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Real value in a changing world

The *greening* of property

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What I will cover

- Drivers for the greening of property
- Market outlook for sustainability
- Challenges facing our industry
- Tips for the property sector



Why are we qualified to speak about this?

- Cover entire property chain: leasing, sales, advisory, management
- More than 10 years actively in this space
- Manage over 3,000 buildings in Australia on behalf of owners and occupiers
- Dedicated global sustainability business: Energy and Sustainability Services
- Developed in-house tools for sustainability measurement, benchmarking and reporting
- Series of white papers to keep our clients abreast of the latest sustainability trends in the industry

The image shows two tall industrial smokestacks with alternating red and white horizontal bands. They are set against a background of a sunset or sunrise sky, with a soft orange glow. The smokestacks have red caps with lights. The text is overlaid on the right side of the image.

**Buildings are
responsible for
23 % of Australia's
greenhouse gas
emissions**

30% reduction in emissions possible using **existing technologies**

****Least-cost** carbon abatement comes from energy efficiency in buildings**



The perfect storm? Drivers for greening property

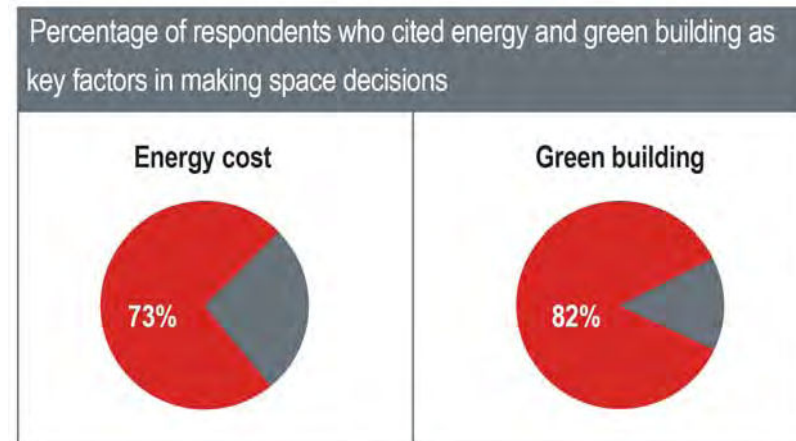
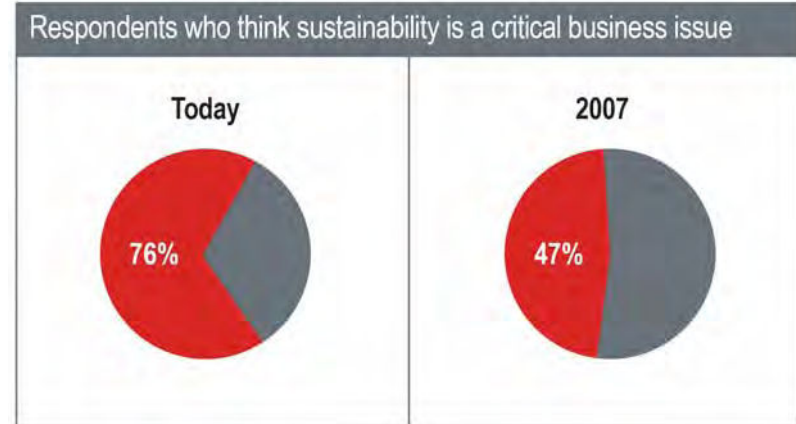
- Regulation (NGER and EEO) = Transparency in emissions and energy use
- Utilities pricing = Rapidly increasing outgoings
- Tenant demand for green = Increased focus on asset performance
- Green building rating tools = Allows comparisons at a glance
- Mandatory disclosure = Transparency no longer just on the +ve, but also -ve
- Green valuation = Values are being influenced by green attributes

Transparency + Focus = Change

Trends – our research

Corporate real estate executives told us:

- 3/4 companies see energy and sustainability as ‘major’ or ‘tie- breaker’ factors in location decisions
- Fewer are willing to pay a premium for sustainable space today than a year ago
- Green space is getting harder to find
- They want to measure the benefits of sustainability, but are dissatisfied with current metrics



Challenges

- Immediate focus on capital availability and cost putting priority on operational rather than capital improvements
- Demonstrating ROI and validating investment within the company
- Comparing new and existing buildings like-for-like with existing tools
- Comparing assets across countries with no global rating tool
- Understanding and managing climate change impacts and carbon risk
- Lack of consistent tools and processes for due diligence
- Lack of appropriate skills/qualifications/knowledge across the property spectrum
- Lack of practical examples of how green leases work
- Reporting takes up too much management time

Market outlook : Investors

Dog or diamond?

