

OUR MOST VALUABLE PROPERTY: TRUST.

Sustain Worldwide Conference

**The value case for sustainable
property**

Knight Frank



How 'green' property will deliver better returns: the link between sustainability and property values

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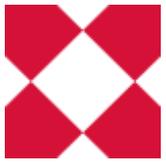
Green buildings' value drivers

Benefits of green buildings for landlords

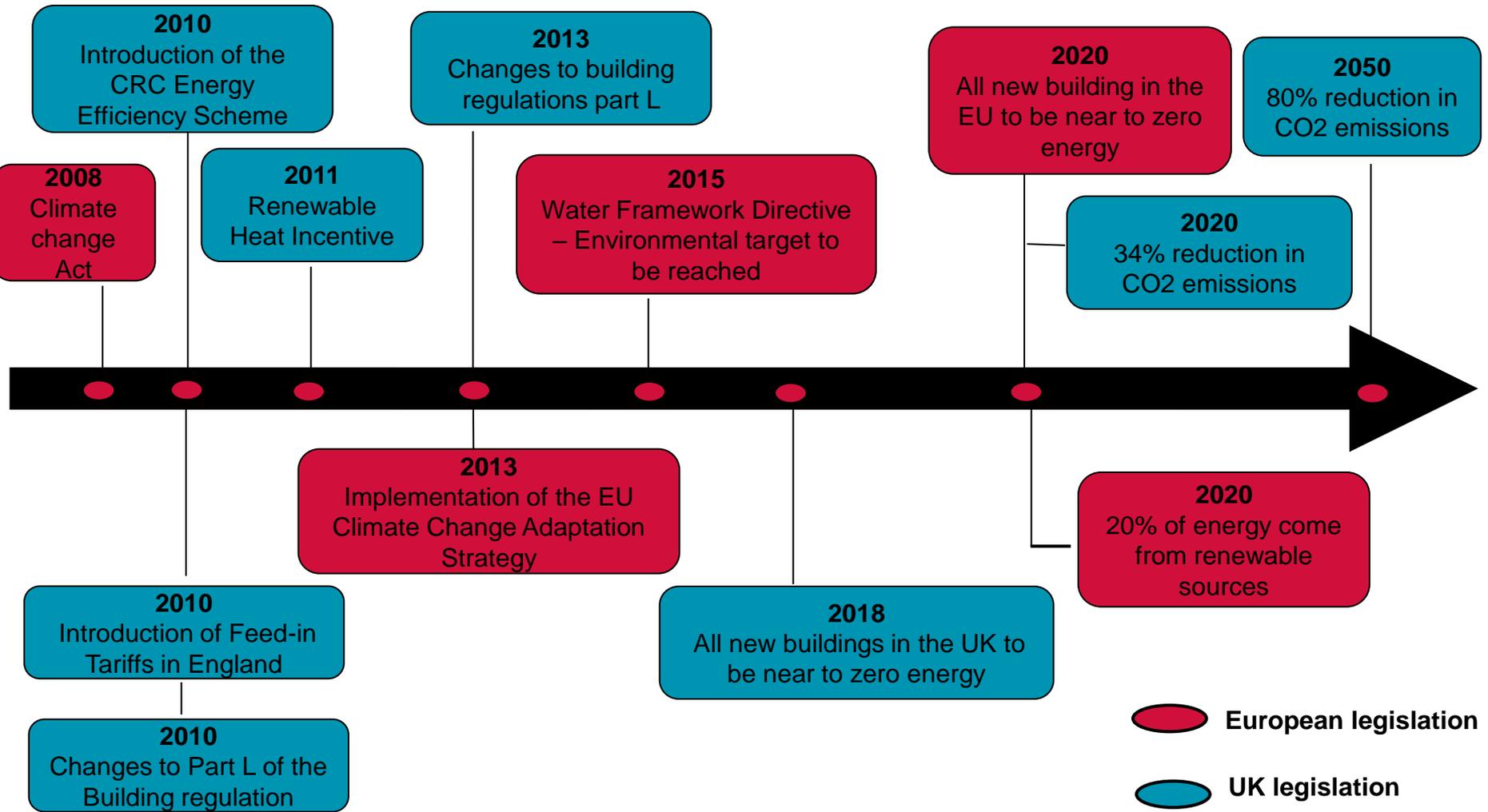
- ◆ Landlord:
 - ◆ Higher rent
 - ◆ Increased value of assets
 - ◆ Tenure security
 - ◆ Reputation improvement
 - ◆ Secured long term investments
 - ◆ Lower carbon liability

