



# SCSI - Valuer's Approach to Sustainability

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# Environmental, Social and Governance

IVS expands Environmental, Social and Governance (ESG) considerations in valuations across all assets and liabilities, but the impact on valuation is still in a development and additional requirements may be needed.



The valuer should be aware of relevant legislation and frameworks in relation to the ESG factors impacting a valuation.

- The impact of significant ESG factors should be considered in determining the value of a company, asset or liability.
- ESG factors and the ESG regulatory environment should be considered in valuations to the extent that they are measurable and would be considered reasonable by a valuer applying professional judgement.

# ESG Risk pressures from **Climate**, **Legislation**, and **Markets**

## *Physical Risk*

**Physical Risks  
increasing  
(Flooding, Fire)**

## *Transition Risk*

**Efficiency legislation  
on the rise (EPBD)**

**Climate risk disclosure  
(TCFD, SFDR,)**

**Threat of carbon  
taxation**

**Occupier  
requirements  
changing**

**Landlord targets  
driving competition**

**Investors demanding  
transparency  
(GRESB, Net Zero)**

## Legislation impacting the European warehousing sector

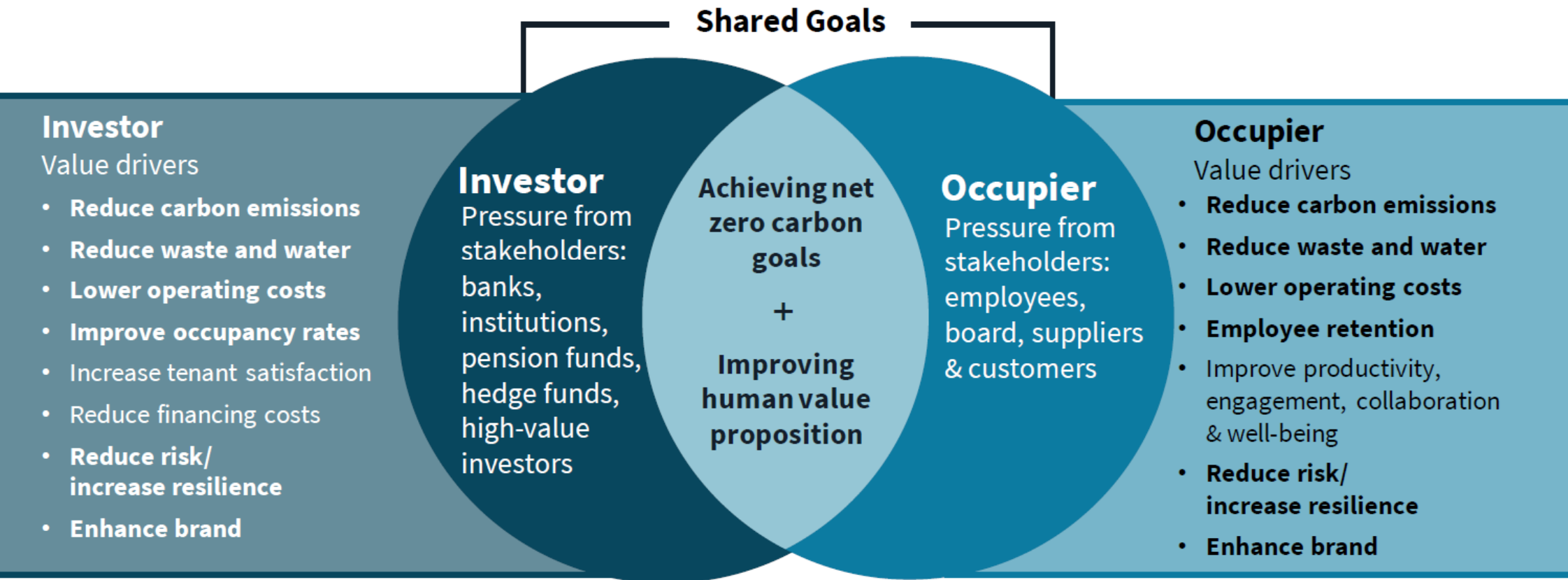
Legislation	Level	Impact	Year in effect
Green Asset Ratio	EU	Reporting % of lending to green activities	2024
New Emission Trading Scheme	EU	Carbon tax on emission on buildings & transport	2027
Revised Energy Performance of Buildings Directive (EPBD)*	EU	Reduce carbon emissions by renovating	2028
EPBD Mortgage Portfolio Standard	EU	Lenders must improve median energy of loans	2028
Energy Efficiency Directive (EED)	EU	Building energy efficiency	2030
Revised Renewable Energy Directive (RED)*	EU	49% building energy must be renewable	2030
Global Basel Framework (Bank Prudential Regulation)	Global	Regulation focuses on lending	2017
<ul style="list-style-type: none"> <li>• Pillar 3</li> </ul>		Report loan book exposure to climate risk	
<ul style="list-style-type: none"> <li>• Pillar 1</li> </ul>		Report minimum cap ex needed to reduce risk	

