



- ▶ **If an energy efficient, water efficient, low impact set of commercial buildings is the goal**
- ▶ **We need to understand:**
 - Incentives, practices and actions of:
 - Building owners and the supply-side of the commercial building value chain
 - Building consumers – they are different from occupants
 - Determinants of resource optimisation opportunity take-up (or lack of take up).
 - Impact of market segmentation on energy and water use dynamics.



In the midst of re-building:



- ▶ **Slow take-up of technical solutions will be very apparent.**
- ▶ **Complex imperatives in the buildings market will be very apparent.**
- ▶ **In the push forward, we still need to be aware of history of decision-making.**
 - Occupant behaviour matters.
 - Changing occupant behaviour requires leadership.
 - Design and operations matter.
 - Changing design and operations depends on the imperatives of developers, owners and businesses.



Confronting a Complex World of



Investors	Invest in property to earn income and/or capital growth. Range from private individuals to banks and financial companies to balance fund portfolios. Companies invest in their own and other property to maximise return on capital assets. Insurance/superannuation companies use investments to manage future liabilities.
Property developers	Profit from buying land or property, developing and redeveloping property, property to earn increased returns on investment and costs of upgrade. Can carry out design and building process, may subsequently own and manage property. They employ construction companies, architects and property management companies.
Construction companies	May be property developers but may simply make profit from the construction process.
Property managers	Rent, lease and manage tenancies of properties often on behalf of other organisations. Maximise rental return for the owners (landlords or investors)
Professional advisers	Includes architects, designers, land surveyors, valuation surveyors, building services engineers, facilities managers.
Policy and regulatory agencies	Those involved in policy, planning and legislation relating to property and environment including policing regulatory compliance.
Users.	Strategic users – managers of firms using offices and require them to provide a place where the firm operates. Operational users – are premises managers and may be environmental or energy managers. Passive users – are for this purpose taken to be anyone who works in or uses the building as a client or consumer. Firms that use offices fall into owner occupiers or tenants, whether they own the building (owner occupiers) or whether they lease it (tenants).



Complex Dynamics



- ▶ **Cycle of blame.**
- ▶ **Split incentives:**
 - Owners and tenants have different interests.
 - Generate moral hazard – costs of one player's decisions fall on another party.
- ▶ **Responses internationally assume that the 'goals' of players are similar.**
- ▶ **But BEES surveying shows:**
 - NZ non-residential building stock has diverse owner, tenure and resource supply profiles.



In-depth interviews:



- ▶ **With:**
 - Owner occupier with tenants
 - Hands-on landlord with multi-tenanted building
 - Facilities manager acting on behalf of a number of owners
 - A property portfolio manager Under supply of lifetime design homes
- ▶ **Explored their:**
 - Goals of building management and involvement in the non-residential buildings sector.
 - Building and tenant management practices.
 - Building maintenance, repair and refitting approach.
 - Building performance and resource optimisation practices.





Different goals and imperatives:



► Commercial buildings as self-employment:

- Reducing direct and indirect costs.
- Keeping tenants satisfied.
- Securing a steady, not necessarily a maximised, income stream.
- Being accountable to no one but themselves.



Different goals and imperatives:



► Buildings as investment vehicle:

- Strong income potential and investment returns
- Management directed to:
 - Reduce the operational costs of the building.
 - Maintain tenants willing to pay premium pricing within the market using buildings of that particular rating.



Resource optimisation:



► **Buildings as self-employment:**

- Resource optimisation not recognised
- Not interested
- Not skilled.

