



Watts Bulletin

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Research proves green buildings earn higher rents

New research carried out in the US reveals that premises with a high energy performance rating are attracting rents of around 3% more per square foot than non-green buildings of the same size, location and function.

The research, 'Doing Well by Doing Good?' commissioned by The Royal Institution of Chartered Surveyors, provides the first tangible evidence that improving energy efficiency has a real economic value to building owners and landlords. In addition to rental value, the research team also looked at the impact of energy ratings on the selling price of commercial property and concluded that when putting a building on the market, the premium for an energy efficient building is even higher, at around 16%.

These findings are the result of a major research project that looks at the financial performance of a sample of around 10,000 commercial buildings in the US. For each commercial building with an Energy Star or Leadership in Energy and Environmental Design (LEED) environmental rating, the researchers identified a control group consisting of all commercial properties located within 1,300 feet. "The results clearly show the importance of a green label in

affecting the market rents and values of commercial space", says the research report.

However, the researchers note that the type of 'green' label matters. Energy Star ratings relate to energy use whereas the LEED label is broader in scope. Those buildings with an Energy Star rating – which relates to energy use – were found to have a consistently improved financial performance compared to those without the label. However, those buildings that had the more broadly based LEED label were not found to command significantly higher rents or sale prices than those without. Therefore the researchers conclude that at present it is only energy efficiency that is perceived to have a higher economic value by investors and tenants, and not those premises that are broadly considered to be 'sustainable'.

For more information and to download the full report go to www.rics.org

Editorial

Welcome to the April issue of Watts Bulletin. At last some good news. It's official: energy efficient commercial space is attaining considerably higher rents than their non-green counterparts. OK, so this is an American study, but trends that begin in the US tend to emerge in the UK. An estimated 3% per square foot may not sound impressive but if you do the maths, then the resulting hike in rental value for an average building from the researchers' sample is considerable and sale values are even higher.

Also in this issue we look at the new rules of measurement for quantity surveyors released last month, we report on a new website aimed at stressed-out employees and we consider the implications of the proposed carbon reduction commitment regulations.

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Complete hospital built off-site

The UK's largest complete hospital to be built off-site has now been craned into position.

The NHS Treatment Centre at Emerson's Green in Bristol was constructed off-site by Portakabin subsidiary Yorkon, for independent healthcare providers, UK Specialist Hospitals.

The centre was constructed off-site and craned into position around 70% complete. This approach aims to ensure completion on time, on budget and to a shorter programme, with guaranteed quality and less disruption.

Due to open towards the end of 2009, the Emerson's Green NHS Treatment Centre is a new purpose-built surgical hospital which will provide a range of elective surgical services, including inpatient treatment. It will have four operating theatres and 33 beds, with supporting outpatient, diagnostic and administrative facilities, and a decontamination suite.

For more information visit www.yorkon.co.uk



Help for stressed-out workers from HSE

The Health and Safety Executive (HSE) has launched a new website aimed at preventing and dealing with work-related stress.

Work-related stress is a major cause of occupational ill health in the UK and, according to the Confederation of British Industry, costs employers around £12 billion each year. Recent statistics show that 44% of employees feel under excessive pressure at work at least once a week.

The new HSE website, launched in February, includes the latest advice and guidance, a self-assessment questionnaire, case studies and some practical examples of ways in which employers and their workforce can deal with stress-related problems.

The main focus of the website is the 'Management Standards' for work-related stress, which are not new, and are already used as a yardstick for many organisations. These standards are a set of six conditions which, if present in the workplace, reflect the optimum standard of health, well-being and organisational execution.

The standards are as follows:

- **Demands** – employees should be able to cope with the achievable demands of their job, including issues such as workload, work patterns and work environment. Work should be within an employee's capabilities.
- **Control** – employees should have a say in how they do their work. Where possible, they should have control over the pace of their work, should be consulted in their work patterns, and should be encouraged in their work.
- **Support** – employees should receive adequate information and support, in the form of encouragement, sponsorship and resources provided by the organisation, line management and colleagues.