\*Legislation in discussion

Source: European Commission



# Owner and occupier collaboration + shared goals



## What are Investors and Lenders doing?

### Investors

- Detailed acquisition due diligence on ESG
- Data collection on existing portfolios
- EPC compliance capex plans
- Net Zero Carbon capex plans
- Green lease clauses

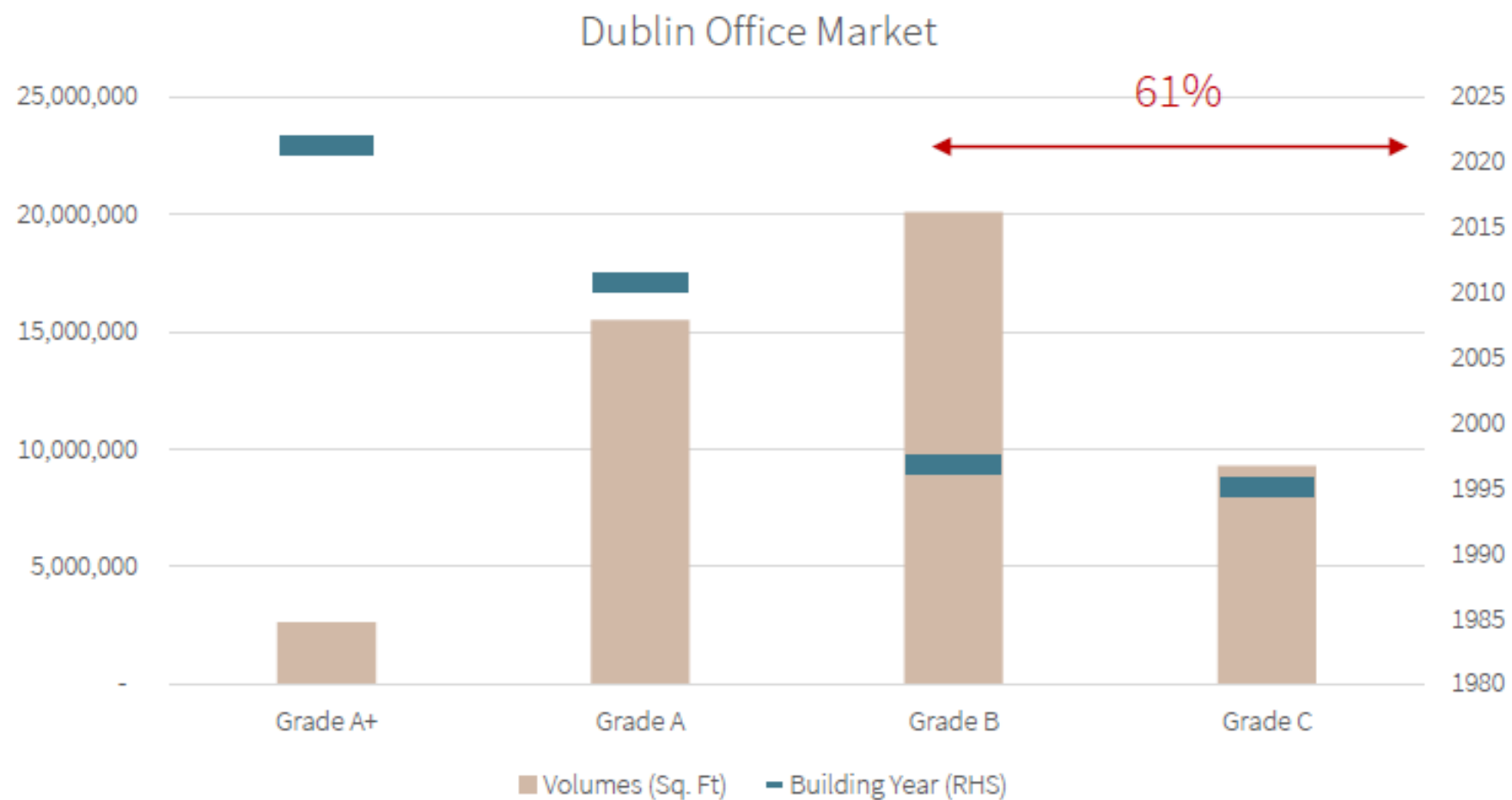
### Lenders

- EPC/Certification review
- Flood/climate risk review
- Disclosing Climate Risk ([TCFD](#))
- Sustainability-linked loans
- Updating instruction letters





**Accelerated obsolescence: 61% of Dublin's existing stock is at risk of becoming functionally obsolete in the next five years**