► **Buildings as investment vehicle:**

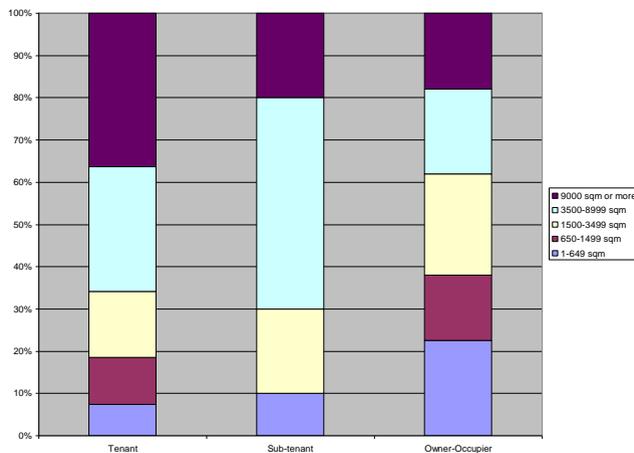
- Problem of demonstrating the value of resource optimisation.
- Appropriate mechanisms to manage split incentives.
- Conditions and policy settings needed to prompt take up.



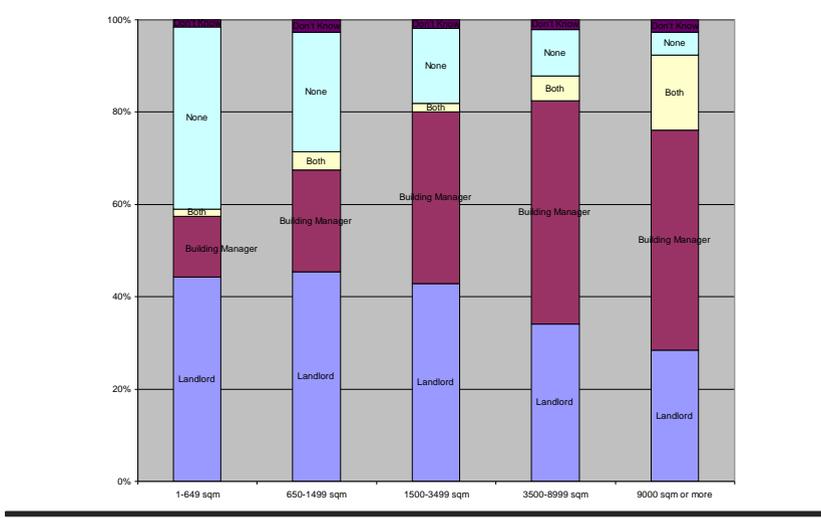
There is a Building Divide in Tenure



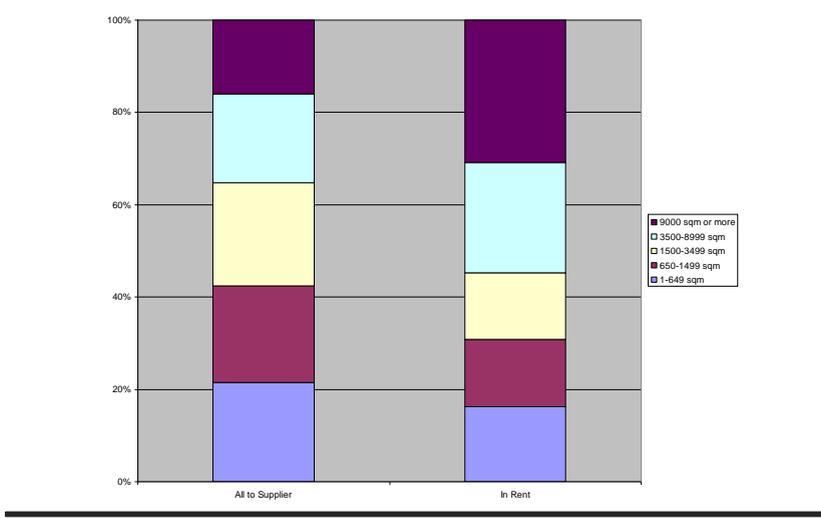
Premise Tenure by Building Size



A Divide in Building Management



A Divide in Energy Price Exposure





In the re-build:



- ▶ **These building owners with different orientations will still be there.**
- ▶ **They will feel threatened and anxious in different ways.**
- ▶ **Value cases need to be geared to their particular interests.**
- ▶ **In the next couple of months we will be looking closer at resource efficiency through a series of surveys.**



Watch this space for survey results on:



- ▶ **Owner Occupiers in the BEES buildings.**
- ▶ **Property investors and building managers.**
- ▶ **BEES building managers and landlords.**

