


Professional

Valuing Yesterday's Office Buildings
Dr David Parker FRICS 7th August 2008

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Dr David Parker FRICS
Global Vice Chairman
RICS Commercial Property Faculty


RICS Conference
7th August 2008

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- Yesterday's office buildings
- Obsolescence, deterioration and depreciation
- Tax issues
- Valuation impact

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- Lifetime odds of dying in a heat wave:
1 in 13,671
- Odds that a randomly selected US
commercial property would be green:
1 in 15,671

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Rank	Metro Area	No Bldgs	% Total Area
1	Los Angeles	100	13.3%
2	Houston	48	10.8%
3	Washington DC	81	10.1%
4	New York City	11	8.3%
5	San Francisco	30	8.0%
6	Minneapolis/St Paul	20	5.8%
7	Denver	34	5.2%
8	Seattle/Puget Sound	18	3.8%
9	Chicago	13	3.2%
10	Dallas/Fort Worth	20	3.1%

US Green Buildings
Source: New Buildings Institute (2008)

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Age (Yrs Since Construction)	No of Buildings	Proportion of Total Stock
<10	7	2%
10-25	86	20%
26-50	95	23%
>50	158	40%
Total	326	100%

Melbourne CBD Office Buildings According to Age
Source: Reed and Wilkinson (2008)


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Decreasing value of yesterday's office buildings

- Obsolescence
- Deterioration
- Depreciation

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Decreasing value of yesterday's office buildings

Property Type	Lease Length	Refurbishment Frequency	Current Exposure to Obsolescence	Anticipated Effect of Changing Perception of Sustainability*
Office	Medium	Medium	High	Medium*
Retail	Short	High	High	Low*
Industrial	Long	Low	Low	Low
Residential	Short	Varying	Low	Low-Medium

* would vary in other sectors
would vary according to net or gross lease and which stakeholder (eg tenant, owner)

Sustainability, Depreciation and Obsolescence - High Level Review
Source: Reed and Wilkinson (2007)

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Decreasing value of yesterday's office buildings

- Relative utility
- Accelerated depreciation
- Cohorts and vintages
- Concepts of economic life

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Tax issues


- Retrogreening
- Concepts of economic life
- Deductions
- Accelerated depreciation allowances
- After tax valuations

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Yesterday's office buildings - valuation issues


- Transactional evidence
- Valuer judgment
- International Valuation Standards Committee – Guidance Note 9

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