

Working Paper:

**Responsible Property Investment
Sustainable Strategies for Green Building Funds
in Europe**

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Exposé: Responsible Property Investment – Sustainable Strategies for Green Building Funds in Europe

Background:

Responsible property investors are offered new choices from a growing variety of green building funds. Nevertheless, due to the complexity of sustainability and the lack of transparency it is often difficult for investors to recognize the quality of green strategies as opposed to the look of green marketing.

Evolving changes in EU building legislation and certification are opening new opportunities for sustainable investments in real estate. Together with different international certification standards and labels the investors do have a variety of standardisation features to compare. Therefore, this study is aiming to identify sustainable strategies of green building funds and to compile a classification of Green Building Funds in Europe in terms of the sustainability of their strategic investment potential

Hypothesis:

European legislation is creating sustainable investment opportunities for green building funds

Expected Results:

Confirming hypothesis that the European legislation is creating sustainable investment opportunities for green building funds. In this paper, the ongoing development in European building legislation and certification is analysed. Sustainable investment potentials are characterised based on changes in the relevant building standards. In order to turn these sustainable investment potentials into sustainable performance, sustainable strategies are derived for sustainable property investment products.

The conclusion will be a synopsis of the available investment products in Europe and providing strategic guidance to investors in Green Building Funds

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Overview some certification labels of Green Buildings in Europe

▪ Available certification labels:

- **BREEAM (UK 1990 / 2008)**
- **HQE (France 1992)**
- **LEED (US 1998)**
- **DBGN (Germany 2007)**
- **DGBC, Green Calc+ (Netherlands 2007)**
- **Protocollo Itaca (Italy 2005)**
- **LiderA (Portugal 2000/2005)**
- **Verde (Spain 2002)**
- **PromiseE (Finland 2000/2008)**
- **Minergie (Switzerland 1994/1997), greenproperty (Credit Swiss/AmsteinWalthert 2009)**
- **OeGNI (Austria 2009)**
- **Etc...**

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The European legislation for Green Buildings

- **The European Green Building Programme of the European Commission for Green Buildings includes:**
 - **Building Envelope Technical Modules**
 - **Guidelines for Energy Management**
 - **Guideline Module Financing**

- **So far guidelines are existing from the European Commission for Green Buildings:**
 - **Their initiative is the participation at their Green Building Programme which won't be a certificate – more a marketing tool - at the moment**
 - **The participant has to fulfil basic standards**
 - **On European Commission Level:**
There are currently working groups but not yet an available sole European Green Building certificate

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Overview about Green Building Funds in Europe I

- **Climate Change Property Fund
(Climate Change Capital, UK)**
 - **Issued 2009**
 - **Volume 69 Mio GBP**
 - **Currently 3 Buildings in their portfolio, focus on 5 biggest City in UK, retrofitting of existing buildings**

- **Credit Swiss Real Estate Fund Green Building
(Credit Swiss, Switzerland)**
 - **Issued 2009**
 - **Volume 300 Mio CHF**
 - **Currently 5 Green Office Buildings in their portfolio, focus Switzerland and new buildings**

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Overview about Green Building Funds in Europe II

- **Hesse-Newman Green Building Fund
(Hesse Newman Capital AG, Germany)**
 - **Issued 2009**
 - **Volume 42 Mio Euro**
 - **Focus on one new Green Office Building in Duesseldorf, Germany**

- **HollandInvest 69
(Woelbern Fondsmanagement GmbH, Germany)**
 - **Issued 2010**
 - **Volume 103 Mio Euro**
 - **Focus on one Green Office Building in Rotterdam, Netherlands**

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Overview about Green Building Funds in Europe III

- **iii – Green Building Investment Fund
(HypoVereinsbank/ UniCredit, Germany)**
 - **Issued 2009**
 - **Volume 400 Mio Euro**
 - **Focus on Europe without CEE; mainly cities such as London, Paris, Brussels, Stockholm etc.**
 - **Investment in existing Green Buildings or retrofitting of old buildings towards Green Buildings**

