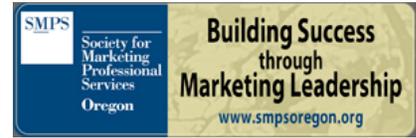


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Program aims to change built landscape by shaking up investment practices

POSTED: Wednesday, June 27, 2012 at 03:00 PM PT
 BY: Lindsey O'Brien

Every year, investors pour billions of dollars into buildings that they do not - and cannot - fully understand.



Stuart Cowan, Autopoiesis partner

The construction and architecture industries are taking strides toward sustainable practices and technology. But without reliable data to demonstrate the benefits that come along with high-performance buildings, investors and developers have been hard-pressed to leverage truly sustainable projects.

At least that's the claim underlying an ambitious project called "The Economics of Change."

The four-year project, which started this past April, aims to transform the built landscape within the next few decades by shifting conventional real estate investment methods.

Stuart Cowan, a partner in Portland-based firm **Autopoiesis**, is working on the project with experts from Seattle's Bullitt Foundation, global real estate firm Cushman & Wakefield, and Tacoma-based nonprofit Earth Economics. The International Living Future Institute, which runs the world's most challenging green building certification system, the Living Building Challenge, also joined the group this year.

"We're seeing a huge trend that investors, lenders, appraisers and developers want to understand buildings more comprehensively," Cowan said.

As it stands, environmental and social benefits are ignored in real estate investment models. Even energy-use savings, which can be demonstrated with relative ease, are not necessarily incorporated in a typical appraisal.

To that end, the group published a report last year that includes a prototype for a new investment pro forma model. Unlike traditional pro formas, the integrated investment model will offer information such as the cost premiums or savings for specific green features, tax credits and deductions, reduced utility or insurance costs, and pricing to reflect the market prestige of green buildings.

"We need to link together all of the different segments of valuation," Cowan said. "Every industry attempts to measure its environmental and social impacts. Why not go into the market and see how that impacts prices?"

The group ultimately hopes the model will serve as an incentive for responsible, restorative buildings and infrastructure.

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In July, research and development of the integrated investment model will begin in earnest. The pro forma then will be tested on two or three case study buildings before the group attempts to create a large-scale adoption of the new investment model and policy frameworks.

"In the big picture, there are huge social and environmental forms of value, but we're not making good decisions given our carbon-constrained world," Cowan said. "We need to understand the full picture and let that drive investment." - Lindsey O'Brien



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Stuart Cowan says:

A full copy of the Phase I Report is available here:
<https://ilbi.org/economicsofchange>

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