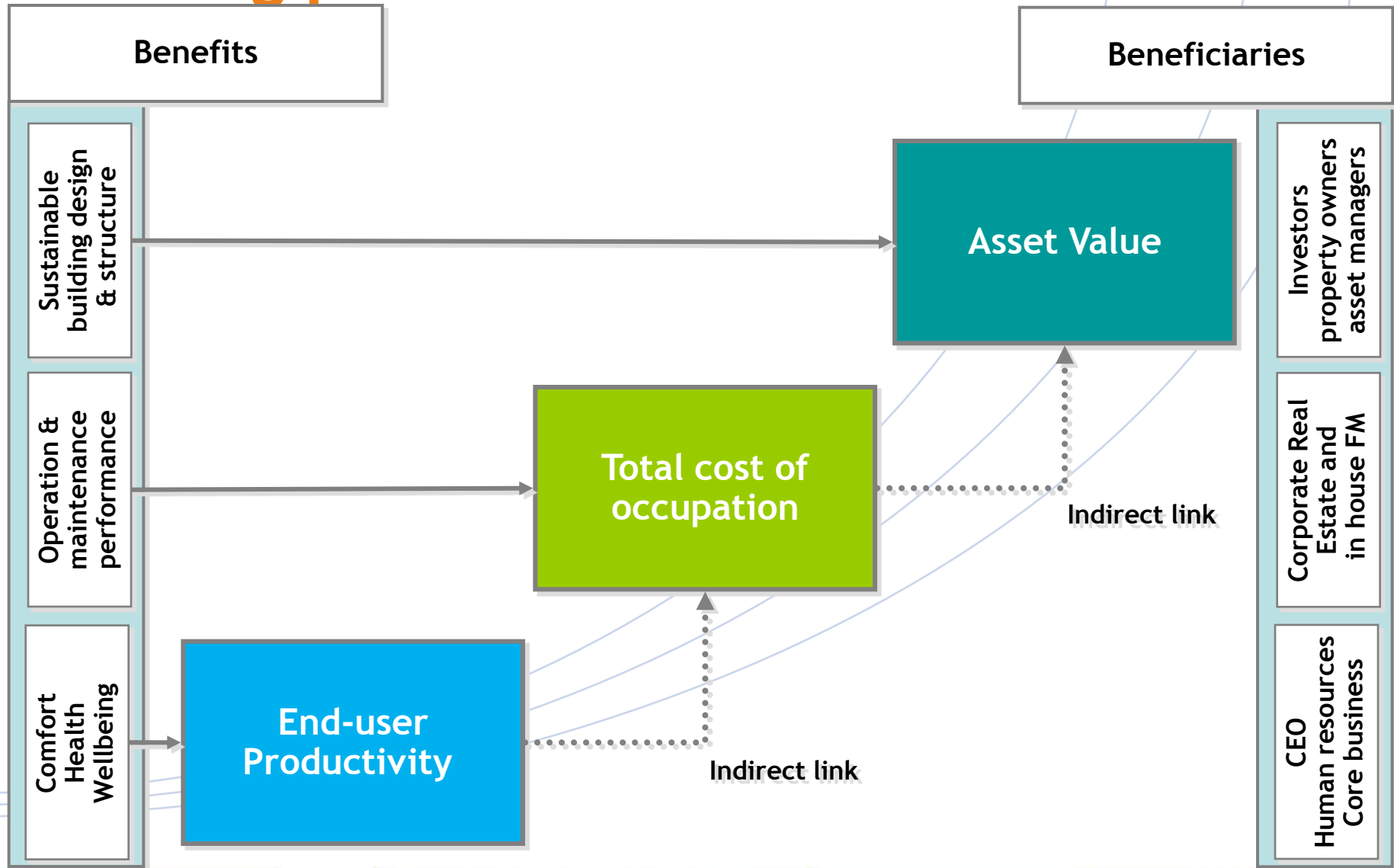


**Green Value in Use Group
*Valeur verte en pratique***

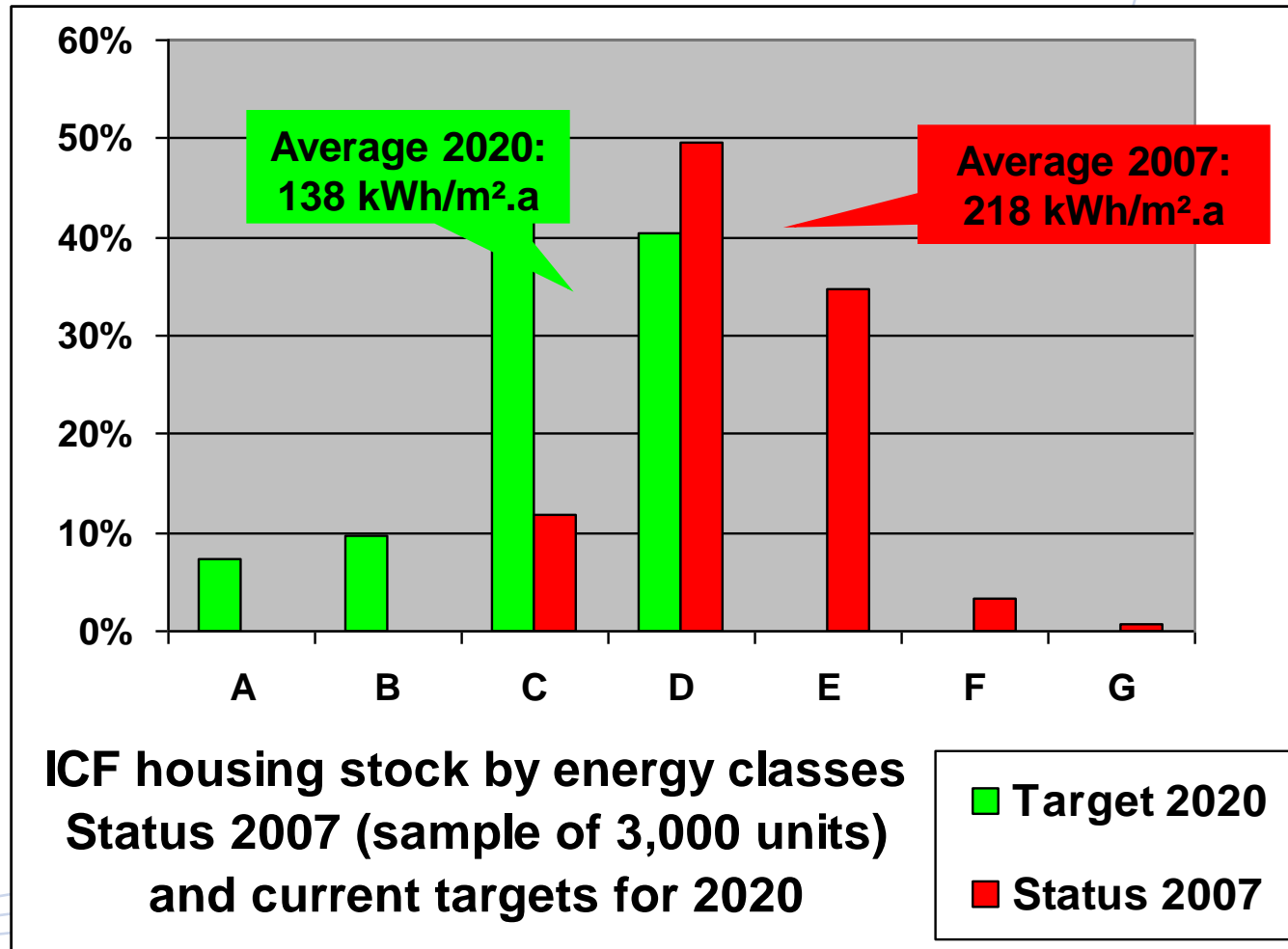
Wishes & Facts

- There *should be* a link between **sustainable performance** of buildings and **asset value**.
- Today, markets and valuers only partially account for sustainability due to :
 - Lack widespread market feed-back.
 - No anticipation of future impacts.

