

THE VALUE OF A SUSTAINABLE APPROACH IN RUSSIA



“An internationally accredited sustainable approach to development in Russia is anticipated to be desired by the market. This will deliver savings in utilities connections to the developer and realise potential benefits in value to the development and occupier.”

Pavel Vishnyakov, Russia Location Leader.

Over the past few years we have witnessed the rapid evolution towards sustainable development across Western economies. This has been more recently moved into Eastern European economies with Romania, Poland and others now witnessing movement towards sustainable development requirements. The Middle East, with the MASDAR development and other developments of sustainable communities in the likes of Qatar has started on the path of sustainable development and there are now indications that Russia will be the next to develop a desire to move towards a more sustainable approach.

In some ways the drivers for sustainable development in Russia are no different to the rest of the world:

- Increasing requirements from international corporates to be able to occupy buildings that demonstrate that they have strong corporate ethics
- The increasing governmental concern regarding climate change and the expectations of forthcoming legislation
- The increasing perception by investors that accredited sustainable buildings (to BREEAM or LEED) represent lower investment risk based on evidence of lower voids in these buildings.
- The prospect of higher rental and sales levels in accredited sustainable buildings due to increased demand and knowledge regarding the lower costs of occupation
- The greater efficiencies gained in occupation of sustainable buildings due to reduced staff sickness and greater productivity as a result of healthier environments.

However Russia also has some different drivers, most notably that the cost of energy and water may be low in consumption but is very high for the initial connection and that by reducing the maximum capacity demand of the new connection, considerable cost savings can be made which can dramatically reduce the overall costs of adopting a sustainable approach and in many cases result in a cost saving.

The regulatory standards are also high through SNIPS and CPSTS which can result in a development achieving a 'good' level without considerable effort.

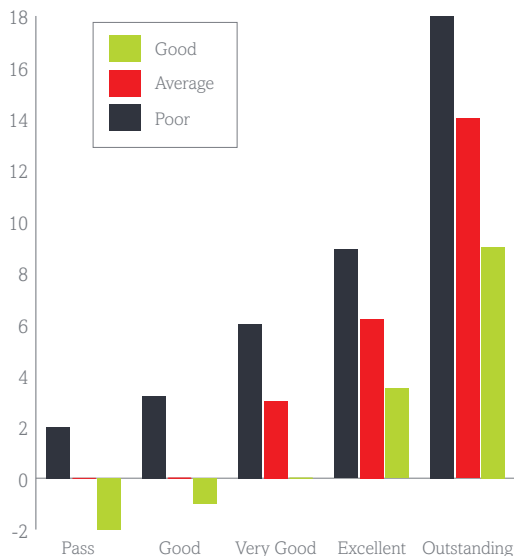
The benefits to developers adopting an accredited sustainable approach are therefore:

- Prospect of higher rental (5-10%) and sales (4-8%) values
- Likelihood of decreased voids and more rapid sales
- A key market differentiator
- Potential savings in connection cost for utilities.

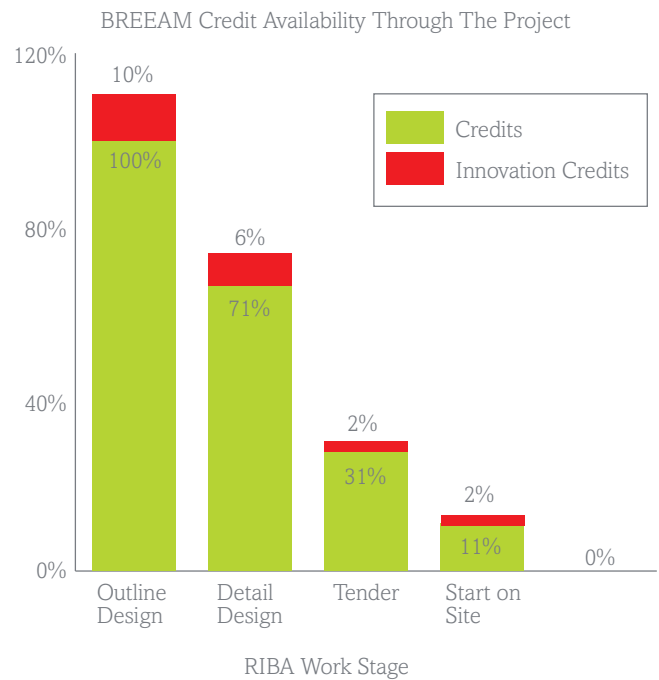
The additional costs of an accredited sustainable approach are driven by:

- Whether or not there is a proactive, early and experienced management of the sustainability issues
- The location and the issues of the development.
- The rating level desired.

Initially, the demand is likely to be satisfied by a 'Very Good' rating which is likely to be achieved for an additional cost of 0-3%. This assumes that the starting point is a well designed and specified building.



Given that one of the key cost drivers is the early consideration of the issues, timing is important. The ability to make effective sustainability improvements decreases rapidly through the design process so that by the time of tendering, only 1/3rd of the opportunities are available. Therefore, engagement and consideration of sustainability at outline design and master-planning is advisable.



The challenge to achieve sustainable development in Russia is not only to design developments to the required standards but also to build them to the standards to which they were designed. With the Post Construction elements to the sustainability accreditations, the achievement of the sustainable design principles on site will be tested and extreme care will have to be taken to manage the failure risk at this point.

For future developments in Russia, an internationally accredited sustainable approach to development is anticipated to be desired by the market, deliver capital savings in utilities connections to the developer, reduce ongoing energy costs for the owner and tenant as well as to potentially achieve capital value increases for the asset. Timing of consideration of sustainability issues is key and to obtain the greatest value input, should be commenced at outline design.

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