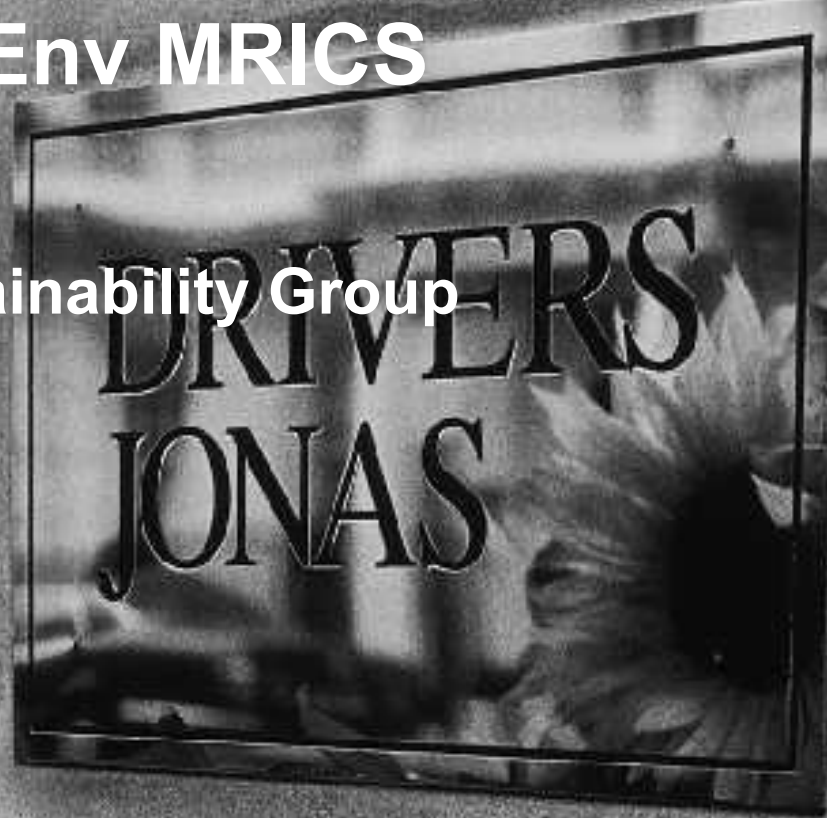


Philip Parnell BSc CEnv MRICS

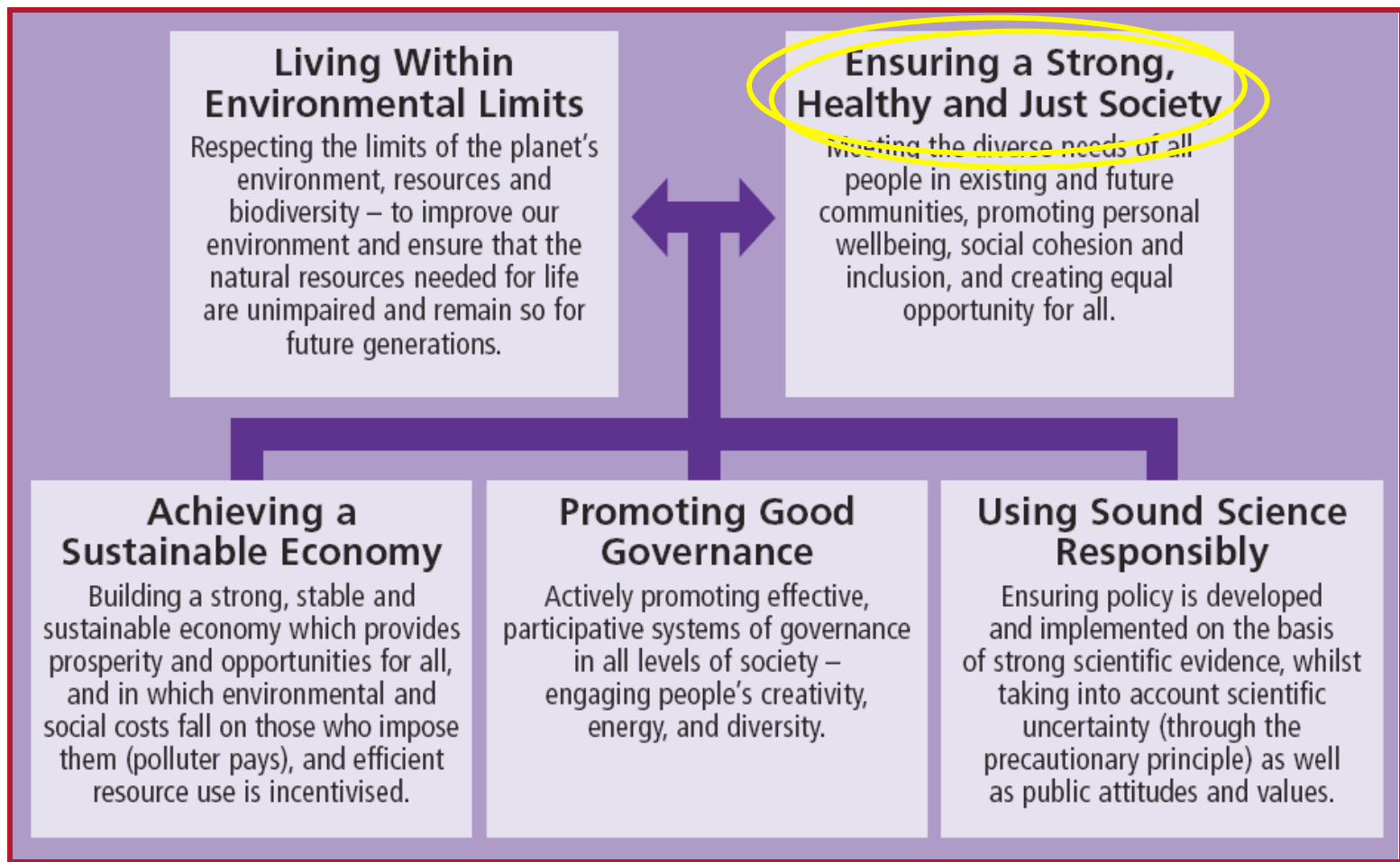
Head of Portfolio Valuation

Chair: RICS Valuation Sustainability Group



Comfort : Sustainability : Value
EDGE Debate – 28 October 2008

**DRIVERS
JONAS**



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.”



TISHMAN SPEYER

Making the Value Connection -
Who is your market?