Benefits et beneficiaries of sustainable building performance

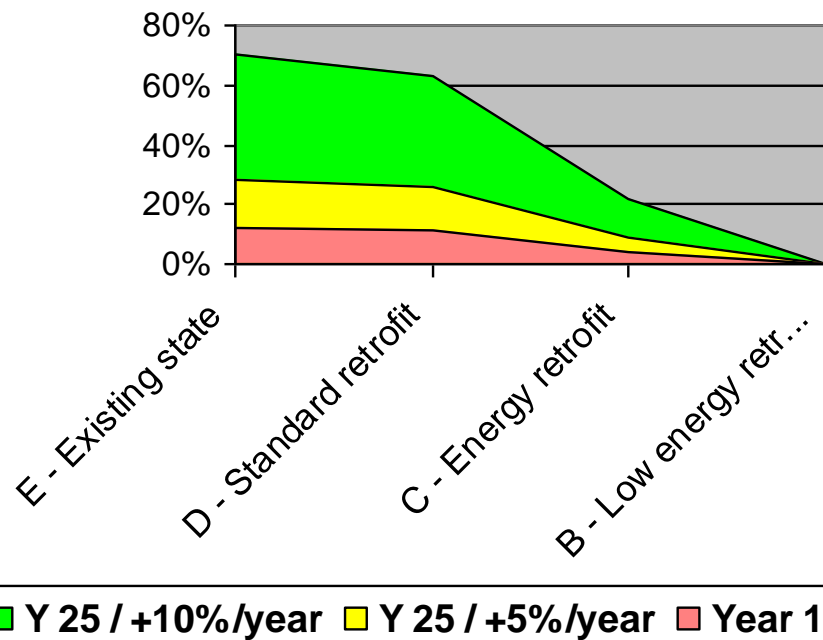


The rise of energy certificates as a common indicator for the housing market

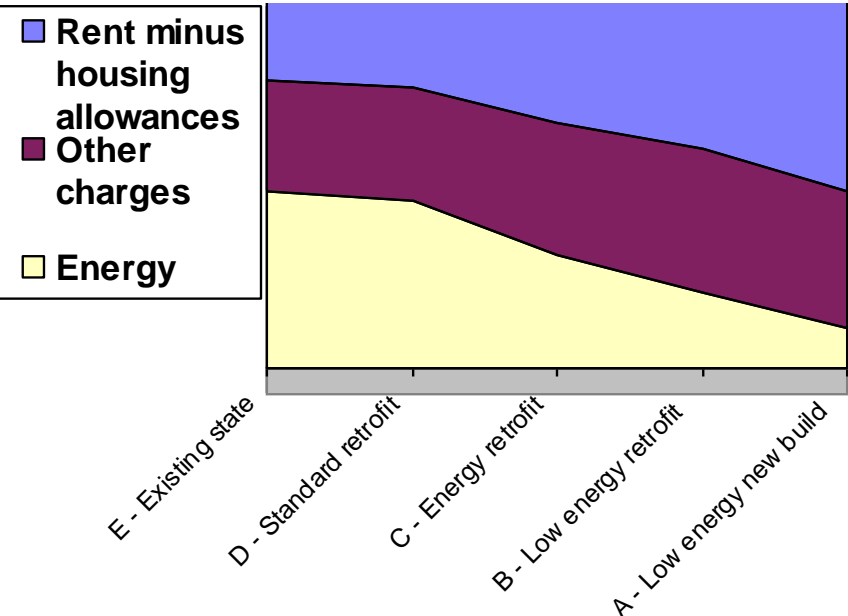


The impact of energy prices on long-term attractiveness and profitability of dwellings

Overcost of occupation compared to low energy retrofit



**Composition of occupation cost
Year 25 - Energy @ +5%/year**



Assessing the green value of energy performance in housing

An insurance against future risks:

- Rise of energy costs with high impact on cost of occupation
- Vacancy and non payment
- Impossibility to apply maximum rent raises each year
- Political and customers pressure to retrofit ahead of time
- Loss of value on the market (sale)
- Greening of taxes

Parameters of profitability

- Rate of non payment and vacancy
- Loss of value on the market
- Duration of amortisation of next retrofit
- Evolution rate of tax levels
- Evolution rate of rents / legal rates
- Other things being equal...
- Quantification is hard for low energy buildings...
- But it is obvious for obsolete buildings!