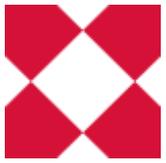
Benefits of green buildings for tenants

- ◆ Tenants:
 - ◆ Lower operating costs
 - ◆ Lower carbon liability
 - ◆ Increased productivity
 - ◆ Reputation improvement
 - ◆ Increased corporate responsibility



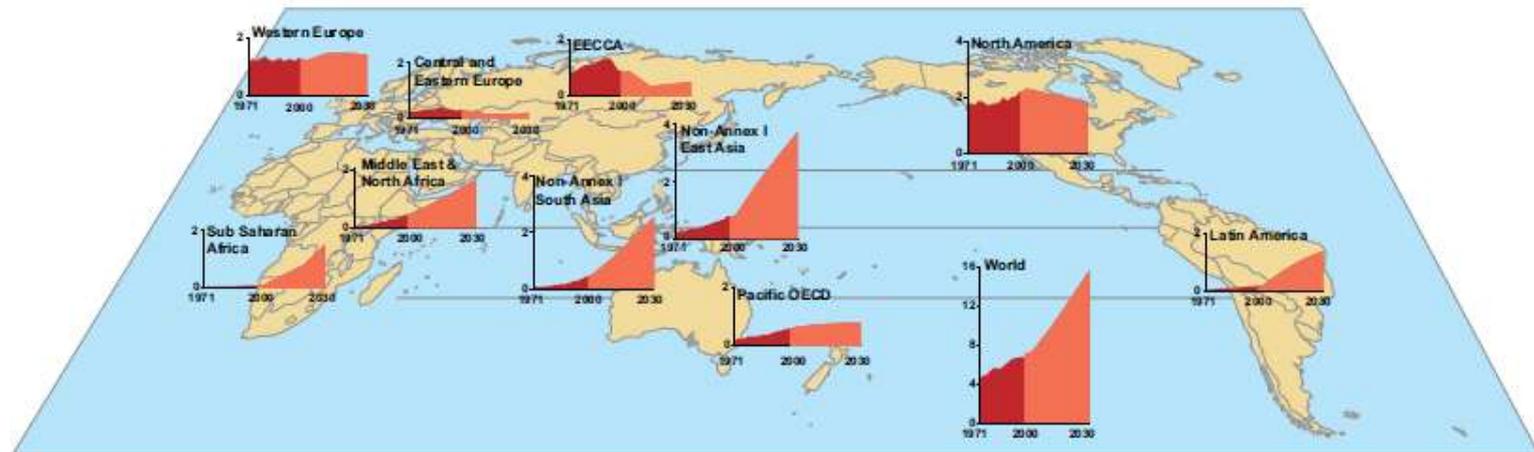
UK and EU Environmental Legislation



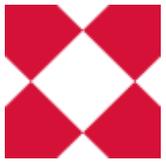


The property sector and climate change

- ◆ Buildings account for around 21% of global emissions, most of which is due to energy consumption (Vattenfall, 2007).
- ◆ Approximately 33% of global energy end-use takes place within buildings (IEA, 2009).
- ◆ CO2 emissions from buildings in operation will be about 30% of the total CO2 emissions by 2030 (Levine & al, 2007).
- ◆ Global cities responsible for 70% of harmful greenhouse gases while occupying 2% of its land (UN-Habitat, 2011).



Source: CO2 emissions from buildings: IPCC Scenario A1B Scenario, 2007

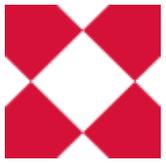


Financial benefits of green hotels

Case Study : LightStay – Hilton Worldwide

- ◆ **Saved more than \$29 million in utility costs in 2009.**
- ◆ Environmental management system used by more than 1,300 Hilton Worldwide properties.
- ◆ Conserved enough energy in 2009 to power 5,700 homes for a year.
- ◆ Saved enough water to fill more than 650 Olympic-size swimming pools.
- ◆ A reduced carbon output, equivalent to taking 34,865 cars off the road.
- ◆ Will be implemented across all 3,500 Hilton Worldwide properties by the end of 2011.

