

ULI Houston
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UrbanGreen

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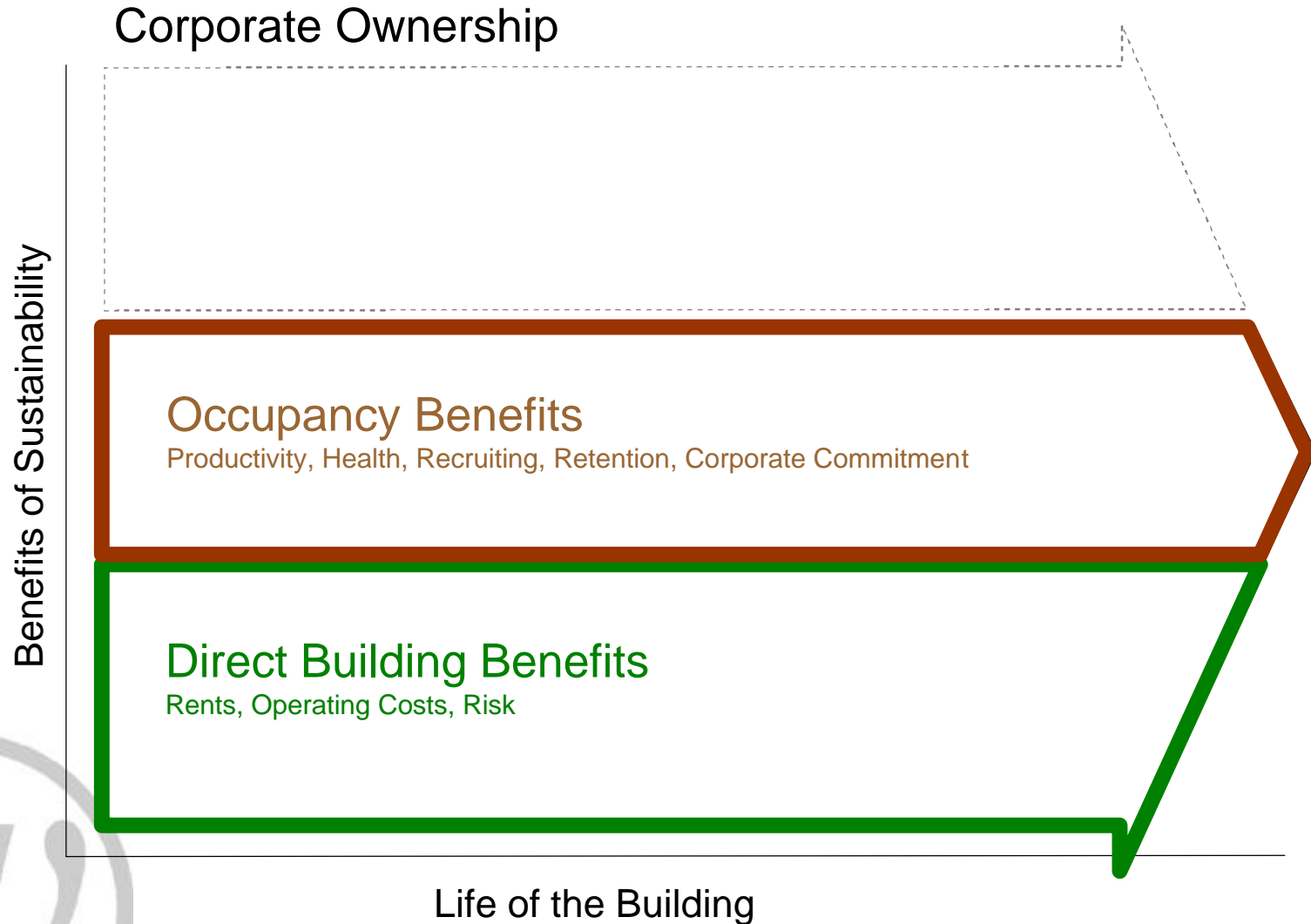
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- Why Now?
 - The Green Building Investment Hypothesis
 - Green Building Finance Consortium
 - Looking Over Your Shoulder
 - Building Your Own Green Infrastructure