DRIVERS
JONAS

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

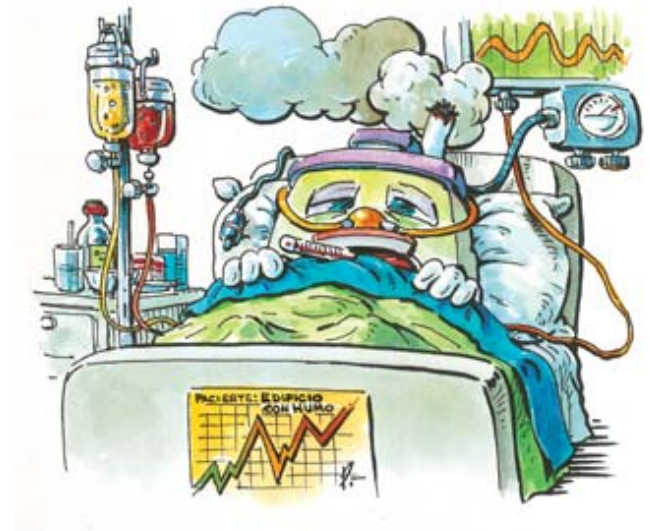
DRIVERS
JONAS

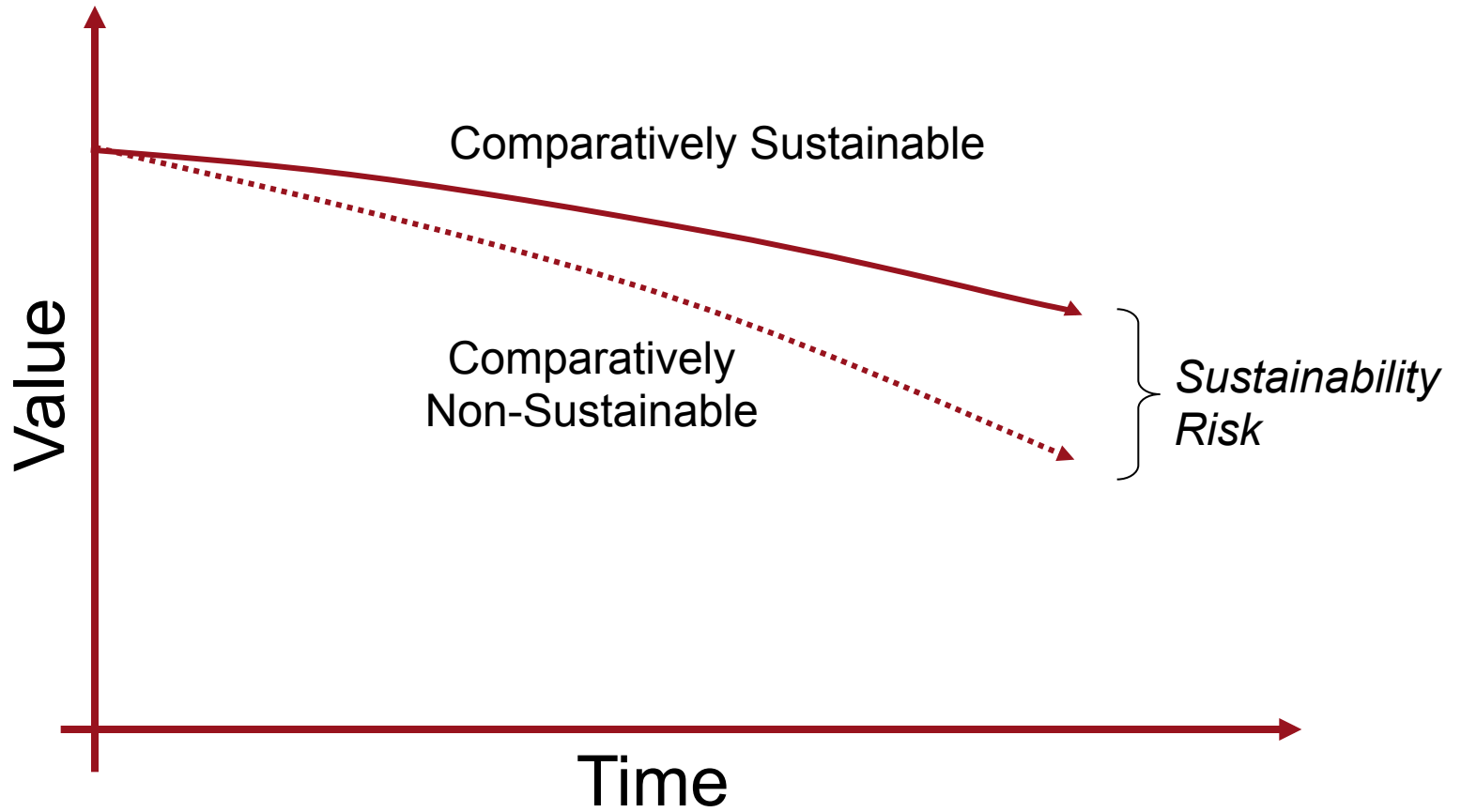
Is it already 'in the numbers' ?

- 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



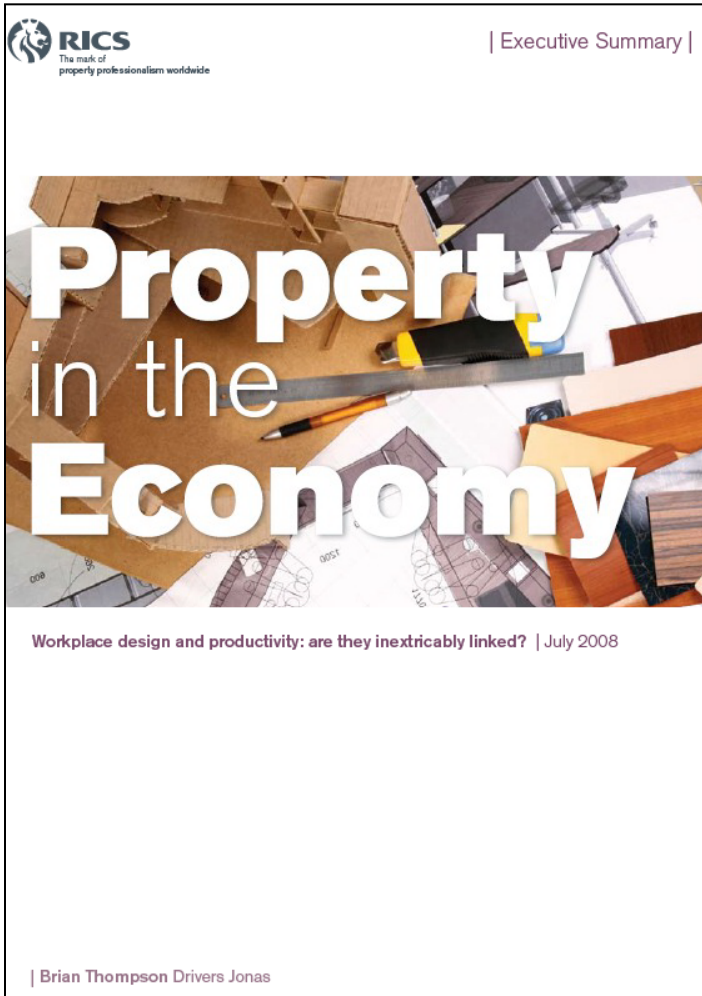
“Shops struggle to stay afloat”