A first attempt to adapt financial models (50 years term for social housing)

Energy class	Energy consumptions	Vacancy and non payment	Retrofit / amortisation in years	Sale value
A	0-50 kWh/m ² .a	1,00%	30	80%
B	51-90 kWh/m ² .a	1,50%	28	75%
C	91-150 kWh/m ² .a	2,00%	26	70%
D	151-250 kWh/m ² .a	2,50%	24	65%
E	251-350 kWh/m ² .a	3,00%	22	60%
F	351-450 kWh/m ² .a	3,50%	20	55%
G	> 450 + kWh/m ² .a	4,00%	18	50%

Other sustainable criteria have an impact on Green Value and should be assessed

- Non renewable energy consumption and CO₂ emissions
- Access to mass transit infrastructures
- Health and comfort conditions (Indoor air quality, lighting, acoustics)
- Soils permeability and land use
- Waste and effluents
- Water consumption
- Operations and maintenance
- Adaptability and flexibility of buildings and space

How sustainability impacts market value of real estate

- Changes in tenants expectations (+)
- Lower share of operating costs (+)
- Lower costs of fittings (+)

- Lower costs for maintenance and servicing activities (-)
- Lower investments to sustain building at market level (-)
- Lower rent waivers (-)

Market value

=

$$\frac{\text{net operating income (market rent - owner's operating costs)}}{\text{Cape rate (risk free rate + risk premium - growth + depreciation)}}$$

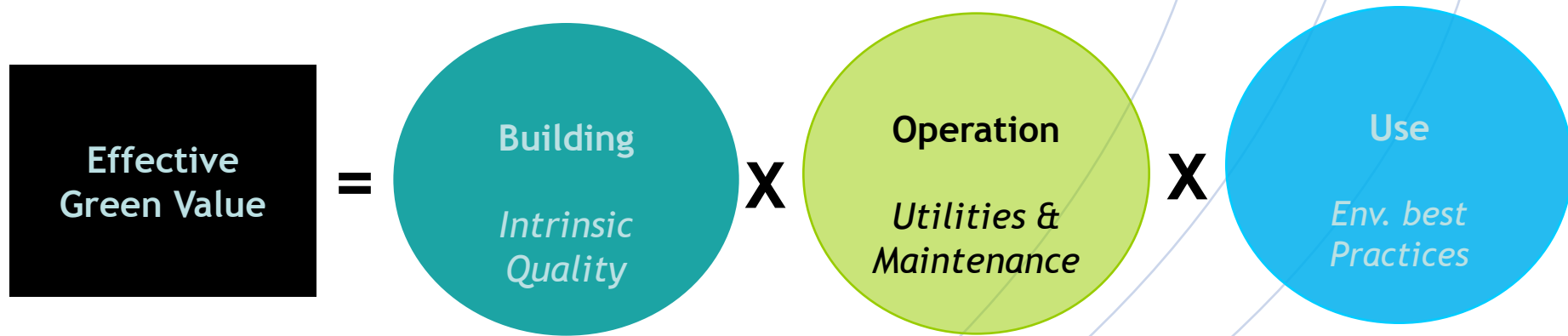
- More cash flow (-)
- Improved marketability (-)
- Shorter vacancy periods (-)

- Competitiveness (+)
- Rising energy costs (+)
- Sustainability hype (+)

- Longer life span (-)
- Longer compliance with increasingly stringent legislation (-)

