

International Professional Standards

..... Creating Sustainable Assets

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Athens Sept 2016



International Standards

Introduction

International Standards and their role

Sustainable urban development – examples

Role of professionals

Conclusions

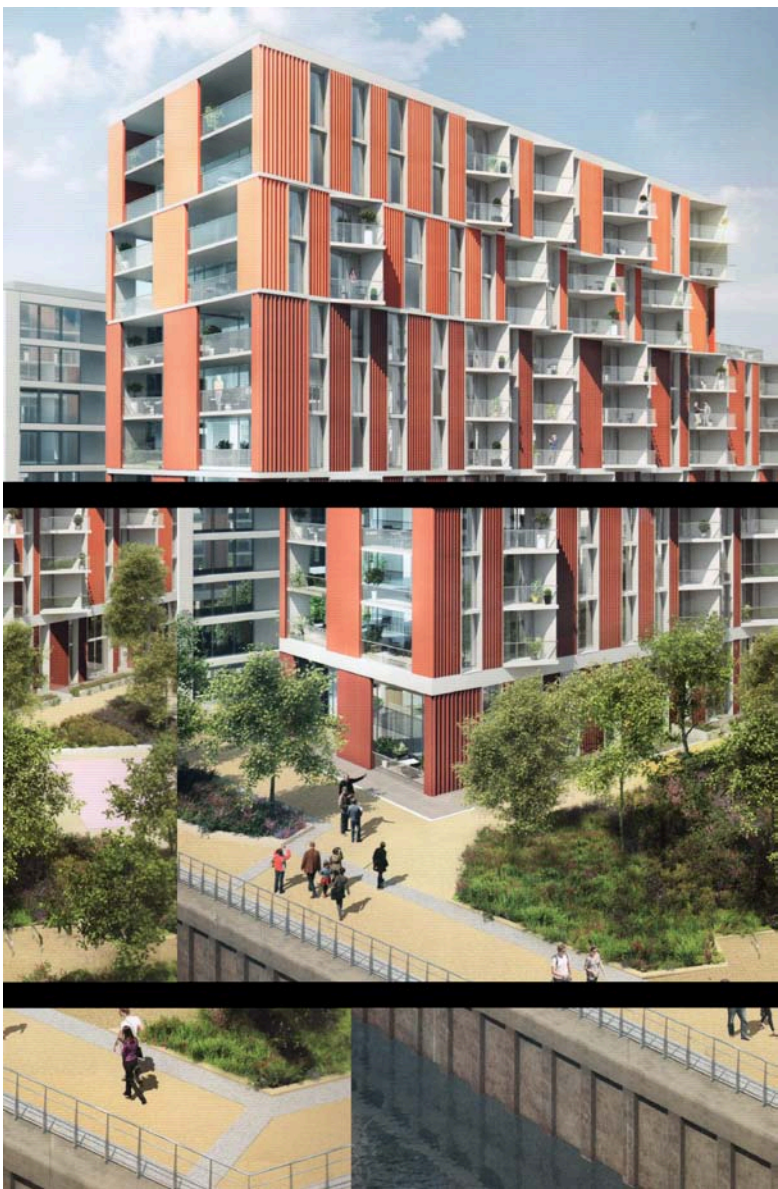
Property assets central role in international economy

- ▶ **For productive occupational purposes**
- ▶ **For investment and loan security purposes**

