
Winning in the Long Run: an update: Making progress together in sustainable investment

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PROJECT

Danube University Krems (Austria)
in cooperation with Kingston University London

WORKING PAPER UPDATE

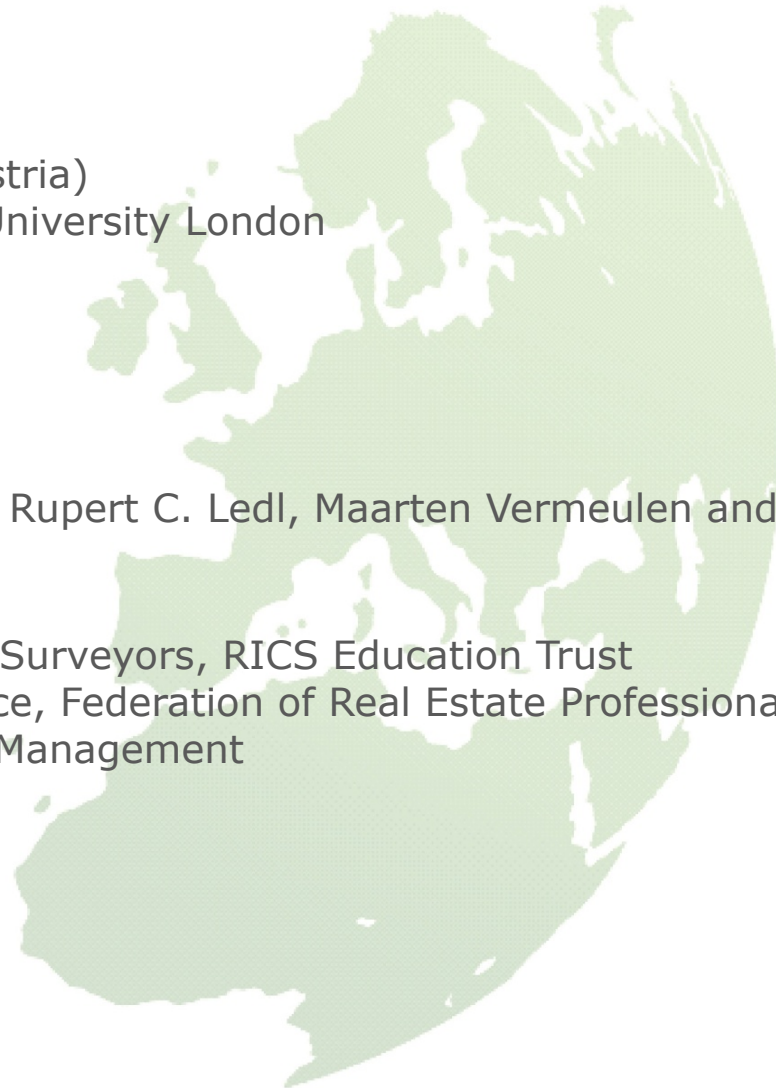
June 18, 2011

AUTHORS

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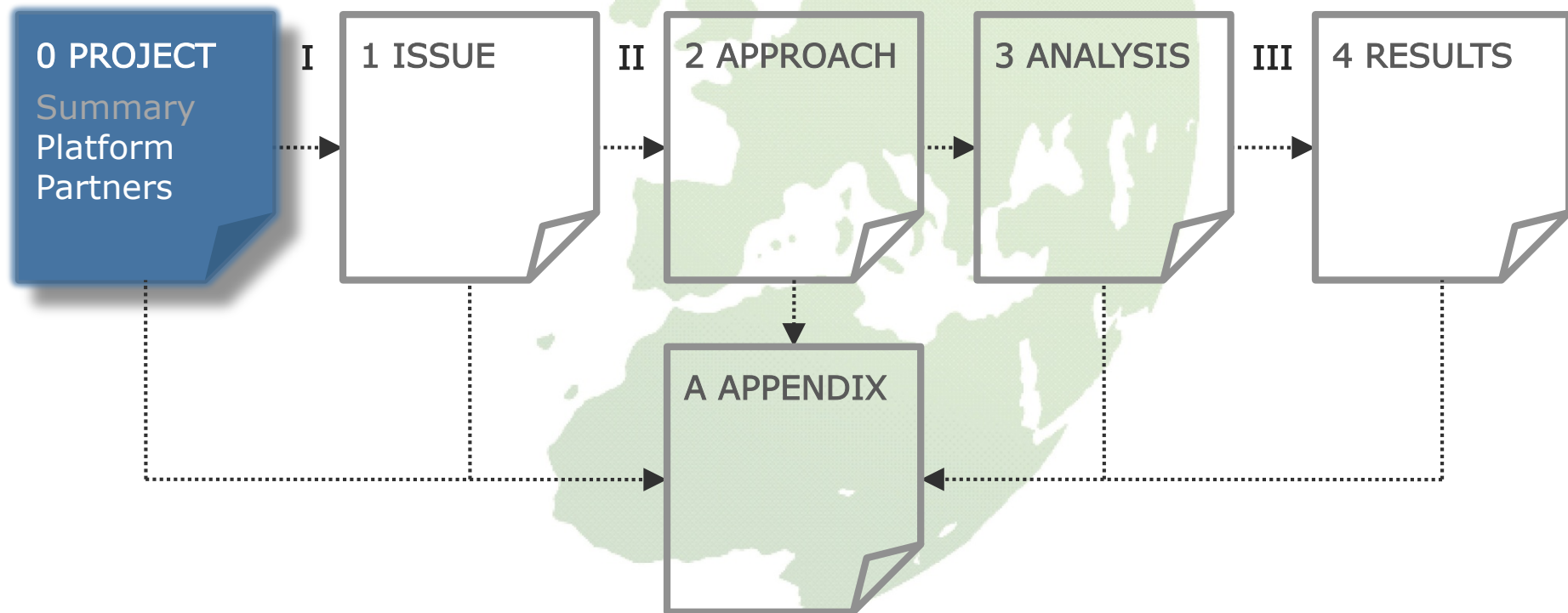
GRANTS

