



ASEAN Valuers Association



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Cambodian Valuers and Estate
Agents Association

The Impact of ESG in Real Estate Valuation

By: **SENG Sopheak**
Vice President of **CVEA**

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ESG Overview



environment

ESG



governance



social



ESG Overview

- » ESG are criteria increasingly used to assess the impact of the environmental, social and ethical practices of companies on their operations, financial performance and attractiveness to investors.
- » ESG are metrics considered to evidence effective performance, reach beyond the individual organization out to the wider markets, society and world as a whole.
- » While it is very frequent to have ESG criteria assessed and measured from a company's perspective, they should also be considered from a tangible asset's perspective as the ESG principles affect not only the behaviour of owners and operators of assets, but also other matters related to the physical properties themselves, such as energy efficiency.

ESG and Real Estate

- » The Paris Climate Agreement in 2015
- » United Nation Climate Change Targets
- » Government regulation on ESG for companies and construction
- » Capital market increasingly recognizing ESG
- » Security/Stock Exchange has issue mandatory requirement of ESG reporting for listed companies
- » EU green buildings pact
- » IVSC Prospective Paper, Appraisal Institute,... Etc

Green Building

- » has design, construction and operational practices that significantly reduce or eliminate its negative impact on the environment and its occupants.
- » promotes efficiency – it can reduce construction and ongoing performance costs significantly.
- » uses resources effectively and creates healthier environments for people to live and work in.



Green building certification

- » LEED (US): Leadership in Energy and Environmental Design
- » BREEAM (UK): Building Research Establishment Environmental Assessment Method
- » Green Star (AU): Green Building Council of Australia (GBCA)
- » DGNB: German Sustainable Building Council



Value of Green Building

- » **REVENUE:** In many markets, rental premiums are emerging in green buildings as many of today's best tenants are increasingly willing to pay a premium for green spaces.
- » **OCCUPANCY:** A green building received higher occupancy rate than normal un-rating building
- » **Operating Expenses:** The Green building resulting energy savings reduce operating expenses and increase net operating income (NOI) – which can have positive effects on value
- » **LOW RISK (Low Cap Rate):** Green building value also shows up in the risk-mitigating protections these assets offer to owners and banks.

Challenges of Valuing Green Buildings

- » Lack of data and evidence to support green building feature and benefit
- » Required a lot of assumptions, proxies, or adjustment
- » Multiple and interrelated factors that effect the value of green building such as
 - Design
 - Construction
 - Operation
 - Maintenance
 - Market condition
 - So on

Green Building in Cambodia

- » Guidelines and Certification for Green Buildings was set in 2021, the project initiated by National Council for Sustainable Development , Ministry of Environment and Mekong RoK Cooperation Fund (MKCF)
- » Green building and ESG still in the early stage in Cambodia only about 17 buildings has been certify by LEED
- » Valuation of green building, practically based on valuer experience and guideline by international body such as IVSC, RICS and Appraisal Institute,...



Valuation methods

- » Cost Method
- » Sales Comparison Method
- » Income Method / DCF





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Thank You

 SENG Sopheak

 +855 67 777 779

 sopheak@ira-realestate.com

 www.ira-realestate.com

 International Real Estate and Appraisal (IRA) Co., LTD

