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October Webinars

Sustainability and ESG in
commercial property valuations



Valuations and Sustainability

Ben Elder



Summary

- Global Director of Valuation at RICS.
- Over 40 years of experience in Real Estate Valuation.
- A specialist in International Valuation Standards.

Previous roles include:

- Director of Business Development, UCEM.
- Senior Lecturer, Nottingham Trent University.
- Partner, Elders Chartered Surveyors.
- Graduated with BA (Hons) Economics in 1976.
- Graduated with BSc Estate Management in 1981.
- RICS Governing Council 2007 to 2011.
- Chair IVSC Tangible Assets Board & Member of Standards Board 2017 to 2023.
- Chair FIG Commission 9 2019 to 2023.
- Provided advice to: UN Habitat, World Bank, Bank of England, Appraisal Foundation.
- Expert in the Valuation of Un-Registered Land.

David Hourihan



Summary

- Programme Leader for the MSc Real Estate at UCEM.
- 17 years of commercial real estate experience across the UK and Ireland.
- Specialist in investment, office agency, retail asset management and valuation.
- Previous positions with international firms including JLL and Colliers International.
- Acquisition and asset management instructions for clients including Société Générale, Metzler Bank, Mobil Oil, Scottish Widows, Aviva and British Land.
- Fellow of the Society of Chartered Surveyors Ireland and Royal Institution of Chartered Surveyors.
- RICS Governing Council geographical seat holder for the UK and Ireland.
- Visiting Professor, Ecole Supérieure des Professions Immobilières (Paris Campus).
- Graduated with an MSc in Property Investment from UCEM in 2008.
- APC Chairman / Assessor for SCSi and RICS.
- RICS Inspire Ambassador.

Valuations and Sustainability: Overview

RICS Professional Standards

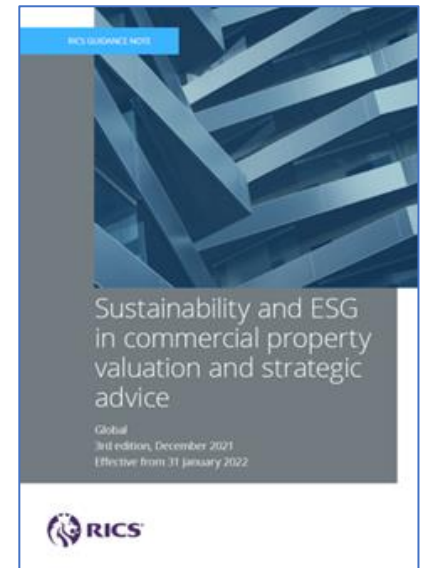
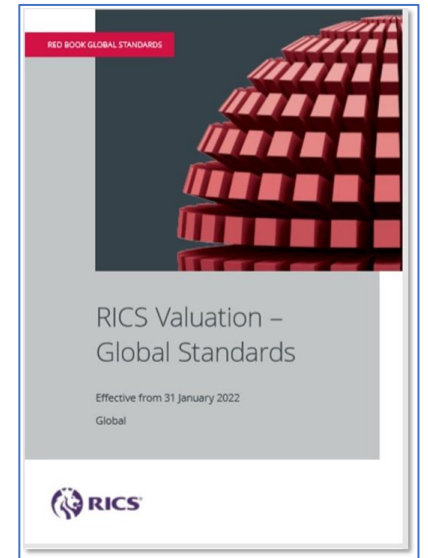
RICS develops and enforces leading international standards to protect consumers and businesses, ensuring the highest level of professionalism is employed across the built and natural environment. These standards documents lay out the ethical, conduct and competence expected for Members of RICS. By working to our standards, professional members and RICS regulated firms deliver confidence. RICS ensures these standards are upheld by the profession through a system of independently led regulation.

Sustainability and ESG in commercial property valuation and strategic advice

This global professional standard provides a practical framework for delivering on sustainability and ESG investigation, and reporting requirements in professional valuation advice.

The practical and globally relevant principles for the delivery of the sustainability and ESG requirements are in the Red Book Global Standards. They provide:

- Good practice advice supporting everyday commercial valuation practice and its interface with ESG and sustainability.
- Alignment of ESG and sustainability considerations with the core mechanics of valuation (purpose, basis, approach).
- A glossary of globally relevant sustainability and ESG terms and an appendix referencing world-leading rating, benchmarking and performance frameworks and tools.



Valuations and Sustainability: VPS2 & VPS3

Inspection and investigation

[sustainability and ESG matters].

Such factors are commonly important in terms of market and societal perception and influence, and valuers should have proper regard to their relevance and significance in relation to individual valuation assignments.