Royal Institution of Chartered Surveyors, RICS Education Trust
Austrian Chamber of Commerce, Federation of Real Estate Professionals
EURO Institute of Real Estate Management

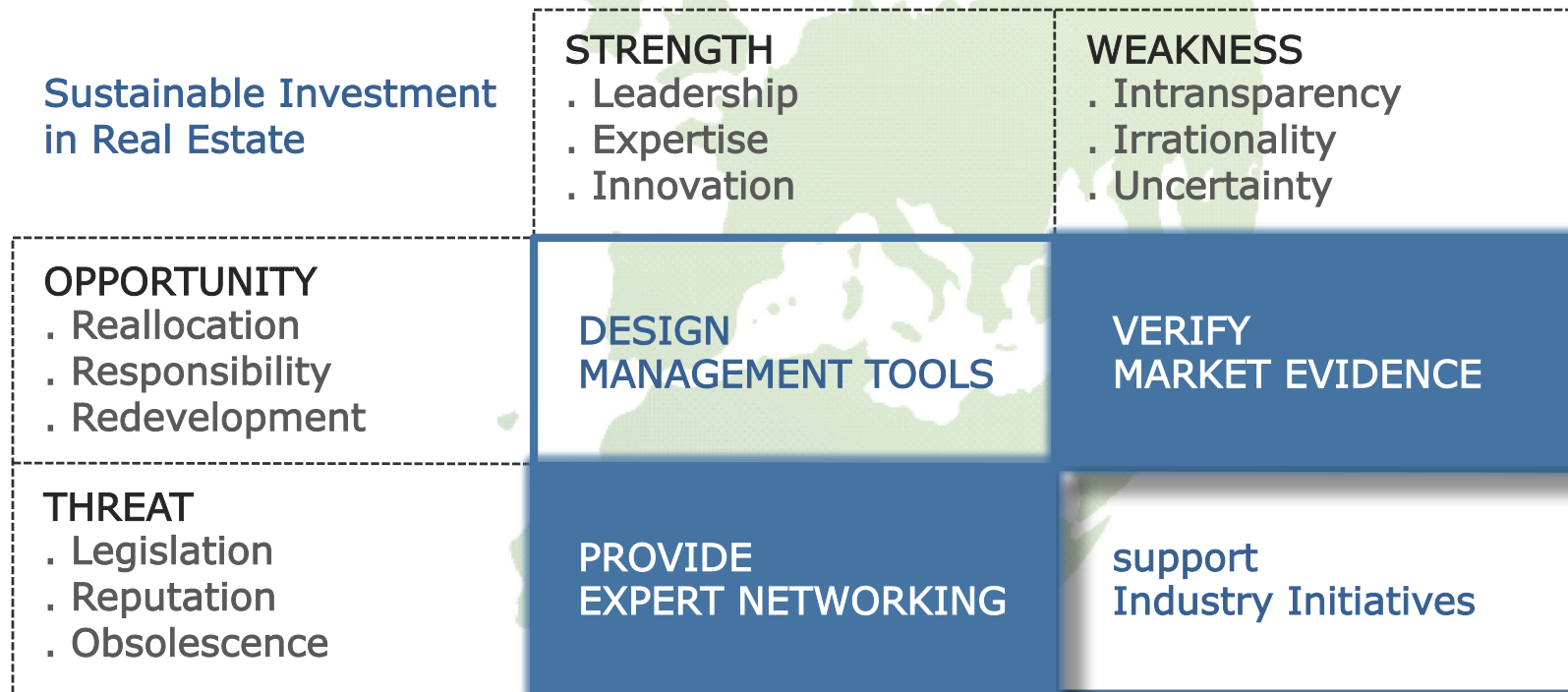




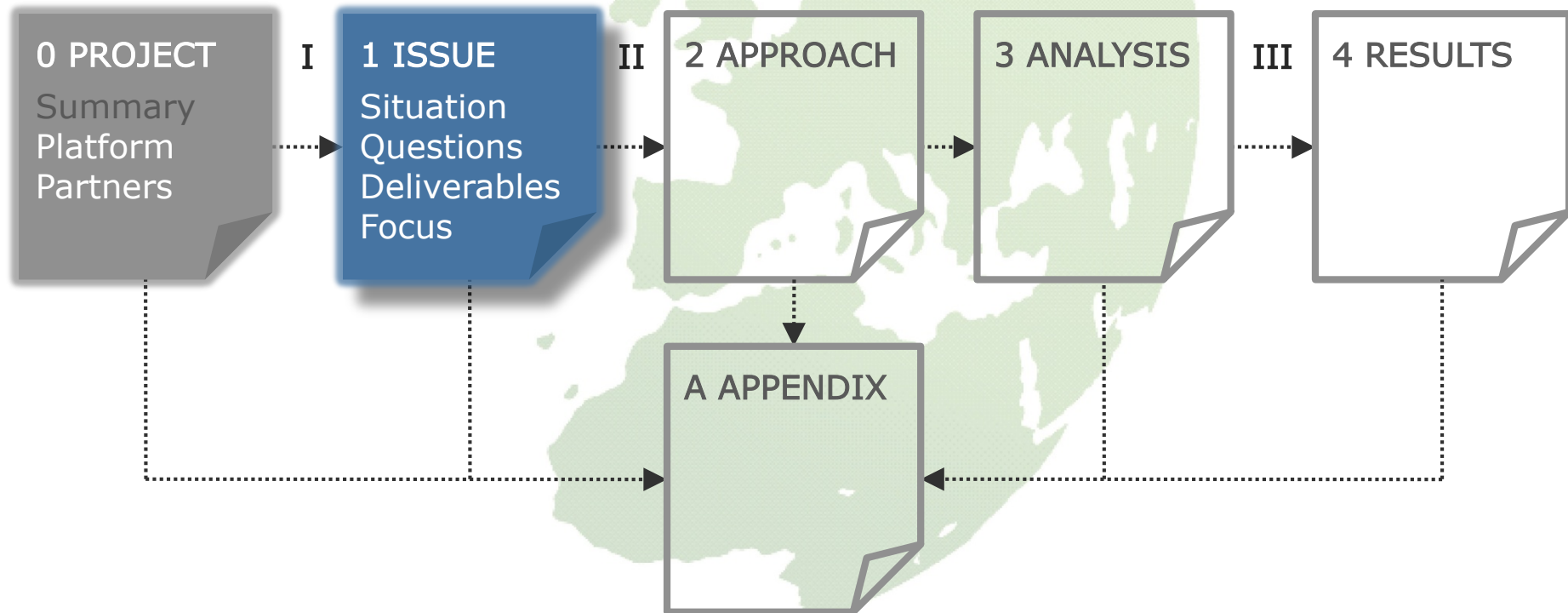
The Content of this Working Paper



The Need for an Independent Research Platform



... Content ...



The Empirical Search for the Green Alpha

.....: (work in progress)

