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# **Green Building Appraisal - Valuers' Futuristic View**

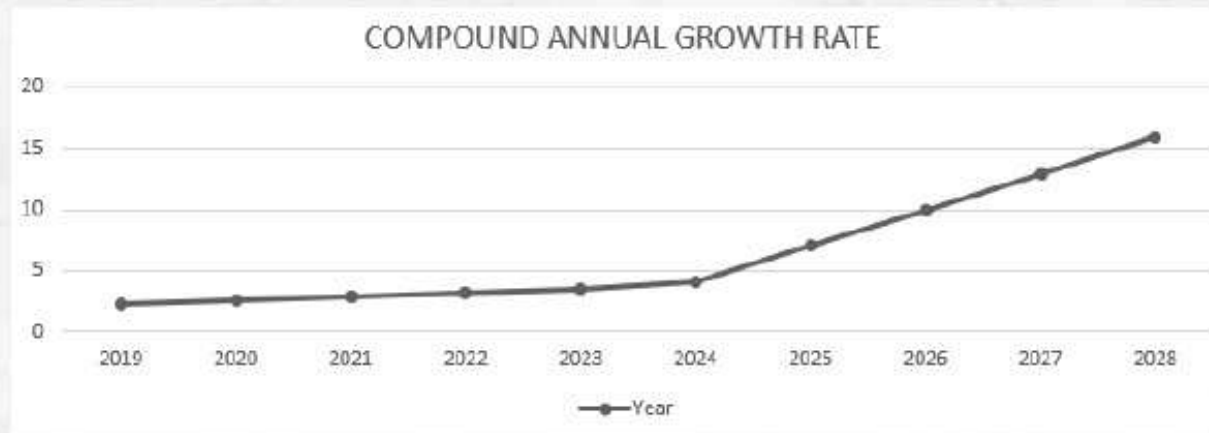
## **I. Potential of Growth**

The perception of green buildings is achieving thrust in India as sustainability and environmental awareness become more noticeable in the construction industry. The market share of green buildings in India though is as low as less than 10%, it is gradually growing, with a projected compound annual growth rate of around 18% between 2024 and 2028 according to some reports. When we consider about costs, we must study costs in terms of construction, financing, lifecycle, and yield. While green buildings may have a higher initial construction cost, the long-term advantages and cost savings coupled with energy efficiency and sustainability compensate these costs.

Green Buildings in India's industry profile provides top-line qualitative and quantitative summary information; including market share and market size.