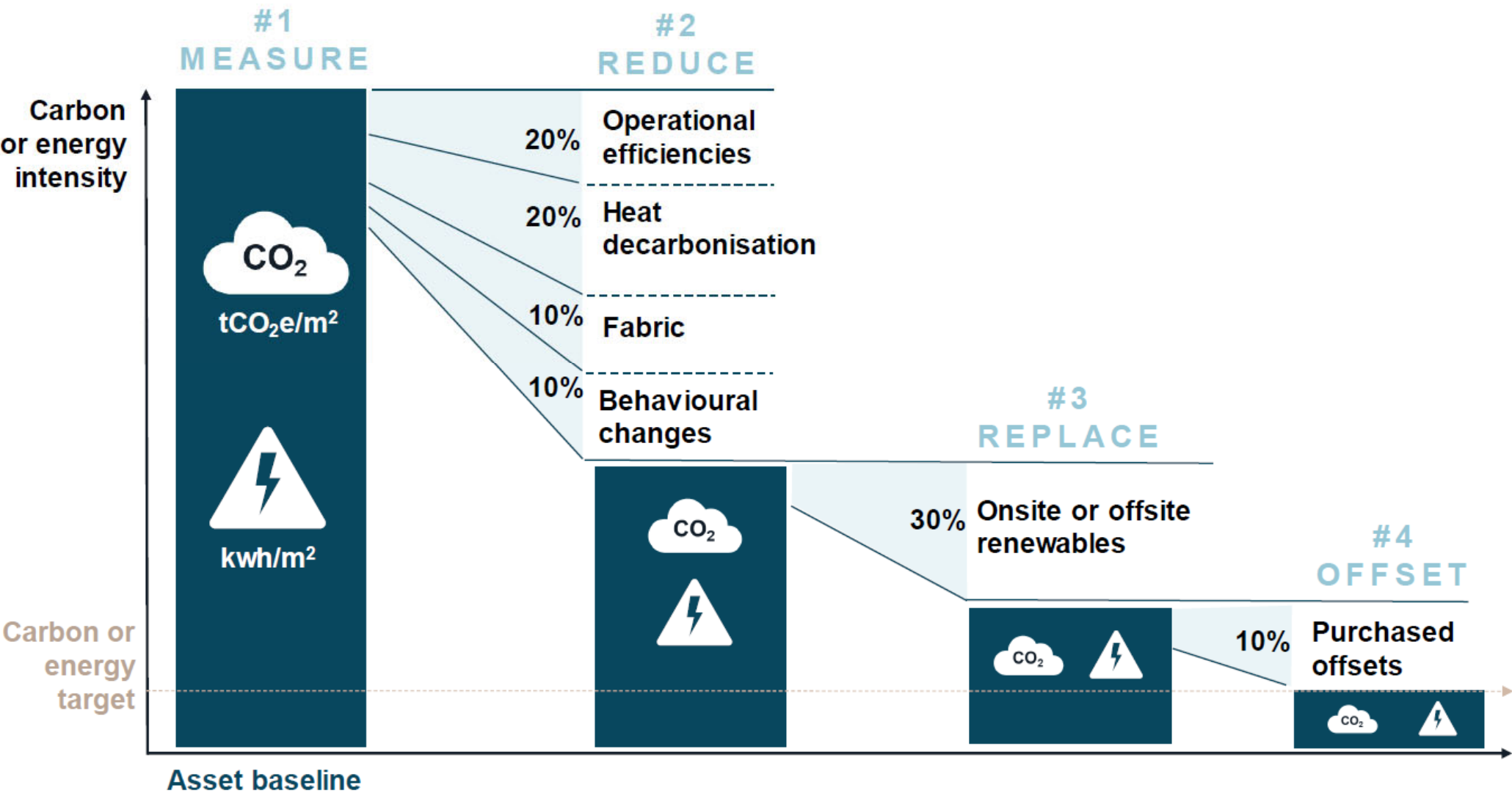


Source: JLL Research 2024

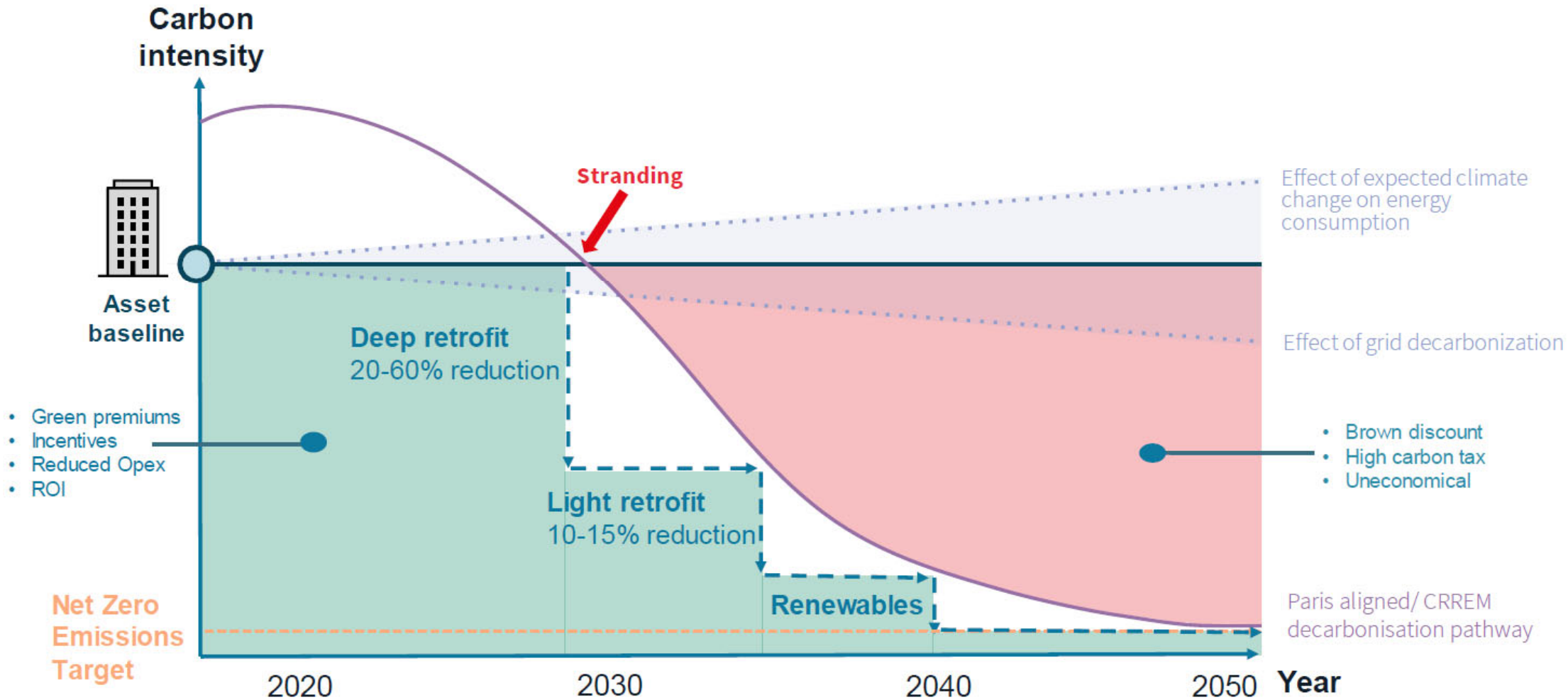




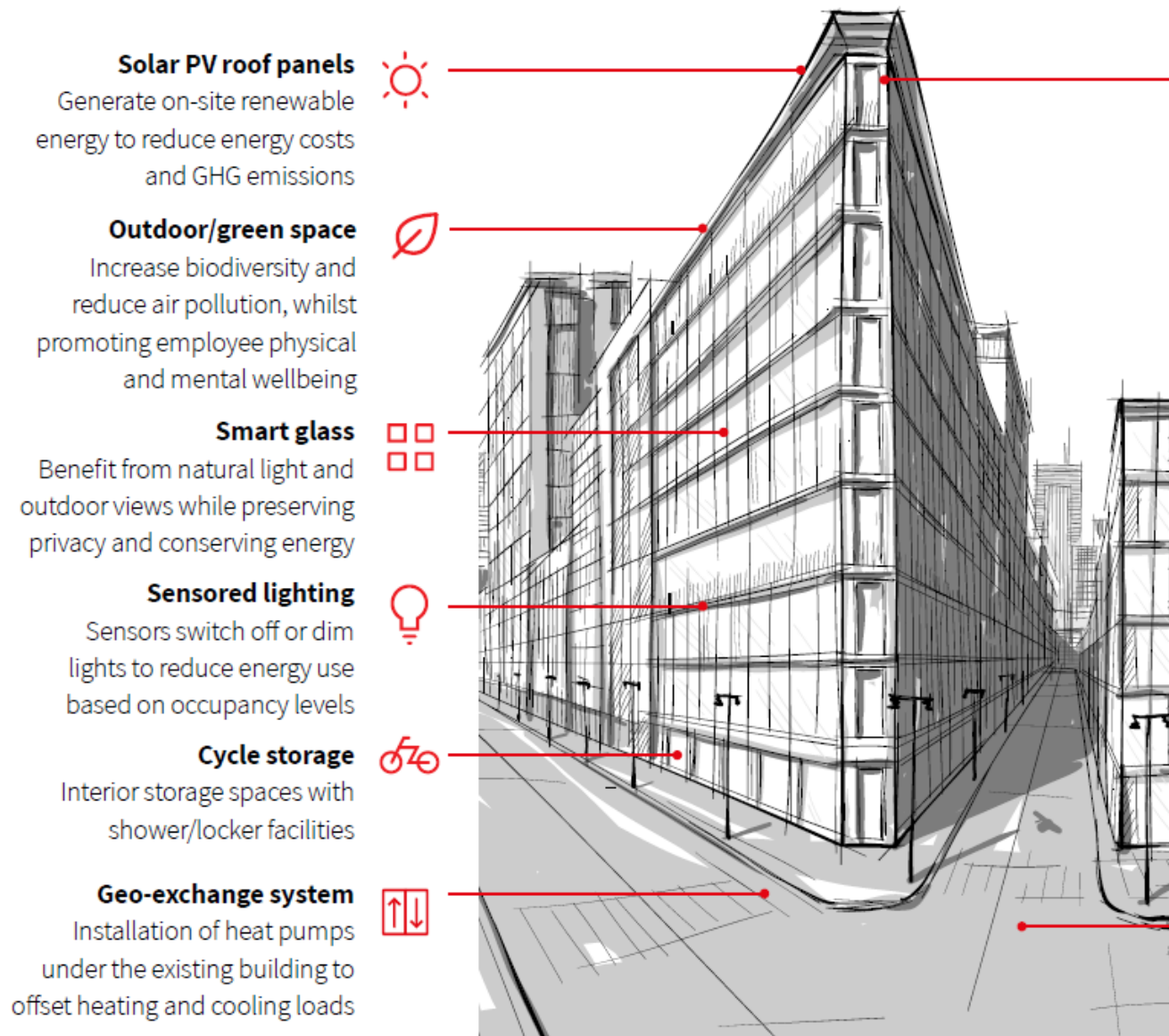
# Pathway to net-zero carbon



# Carbon Risk Real Estate Monitor (CRREM)



# Asset enhancement upgrades



## Solar PV roof panels

Generate on-site renewable energy to reduce energy costs and GHG emissions



## Outdoor/green space

Increase biodiversity and reduce air pollution, whilst promoting employee physical and mental wellbeing



## Smart glass

Benefit from natural light and outdoor views while preserving privacy and conserving energy



## Sensored lighting

Sensors switch off or dim lights to reduce energy use based on occupancy levels



## Cycle storage

Interior storage spaces with shower/locker facilities



## Geo-exchange system

Installation of heat pumps under the existing building to offset heating and cooling loads



## Building reuse

Retain existing building structure to reduce waste to landfill and reduce embodied carbon emissions



## Health and wellness

Design elements prioritizing health and wellbeing, such as fresh air, thermal comfort and ample daylight



## Smart building control and metering

Digital controls and real-time data for increased occupant comfort, reduced energy use, and reporting



