



### Interview with Chayma Oueslati

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## Introduction

Cushman & Wakefield is a world leader in commercial real estate, which creates unique added value for its clients, investors, and businesses, by combining international dimension and local expertise. Cushman & Wakefield's European valuation & advisory (V&A) team counts more than 600 experts and provides sophisticated advice on real estate equity and debt decisions to clients. The department capa-

bilities span valuation and advisory services relating to acquisition, disposition, financing, and financial reporting.

Cushman & Wakefield's French valuation & advisory team is one of the national leaders with over 80 experts working throughout the country. Its expertise embraces all types of assets for major French and international portfolios.

# CUSHMAN & WAKEFIELD

IDEAS INTO ACTION



**45,000**

Employees



**\$ 191BN**

In transaction value



Offices in more than

**70**

Countries



**CONFIDENTLY GLOBAL**

**EXPERTLY LOCAL**

As a global firm, Cushman & Wakefield valuation and advisory department is always up-to-date with environmental issues and their impact on real estate markets. In 2018, the French team took a step forward by implementing an innovative approach to assess the effects of environmental data on real estate assets. This approach is based on technical analysis, market expertise, and finan-

cial modelling. It aims to provide decision-makers with accurate risk analysis and adequate sustainable solutions.

Chayma is an architect, urban designer, and real estate expert. She is currently based in Paris as part of Cushman & Wakefield Valuation and Advisory team.

Chayma graduated from the ESSEC business school. Her research and expertise focus on the impact of environmental data and climate change on real estate markets and valuation strategies.

Cushman & Wakefield has been involved in an ALDREN pilot study in collaboration with several partners of the ALDREN Consortium to assess the impacts of energy renovation strategies on a Hotel located in Benidorm – Spain. This study aimed to measure the financial impacts of several renovation packages in terms of value, cash flow, and return on investment, in order to help the building owners make the best technical and financial decisions.

### Risk identification

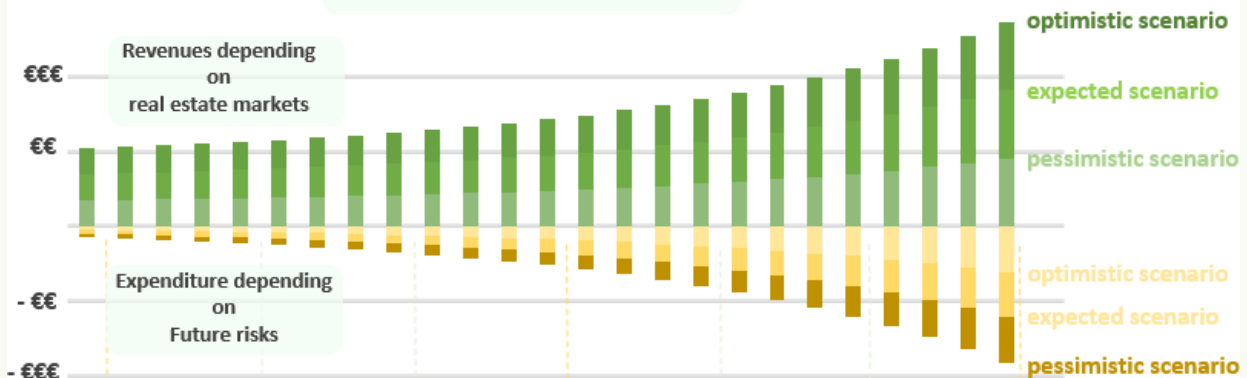
#### Physical risks

- Major events,
- Weather changes,
- Etc.