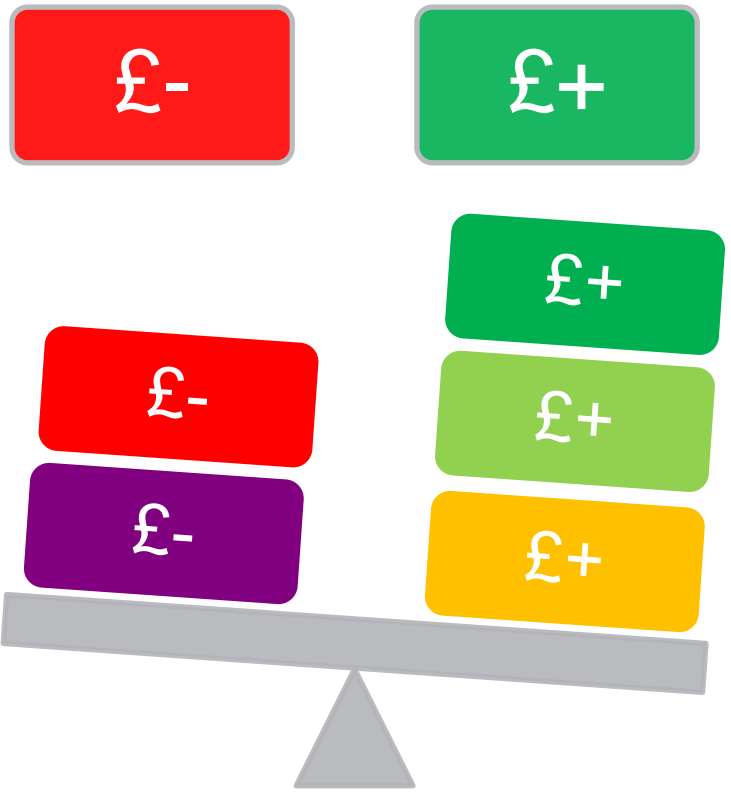
‘Valuation of these assets is a high-risk activity!’

‘Valuation of ‘development land’ is highest risk of all!’

Creating Sustainable Property Assets



Controlling Costs – Enhancing Value



What are International Standards?



International standards share the following characteristics

- ▶ Developed collaboratively; shared ownership
- ▶ Principles-based and high-level
- ▶ Drafted by independent experts
- ▶ Transparent, consultative process
- ▶ Enacted locally, through or alongside domestic standards
- ▶ Provide consistency, comparability and common language



How do they work?

International Standards Organisation Model

- ▶ Has de-risked business and provided greater transparency
- ▶ Respond to a market need
- ▶ Based on global expert opinion
- ▶ Developed through a multi-stakeholder approach
- ▶ Based on consensus



What problems do we face?

- ▶ Our sector faces major challenges. Globalisation is connecting markets, yet the standards adopted locally can differ dramatically, increasing risk. Risk is one of the primary factors stemming investment.
- ▶ Fundamental challenges include:
 - ▶ **Valuation Standards**
 - ▶ **Property measurement**
 - ▶ **Construction costs** measurements (what is/isn't included)
 - ▶ **Land tenure/reporting** (inconsistent across markets)
 - ▶ **Ethics** (no *Hippocratic oath* for our sector)
- ▶ Many of the challenges have inconsistent standards at their origin.



De-risking Land - ILMS

- ▶ Land is the foundation of all wealth creation and land/property ownership is a critical factor in de-risking land/property markets.
- ▶ Major discrepancies in the way land reporting is carried out.
- ▶ Intl. Land Measurement Standards work began in June at a meeting in Rome, hosted by the UN Food and Agricultural Organisation (UNFAO).
- ▶ RICS is encouraging other standards bodies to join and to help develop and implement a common approach.



De-risking Land - ILMS

ILMS will be a strong international, principles, based standard, in the public interest, focused on key land information elements, as required to de-risk and aid the process of transaction and strengthen land tenure security, land rights, investment, government revenue raising and economic development.

- Inaugural meeting of 24 coalition members at FAO HQ, Rome



Professional valuation standards

Demand exceeded need - Ireland

2006 **For Sale: 275,000 euros**

'Shortage'

- ▶ High demand
- ▶ Ample finance

2012 **For Sale: 80,000 euros**

'Surplus'

- ▶ No demand
- ▶ No finance

'Surplus means that previously valuable things stop being valuable, which freaks people out'

Clay Shirky



Glass Bottle Site - Dublin

9.6 Ha. (24 acres) Dublin Docklands

	€
Sold 2006	412m (43m p/ha.)
Valued 2009	60m
Estimate 2015	35m – 50m



In 2006 land in Dublin more expensive than in Paris

Glass Bottle Site - Dublin

Macro

Discretionary Planning

Regulation

V

Prescriptive Planning

Regulation

Micro

What are the site boundaries?

