

Sustainability in the Construction Sector

Business case and market barriers

The investment community, although increasingly aware of the issues around sustainability, still see little reason to invest in buildings that are more sustainable particularly if first cost is higher.

Barriers to Market shift	Business case / Opportunities
<p>Market demand equation - If you are not the owner occupier then you are faced with the following equation: Is my initial additional investment in quality and sustainability going to directly impact the lettable of my property? Although trends in CR and government strategy would suggest it should, at present there is little market evidence to convince investors that they stand to capitalise in the short term.</p>	<p>Long term savings & returns - If you are owner occupier there is greater incentive to invest in a more sustainable building as you are more likely to be the recipient of the long term savings to be gained from the initially higher up-front investment.</p>
<p>Buyer's market Vs seller's market - The challenge above is also directly affected by the fact that, at present, we are operating in a seller's market. If the power shifted more towards to buyer then they would have greater agency to influence the sustainability of the buildings/communities they live in.</p>	<p>Future-proofing – By future proofing developments this makes them more attractive to property managers as it means that the buildings are able to adapt to future changes in the use of buildings or are future-proofed against future volatility in water prices or energy prices.</p>
<p>Unproven technologies - Technology development in this area is complex and fast-evolving. Over-buying risks creating a 'technology-bubble'. Coupled with this is the high risk associated with taking the spear-head position. It is seen to be more profitable to be an 'early adopter' rather than an 'innovator'.</p>	<p>Good business practice - Practicing sustainability is indicative of (and encourages) quality business practice and staff retention</p>
<p>Current low energy prices – if energy is a small fraction of overall costs why pay more for an energy efficient building? The cost of energy may of course change over time (see Future-proofing).</p>	<p>Spreading risk across portfolio - Companies can spread risk by pioneering sustainability within 20-25% of their assets/products, and then monitor their performance over the short, medium, and long-term.</p>
	<p>Added value creation – Integrating sustainability thinking into the whole of the design and construction process involves relating the development to the context it is situated within. This translates as a thorough integration of local community objectives into the estates strategy – which can promote economic, environmental, and social regeneration of an area – which is linked to property value.</p>