Wiley et al. (USA): Rent 7..17%, Occupancy 10..18%

Fuerst & McAllister (USA): Occupancy 3..8%

Leopoldsberger et al. (DE): Rent 0..6%

Salvi et al. (CH): Rent 5..6%

Fuerst & McAllister (USA): Rent 5..6%, Price 31..35%

Pivo & Fisher (USA): Net Income 6%, Value 13%

Eichholtz et al. (USA): Rent 3..6%, Price 16%

Cudworth & Graham (UK): Return -3%

Miller et al. (USA): Rent 0..3%, Price 15%, Value 10%

Fuerst & McAllister (USA): Rent 4..5%, Price 25..26%

Eichholtz et al. (USA): Rent 2..6%

Salvi et al. (CH): Price 3..7%

the story continues

2008

2009

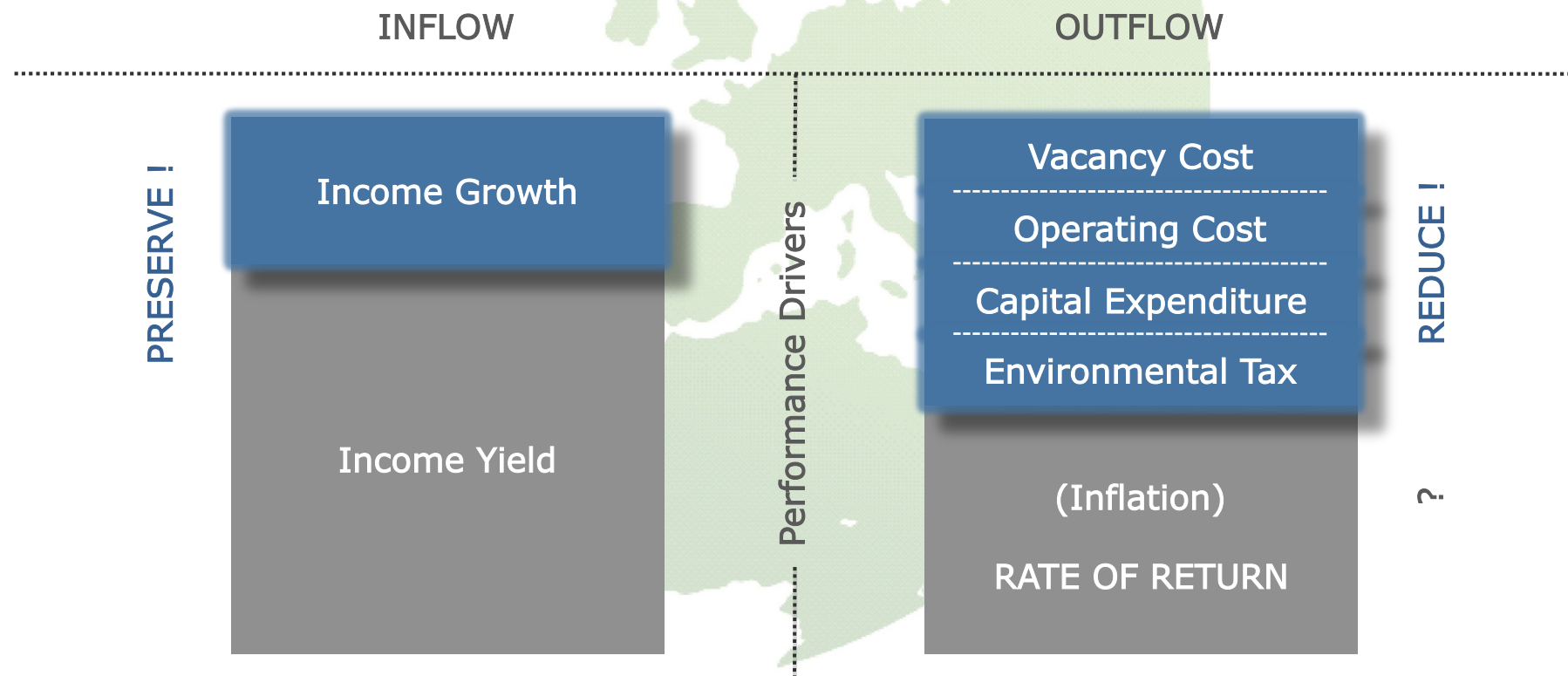
2010

2011

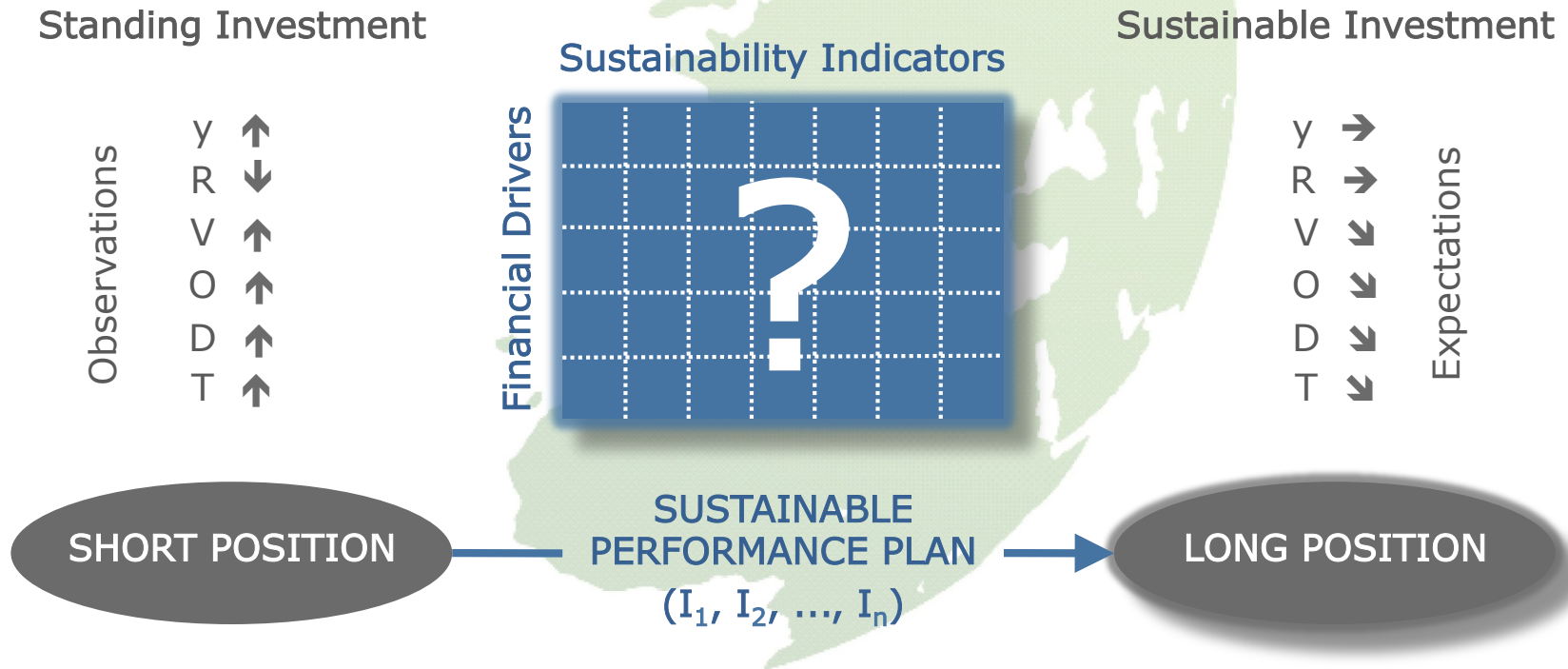
The Difference in Our Approach: cash flow analysis and understanding

- Collection of data from investors against criteria – not labels
- Place in economic context
- Examine relationships and cash flow impacts