- **Relationships** – Employees should be able (and encouraged) to report unacceptable behaviour, such as bullying, and policies and procedures should be in place to allow managers to deal with unacceptable behaviour.
- **Role** – people should understand their role and responsibilities within the organisation, and it should be ensured that the different requirements placed upon an employee are compatible.
- **Change** – employees should be provided with timely information to enable them to understand the reasons for proposed organisational changes, they should be adequately consulted on change and aware of the probable impact of any changes to their jobs.

The HSE recommends that employers should have systems in place to respond to individual concerns raised in any of these areas. The HSE's aim is to promote understanding and encourage best practice, based on the organisation's work with both the public and private sectors. The information posted on the new site is not intended to replace existing HSE guidance on managing the causes of work-related stress.

For more information go to www.hse.gov.uk



Steel construction industry aims for zero carbon

A new £1 million project, 'Target Zero', is being carried out by the steel construction industry to identify ways in which steel framed buildings can become carbon neutral.

The £1 million project will look at five major building types, starting with educational buildings and then assessing warehouses, offices, supermarkets and mixed use schemes. It will generate fully-costed solutions, demonstrating how to achieve the three highest Building Research Establishment Environmental Assessment Method (BREEAM) ratings and meet the changes to Part L of the Building Regulations.

The British Constructional Steel Association (BCSA) and Corus have commissioned sustainability specialists Faber Maunsell/AECOM to deliver the 'Target Zero' project, assisted by cost consultant Cyril Sweett. The five building types will be investigated in sequence with comprehensive guidance on each appearing at roughly three-month intervals from summer 2009.

For more information go to www.steelconstruction.org

New rules of measurement set the standard

The first of three new documents updating RICS measurement guidance for quantity surveyors was launched in March.

The 'Order of cost estimating and elemental cost planning' is the first of a suite of documents – the New Rules of Measurement (NRM) – due to be released over the next two years by RICS. The NRM aims to standardise the way in which quantity surveyors measure projects and make it easier for clients to compare estimates.

For the first time, the 'Order of cost estimating and elemental cost planning' sets out guidelines that cover the total cost of projects. Until now there has been no standardised advice on the measurement of building works for cost estimates and cost plans, which has meant a lack of consistency in tender documents. Now, clients and other project team members should be able to fully understand what is included in estimates, enabling them to plan comprehensively for proposed projects.

This first publication not only provides new rules for the measurement of building works but advises on how to deal with other categories of construction cost: including preliminaries; overheads and profit; and risk allowances and inflation. In addition, the new

document provides guidance on non-construction related costs such as:

- consultants fees;
- the cost of acquiring land and property;
- fees and charges;
- planning contributions;
- decanting and relocation costs;
- marketing costs and the cost of finance; and
- dealing with VAT, taxation allowances and relief and grants.

The second and third sections of the NRM will deal with works procurement – due later this year – and post-completion procurement, due for publication in 2010. The measurement rules have the same status as RICS guidance notes and should be adopted by quantity surveyors as best practice. The RICS intends that NRM should form the cornerstone of good cost management, leading not only to greater transparency but also to more cost certainty and improved accuracy throughout all stages of construction projects.

For more information go to www.rics.org or www.isurv.com

JCT publishes new public sector contract

A new construction contract for public sector employers 'The Consultancy Agreement (Public Sector) (CA)' was launched in March by the Joint Contracts Tribunal (JCT).

The new contract is designed for use by public sector employers commissioning construction consultants and is suitable for use with all professional disciplines.

The agreement is written to make it appropriate for each member of the construction team regardless of whether their respective appointments are for a limited period or for the duration of the project.

According to the JCT, the core of the agreement is a professional duty of care on the part of the consultant, which should be generally acceptable to both consultant and employer on public sector projects. It seeks to set reasonable limits to activities that are sometimes implied as part of the consultant's obligations. This is balanced by a requirement for cooperative working with the consultant team, the wider project team, and the client, and a duty to warn.

There is no net contribution provision but there are provisions for caps on liability, which, the JCT considers, provide 'a fair balance of risk' between the parties.

