

Value

Valuable lessons Workshop aims to put a price on intangibles

The potential of good design to contribute to social and economic outcomes is now widely recognised and is being endorsed not only by CABE, whose remit is to champion good design, but by bodies such as the National Audit Office and the Office of Government Commerce. Even the Treasury's Green Book recognises that non-monetary benefits need to be included among value-for-money assessment criteria for public building proposals. There is also a growing body of evidence about the nature of the benefits.

However, there remains a problem: how to put a value on the benefits which are often difficult to measure, or intangible. We need to find ways to capture intangible benefits which enable an informed view to be taken about appropriate levels of investment to deliver value for money. In a recent series of workshops organised by the RICS, CABE and PriceWaterhouseCoopers to review the valuation of intangibles, groups of facilities managers, designers and surveyors were asked to help identify new approaches.

A number of ideas emerged. First, any new building impacts on a range of stakeholders, each of whom will have different priorities among the outcomes they are seeking from the project. Table 1 identifies five groups of stakeholders and the outcomes they value.

Second is the variety of values - some tangible, others intangible - that buildings deliver. Table 2 classifies these under six value headings, and sets the indicators that can be used to measure them.

Workshop delegates identified that we almost certainly need to move away from a single-point value in favour of a probability function or a value profile. Designers need to become facilitators capable of recognising and eliciting stakeholders' ambitions under each of the six headings, and help to identify and resolve different priorities. Better articulation of the values held by stakeholders should lead to more informed negotiations among the parties, improved evaluations of alternative possibilities, better directed investment and a greater likelihood of meeting expectations.

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Table 1

Category	Stakeholders	Outcomes
Finance	Financiers, banks, PFI consortia, developers, government	Return on capital, profitability, long term value, ease of letting or selling, awards
Design and construction	Architects, engineers, surveyors, designers, contractors, sub-contractors and suppliers	Profitability, repeat business, awards, prestige
Occupant organisation	Chief executive, project directors, communications & marketing managers, general workforce, human resources managers, facilities managers, security staff, cleaners	Organisational productivity and profitability, organisational vision, image and identity, corporate brand and reputation, corporate social responsibility, good working environment - staff health and well-being, recruitment and retention, absenteeism, energy and maintenance costs
Public realm	Local authority, local community; regional and national community	Regeneration and inward investment, impact on property values, pollution, local health, employment, civic pride, neighbourly behaviour, vandalism
Visitors to building	Hospital patients, hotel guests, retail customers, students, pupils, the general public	Hospital recovery rates, retail footfall, educational achievements

Table 2

Type of value created	Bundle of valued outcomes	Examples of indicators or metrics
Exchange value	Building as a commodity to be traded, whose commercial value is measured by the price the market is willing to pay. For the owner this is the book value, for the developer the return on capital and profitability. Also covers issues such as ease of letting and disposability.	Book value, return on capital rental, yield
Use value	Contribution of the building to organisational outcomes: productivity, profitability, competitiveness and repeat business, and arises from a working environment that is safe in use, promotes staff health, well-being and job satisfaction, that encourages flexible working, teamwork and communication, and enhances recruitment and retention while reducing absenteeism.	Measures associated with occupancy: such as satisfaction, motivation; teamwork. Measures of productivity and profitability, such as healthcare recovery rates, retail footfall, educational exam results and occupant satisfaction
Image value	Contribution of the building to corporate identity, prestige, vision and reputation, demonstrating commitment to design excellence or to innovation to openness, or as part of a brand image	Public relations opportunities Brand awareness and prestige. The 'wow' factor
Social value	Buildings that make connections between people; creating or enhancing opportunities for positive social interaction, reinforcing social identity and civic pride, encouraging social inclusion and contributing towards to improved social health, prosperity, morale, goodwill, neighbourly behaviour, safety and security, while reducing vandalism and crime.	Sense of community, civic pride and neighbourly behaviour. Reduced crime and vandalism
Environmental value	The added value arising from a concern for intergenerational equity, the protection of biodiversity and the precautionary principle in relation to consumption of finite resources. The immediate benefits are to local health and pollution.	Environmental Impact Whole life value
Cultural value	This is a measure of a building's contribution to the rich tapestry of a town or city, how it relates to its location and context, and also to broader patterns of historical development and a sense of place.	Press coverage - not only in the professional press but also in the lay press. Critical opinions and reviews