How do you calculate plot ratio?

What about massing?



Glass Bottle Site - Dublin

Dublin Docklands Development Authority (DDDA) a public body was a joint purchaser of the Glass Bottle site. It was also the planning authority.

Anglo Irish Bank backed the deal with a €288m loan.

- ▶ Chair of Anglo Irish Bank sat on the DDDA Board
- ▶ Chair of DDDA Board sat on the Anglo Irish Bank Board

Chair of DDDA had role as **developer, banker and planning authority** on most expensive site in city.



'Valuation of development land' review



Market volatility

▶ Australia

- ▶ Chinese investment driving markets well in excess of locally determined values
- ▶ On RSV basis property justifies \$100m. Chinese investors paying \$145m based on growth expectations
- ▶ Should report be caveated to account for such volatility and therefore the status of the market.
- ▶ Difficult to get PI cover

▶ Asia

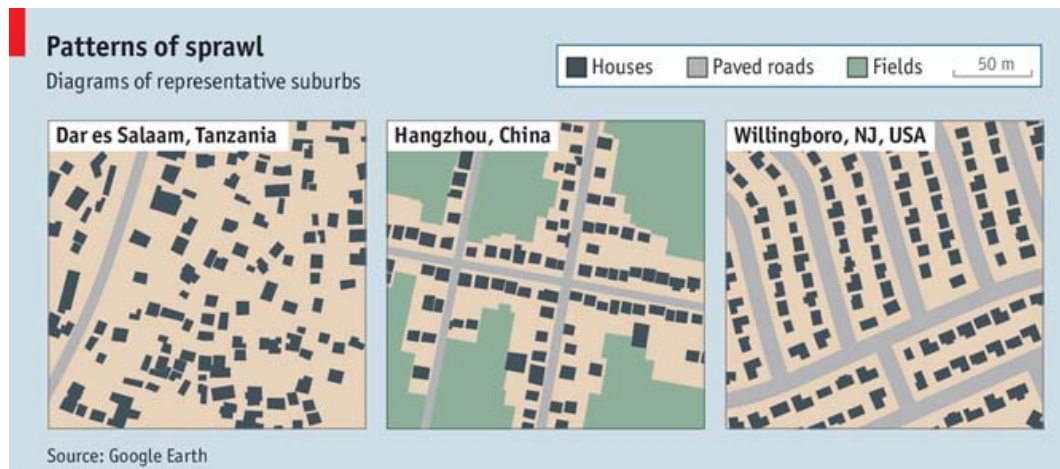
- ▶ Valuers acting with limited comparables
- ▶ Difficult to get full details of transactions
- ▶ Inadequate information and difficult to analyse
- ▶ Unstable planning environment

Key issues

Market volatility

▶ Africa

- ▶ Inaccurate data and unreliable local surveyors/valuers
- ▶ Reports shallow and of poor quality
- ▶ Who is creating the market
- ▶ Market very thin and with little depth
- ▶ If one or two active investors withdraw no support for the market
- ▶ Typical of emerging markets



Key issues

Technical issues (1)

- ▶ Residual Site Valuation v Market Comparables
- ▶ Hope value – where does it fit in?
- ▶ Target return – where is the evidence to be found?
- ▶ With or without finance?
- ▶ Before or after tax?

Chinese giant considers re-tender for One Nine Elms

Dalian Wanda may go back to market on £900m Interserve/CSCCEC JV project after slow progress

By Iain Withers

Chinese property giant Dalian Wanda is considering re-tendering its inaugural UK project, a £900m twin-tower scheme at London's One Nine Elms.