## **Compound Annual Growth Rate**

Value and Volume 2019-23: 3.4% CAGR  
Forecast to 2024 - 2028 :15.67% CAGR

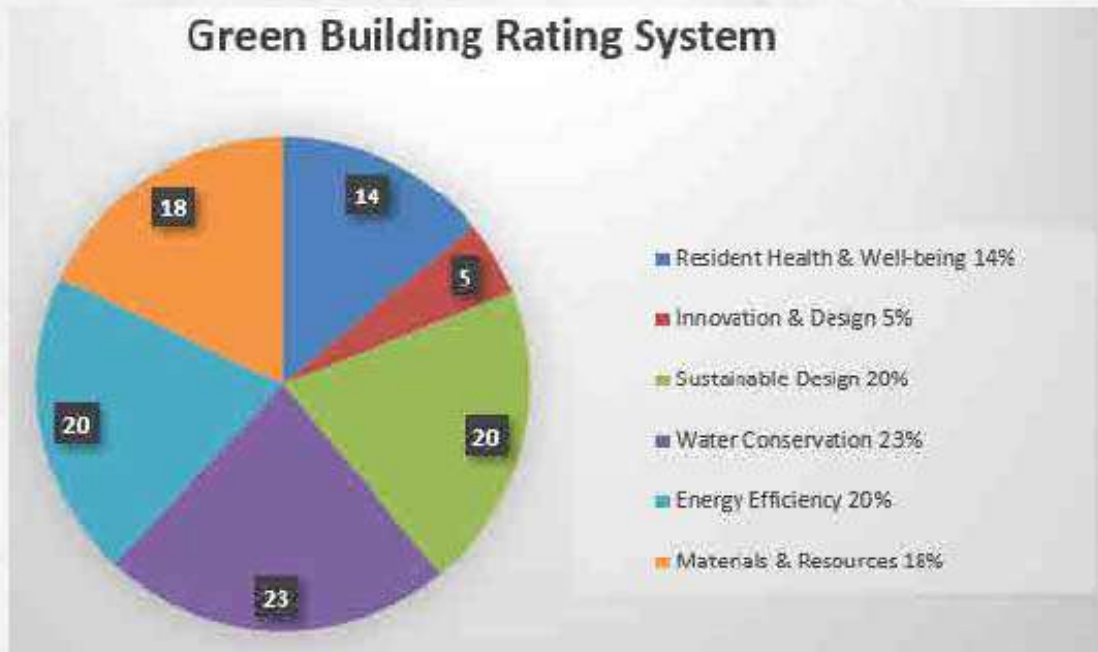


The Indian Green Building Council (IGBC) - India's Premier certification body- part of the Confederation of Indian Industry (CII) was formed in the year 2001 headquartered at Hyderabad. Green Buildings involve the design, construction, operation, and maintenance of buildings in an environmentally accountable and resource-efficient way. The goal of green buildings is to reduce a building's damaging impact on the environment and human health while utilizing its positive impact on energy efficiency, water conservation, indoor air quality, and overall sustainability.

### Government Incentives to IGBC-rated Green Building Projects

- Department of Local Government (Town Planning Wing) offers an additional 5% Floor Area Ratio (FAR) free of charge for projects which are rated Gold or above by IGBCty.
- Rajasthan has updated the building bye-laws including additional (0.075 to 0.15) free BAR (building area ratio) along with betterment levy for projects going for IGBC. (Silver to Platinum)
- Governments of Utter Pradesh and West Bengal (Department of Municipal Affairs - Kolkata Municipal Corporation) additional 10% FAR for projects which are Precertified / Provisionally Certified as Gold or above by IGBC.
- Gujrat Tourism Policy 2021-25 offers reimbursement of 50% of Certification fee, with a maximum limit of INR 10.0 lakh, to hotel / wellness resorts obtaining green rating from Indian Green Building Council (IGBC).
- Local Self Government Department of Kerala has approved up to 50% reduction in One time building tax, up to 1% reduction in Stamp duty and up to 20% reduction in Property tax for projects obtaining green building certification from IGBC Similar Stimulus packages are offered by various states in India and The Ministry of Environment, Forest and Climate Change (MoEFCC)





On Earth-day in 2021, IGBC launched 'IGBC Mission on Net Zero' with a vision 'to facilitate India become one of the foremost countries in transforming to Net Zero by 2050 to support market transformation towards total building sector decarbonization. So far, more than 350 organizations from the Indian building sector have committed to achieve the Net Zero status for their new & existing buildings.

#### Some of the landmark green buildings in India



ITC Maurya Hotel, New Delhi



A stylish Residential Building  
(By Famous Architect Mr. R Shankar)





The first LEED platinum-rated building in India -  
CII-Sohrabji Godrej Green Business Centre

## II. Valuation Outlook

### Four (4) elements of value—

1. revenue
2. occupancy
3. operating expenses
4. risk

generate and influence the value of green buildings depending on the basic elements in Green Building, which are:

- **Increasing energy efficiency.**
- **Materials selected for building construction .**
- **Increasing the efficiency of water usage, both in and outside of the building.**
- **Improving air quality, which improves the health and productivity of tenants/buyers.**

Valuers will combine the major approaches to valuation (income, cost, and sales comparison), allocating comparative weights to each based on quality and quantity of available data. For instance, if a recent sale of a green building occurred, the sales comparison approach may take on greater significance. As a usual practice, based on different attribute factors, the Valuer will specify positive or negative weightages and finally the value is assessed.



Income civilization method consists revenue (leased or rented green buildings) and Net Operating Income (NOI), deducting lower utility bills, maintenance etc.

### **Value = NOI/cap rate**

Here, lower cap rate is to be adopted because of the fact that Green Buildings have proven to reduce risk (Risk mitigation, low bank interest or underwriting etc.). By lowering legislative and obsolescence risk, capitalization rates are reduced.

### **Appraisal Process for Green Buildings:**

The Appraisal process of Green Buildings involves the following steps:

1. Borrower asks bank to include high-performance features in appraisal scope of work. Comes with data in hand.
2. Bank shall Write appropriate scope of work; looks for qualifications and experience of the property valuers
3. Qualified appraiser assigned
4. Valuation report submitted includes green considerations.

### **Conclusion**

Property valuations are an important aspect of a modern economy where it provides support on banking systems, setting benchmarks for collateral values, important inputs in balance sheets, business loans and for prospect investors who want to buy or sell, or rent houses and other types of properties. The green building market is undergoing astonishing growth all over the world because of the awareness of carbon foot print and climate change. Three crucial considerations – aesthetics, function and construction– have shaped how architects and designers approach sustainable building design. As a result, a valuer should be aware of the following prominent factors: Energy efficiency, Water saving, Minimal harm to the environment, renewable resources, Non-toxic building materials, Efficient use of space and Responsible harvesting and use of materials. Being a novel terrain in India, he/she should apply updated approaches of valuation methods of Green Buildings.