A BUSINESS CASE FOR SUSTAINABLE OFFICE BUILDINGS

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The market for sustainable buildings has rapidly gained momentum in the design and construction phases, however it appears that development and investment in these buildings by the private sector is limited. This is further complicated by the limited information available confirming the financial viability of sustainable buildings, with relatively little research conducted into the relationship between sustainability and the market value of commercial buildings. Currently the demand for sustainable buildings in Australia and New Zealand is being encouraged through government legislation and policy, where investment by the private sector has been relatively slow to develop due to the lack of evidential proof of the economic viability of sustainable buildings. Clearly if the progress and uptake of sustainable buildings is to develop within the property market, it is essential that the relationship between market value and sustainability should be understood in order to fully inform the investment industry.

This paper investigates the relationship between the elements of sustainability and the impact upon the market value of the office building. The findings provide an insight into the rapidly evolving area of sustainability and office buildings, with the emphasis placed on the valuation process which seeks to assess a hypothetical purchaser’s perspective. One approach is to justify sustainability by demonstrating payback periods or increased value through reduced operating expenses, or alternatively by undertaking hypothetical adjustments to valuation equations to allow for claimed sustainable benefits - however the lack of concrete evidence about the correlation between value and sustainability leaves the investment industry unsure about the true financial benefits of sustainability. Although some research undertaken into the valuation methodology of sustainable buildings has developed the concept of the impact of sustainability on value, this paper contributes to the need for further research in this rapidly evolving area.
References:


Sustainable Value, accessed at www.sustainablevalue.com on the 27th August 2006