“..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



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.”

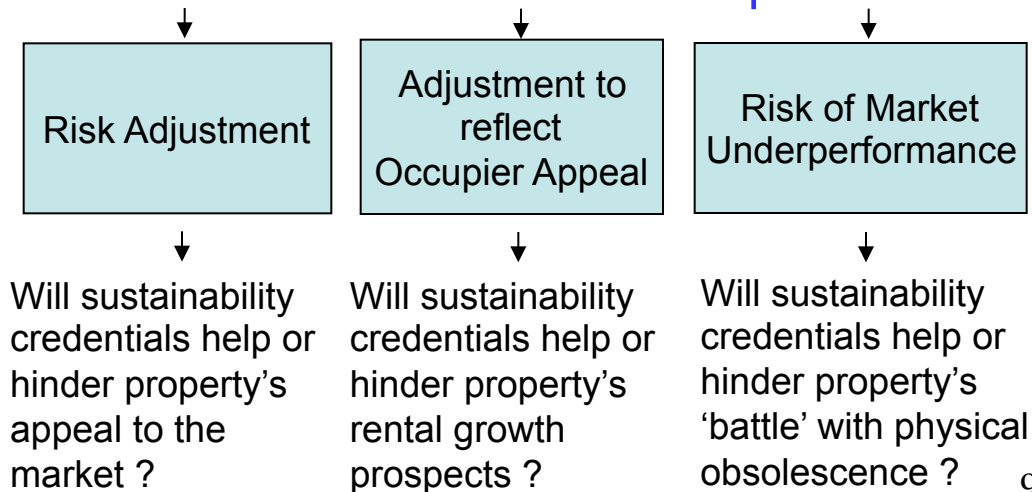
Assessing the Impact

Thoughts on Value Implications

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

Value = Rent / Yield

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



Assessing the Impact



$$\text{Yield} = \text{Risk Free Rate} + \text{Risk Premium} - \text{Growth} + \text{Depreciation}$$