RICS Global Standards – Valuation – “Red Book” VPS 2, 1.5

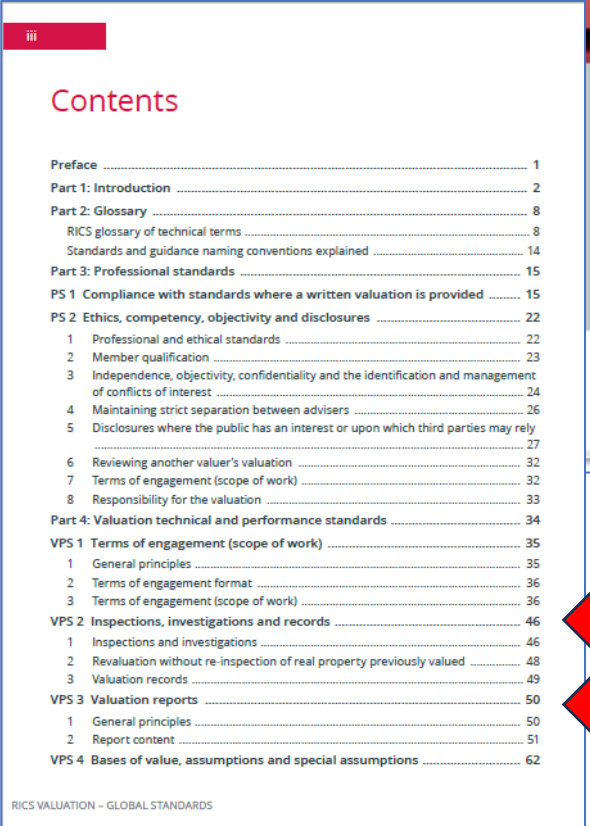

Valuers should collect and record appropriate and sufficient sustainability and ESG data for the valuation.

RICS Global Standards – Valuation – “Red Book” VPS 2, 3.3

Reporting

“...the relevance and significance of sustainability and ESG matters should form an integral part of the valuation approach”

RICS Global Standards – Valuation – “Red Book” VPS 3, 2.2, I



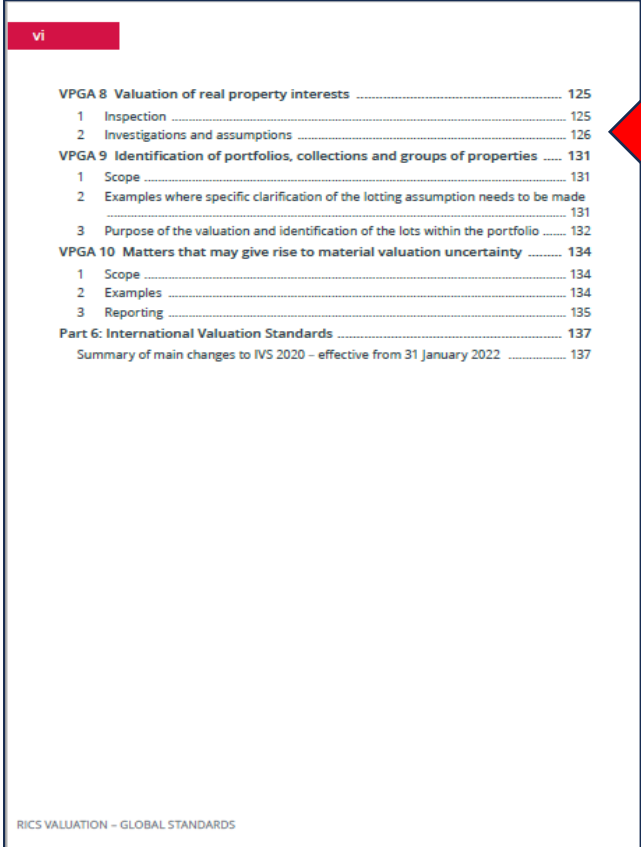

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Valuations and Sustainability: **VPGA 8**

VPGA 8 - Valuation of real property interests, s2.6

*‘Potential or actual constraints on the enjoyment and use of property caused by **sustainability and ESG factors** may result from **natural causes** (such as flooding, severe storms and wildfires), from **non-natural causes** (such as contamination) or sometimes from a combination of the two (such as subsidence resulting from the historic extraction of minerals). There may also be sustainability and ESG factors beyond the directly physical, such as carbon emissions. Despite the considerable diversity of circumstances, the key question is always the extent to which the factors identified affect value.’*

*‘...particular care should be taken when assessing or commenting on ESG factors, **as valuers** may not have the specialist knowledge and experience required. In appropriate cases, the valuer may recommend making further enquiries and/or obtaining further specialist or expert advice in respect of these matters. The following paragraphs consider the matter in more detail.’*



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RICS VALUATION – GLOBAL STANDARDS

Valuations and Sustainability: **VPGA 8 (cont'd)**

Valuation of real property interests, s2.6

*Sustainability matters can impact occupier preferences and purchaser behaviour, and may also be a consideration for investors, secured lenders, insurers and public bodies. Only where existing market evidence would support this, or where in the valuer's judgement market participants would expressly reflect such matters...should sustainability...directly influence value(s) reported. **Valuers are often asked to provide additional comment and strategic advice.** In these cases, the valuer should, subject to their competence and expertise, consult with the client on the use and applicability of sustainability and ESG metrics and benchmarks that are applicable in each case....*

...While valuers should reflect markets, not lead them, they should **be aware of sustainability features and the implications these could have on property values in the short, medium and longer term.**

Reporting

Where appropriate, in order to comply with best practice in reporting, valuers should:

- ***assess the extent to which the subject property currently meets the sustainability and ESG criteria typically expected within the context of its market standing and arrive at an informed view on the likelihood of these impacting on value, e.g., how a well-informed purchaser would take account of them in making a decision as to offer price***
- *provide a **description of the sustainability-related property characteristics** and attributes that have been collected*
- *provide a **statement of their opinion on the relationship between sustainability factors and the resultant valuation**, including a comment on the current benefits/risks that are associated with these characteristics, or the lack of risks and*
- *provide an opinion on **the potential impact of these benefits and/or risks to relative property values over time.***

BAYFIELD

THANK YOU FOR ATTENDING

Upcoming Property Webinars:

- ESG Applied to the Real Estate Hospitality Industry
5th October 2023 | 14:00pm BST
- Discounted Cashflows – Making them mainstream
for Real Estate Valuers
11th October 2023 | 11:00am BST



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