Assessing facade value
how clients make business cases in changing real estate markets

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Future Envelope - Facade Value - June 6, 2013

Facade value – the client perspective

Former president TU Delft, in his speech for official opening of the building:

"Someone told me that this facade was > 50% of the construction costs – it better be worth it" September 2007, in the presence of the minister of Education.

Facade value – the client perspective

photo: (website) architect Jeanne Dekkers

Project data:
- 14400 m²; labs, offices, classrooms
- construction costs €5,9 mln (year 2007)

Source: Managing the university campus (Den Heijer 2011) - investment costs from 500 to 4000 euro / m² gross floor area

Design & construction

investment
maximum investment
+ budget

Use of the building

value
maximum value

Making a business case

Assess value (in use) to determine brief and budget for project

Design & construction

Use of the building

maximum investment
+ budget

How does the building/facade...

... support user activities, improve user satisfaction, adding to the organisation’s productivity (output versus input)?

... affect life cycle costs, market value, adding to the profitability (lower costs or higher benefits per m²)?

... reduce energy use, improve the technical condition (indoor climate), adding to the sustainable development (reducing the ecological footprint)?

... support the organisation’s identity and goals, adding to the organisation’s competitive advantage (image, rank, market share)?

More info: http://managingtheuniversitycampus.nl
Opening statement

- **Speak the client’s language**
  - know what clients consider important (performance criteria): that is the most important task for architects / engineers to be successful in any role in the design and construction process
  - paper: "The value of any intervention in the built environment is most relevant for the stakeholders that are investing in it."

Content

1. who is the (future) client? real estate market + trends
2. changing priorities of clients - values assessed
3. propositions for the (facade) brief
4. changing roles in the design process – future value chains

More info: http://managingtheuniversitycampus.nl
Lessons from the changing market

- commercial real estate is a relatively small (and overexposed) part of the real estate market
- vacancy is hardly related to building characteristics; it is related to area characteristics - “location, location, location”
- the (best) clients are both owner and user of their buildings: they oversee both (initial) costs and benefits (in use)
- trend is transformation – feasibility depends on value assessment
- market changed from supply-driven to demand-driven

Vacancy about location (not about building characteristics) buildings >1995 energy performance plays a role

Netherlands
30 mln m2 retail
10% vacancy (2013)
6% planned production (...)
and...
- (decreasing) purchasing power
- (increasing) internet shopping

European retail in m2 per 1000 inhabitants

Non-residential real estate in NL

sector

<table>
<thead>
<tr>
<th>size</th>
<th>vacancy</th>
</tr>
</thead>
<tbody>
<tr>
<td>offices</td>
<td>49 mln m2</td>
</tr>
<tr>
<td>retail</td>
<td>36 mln m2</td>
</tr>
<tr>
<td>public (goals)</td>
<td></td>
</tr>
<tr>
<td>education</td>
<td>40-45 mln m2</td>
</tr>
<tr>
<td>care &amp; care</td>
<td>54-56 mln m2</td>
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<tr>
<td>government</td>
<td>9-12 mln m2</td>
</tr>
<tr>
<td>sports &amp; culture</td>
<td>9-13 mln m2</td>
</tr>
<tr>
<td>corporate (user owned)</td>
<td></td>
</tr>
<tr>
<td>corporate real estate</td>
<td>170 mln m2 (est.)</td>
</tr>
<tr>
<td>agriculture</td>
<td>250 mln m2 (est.)</td>
</tr>
</tbody>
</table>

Sweden
47 HEIs
350.000 students
1.2 mln m2

Germany
330 HEIs
2.4 mln m2

Czech Republic
71 HEIs
360.000 students
3.8 mln m2

Austria
43 universities
1.2 mln students
13.7 mln m2

Italy
16 HEIs
1.7 mln students
12.8 mln m2

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**FUNCTIONAL VALUE**

- productivity → F1
- profitability → F2
- affect life cycle costs, market value, adding to the profitability (lower costs or higher benefits per m²)
- ask the controller and they will aim at the lowest costs / m² costs should be compared to benefits / m²
- then this justifies higher capital costs per m²

**FINANCIAL VALUE**

- productivity → F1
- profitability → F2
- sustainable development → E1
- competitive advantage → S1

**ENERGY VALUE**

- inspiring attractive social safe healthy

**STRATEGIC VALUE**

- managing the university campus
- branding the university
- reducing the footprint
- improving the university’s image

**SUPPORTING VALUE**

- investing in an iconic building for users, visitors and the community
- investing in more public space to encourage interaction / innovation
- investing in the indoor environment (air quality, temperature, ...)

- investing in ‘health & safety’ has best measurable effect on productivity

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12 Dutch projects

1. ‘Managing for university campus’ (Den Haag 2011 / 2013)
2. also collected for these projects:
   - operating costs
   - energy costs
   - maintenance costs
   - cleaning costs

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Propositions for the (facade) brief

- focus on reducing the client’s footprint: this will allow higher quality of space
- follow the hierarchy of needs: investing in healthy & safe indoor environment will have the highest ‘added value’
- allow flexible floor plans – the building will most likely be transformed
- support the tendency towards more transparency and social interaction, especially in relation to public space (inside and outside)
- relate every design decision to the client’s performance criteria

FuturA

NWO funded research
- Design & Construction Management, prof. Wamelink, TU Delft
- Organisational Development & Design, prof. Lauche, RU Nijmegen

GOAL
- Identify new roles for architects, based on the current and future market situation
- Develop governance models for (delivering) architectural services in the ‘value chains’ between architects, clients and other stakeholders
**FuturA - research approach**

- two related PhD projects: Radboud University & TU Delft
- research methods: surveys, interviews, case studies
- partners: BNA (co-applicant), IAA, EGM, De Zwarte Hond, JHK, Rothuizen, Havensteder, Heijmans Vastgoed, Rijkgebouwendienst/ARBM
- series of Living Lab activities
- related to other scientific disciplines, including Real Estate Management and Design of Constructions

More information:

http://managingtheuniversitycampus.nl - all 'open source' publications / hand-outs

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