The Nine Elms area will be the new home to the US embassy, and a slew of schemes are already under way with Dalian Wanda choosing an Interserve and China State Construction Engineering Corporation (CSCCEC) joint venture to deliver its scheme, designed by architect KPF, last April.

But Building understands the developer is now looking at its options after slow progress on the scheme, which is scheduled to finish in 2018, and is deciding whether to

hire another contractor.

The joint venture – trading as CI-ONE – surprised the market when it pipped rival shortlisted bidders Mace and a separate CSCCEC joint venture with Atkins for the job. Dalian Wanda's development director Peter Amato left a month later, in a move Building revealed was understood partly to be prompted by the

decision not to pick Mace for the job. Last November, Mace chairman Stephen Pycroft went public with his disappointment when he told the Building Live show: "I was a bit annoyed to say the least that we lost One Nine Elms to China State and Interserve."

One source said: "It's a poorly kept secret that they're considering other contractors."

Another source said Interserve had flown out to Beijing recently to discuss terms but added: "Things are moving more slowly than anticipated. There's a likelihood that they [the client] may go back to the market."

An Interserve spokesperson said: "We continue to work with our JV partner and the client towards

delivering this project."

A spokesperson for Wanda One, Dalian Wanda's UK trading company, said: "We are continuing to negotiate with the CI-ONE joint venture for the construction of City Tower and River Tower at the One Nine Elms development. We have no further comment at this time."

One Nine Elms comprises a pair of towers at 45 and 60 storeys in height, incorporating 439 homes and a five-star hotel.

The scheme would be a debut UK project for CSCCEC, the world's largest global contractor, giving it a foothold in the UK market for the first time.

IT'S A POORLY KEPT SECRET THAT THEY'RE CONSIDERING OTHER CONTRACTORS

INDUSTRY SOURCE

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16/finance

Skanska targets rapid expansion in UK infrastructure

Firm's infrastructure division eyes opportunities in rail, roads, gas and water markets

By Iain Withers

Skanska wants to expand its UK infrastructure business over the next five years to capitalise on the slow of planned investment in rail, roads, gas and water projects.

Mike Putnam, Skanska UK's president and chief executive, told Building the firm's infrastructure division will gear up to target mega projects like H2 and more work with water and gas companies.

He said: "We see very strong opportunities in the infrastructure sector. Politically there's a big focus on infrastructure and there's support across all political parties. But it's not just infrastructure for government – we expect increased spending in the regulated sectors, like water and gas."

Putnam's comments come after Skanska UK's construction business

WE EXPECT INCREASED SPENDING IN THE REGULATED SECTORS, LIKE WATER AND GAS
MIKE PUTNAM, SKANSKA UK



Skanska UK has begun work on the new Papworth hospital in Cambridge

posted solid results last week for the 2015 calendar year, but a dip in its profit margin below 3% to 2.4%.

According to its Swedish parent company's group results, Skanska UK's construction business posted a 2% drop in operating profit to £36.3m, down from £37.2m, while revenue jumped 21% to £1.5bn, up from £1.2bn.

Putnam said the UK construction business "clearly wants to drive up" profit, adding that the parent company's target is for a 3.5% margin across its construction businesses, although he said the group realised this would be a "struggle" in the UK.

He said Skanska UK's profit figures "compared well" with its

competitors, many of which have posted slimmer margins or losses in recent months.

Skanska UK is embarking on a new five-year strategy this year, running to 2020, which will focus on earlier involvement with clients, the digital economy and social as well as business goals.

By the end of 2015, Skanska UK was using level two BIM on all its projects.

Overall the Skanska group posted an increase in revenue and operating profit for 2015, with revenue up 7% to \$58bn SEK (£2.5bn), up from \$43.3bn SEK (£2.1bn), while operating profit increased 17% to \$3bn SEK (£514.5m), up from \$2bn SEK (£442.4m).

