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Understanding investment drivers for UK sustainable property

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Abstract

What progress has occurred in terms of developing the culture of sustainability in which UK property investors, occupiers, and developers are both informed and accepting of the sustainability principles? Although the rise in concern for ‘triple bottom line’ sustainability is now embedded in many government and corporate policies, it is still not integrated into UK property investment practice. Whilst the last decade has seen progress towards ‘green buildings’, there has not yet been a ‘sea change’ in market behaviour. In developing this premise, it draws on the third of three surveys undertaken by the authors spanning a decade and tracking investor attitudes towards ‘green’ and sustainable buildings. Stakeholders' attitudes towards a potential range of fiscal measures that might incentivize market movement towards the adaptation of more sustainable behaviour. The business case for investment in sustainable property currently rests on risk reduction, not proven return advantage. There is support among

respondents for a range of fiscal incentives. Although challenges to implementation undoubtedly exist, they are, in the authors' view, worthy of further research and investigation. There is potential to stimulate, via the fiscal system, measures to reward sustainable practices in property investment and management which can be facilitated through a more open dialogue with government bodies.

Quels ont été les progrès en termes de développement de la culture de la durabilité pour lesquels les investisseurs immobiliers, les occupants et les promoteurs au Royaume-Uni qui, à la fois, sont informés et acceptent les principes de durabilité? Bien que la préoccupation croissante vis-à-vis de la durabilité ‘triple résultat’ soit maintenant ancrée dans la politique de nombreux gouvernements et entreprises, elle n'est pas encore intégrée en pratique dans les investissements immobiliers au Royaume-Uni. Bien que la dernière décennie ait été le témoin d'un progrès vers les bâtiments écologiques, on n'a pas constaté de mouvements brusques dans le comportement du marché. En développant ces prémices, l'article s'appuie sur la troisième des trois études entreprises par les auteurs au cours d'une dizaine d'années afin d'analyser l'attitude des investisseurs en matière de bâtiments écologiques et durables. Les parties prenantes se tournent vers une palette de mesures fiscales possibles qui pourraient induire des mouvements du marché vers l'adaptation d'un comportement plus durable. Le dossier d'analyse portant sur les investissements dans des biens durables repose actuellement sur la réduction des risques et non sur les avantages de retour prouvés. On constate un certain soutien parmi les personnes interrogées en faveur d'une gamme d'incitations fiscales. Bien que leur mise en œuvre présente indéniablement des difficultés, elles méritent, selon les auteurs, d'autres recherches et enquêtes. Il existe un potentiel pour stimuler, via le système fiscal, des mesures visant à récompenser les pratiques durables dans les investissements immobiliers et dans leur gestion qui peuvent être facilitées par un dialogue plus ouvert avec les organismes gouvernementaux.

Mots clés: incitations financières, marchés de l'immobilier, durabilité, biens durables, Royaume-Uni

Keywords:

financial incentives | property markets | sustainability | sustainable property | UK

Notes

[1]Throughout the triple bottom line approach to sustainability is taken, namely economic return, social justice and well-being, and environmental protection.

[2]Shell Global produced its first environmental accounts in 1996.

[3]The Human Development Reports issue global reports measuring progress against a range of metrics.

[4]The work of, for example, the Building Research Establishment and other organizations has done much to make available to property developers and construction companies new sustainable materials and techniques that support ‘green building’ and sustainable refurbishments. Within the residential sectors some organizations (e.g. Berkeley Homes) now have a policy to build to Eco homes excellent standard.

[5]See http://www.breeam.org

[6]Part L of the Building Regulations prescribe energy standards; these have been progressively tightened over a series of amendments.

[7]PPS 22 contains, inter alia, a requirement for plans to consider the obligation for developments to have some on-site renewable energy provision. A review undertaken in June 2006 indicates that almost half of the plans that could have been expected to contain provisions for the requirement for on-site renewable energy production do not contain such a provision.

[8]The Sustainable Property Appraisal Project directed by Sayce and Ellison issued its final report to the Department of Trade and Industry in March 2006.

[9]This statement can only be supported by anecdotal evidence and through discussions with participants, but it is clear that the prospect of competitive early mover advantage is a driver for some organizations.

[10]Work not yet published. Kingston University was a partner in the project.

[11]The 1995 questionnaire results were aggregated across the five, ten, and ten years plus responses, making the data total to more than 100% for that round of the survey.

[12]The project team was sponsored by the DTI, PruPIM, Boots, USS Pension Fund, and IPF Education Trust.

[13]The Kingston Team continues to work with sponsors and it is currently developing a database of appraisals to provide the investors involved with knowledge of how sustainability could be built into their appraisals.

[14]Part L of the Building Regulations is the section that controls the requirements for energy efficiency. It sets standards that must be achieved by new buildings or on refurbishment.

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