## Transportation/commuting connections

Connections to public transportation and safe walking/cycling lanes



## Electric vehicle charging

Charging stations on-site or nearby



## Water harvesting

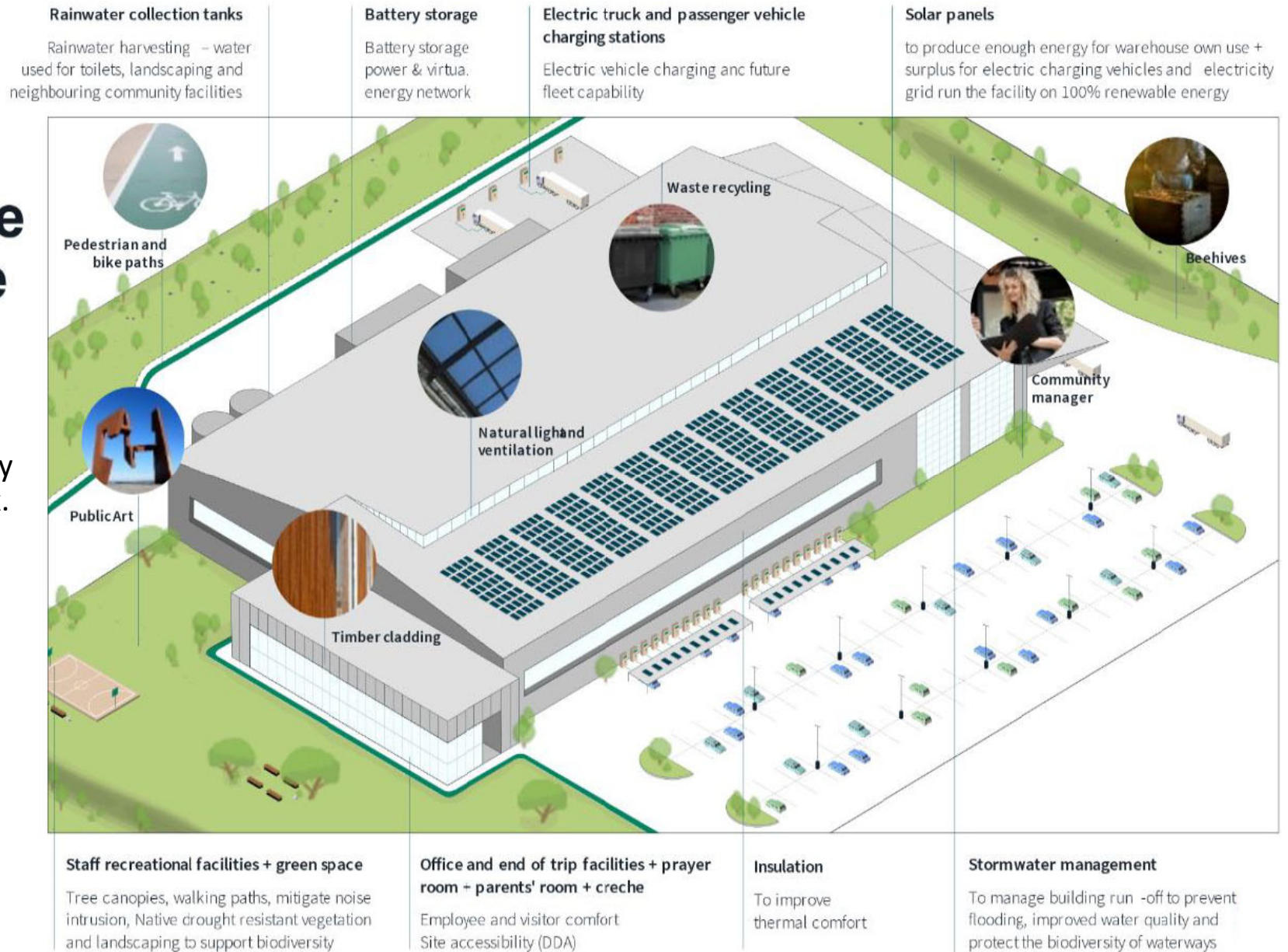
Reduce water waste by installing a basement cistern to gather rainwater from the roof for reuse in the building's mechanical systems



# The Sustainable Warehouse

M7 – Ballymount

Fully refurbished high-bay logistics facility of approx. 152,000 sq. ft. on a secure 7.33 acre site. Targeting BREEAM 'Very Good' & BER A3 Rating, making Ballymount Logistics Hub Ireland's greenest industrial refurbishment.