“It is important to make the most of sustainability now”

Anonymous Investor



Market outlook : Occupiers

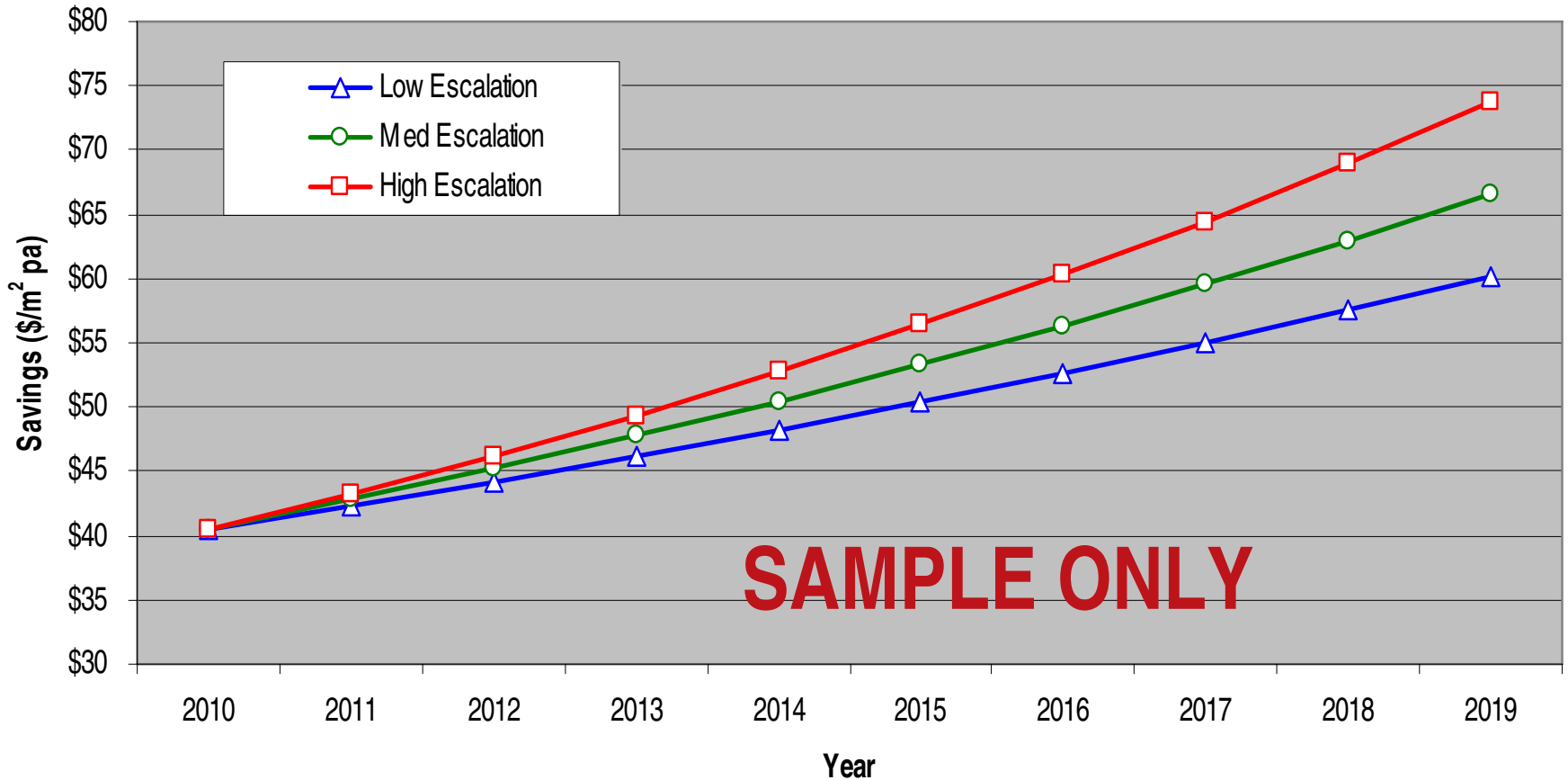
Beyond the stars

- Hotels don't market themselves on their stars alone, so why should buildings?
- Need to demonstrate value beyond 'feel good'
- Include the 'so what?' factor



Make it 'spreadsheetable'

**Estimated REDUCTION in Tenant Outgoings
(3 Star NABERS Building w/ GreenPower vs True 5 Star NABERS Building)**



The future: Our predictions

- Funds treat higher-performance properties differently and move out of the lower-end of the market or revisit cap rate projections
- Buildings with little potential to achieve appropriate ratings decline in value
- The short-term focus is on operational rather than capital improvements due to increasing pressure on capital
- Efficient measurement and easily generated management information are standard
- Industry (occupants, service providers, vendors) is educated on sustainability and become more ecologically responsible
- Operation and design are more closely linked



Tips

- Look proactively now for any savings in energy, water and waste
- Benchmark your building's performance and know its 'upgradeability'
- Review your market and match your strategy to tenant demand
- Streamline and understand your environmental reporting. Track and use data for decision making, not just compliance
- Look to bridge the gap between tenant and owner
- Reposition assets in the market to maintain and enhance your investment

Know your asset strategy - futureproof it!



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Thank you

