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existing buildings // survival strategies

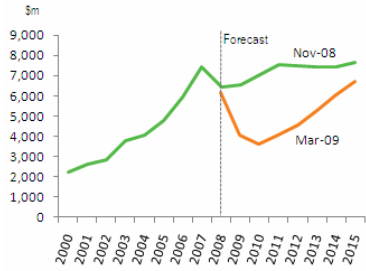
THE BUSINESS CASE




Global property & construction consultants 


What's Driving Retrofitting of Existing Buildings?

-  Office Vacancy Rates Increasing
-  Tenant Demand for 'Green' Office Space
-  Energy and Water Costs
-  Compliance
-  Government Grants
-  Reduced Future Office Supply



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Investment Analysis Overview...



**Case A
CBD**

	Base Case	Level 1	Level 2	Level 3	Level 4
Cap Ex (\$/m ²)	-	\$35	\$226	\$980	\$2040
Net Rent	\$313	\$313	\$324	\$365	\$491
Energy Savings	-	17%	26%	53%	56%


Optimum Investment Achieves **10% IRR**



**Case B
Fringe**

	Base Case	Level 1	Level 2	Level 3
Cap Ex (\$/m ²)	-	\$37	\$232	\$997
Net Rent	\$290	\$290	\$300	\$345
Energy Savings	-	17%	27%	56%




Optimum Investment Achieves **11.2% IRR**



**Case C
Suburban**




	Base Case	Level 1	Level 2	Level 3
Cap Ex (\$/m ²)	-	\$33	\$258	\$959
Net Rent	\$190	\$190	\$220	\$280
Energy Savings	-	18%	24%	54%

Optimum Investment Achieves **10.9% IRR**

Asset Improvement Overview of Each Case

	Level 1	Level 2	Level 3	Level 4
Case A – CBD Tower				
NPV of Investment (10 Years)	-\$19,000,000	-\$15,000,000	\$7,000,000	\$4,500,000
IRR of Investment (10 Years)	4.2%	5.1%	10.0%	9.1%
Case B – Fringe High Rise				
NPV of Investment (10 Years)	-\$11,700,000	-\$2,650,000	\$4,200,000	-
IRR of Investment (10 Years)	5.4%	9.2%	11.2%	-
Case C – Suburban Office				
NPV of Investment (10 Years)	-\$1,900,000	-\$1,000,000	\$200,000	-
IRR of Investment (10 Years)	3.4%	7.7%	10.9%	-

Asset Improvement

Detailed View of Case A – CBD Tower


Case A – CBD Tower	Existing Building	Level 1	Level 2	Level 3	Level 4
NPV of Investment (10 Years)	-	-\$19,000,000	-\$15,000,000	\$7,000,000	\$4,500,000
IRR of Investment (10 Years)	-	4.2%	5.1%	10.0%	9.1%
Capital Cost (\$/m ²)	-	35	226	980	2040
PCA Grade	C	C	B	B	A
NABERS Energy Rating	2.0	3.0	3.5	4.5	4.5
Approx Reduction in CO ₂ pa	-	17%	26%	53%	56%
NABERS Water Ratings	2.0	2.5	3.0	4.0	4.0
Approx Reduction in Water Use pa	-	16%	35%	67%	69%