Risk Adjustment

Adjustment to reflect Occupier Appeal

Risk of Market Underperformance

Building Adaptability

Occupier Impact

Energy Efficiency

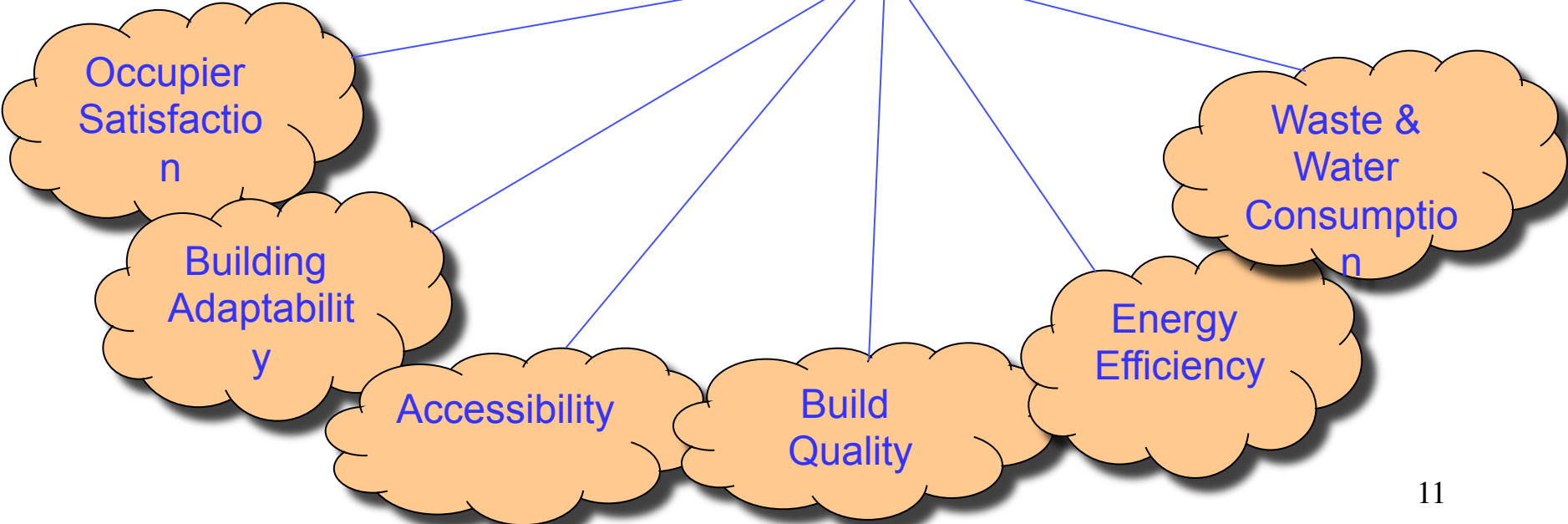
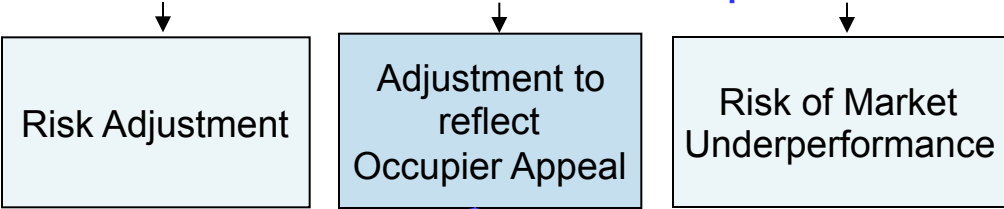
