



VANCOUVER VALUATION ACCORD

Executive Summary

What is Valuation?

Valuation is used to establish the business case for an enterprise or to choose a course of action. Valuations may be required for financing, insurance, taxation, shareholder audit and amongst many other purposes are widely used to assess real property value. Self-regulating independent professional organizations manage and monitor valuation standards, which are used worldwide.

What is the Accord?

The Accord is a commitment to work towards embedding sustainability within valuation practices, thereby 'mainstreaming' sustainability.

There is increasing need and demand for the business case for sustainability to be established and valuation can play an important role. The most influential bodies responsible for valuation standards wish to begin the process to embed sustainability in valuation standards and practice, commencing at a Summit on 2nd March, 2007 in Vancouver, British Columbia. The initiative will take several years and will be captured in the 'Vancouver Valuation Accord'.

Why is the Accord important?

- The Accord and its subsequent initiative will help promote the widespread adoption of enhanced valuation standards.
- Demonstrable evidence that sustainability adds value will help persuade the business and financial sector to more regularly fund sustainable aspects.
- The business cases that emerge from this process will help proponents of sustainable practices prove they are socially, environmentally and financially viable.

Who is coming?

The Summit will be opened by the Premier of British Columbia, the Hon. Gordon Campbell. Self-governing valuation bodies, standards owners and implementers representing or with members in 131 countries will launch the initiative at the Summit:

- The Royal Institution of Chartered Surveyors;
- The Appraisal Institute of Canada;
- The Appraisal Institute;
- The Appraisal Foundation;
- The Australian Property Institute;
- The Federation of Colleges, Institutes and Societies of Valuation of Mexico;
- The Polish Federation of Valuers' Associations.

Other valuation organizations are being invited to attend the Summit and join the Accord as the initiative continues. Also attending will be senior representatives including the Presidents of the Canadian, US and World Green Building Councils, pension fund CEOs and representatives from major insurance organisations. Government and private sector attendees are expected to include the United Nations, the World Bank, the Commission for Environmental Cooperation, governments of the United States, Mexico and the USA, and educators from several countries. Leaders and executives from business and government are being invited and their help in developing sustainable valuation will be



sought. Speeches will include executive from banking, insurance, development, investment and related sectors.

Background

Businesses and communities around the world are more likely to broadly invest in sustainability if that investment is also financially viable. The primary vehicle for determining financial viability or security is the business case, which valuations provide. Valuations therefore cover a large portion of the businesses and activities known to create greenhouse gases.

The professional who evaluates the business case for a financial institution is usually required to follow valuation standards. For example in the real estate sector where a development company seeks a construction loan, the lender would typically commission a valuation of the project potential, risk, security and so on.

Valuers are accredited and regulated by a number of professional bodies globally and they apply authorized standards. Currently, valuation standards do not extensively cover sustainability, although they embody many of the principles. A 2005 international study called Green Value concluded:

- There is a link between the market value of a real estate asset, its sustainable features and related performance;
- Value generated by enhanced productivity resulting from sustainable design is orders of magnitude greater than the value generated through energy savings;
- Value is poorly and sometimes wrongly captured—business cases too often focus on costs at the expense of value; and
- Without a business case and independent validation for sustainability, the real estate and financial sectors will remain skeptical.

The impact of these conclusions is that valuation standards need to change if they are to capture sustainable features, and, by changing the mechanism required for financing businesses and property to embed sustainability, will "mainstream" sustainability within viable everyday business.

Changes to standards occur continually and are undertaken with broad input from client, shareholder and stakeholder groups. These help develop standards that cover sectors or industries, as well as valuations for specific purposes. Embedding sustainability within valuation standards will be developed with broad input from observers drawn from all sectors and industries, client groups and participant stakeholders, worldwide.

The initiative has been instigated and led by BC-based leaders in the valuation profession. The Province of BC will host and co-sponsor the one and a half day summit.