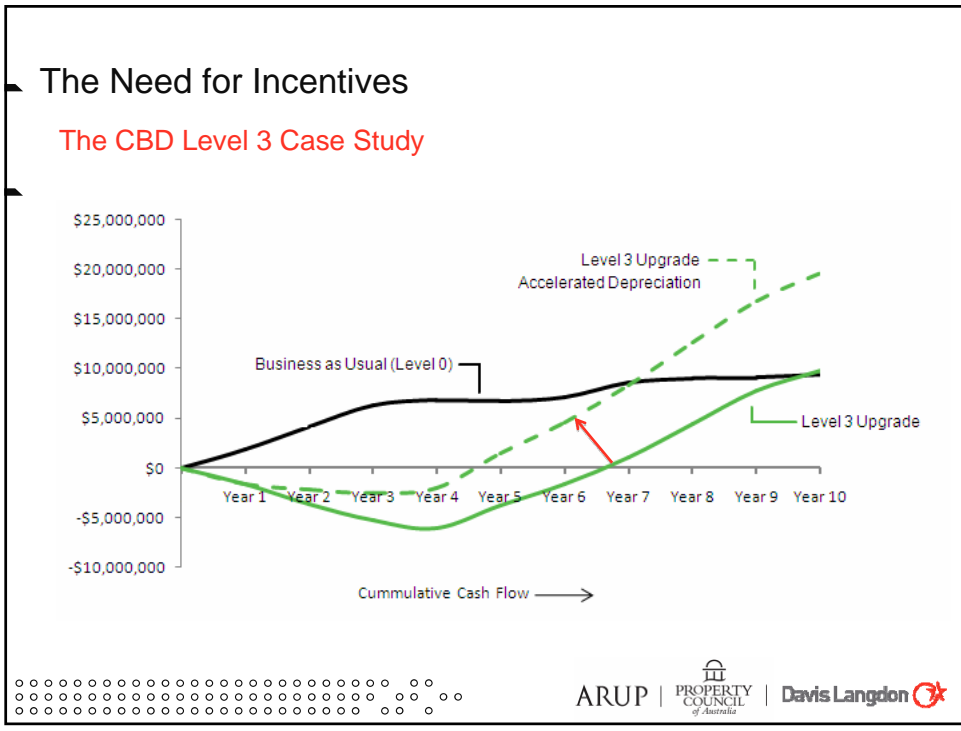
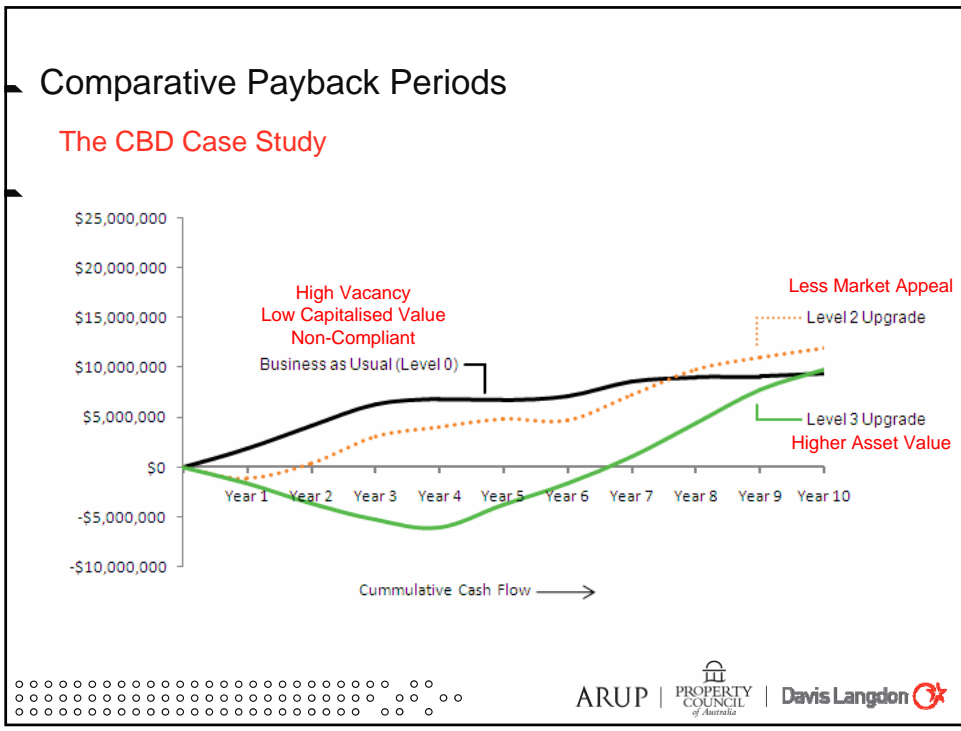
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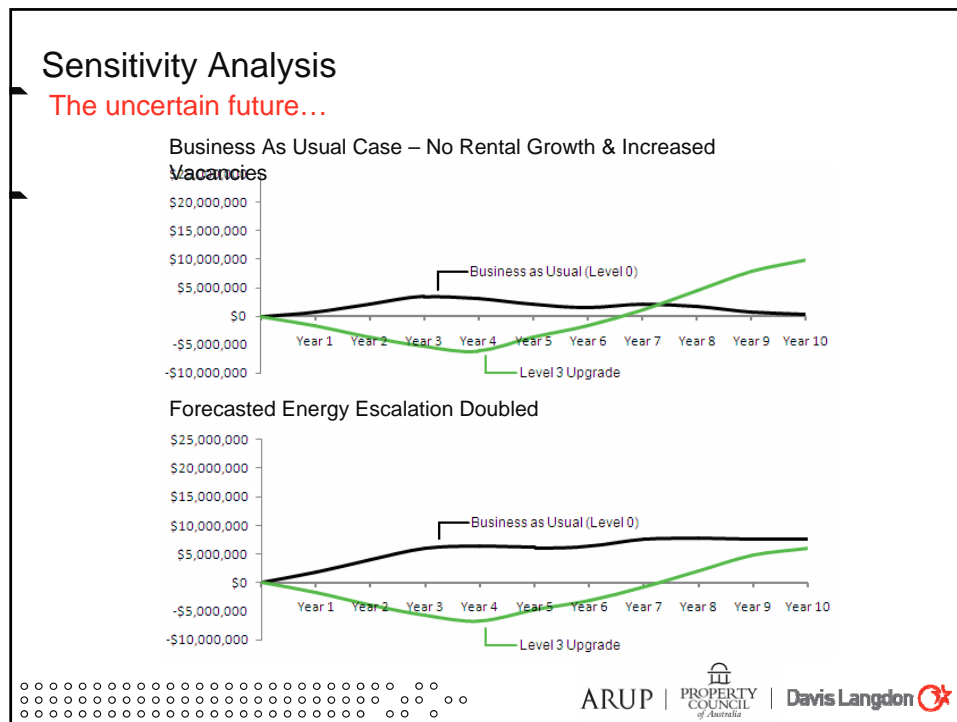
What is the Market Value?

Case A – CBD Tower	Market Value 2009 (\$m)	Increase from Base Case
Base Case	58.4	-
Level 1	59.3	1.5%
Level 2	62.2	6.5%
Level 3	64.4	10.3%
Level 4	63.2	8.2%

Valuation Performed by Colliers International











- ### Conclusions
- Although Level 1 & 2 upgrades are not considered attractive investments the cost of doing nothing could be far greater!
 - Obsolescence created by tenant demand for 'green' office space has greater impact than the escalation of utility costs
 - Important that you 'Know Your Building'. Don't be caught off guard holding a fading asset. Complete a full building assessment.
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What's Next?

The research is there. The capability to audit and benchmark buildings are there. The market conditions are right.

- Approach Government – Will need incentives or drivers



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Thank You

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