- **IVG Premium Green Fund
(IVG Immobilien AG, Germany)**
 - **Issued 2010**
 - **Volume 300 Mio Euro**
 - **Focus on 4 new and/or refurbished Green Office Buildings in Germany: Berlin, Bonn, Frankfurt, Munich**

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Overview about Green Building Funds in Europe III

- **SAST ‘Sustainable Real Estate Switzerland’**
(Sarasin Investment Foundation, Switzerland)
 - Issued 2009
 - Volume: 40 Mio
 - Sub fund for pension funds
 - Focus on existing and new buildings, 2/3 residential – 1/3 office/ retail buildings, Switzerland only

- **Triodos Vastgoedfonds**
(Triodos Bank, Netherlands)
 - Issued: 2004
 - Volume: 80 Mio Euro
 - Currently 15 Green Office Buildings in their portfolio, investment in refurbishment/ retrofitting of existing buildings, Netherlands only

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Overview about Green Building Funds in Europe V

- **Union Investment, Germany:**
 - **More than 300 Properties in their portfolio worldwide**
 - **Total volume of investments in Real Estate is 19 bil. Euro**
 - **1,6 bil. Euro are invested in certified Green Buildings + similar no. of buildings which are getting upgraded to a Green Building (not yet certified)**
 - **Focus on ongoing refurbishment of their Real Estate Portfolio**
 - **Focus of Real Estate Investments: 50 % in Germany, 50 % world wide**

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Interview extract I

Green Building Fund Questionnaire with 32 questions have been addressed to the Fund Manager with following categories: Green Strategies, Green Management and Green Portfolio

Green Strategies

- **What kind of environmental aspects are the basis for your buy / sell decisions?**
 - All funds have energy saving factors in their sustainability concept
 - Legal regulations towards Green Buildings
- **Do you have a catalogue of countermeasures to reduce the overall consumption of non-renewable energy and water?**
 - Generally yes, but most of the tools are not yet fully proofed and
- **How do you handle climate risk issues like flood, storm, earthquake etc.?**
 - Yes, all of them consider at least one local climate risk in their construction plan.

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Interview extract II

Green Management

- **How do you present in your annual report the environmental efficiency of your projects?**
 - The majority of the funds are not yet reporting respective results.
 - Trend is going towards annually reporting
- **How do you make sure that you and your team are always on the latest state of the art knowledge of environmental efficiency?**
 - Participating conference and trainings and certification working groups
- **Do you have a link between the improved environmental efficiency and bonus system of the respective Funds Manager?**
 - The majority said: No

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Interview extract III

Green Portfolio

- **Which kind of external sustainable certificates (e.g. LEED, BREEAM, DGNB etc.) do you choose for your products?**
 - The majority choose an existing national or international label, but also some investment organisations develop their own certification criteria
- **What is the retention period for your investment horizon?**
 - Average 10 – 15 years
- **How do you convince your tenants to fulfill the requested environmental guidelines?**
 - Choosing only tenants with an 'green' focus and background
 - Add certain requirements in the rental contract
 - Some countries regulate the environmental guidelines for rental contracts by law
- **Are there any possibilities to receive governmental aid?**
 - If available: Yes.
 - But only some countries do offer governmental aid and benefits will be tax reductions, cheaper loans etc.
- **What is the interest yield of your fund?**
 - 4,5 -6,6 %

Working Paper Summary

- **Achievement of a high return of investment is still the first goal for the investors and funds manager**
- **Upgrading existing Real Estate Portfolios to Green Building Portfolios and optimizing their performance will be the major trend.**
- **At the moment each country / region is using beside of BREEM/ Leeds, their country specific standard – which makes it difficult to compare the Green Building Certificates on an international level**
- **The majority will go through the certification process, but there might be also the trend to refurbish the buildings towards a Green Building standard and skip the expensive and time intensive certification process.**
- **Common EU Green Building standards are not yet available, but strongly requested**
- **A need for one standardisation Certificate within Europe with less costs for the Investors/ fund manager**

Thank you for your attention

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