Occupier Satisfaction

Pollutants

Assessing the Impact



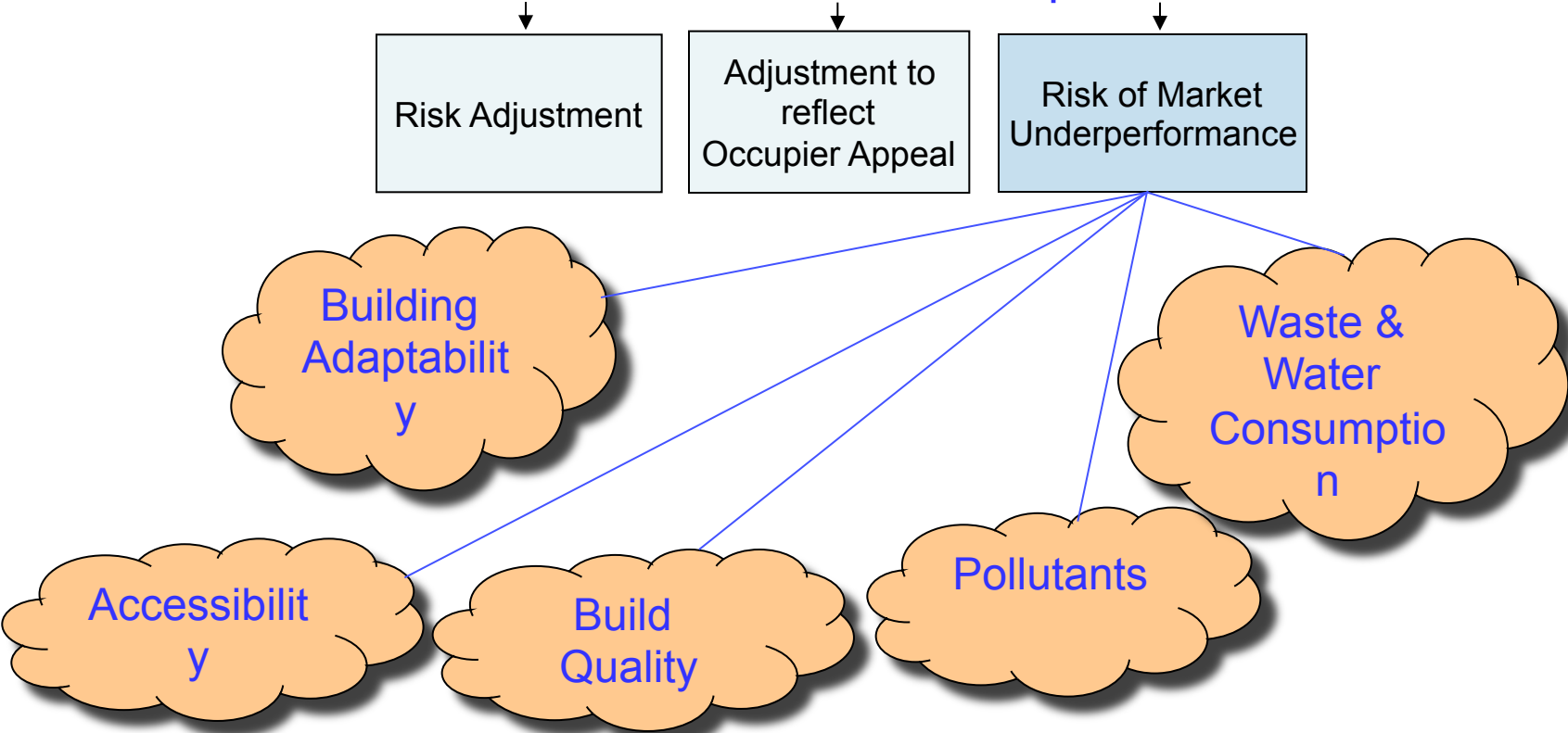
$$\text{Yield} = \text{Risk Free Rate} + \text{Risk Premium} - \text{Growth} + \text{Depreciation}$$