The Business Case for a Sustainable Investment



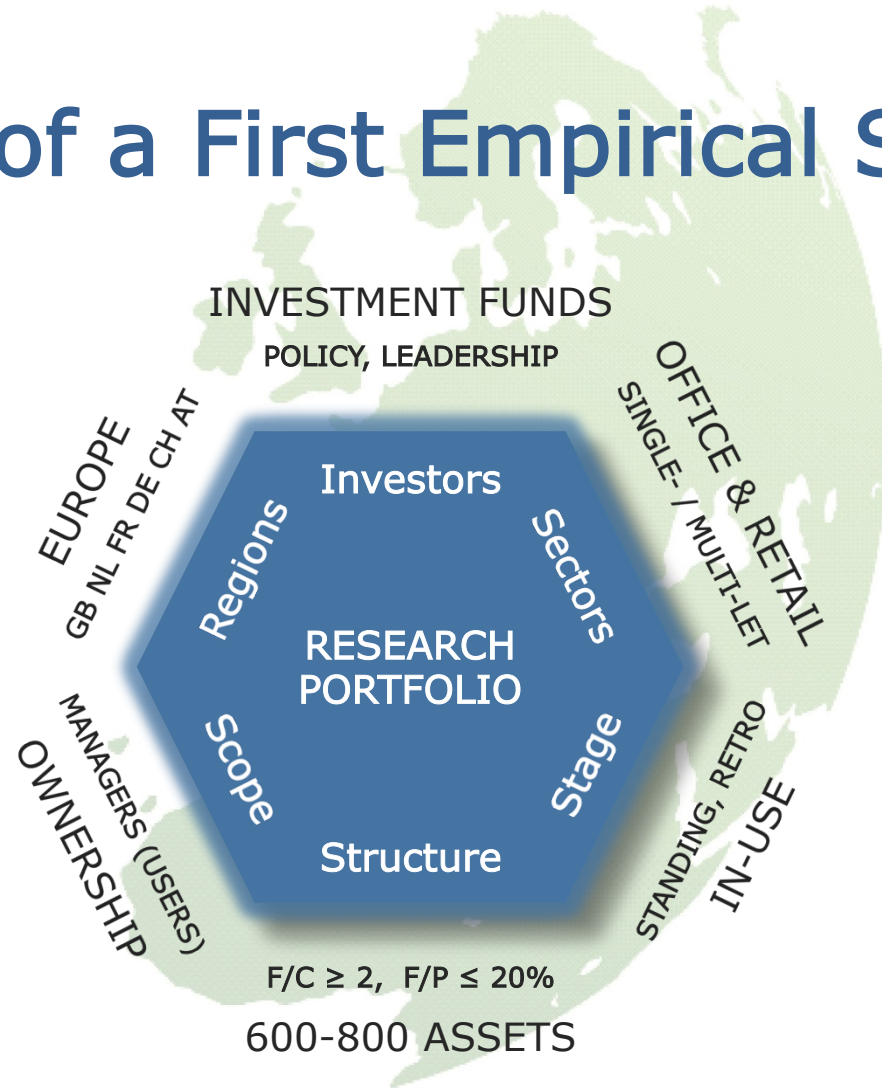
Which Indicators Drive Sustainable Performance



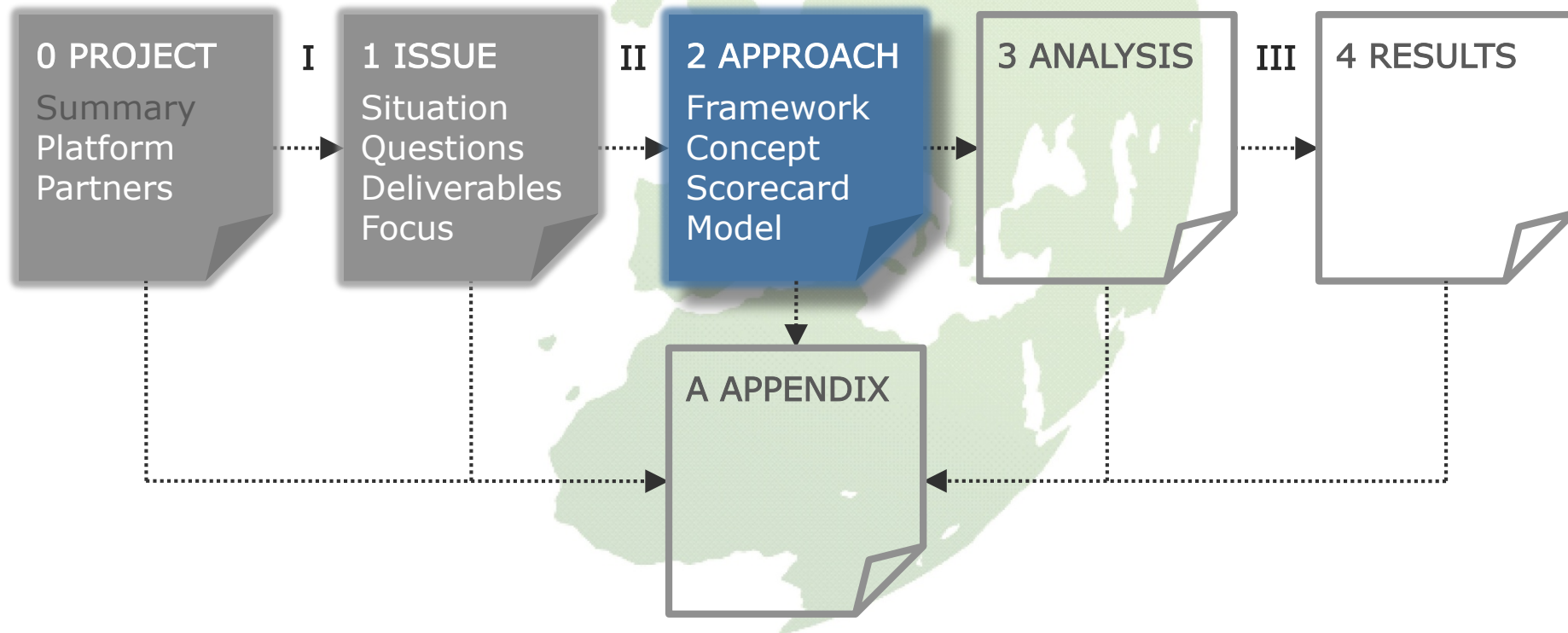
Deliverables to the Project Stakeholders

