

PRESS RELEASE

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ENERGY EFFICIENCY SOON AN “EXPECTATION” AS OPPOSED TO AN “EXCEPTION” IN THE IRISH PROPERTY MARKET

Property consultants CB Richard Ellis this week launched a comprehensive new publication exploring the implications of sustainability and energy efficiency for the Irish commercial property market which suggests that incorporating sustainable and energy efficient design will soon be an expectation as opposed to an exception in the Irish commercial market. They say that the Irish property market has not yet fully embraced sustainability and its potential implications. The main reasons why this is the case is that

- 1 there has until now been a lack of evidence to support any value benefit to developers and investors of providing green buildings
- 2 occupiers have until now not demanded green buildings and
- 3 there has been no regulatory framework imposing green initiatives

This according to CB Richard Ellis is about to change. They believe that the green agenda is gaining momentum and will be one of the central themes of the Irish property market for the next couple of years. Many developers don't realise that after July 1st 2008, energy performance certificates will have to be made available whenever a new commercial building is developed, let or sold in the Irish market. According to Marie Hunt, Director of Research at CB Richard Ellis who compiled the report *“Despite the increasing awareness of the need to incorporate sustainable features into building design and the knowledge that legislative change is looming on the horizon, energy efficient buildings are still the exception rather than the rule in the Irish property market. Few disagree with the concept of sustainability but the majority of developers are still reluctant to implement it, particularly if it is likely to cost more and offer little financial reward in the immediate term. Whilst we don't believe that tenants in the Irish market are as yet prepared to pay extra to occupy energy efficient buildings, they are increasingly demanding them and there is no option at this point but to embrace this issue”*.

To launch the report, the company hosted a seminar attended by some of Ireland's leading developers, investors and lenders. Speakers included James Mulhall, Director of Office Agency at CB Richard Ellis; David Exley, Director of international law firm Clifford Chance and renowned architect Jay Stuart. Participants commented on the impending legislation and explored international best practice to comment on the likely impact for commercial occupiers, developers, lenders and property investors in the Irish market.

James Mulhall briefed the audience on the forthcoming legislation and the main findings of the research report. He said *"Occupier demand for sustainable buildings is on the increase across Europe. This has huge implications for the Irish market when you consider that 54% of office take-up in the Dublin market in the first half of 2007 alone stemmed from international occupiers. However, even the most energy efficient and sustainable buildings will not appeal to occupiers if the location is wrong or if the developer has not provided a quality design that suits the occupier's needs"*.

David Exley, gave a very clear overview of the growing importance of sustainability from an occupier viewpoint and demonstrated this by a case study of his company's experience in the London office market while Jay Stuart considered the various green technologies and approaches that developers can incorporate into schemes without necessarily incurring significant additional costs.

One of the more interesting findings of the new report, is that based on international experience, it is highly probable that a two-tier investment market will emerge in Ireland over the coming years and that properties with a high energy efficiency rating will ultimately be more valuable than those with a low rating. CB Richard Ellis claim that well-located and well-designed green buildings will offer superior returns in the medium to long term while older buildings will experience accelerated obsolescence and reduced returns. This is something that investors and lending institutions need to become increasingly mindful of.

The report also states that as environmental issues come to the fore over the coming years, surveyors and advisors in all spectrums of the property and development market in Ireland will have to undergo specialist training on environmental and sustainability issues as they won't be able to operate effectively in the property industry without having this specialist knowledge.

For further information

Marie Hunt

Director of Research

CB Richard Ellis

Connaught House

1 Burlington Road

Dublin 4

Ireland

Tel + 353 1 6185543

Fax + 353 1 6682991

E-mail marie.hunt@cbre.com

About CB Richard Ellis

CB Richard Ellis Group, Inc. (NYSE:CBG), an S&P 500 company headquartered in Los Angeles, is the world's largest commercial real estate services firm (in terms of 2006 revenue). With over 24,000 employees, the Company serves real estate owners, investors and occupiers through more than 300 offices worldwide (excluding affiliate and partner offices). CB Richard Ellis offers strategic advice and execution for property sales and leasing; corporate services; property, facilities and project management; mortgage banking; appraisal and valuation; development services; investment management; and research and consulting. In 2007, CB Richard Ellis was named one of the 50 "best in class" companies by *BusinessWeek*, and one of the 100 fastest growing companies by *Fortune*. Please visit our Web site at www.cbre.com.