Skanska UK began work on a number of major projects last year, including the £140m new Papworth hospital in Cambridge and three AMP6 projects for Thames Water worth a combined £45m.

The firm completed major jobs including £110m London office development One and Two New Ludgate for Land Securities, a £24m extension to Thameside prison, and seven new schools in Bristol.

Analysts: Cathexis must increase ISG offer for takeover to succeed

Analysts have warned US investor Cathexis it is likely to fail in its drawn-out battle to acquire ISG, unless it ups its offer by at least 18% to £2 a share, equivalent to £30m in cash.

ISG's board rejected Cathexis' increased offer – of £1.7 a share, or £35m – last Thursday, arguing it "continues to undervalue ISG and its future prospects".

Shareholders have until next Wednesday (17 February) to respond to the increased offer. Cathexis' original offer, made in December, was for £1.43 a share, or £71m in cash.

While Cathexis said its latest offer is "final",

analysts told Building it left itself some wriggle room to make an improved bid.

Sam Cullen, analyst at Jefferies, said: "I think they'll have to up it again. ISG's management have made it quite clear they don't want to sell. I think the offer has to be in excess of £2 and then people will be interested."

Tony Williams, analyst at Building Value, said: "It's not as long ago they were trading at £3.20 [January 2015]. But at £2 they would have gone."

In its rejection of the latest offer, ISG said it had taken into account recent trading losses in its UK construction business – which prompted a profit

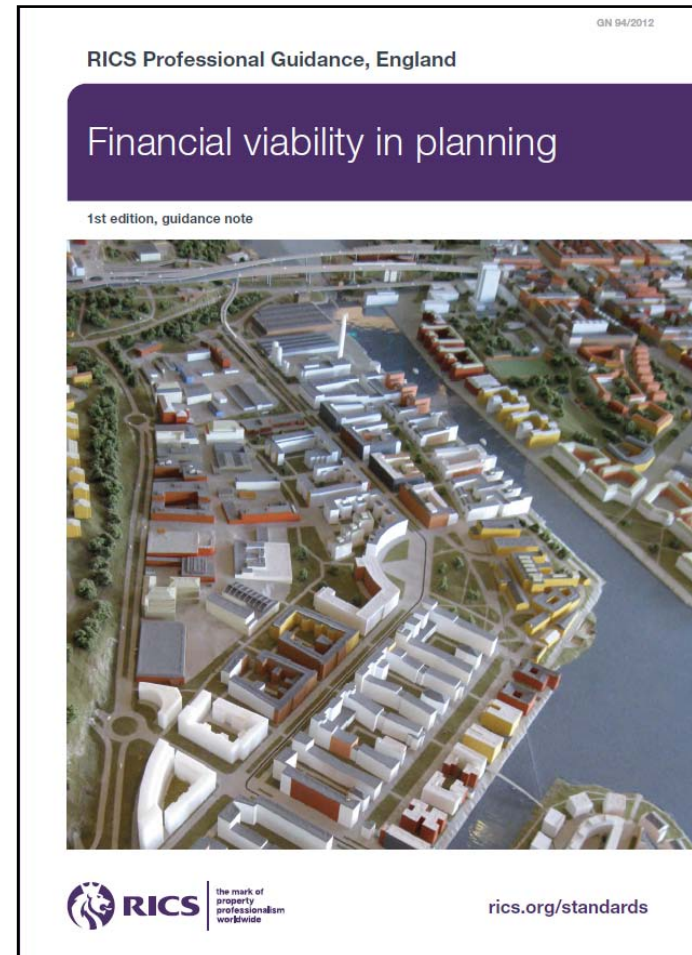
warning in December – but it was confident it could deliver its turnaround plan.

Cathexis argues ISG is better suited to private ownership rather than listing on the London Stock Exchange due to the volatile and cyclical nature of the construction market.