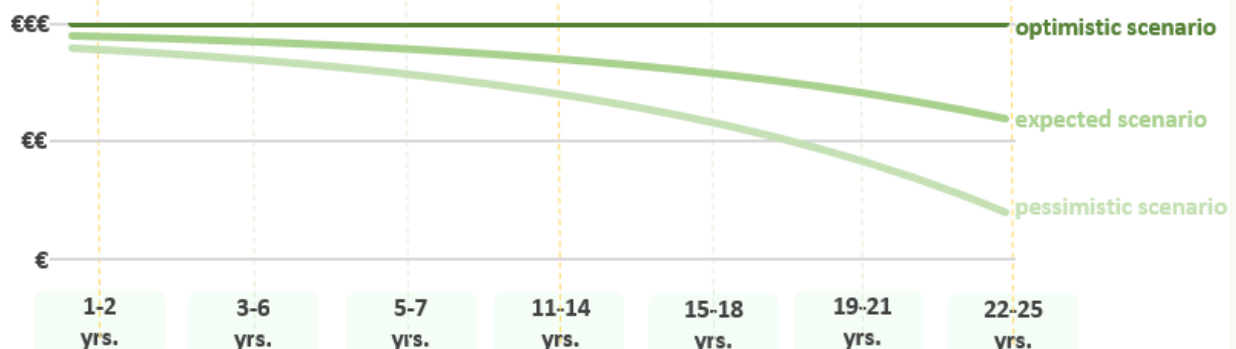
#### Risks of transition

- Economic dynamics
- Regulation,
- Energy consumption,
- Etc.,

### Cash-flow



### Property value



### Risk Analysis

|                   | 1-2 yrs.                                   | 3-6 yrs.                    | 5-7 yrs.                    | 11-14 yrs.   | 15-18 yrs.   | 19-21 yrs.  | 22-25 yrs.  |
|-------------------|--|-----------------------------|-----------------------------|--|--|---|---|
| Flood             | [Progressive color bar from light to dark] |                             |                             |  |  |   |   |
| Heatwaves         | [Progressive color bar from light to dark] |                             |                             |  |  |   |   |
| Marine submersion | [Progressive color bar from light to dark] |                             |                             |  |  |   |   |
| Physical Impact   | - Prevention                               | -Maintenance<br>-Prevention | -Maintenance<br>-Prevention | - Short-term<br>vacancy<br>- Maintenance<br>- Prevention | - Short-term<br>vacancy<br>- Maintenance<br>- Prevention | - Long-term<br>vacancy<br>- Repair<br>- Maintenance<br>- Prevention | - Long-term<br>vacancy<br>- Repair<br>- Maintenance<br>- Prevention |
| Financial Impact  | €  | €€                          | €€                          | €€   | €€€  | €€€   | €€€€  |

### Decision making

#### Assets vulnerability

Low vulnerability



Assets to be preserved

Medium vulnerability



Assets to be preserved after technical improvements

High vulnerability



Assets to be avoided

#### Cost/benefit analysis

### 1. What are the current trends and expectations in the real estate market with regards to sustainability and climate risks? How is environmental quality recognised by investors today and reflected in the financial value of building assets?

– Concern over sustainability and climate risk issues has been growing in recent years. Buildings with green certifications, high energy efficiency and good indoor

air quality are becoming increasingly attractive not only for investors but also for occupiers. This trend is encouraged, first of all, by the overall awareness that we have today regarding the environmental issues and how they relate to the build environments.

In this respect, well designed and equipped buildings may offer several competitive advantages on the finan-

cial, regulatory, and qualitative levels. For instance, in France, regulation related to energy consumption reduction, is nowadays starting to reshape the way investors consider their long-term projects. This new parameter that may at first seem constraining, can be, if well studied and analysed, an excellent lever to preserve and enhance the value of the building.

The advantages of implementing sustainable measures may also other benefits, even if not directly related to the property: enhancing the overall image of the company, attracting stakeholders that share the same values, and gaining advantages in terms of funding, etc.

All these parameters are increasingly recognized by real estate actors and will be more considered in the coming years.

## **2. Investors often prioritize building upgrades with short term impacts over renovation decisions with time horizons longer than ten years. What are the key challenges you are facing when predicting the impact of energy renovation on financial value?**

– Investing in sustainability could be costly in the short-term but compensated mainly in the long term. The challenge we face, as valuers, is that the market could be quite challenging to predict for the next 15 or 20 years, especially for non-typical locations or properties.

On the other hand, we cannot either predict exactly how regulation, consumption trends, and occupiers' needs will evolve in the future.

But it should be noted that even in regular valuation tasks, we face several uncertainties.

To overcome these limitations, we rely on our market expertise to identify the general trends and elaborate the most likely scenarios, to better inform management decisions.

## **3. How do you bring changes in your valuation practices to better integrate environmental risks while considering the more immediate needs of investors?**

– In order to achieve accurate environmental valuations, we use detailed technical and financial data. For this, we rely on our expertise, but also on the contri-

bution of other specialists (i.e. climate and building experts).

As said before, we also develop several valuation scenarios to study the vulnerability of each building and identify the most suitable enhancement and protection works.

We are also very open to the suggestions of our clients and partners, and we can adapt to their expectations and needs. Every meeting is an excellent opportunity to learn from each other. Integrating environmental metrics in financial valuations is not an easy task, and there is a lot to be explored, discussed, and put into action. But we are happy to take this challenge and to raise awareness about these new possibilities in the real estate sphere.

## **4. ALDREN provides a holistic evaluation protocol of a building's current and future energy and IEQ (Indoor Environmental Quality) performance after renovation. It is based on reliable sustainability metrics and a renovation roadmap. How can you use this information in your financial evaluations to better inform investors?**

– Quantified data is key for accurate valuations. The information provided by ALDREN, for the pilot study mentioned before, was very clear, useful, and directly implemented in our valuation tools. We integrated the sustainability metric in our valuation to assess their financial impact (in terms of cash-flow, value, ROI, etc.) on several renovation scenarios and we also referred to the renovation agenda provided by ALDREN's Renovation Roadmap. Overall, the protocol was very easily adopted by our teams, and without a doubt, brings a high added value for assessing the impacts of sustainability measures.

## **5. What should be the next steps in linking energy and IEQ performance to financial value of building assets?**

– Technical and financial analysis constitute an excellent starting point to implement renovation works. In my opinion, the next step would be to discuss and analyse all the experiences acquired during and after the implementation of sustainability measures. This will allow us to draw the most useful lessons and improve our valuation tools.