	Public	Partners	Trustees	Board	Team
Research project plan		■	■	■	■
Project presentation charts		■		■	■
Academic conference papers	■	■	■	■	■
Financial sustainability scorecard		■	■	■	■
Research programme website	■	■	■	■	■
Aggregated data set					■
Integrated analytical model		■	■	■	■
Professional magazine articles	■	■	■	■	■
Project partner workshops		■		■	■
Investor panel discussions	■	■			■
Performance indicator list		■	■	■	■
Research project report		■	■	■	■
Management summary brochure	■	■	■	■	■
Reviewed journal paper	■	■	■	■	■

The Focus of a First Empirical Study in Europe



... Content ...



Towards a Framework of Sustainability Metrics

INVESTORS

GPF (PCI), BPF-GPA (GPA), IIGCC (GPA),
IPF (ISPI;GPA), GRA (GR), GRESB (GRESB), ISA (BREEAM)

REGULATORS

EC (EPD;EPBD;GBP;EPC;DEC;ETS),
ISO (14000;15392), CEN (EN15643)

COUNCILS

WRI/WBCSD (GHG), BBP (SBT),
SBA (CMF), UNEP-FI/SBCI (FSMR;MPM;CCM)

AUDITORS

GRI (G3;CRESS), VERITAS,
KPMG, CBRE

ASSOCIATIONS

RICS (VIP13;CP), ICSC(BREEAM),
EPRA (G3;CRESS), INREV, ULI

RATING BODIES

BRE (BREEAM), GBCI (LEED),
DGNB (DGNB), BMVBS (BNB), AHQE (HQE),
MINERGIE (M-P-ECO)

ANALYSTS

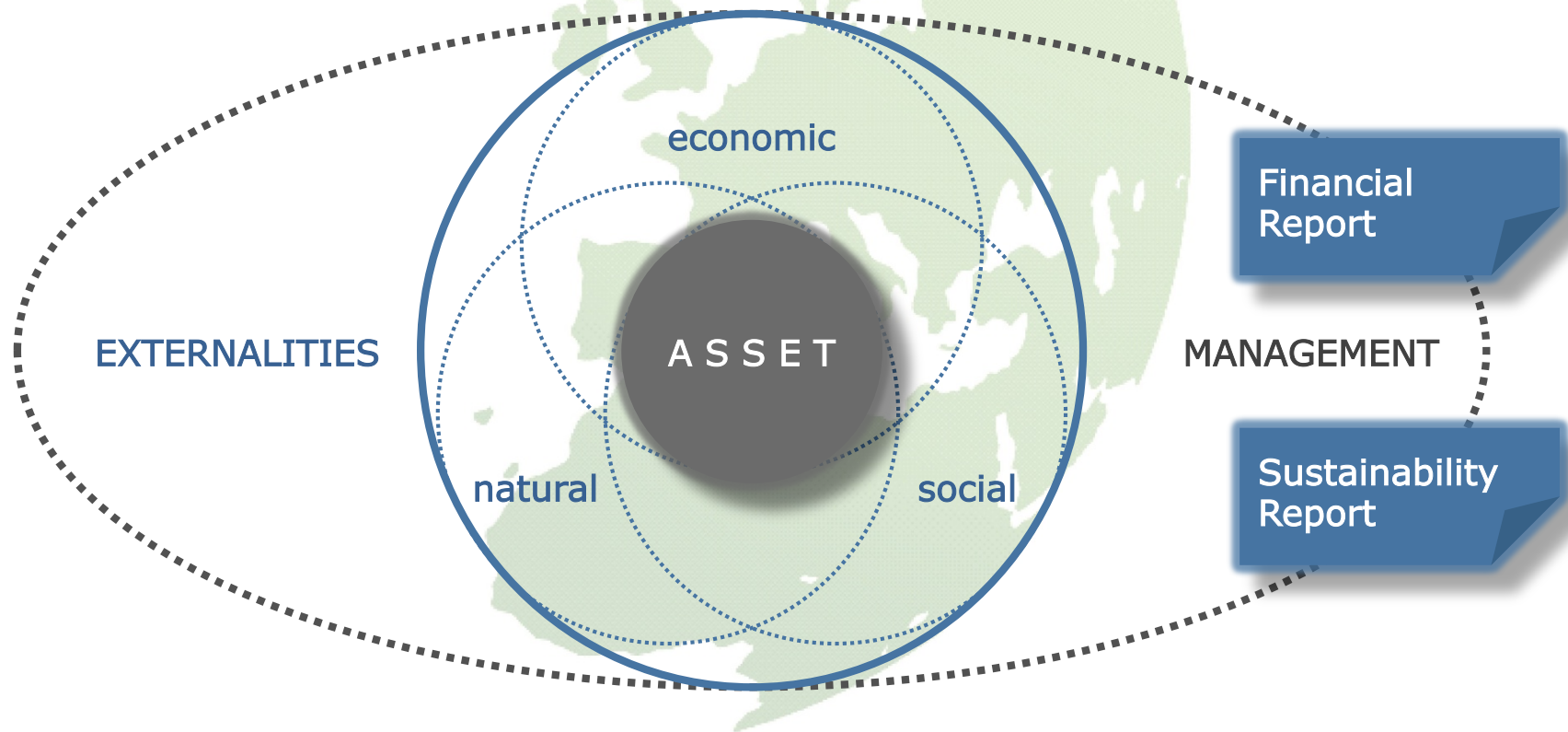
IPD (ECO;ISPI), DTZ, FERI,
JLL (OSCAR;3D;PCI)