EXECUTIVE SUMMARY

- With 40% of emissions coming from the built environment and half of that emanating from commercial property, the 'green agenda' will have huge implications for occupiers, investors, developers, design teams and lending institutions in Ireland over the course of the next ten years. The move towards the provision of sustainable buildings will be driven by both legislative change and occupier demand.
- The certification of energy performance in buildings, which must be implemented by each EU member state, will be the first legislative step driving this agenda. After January 1st 2008, energy performance certificates will have to be made available whenever a new commercial building is developed, let or sold in the Irish market. As yet, there appear to be no plans to develop a voluntary classification system of commercial buildings in Ireland akin to the BREEAM assessment tool used in the UK market or the LEED assessment tool used in the US market but it is expected that this will be demanded over the next couple of years.
- Many local authorities in Ireland are starting to implement their own mandatory planning requirements to further promote sustainable building practices. It would be desirable that a common approach be adopted throughout Ireland as opposed to every local authority enforcing different standards.
- Despite the increasing awareness of the need to incorporate sustainable measures into building design and the knowledge that legislative change is looming on the horizon, energy efficient buildings are still the exception rather than the rule in the Irish property market. Few disagree with the concept of sustainability but developers don't want to implement it, particularly if it is likely to cost more and offer little financial reward. However, energy efficiency will soon be an expectation as opposed to an exception in the Irish commercial arena.
- Developers have no choice but to embrace sustainability to 'future-proof' buildings they are developing by considering changes to the building structure, heating, cooling and ventilation systems, lighting systems and plumbing and water use. Buildings that achieve a higher energy performance

rating are likely to be more desirable to tenants, particularly occupiers with stated 'green' corporate objectives or occupiers that can appreciate the cost savings that such buildings can provide through reduced running costs, lower service charges etc

- Occupier demand for sustainable buildings is on the increase across Europe. This has huge implications for the Irish market when you consider that 54% of office take-up in the Dublin market in the first half of 2007 alone stemmed from international occupiers. Before too long, occupying buildings with a high energy efficiency rating will become an effective way for corporate organisations in the Irish market to differentiate themselves from competitors and showcase their corporate social responsibility. While a rental premium may ultimately be achievable for 'green' buildings, occupiers in the Irish market are (for the next number of years at least) unlikely to pay significantly more to occupy environmentally efficient property. Even if tenants refuse to pay significantly more for green buildings, they will increasingly demand them and Irish developers will have no choice but to provide them.
- Even the most energy efficient and sustainable buildings will not appeal to occupiers if the location is wrong or if the developer has not provided a quality design that suits the occupier's needs. All of the core fundamental requirements must be present and buildings that offer all of these in addition to boasting the best green fundamentals will ultimately fare best.
- Irish developers will increasingly vie to deliver buildings that demonstrate best practice in terms of environmental quality to demonstrate their appreciation of the importance of sustainability and to ensure that the best capital and rental values can be attained and maintained. Developing green buildings will give these developers a significant competitive marketing advantage.
- In many cases it may cost more at the outset to incorporate green features into buildings but ultimately this cost should reduce over the next few years as new technologies emerge and developers gain experience in green building. In any event, potential costs can be minimised by involving design teams at the earliest stage of the development and adopting a proactive approach, rather than attempting to incorporate green features into a development at a later stage.

- As yet there is no definitive data which demonstrates how the energy performance of a building can impact on its investment value, with investors more concerned with lease length, location and the strength of tenant covenants than building's green credentials. However, based on international experience, it is highly probable that a two-tier investment market will ultimately emerge in Ireland and that properties with a high energy efficiency rating will be more valuable than those with a low rating. Well-located and well-designed green buildings will offer superior returns in the medium to long term while older buildings will experience accelerated obsolescence and reduced returns. Property investors need to be aware that before long, sustainability will establish itself as a key determinant of investment returns in the Irish commercial property market.
- The green agenda will also have implications for the lending community who will have to be very aware of the characteristics of sustainable development and the implications it will have on the marketability and value of the property assets they are financing.
- Green buildings will look very different and an entirely new aesthetic or building style will emerge in the Irish market as a result of the green agenda and the increasing demand for sustainability. This will pose challenges for architects, design teams and indeed local authorities.
- Developers that embrace the growing importance of sustainability and incorporate sustainable features into developments now in order to meet future market demands will reap the benefits in the medium to long term.
- As environmental issues come to the fore over the coming years, surveyors and advisors in all spectrums of the property and development market in Ireland will have to undergo specialist training on environmental and sustainability issues as they won't be able to operate effectively in the property industry without having this specialist knowledge.
- There is no doubt but that a range of new services, materials and technologies will emerge over the coming years as the Irish market adapts to the growing need to provide new green buildings and adapt older buildings to

comply with legislative measures. Over the next couple of years, Irish architecture firms and design teams will have no choice but to learn from international 'best practice' and set up specialist divisions to deal with sustainability.

- The green agenda is here to stay and like it or not the property industry has no choice but to embrace it.