ISG's share price was trading around the £1.7 mark on Monday. As of last week, Cathexis owns or has support from shareholders equivalent to over 30% of ISG shares. It needs 80% support for the deal to see the takeover, down from the 90% threshold it initially set.

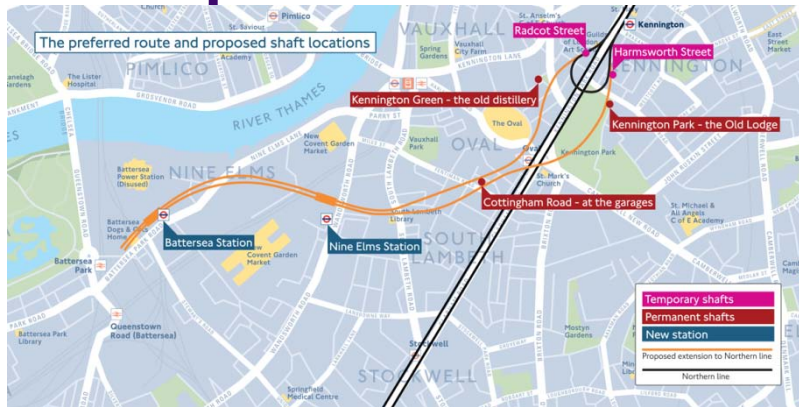
Financial Viability in Planning

- ▶ Delivering public policy objectives
- ▶ Engineering infrastructure
- ▶ Community Infrastructure
- ▶ Affordable Housing
- ▶ Advocacy v Objectivity