UNIVERSITIES

KU (SPAP), HBS, CCSR (ESI),
ECCE (EREI), EURO/DUK (SIRE)



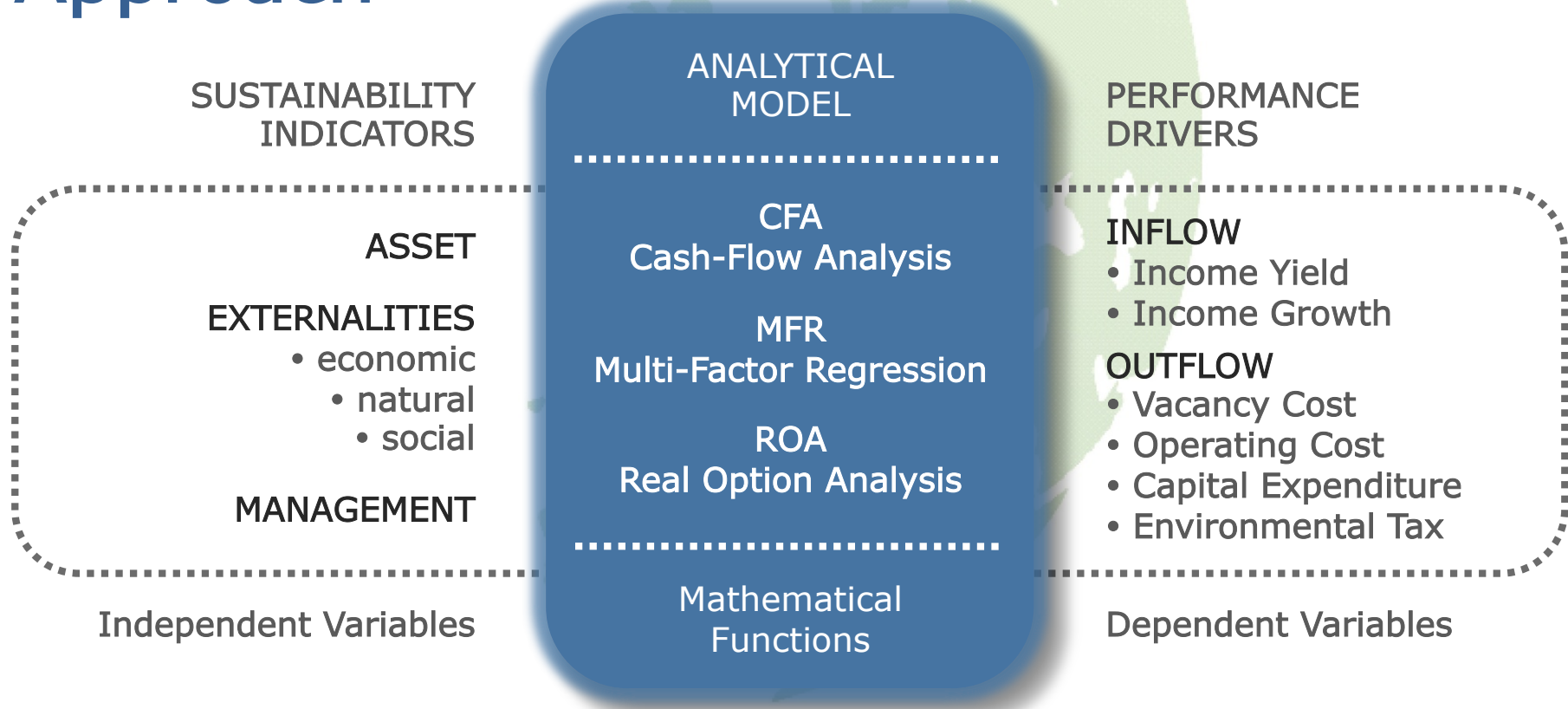
The Concept of Driving Sustainability Indicators



