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FINANCIAL CONSIDERATIONS REGARDING GREEN BUILDINGS



ROMANIA
GREEN
BUILDING
COUNCIL

NAIRomania
Commercial Real Estate Services, Worldwide.

Retail and office market

Why invest in green buildings?

A necessary condition for accessing certain segments of tenants!

Corporate governance - how to gain stakeholders' trust and how to differentiate yourself in their relationship with them

Why is it important for tenants?

- relation with customers
- relation with employees
- relation with investors
- relation with local communities



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Why is it important for developers?

**Preserving the
value of the
asset**

**Strengthening market
demands in general**

**Differentiation and
signaling of the
quality of the
supplied product**

**Bigger
attractiveness for
tenants**

Why is it important for investors?

**Preserving
the value of
the asset**

**Ability to access
certain segments of
premium tenants**

**Strengthening
market demands in
general**

**Differentiation and
signaling of the quality
of the supplied
product together with
other sometimes
complementary
elements**

**... ..Higher occupancy
rates**

Higher rents

**Lower utilities
expenses**

Certification from the construction vs. transformation of a conventional building into a green building

- Some features can only be implemented through a consistent vision from the design phase
- Depending on the quality of the design and the elements taken into account in the construction, the transformation into a green building can be more expensive or less expensive (optimistic, approx. 100000Euro for an average building)
- Compulsory periodic certification
- It may be necessary to attract certain segments of tenants and the retention of existing ones, sometimes even targeting the certification on higher levels (Gold).
- Significant reduction of long-term investor risk.

Certification from the construction vs. transformation of a conventional building into a green building

- Better location
- Important tax reductions
- Compliance with urban development planning
- Cost savings
- Image benefits

Is it worth investing in a green building?

Costs

**+ 5-10% international
evidence**

Benefits

- lower degree of vacancy
- 10-14% vs 15-20%
- higher levels of
negotiated rent

Area	Required rents - green buildings	Required rents- conventional buildings
Stefan cel Mare	13-14Euro/mp	11-13Euro/mp
Pipera	9-10Euro/mp	7-9Euro/mp
Floreasca	14-15Euro/mp	12-13 Euro/mp
Baneasa	13-14 Euro/mp	12-13Euro/mp
Aurel Vlaicu	16-18 Euro/mp	14-15 Euro/mp
Central	17-20 euro/mp	15-16.5 Euro/mp
Dimitrie Pompeiu	13-15 Euro/mp	11-14 Euro/mp

Study case green building

Leasable area - 10,000 sqm

Construction cost - 1400 euro / sqm including land

Estimated occupancy rate - 80% in the first year 90% in the following years

Estimated monthly rent - 15Euro / sqm

Expenses borne by the owner - 1.5Euro / sqm / month

Utility expenses 2 Euro / sqm

Expected rate of return 8%. Cost discount rate 5.5%.

Estimate the life cycle cost.

Estimate the net present value of the investment.

Study case conventional building

Leasable area - 10,000 sqm

Construction cost - 1200 euro / sqm including land

Estimated occupancy rate - 70% in the first year 85% in the following years

Estimated monthly rent - 14Euro / sqm

Expenses borne by the owner - 1.5Euro / sqm / month

Utility expenses 3 Euro / sqm

Expected rate of return 8.5%. Cost discount rate 5.5%.

Estimate the life cycle cost.

Estimate the net present value of the investment.

First year occupancy rate	80%			70%
Occupancy	90%			85%
Unitary rent	15			14
First year rent	1440000			1176000
Second year rent	1620000			1428000
NET effective income in the 1 st year	1260000			996000
NET effective income in the 2 nd year	1440000			1248000
Expected rate of return	8%			9%
VAN	3833333.333			2450094.877

Q&A

Test

1. Mention four benefits of an investor who chooses to invest in a green building.
2. Calculate the difference between the unitary cost borne by the buyer during the lifetime for a green apartment purchased at the price of 1000 euro / sqm usable, knowing that an annual cost with utilities of 10 euro / sqm is estimated and that of a conventional one purchased with 950Euro / sqm having an annual cost with utilities of 18 Euro / sqm, assuming an opportunity cost of capital of 5.5%. Decide what apartment would you buy in these conditions?

Thank You !