Assessing the Impact



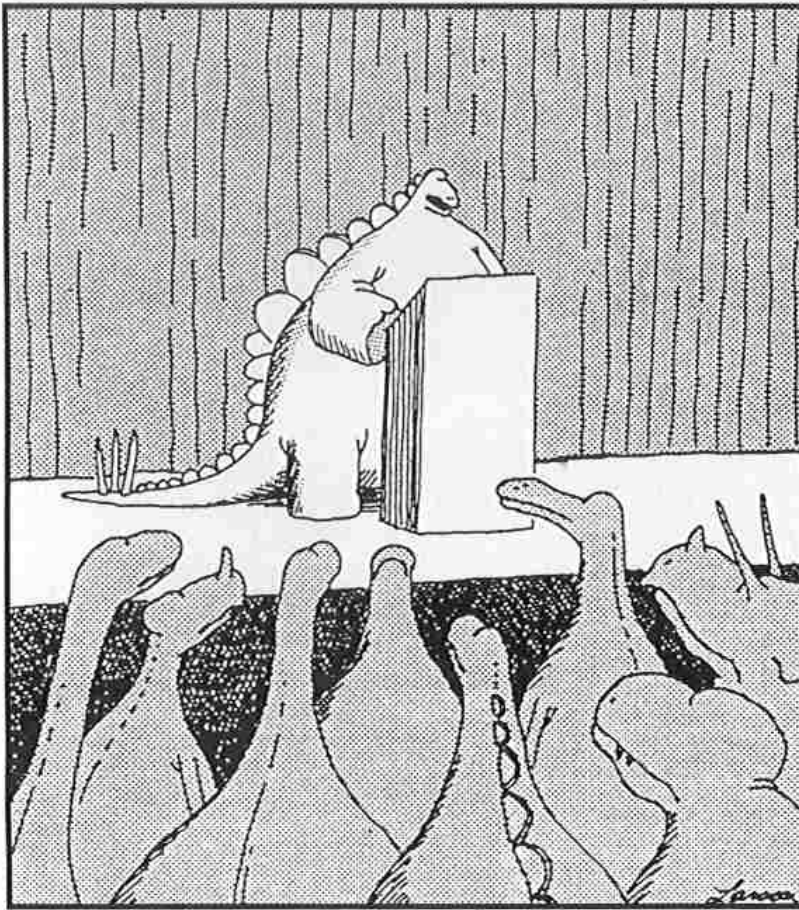
$$\text{Yield} = \text{Risk Free Rate} + \text{Risk Premium} - \text{Growth} + \text{Depreciation}$$



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®

LAST 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.....”

DRIVERS
JONAS



"Out of clutter ... find simplicity. From discord . . . find harmony.
In the middle of difficulty lies opportunity. "
- Albert Einstein

“this is now !”

DRIVERS
JONAS