The Financial Sustainability Scorecard

Asset		Externalities			Management			
PHYSICAL		ECONOMIC	NATURAL	SOCIAL	LEGAL	FINANCIAL		
Record	Property	Period	Numerator	▶	Amount	Source	Date	Notes
			ID	TOPIC	ITEM	METRIC	DEF	
			F1	Inflow	Rental income	000 LCU	
			F2		Other income	000 LCU	
			F3	Outflow	Vacancy cost	000 LCU	
			F4		Non-recoverable operating cost	000 LCU	
			F5		Maintenance cost	000 LCU	
			F6		Capital expenditure	000 LCU	
			F7		Property and environmental tax	000 LCU	
			F8	Other	Recoverable operating cost	000 LCU	
			F9		Initial capital value	mLCU	

The Analytical Model of an Integrated Approach





The Score Card developed:

	Group	Company	Asset	Region	
Profile	Strategy	Statement, Description			GRI CRESS Level B
	Organization	Structure, Countries, ...	Entity	<i>Location, Age, Size, Type</i>	
	Reporting	Period, Process, Assurance, ...	Assurance		
	Governance	Membership, Commitments, Engagement, ...	Commitment	<i>Policy, Legislation</i>	
Management	economic	Approach			
	environmental	Approach			
	social	Approach			
Performance	Economy	Direct value, Indirect impact	Direct value	Indirect impact, <i>Market</i>	
	Environment	Energy, Water, Emissions, Land	Energy, Water, Emissions, Land	<i>Climate, Transport</i>	
	Labor Practices	Education	Education	<i>Employment, Education</i>	
	Human Rights	Investment, Corruption	Investment, Corruption	<i>Security</i>	
	Society	Community		Community <i>Health</i>	
	Product Responsibility	Labeling		Labeling, Operation	
	s-i-r-e Sustainability Scorecard				

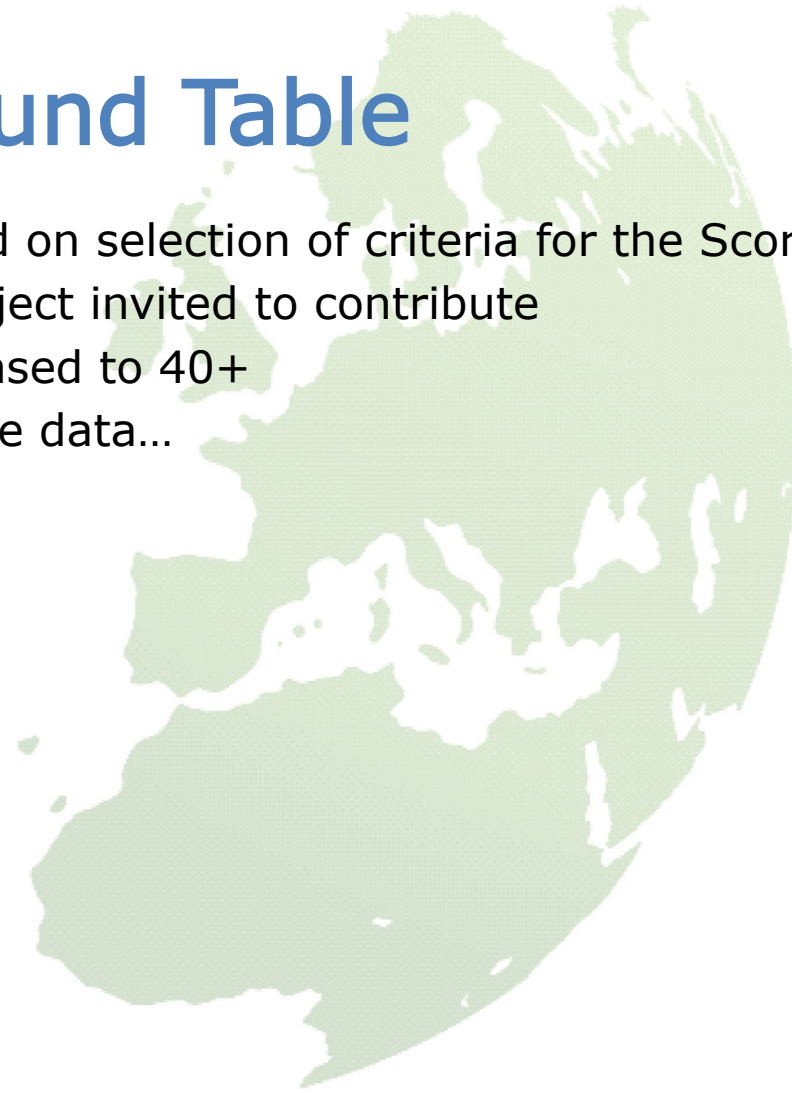
Table: The s-i-r-e Sustainability Scorecard concentrates on a short-list of disclosure aspects for a minimal sustainability report on application level B of the GRI sector supplement CRESS (complimentary s-i-r-e aspects printed in italic).

Since our Round Table

- Work has concentrated on selection of criteria for the Scorecard
- All partners to the project invited to contribute
- Project partners increased to 40+
- All agreed to contribute data...

- So

- The Scorecard ...



To date

- Partners were invited to submit what data they routinely collect – by the end of May
- Analysis is in progress
- But
- Already clear that
 - The quality/quantity of data is extremely variable – and limited in most cases
 - This presents a challenge for analysis
 - Sustainability data will be correlated with economic and social data to reveal which sustainability factors appear to be connected to financial performance
 - Recognise that some indicators may not impact financial performance but have importance for other reasons

Watch this Space ...