From Dr. **David Lorenz**, MRICS

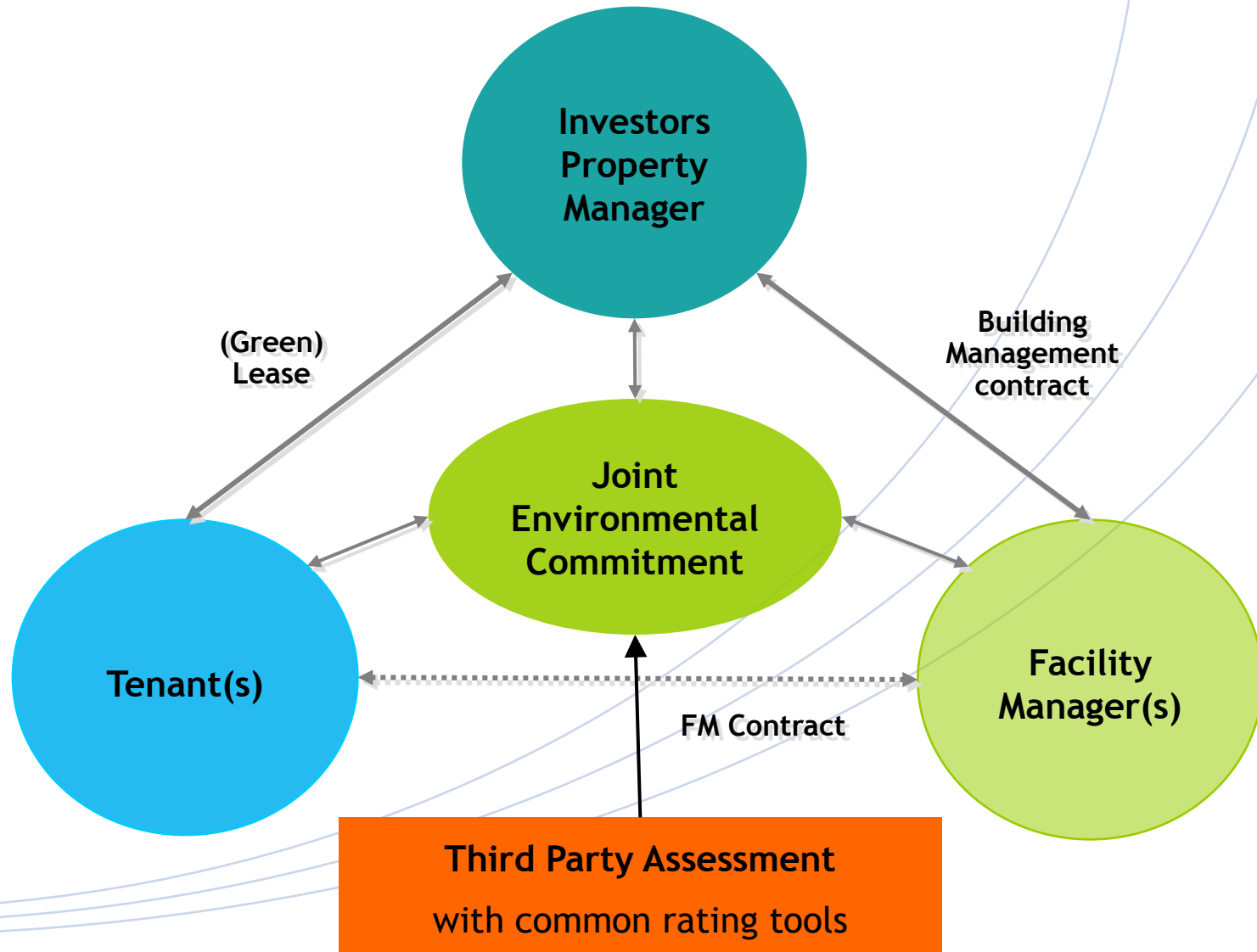
Green Value also depends on operation & use (specifically in office buildings)



Building intrinsic sustainable quality provides a *potential* for performance

Operation & use transform it into tangible effective results

Towards new contractual relationships



Our major recommendations

What we need to do:

- Set up a recognised shared and hands-on rating tool to assess both **intrinsic** and **actual** environmental performance of buildings in use
- Provide to key players and valuers common **objective indicators**
- Establish and strengthen **correlation** between environmental and financial performance of real estate
- Develop **joint environmental commitments** and shared improvement plans between stakeholders (investors, tenants, facility managers). For more objectivity, these commitments should be measured and/or verified by an independent **third party** body.

Why ?

- Green Value will gain credibility if it is associated with tangible benefits during building operation and use

➤ **Going towards guaranteed environmental performances for sustainable buildings in use ?**

Green Value working group

Individuals member of the working group :

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More on : www.immobilierdurable.eu