Connecting Battersea, London

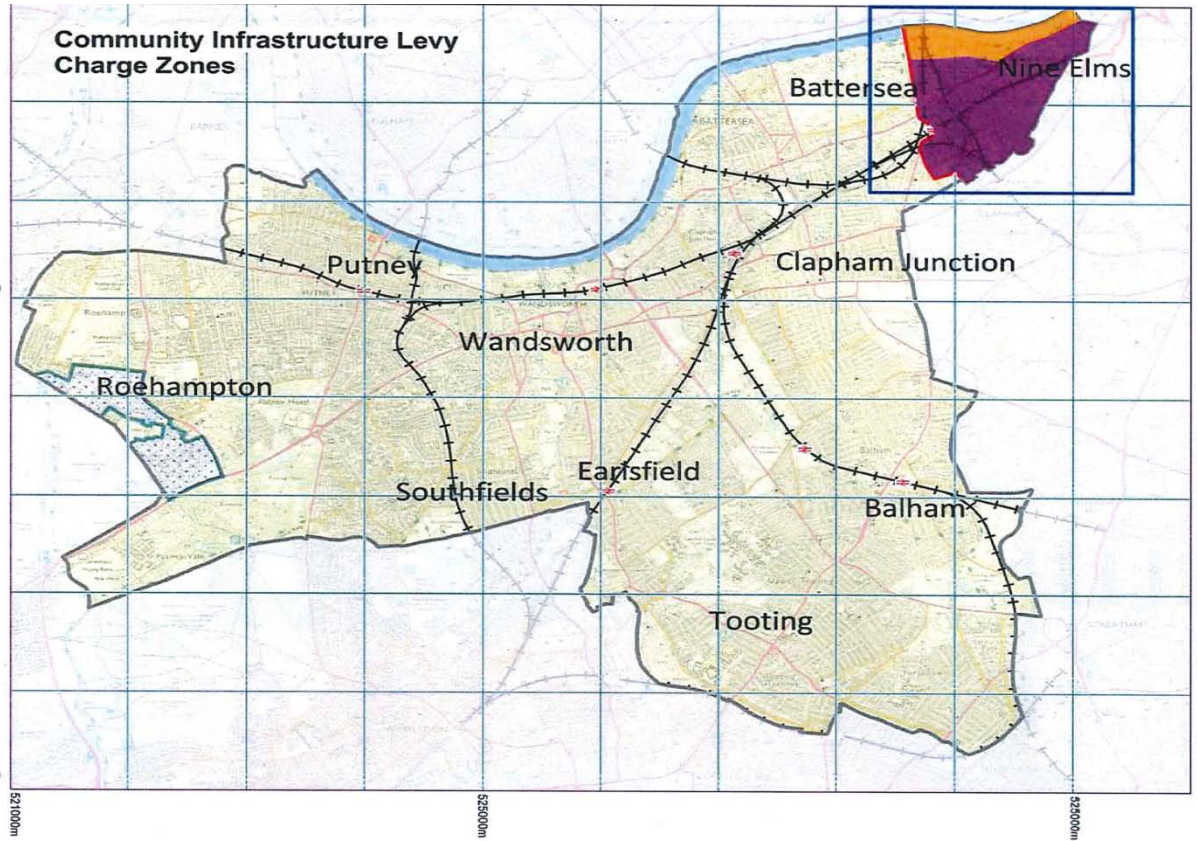
Transport links



Development Levies

London

- KEY**
- Nine Elms Charging Area
 - Nine Elms Residential Area A
 - Nine Elms Residential Area B
 - Wider Wandsworth Charging Area
 - Roehampton Charging Area
 - Nine Elms Inset Map (see over page)



Battersea Power Station

Enhancing value



Battersea Power Station



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BATTERSEA PANIC STATIONS

Investors flee luxury scheme as up to £2m is knocked off some asking prices

KASMIRA JEFFORD

MORE than 50 luxury flats on sale at London's iconic Battersea Power Station have had their prices slashed since January, with some seeing discounts as large as 38 per cent in a sign that wealthy foreign investors are scrambling to desert the scheme.

The news adds to fears that demand for prime homes in the capital is waning as the chancellor's reforms to stamp duty and capital gains tax, coupled with the collapse in oil prices and falling Asian currencies, are leaving overseas buyers out of pocket.

Property firm Propcison has found that 197 properties have

Power Station Estates, since last year. Around half the properties have had a price reduction at some point since the start of the listing, with 76 of those units being reduced since the third quarter of last year.

Mike Brew, analyst at Jefferies, told *City A.M.*: "Middle Eastern and Far Eastern buyers are operating in economies that are driven by commodity prices, so they have reduced purchasing power – both on an individual basis in terms of buying residential property and on a corporate basis where the sovereign wealth funds can't afford to spend as much money."

A four-bedroom townhouse on the site was listed in July last year

Another one-bedroom flat in the Fladgate building has had its price cut four times since it listed in April last year for £850,000, and is now on the market for £600,000.

To compound matters, property agents JLL this week cut their growth forecasts for luxury new-builds, which they say won't begin to recover until 2018. The company expects prices to fall by three per cent in 2016.

Analysts at Morgan Stanley also warned that prices of luxury new homes could fall by as much as 10 to 20 per cent on the back of weak demand and increasing supply.

Riaan Kruger, a property agent for the Nine Elms area at Cartton Jones, said: "It's not just relevant to

Battersea Power Station was snapped up by Malaysian investors SP Setia and Sime Darby in 2012 for £400m. Michelle Rieck, co-founder of Propcison, said: "What we are seeing is an early indicator of loosening in the market. With the background of the economy and the finance sector, it could lead to something with a bit more momentum in the downward trend. Properties sitting in the market at a higher price need to see some adjustments."

A Battersea Power Station spokesperson said last night: "Some of our purchasers have decided to resell their properties, as far as we are aware, in the first phase, only 10 per cent have reas-

International Standards

Conclusions

- ▶ Implementation of International Standards is key de-risking factor
- ▶ The primacy of the Planning Regime
- ▶ Working within an institutional framework which reduces risk
- ▶ Mandatory, Regulated, Enforceable
- ▶ Provide public and economic assurance – and revenue

Thank you!

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