Professor Peter Hibberd, JCT secretary general, said: "This new agreement gives public sector clients a standard document that achieves a sharing of risk in a way which the Local Government Association approves. It also has the benefit that it can be used by authorities together with their own choice of schedule of services."

The Consultancy Agreement can be used in projects based on any JCT main contract other than the Constructing Excellence and Homeowners contracts.

For more information, go to www.jctltd.co.uk

How long will your project take?

Nearly half of all projects completed in the UK are not completed on time. But was the estimated project duration realistic in the first place? A new tool from Building Cost Information Service (BCIS) should ensure that in future project programmes are calculated more accurately.

Project costs are plentiful in the construction industry, available from a variety of different sources and covering the majority of build types. However, calculating project duration is less straightforward. Now a new tool from the BCIS aims to change all that.

In February, BCIS launched its new web-based construction duration calculator, which gives a quick and robust estimate of how long it will take to construct a building, based on basic information about the project. Using the actual construction duration of more than 4,500 new build and refurbishment projects in the UK, BCIS has developed sophisticated models to predict the most likely time a particular type of building could take. Calculations are based on eight separate details relating to the project, including:

- type of work (either new build or refurbishment);
- contract value;
- date of project;
- location;
- procurement route;

- selection of contractor;
- client type; and
- building function.

Commenting on the launch of the new calculator, Joe Martin, Executive Director of BCIS, said: "According to the latest construction industry Key Performance Indicators, 48% of projects do not finish on time. We are always hearing in the news that building projects have overrun and in some respects we come to expect this, but more often than not an unrealistic time-frame has been proposed at the outset. This calculator's strength is in the data used to make the estimates. With real time-scales from so many varying projects it will be far easier to come up with a reasonable assessment at the start of any project. The added bonus is that it is an online service and so data will be updated and expanded on a regular basis."

The BCIS Construction Duration Calculator is available on an annual subscription basis.

For more details and subscription costs go to www.bcis.co.uk

Government launches CRC consultation

In March, the Department of Energy and Climate change (DECC) published the third consultation on the development of the Carbon Reduction Commitment (CRC) scheme.

The CRC is a 'cap and trade' scheme, due to come into effect in April 2010. The aim is to reduce carbon dioxide emissions from large non-energy intensive organisations in both the public and private sectors and to create a shift in awareness, behaviour and infrastructure. The scheme will involve an estimated 5,000 organisations around the country and expects to deliver at least 4Mt carbon dioxide savings by 2020 through improved energy efficiency.

It is hoped that the scheme will save participants £1 billion by 2020. Those taking part in the scheme will also be rewarded for improvements they make to energy efficiency by receiving a revenue recycling payment. Performance will also be made public to add the extra incentive of improving participating companies' reputation as green organisations.

So what are the implications of the scheme for property companies? A recent article in Property Week (20 February 2009) drew attention to the CRC, confirming that it will have a 'big impact' on many landlords, developers, architects and tenants, who will have to cut their energy use. The scheme will be complex for landlords who are party to tenants' energy contracts as they are likely to find themselves liable for energy used by occupiers but will find it hard to pass on bonuses or penalties due to lease structures (source: Property Week).

The CRC will be mandatory for organisations that spent more than £1 million a year on electricity – which equates to 6,000 megawatt hours – during 2008. Once the CRC comes into effect, companies will have to buy allowances at an expected initial rate of £12/tonne for the energy they are likely to use during the year. If they use too much they will have to buy more allowances and if they use less than expected they will be able to trade the surplus. The DECC will establish a league table which will rank those organisations that participate in the scheme. Those performing well will get a bonus while those at the bottom will be penalised.

A CRC user guide has been produced by the DECC and is published alongside the consultation package. This provides potential CRC participants with guidance on ways to prepare for the introduction of the scheme and explains what to do once the scheme is up and running.

A guide to the CRC scheme has been produced by the British Retail Consortium, the British Property Federation and the British Council of Shopping Centres. To download the guide, go to www.bpsc.org.uk

The consultation closes on 4 June 2009. For more information and to download the user guide and/or consultation document, go to www.decc.gov.uk



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The Handbook is available to purchase from www.ricsbooks.com priced £24.95.

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