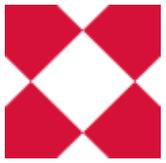




Key numbers – Tourism and construction sectors

- ◆ 38% of world travellers said they would be willing to pay more to stay in an environmentally friendly hotel (UNEP, 2011).
- ◆ 10% decrease in energy consumption leads to an increase in revenue of about 20 basis points and an increase in value of about 2% (Eichholtz, Piet M.A.; Kok, Nils and Quigley, John M, 2009).
- ◆ Buildings which lack sustainability features will begin to lag behind in terms of rental growth and this will ultimately lead to adverse yield movements (DTZ, 2007).





Green building certifications and value enhancement

- ◆ BREAM, LEED, Global Reporting Initiative, Dow Jones sustainability index and other labels offer businesses and public organisations different options to measure and compare the environmental performance of buildings (+250 different rating metrics for the built environment in the world).
- ◆ There is an increasing focus on the operational sustainability of buildings.
- ◆ Energy Star rated buildings in the US translate in increased rent premiums (American Economic Review, Eichholtz et al 2009).
- ◆ Green buildings lead to higher occupancy and lease renewal rates (AER, Eichholtz et al 2009).



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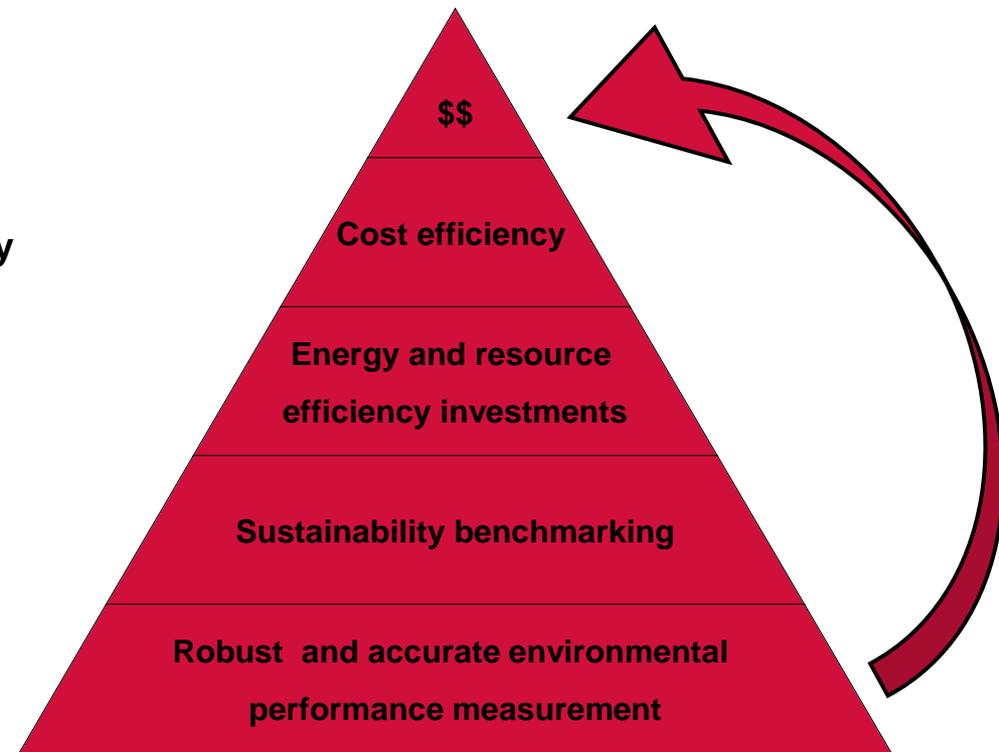
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Cost efficiency action plan in the real estate sector

- ◆ Identify where and how your buildings are using energy and in what capacity.
- ◆ Benchmark energy and resource efficiency against the market and identify best practice.
- ◆ Make informed and responsible decisions about your company's impact on the environment.
- ◆ Cut energy and resource use expenditures.
- ◆ Maximise your profit.





Conclusion

- ◆ By owning and operating sustainable properties your running costs will be lower.
- ◆ The missing link has always been observable value increases in property as a result of developing greener buildings.
- ◆ Sometimes even value dilution has been seen (IPD report, 2010).
- ◆ The value shift will occur because of the cumulative effect of energy prices, water tariffs and waste disposal costs.
- ◆ All of these are going up.
- ◆ Property is valued on income, as these costs impact upon income so there will be a knock on effect on value.

- ◆ So, developing, owning and operating more energy and resource efficient property is not just about brand, it is about risk management.
 - ◆ Cutting your operating costs.
 - ◆ Maximising your income.
 - ◆ Protecting your business against energy price inflation and the rising cost of water supply and waste disposal.

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