# Strategy For Valuers

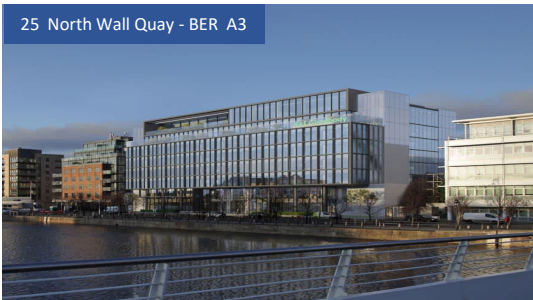
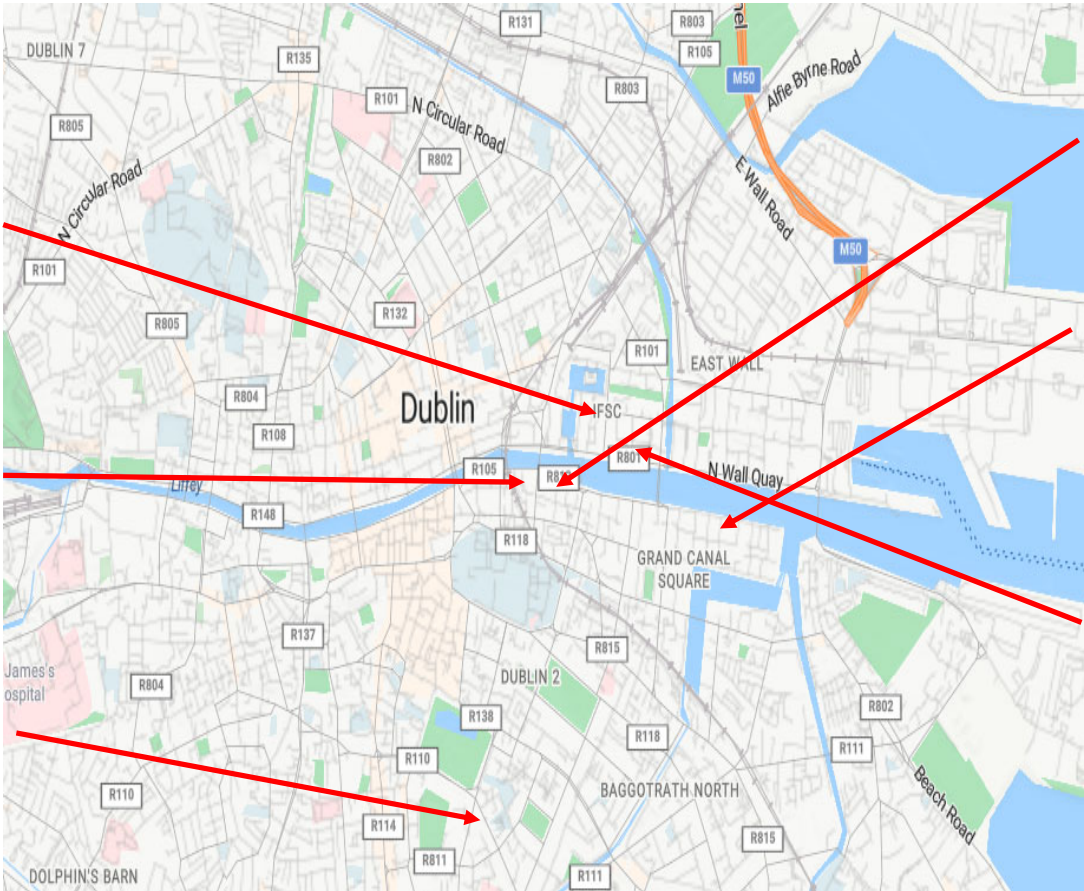
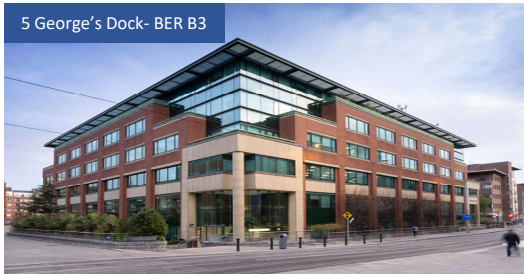
Section	Key Messages
Role of the Valuer	Don't lead the market, consider ESG, enlist specialist advice where necessary
Valuation instruction and terms of engagement	Take care on liability around forecasting and around 'strategic advice' in addition to valuation
Inspection, investigation, queries and data request	Send ESG Data requests to clients Carry out detailed and documented inspection
Reporting	Demonstrate how ESG has been considered in within the report e.g. obsolescence, description, specification, flooding etc
Capex	Request from Client
Comparables and Evidence	Consider sustainability features in evidence
Impact on Value	Detail impact on voids, ERVs, Costs, Capex and Yields and how any of these have been impacted by sustainability.
Valuation methods and considerations	How different methodologies are impacted, preference for DCF, how inputs are impacted
Continue to upskill	Follow SCS1 & RICS for updates



Dublin Market



Higher rent accepted for sustainable buildings





Investment Comps & BER pathways