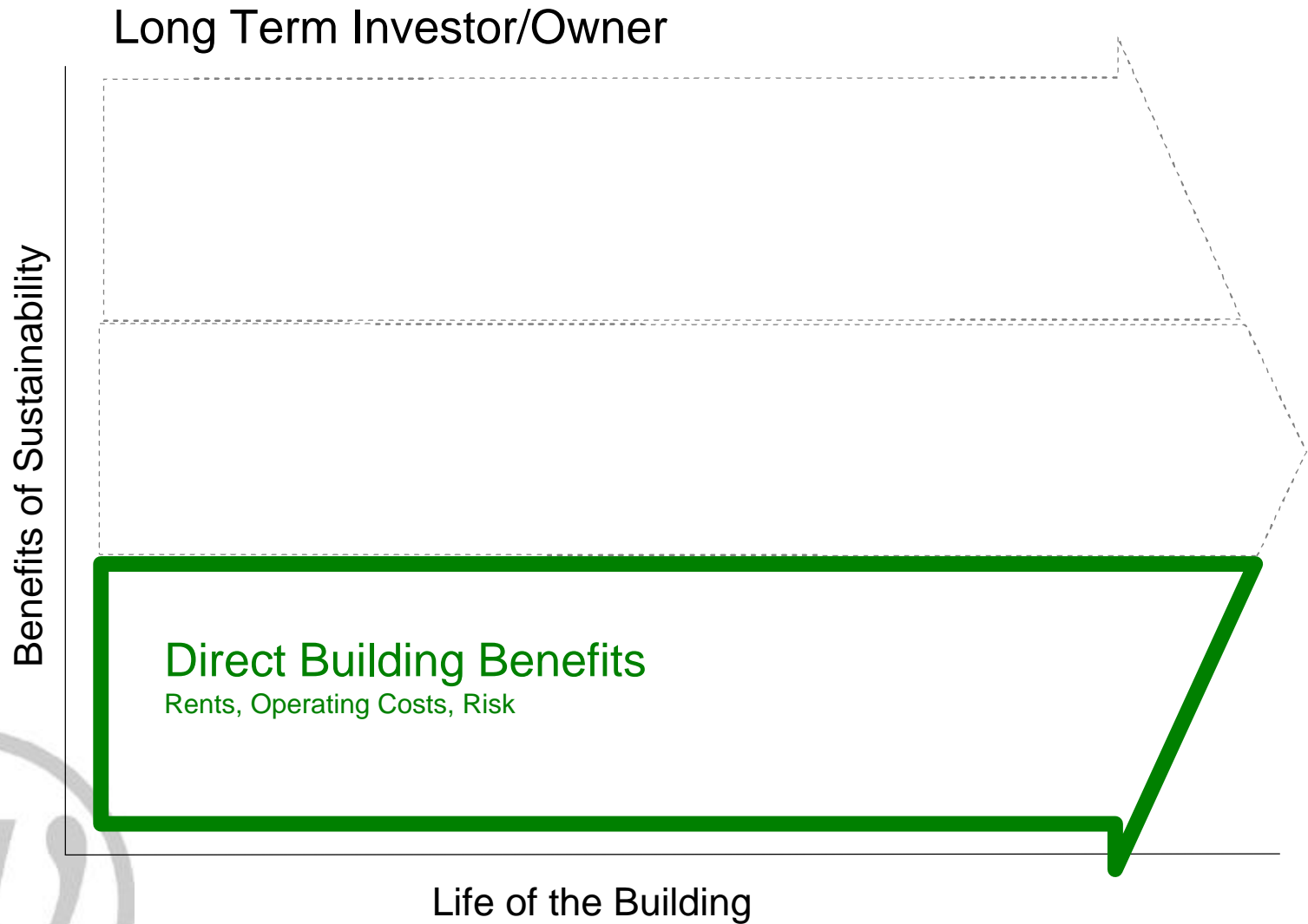
Why Now?



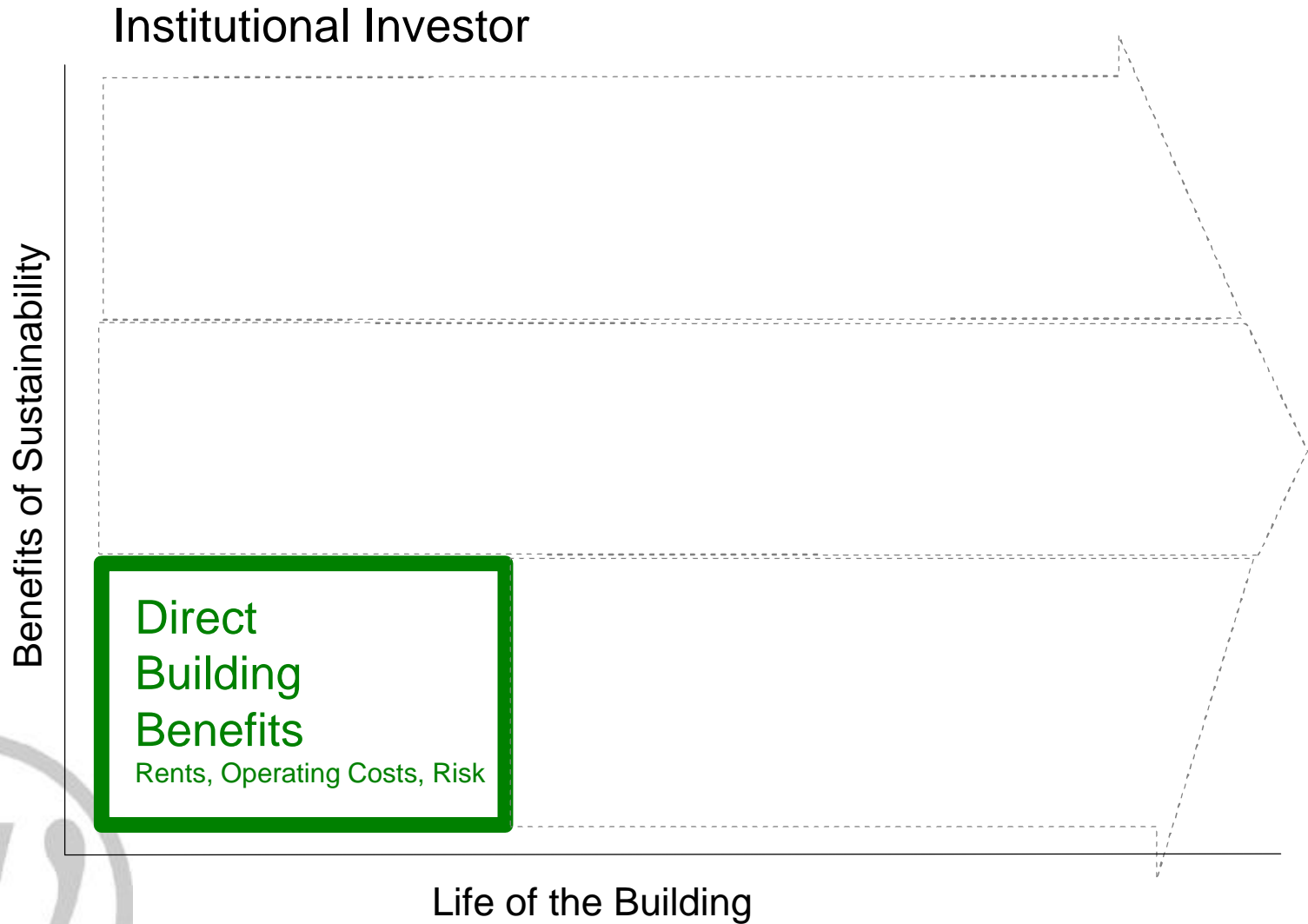
Why Now?



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Why Now?

- **Corporate Interest - The Tenant**



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- **Investor Interest - The Money**



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- **Investor Interest - The Money**
- **Developer Interest - The Supplier**



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- **Public Sector Support - The Regulator**



Why Now?

- **Corporate Interest - The Tenant**
- **Investor Interest - The Money**
- **Developer Interest - The Supplier**
- **Public Sector Support - The Regulator**
- **Public Interest - Climate Change**



Green Building Investment Hypothesis



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- **Operating expenses** will be lower...



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✓ For Investment Real Estate, the hypothesis remains only that today.....

Green Building Finance Consortium

- Enable Private Sector Finance & Investment
 - Appropriate recognition of the “**value**” of Green Building Investment
 - Focus on **cash flow, underwriting** and **value measurement**
 - Focus on **risk assessment** – downside and upside
 - Equal emphasis on **new** and **existing buildings**
 - Green Building investment from a **fiduciary** perspective



The Investment Process

- **Making the Business Case** - the **business decision-making process** that precedes seeking debt or equity: What are the benefits? Will they be worth the cost? Will it be profitable?
- **Underwriting** - the process used by a 3rd party for **evaluating** the **risk**, **return** and **suitability** of a debt or equity investment in a sustainable building or project.
- **Valuation** - the process used by a 3rd party for estimating the **market value, in exchange**, among **private parties** of a sustainable building or project.
- **Investment Decision** - making a **long-term** commitment of funds to any form of **equity**, **debt** or **securitized interest** in a sustainable building or project.

Looking Over Your Shoulder...

- Green building investors will have to re-evaluate their **non-green** properties
- The **non-green** property portfolio will include
 - Properties suitable for green “reinvestment”
 - Property unsuitable and ready for disposition
- Reinvestment may not be possible due to business plan commitments
- Institutional investors need to protect the value of their existing portfolios while beginning to add green buildings
- Institutional investors need a **comprehensive strategy** to balance these competing interests

Building your own **Green** infrastructure

- Developing your own knowledge base
 - LEED standards, building performance, project economics, identifying suitable markets and likely tenants
- Having knowledgeable team members:
 - Architects, engineers, sustainability consultants
 - Brokers, marketers, appraisers, underwriters, attorneys
- Having a solid business case framework:
 - Realistic goals, disciplined investment hurdles, good risk management, overall strategy
- Prepared for challenging underwriting & valuation
- You are making a **long term** investment!

