

2015 GRESB Report - Europe Snapshot

Introduction

The European Union has been a long-time leader in considering the drivers and impacts of climate change, including full participation in the United Nations Framework Convention on Climate Change and the Kyoto Protocol. It has also put forward significant post-Kyoto greenhouse gas emissions reduction targets, reaching 40% by 2030. As a direct result from this commitment, the European Union requires its Member States to ensure that from 2019 onwards, new buildings occupied and owned by public authorities are nearly zero-energy buildings, and that from 2021, all new building construction is “nearly-zero energy.”

Despite these high level commitments from a legislative level, on-the-ground action faces significant barriers. For example, low energy prices undermine the business case for renewable energy, as well as for retrofitting of existing buildings. At the same time, Europe remains vulnerable to a wide range of climate impacts, such as changes in precipitation patterns, flooding, and extreme temperatures. The real estate industry has a prominent role in urban climate resilience, and many property companies and funds have started to evaluate how they can prepare for and adapt to these changes. As awareness grows that climate-related risks could directly impact business operations and buildings, the sector is poised to become an important pillar of broader urban resilience-building efforts.

Better, more resilient buildings also provide business opportunities. It is becoming increasingly clear that sustainable buildings are associated with improved occupant health and well-being. Indoor air quality, thermal comfort, visual quality and acoustic performance are an essential part of healthy indoor environments. For commercial real estate, these elements can directly affect employee satisfaction and productivity. Moreover, the built environment also indirectly

influences health and well-being, by shaping patterns of physical activity and social interaction, such as providing social spaces to enhance neighbourhood cohesion. In addition to improved productivity and occupant health and well-being, sustainable buildings have also been shown to positively affect the bottom line.

The developments of climate risk mitigation and green building legislation, combined with emerging opportunities such as occupant health and well-being, provide the next chapter in environmental, social and governance (ESG) considerations for the European property market – leading to both risks and opportunities.

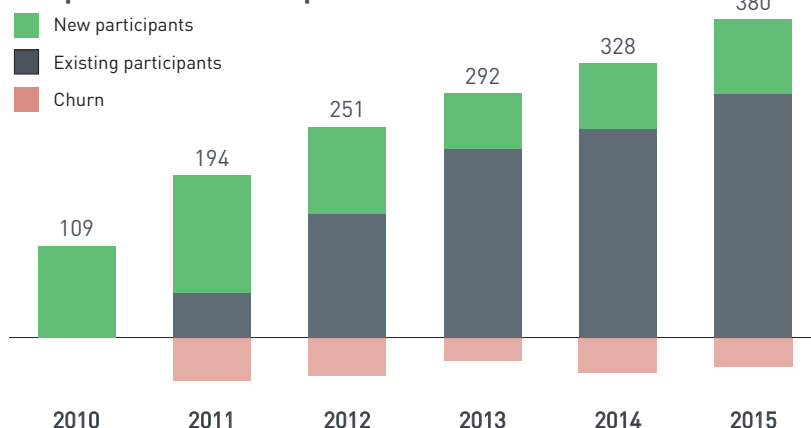
Response Rate

European participation in the 2015 GRESB assessment increased by 16% to a total of 380 entities. The aggregate value of European property companies and funds reporting to GRESB is USD 750 billion, a 9% increase from USD 689 billion in 2014. Most European portfolios are allocated to United Kingdom (139), Netherlands (41) and France (30). In addition, there are 74 portfolios diversified. Notably, participation strongly increased in the Nordics (from 21 to 41) and in Germany (25).

The number of listed companies reporting in 2015 is 69, an increase of 6%. Market coverage, measured by the FTSE EPRA/NAREIT Europe Developed Index, decreased slightly from 76% in 2014 to 74% in 2015.

The 2015 assessment included 311 private entities, an increase of 18% compared to 2014. These entities include JV’s and separate accounts, as well private funds, non-listed companies, and developers, with 75% classifying themselves as Core, 20% Value Added, and 6% Opportunistic.

Response rate development



“Sustainability is one of the game changers impacting today’s business value in the real estate investment sector. INREV supports members with guidance to better understand its impact on asset and vehicle level activity. As part of our commitment we support the GRESB Report, which acts as a very valuable additional tool for members and the real estate industry.”

Maurits Cammeraat, Director of Professional Standards, INREV

Regional Results

GRESB Scores

In 2015, the average GRESB score for European entities improved by a stunning 18% to 56. The region performs slightly better than Asia and North America (both 54). However, Australia/NZ remains globally leading, with an average score of 69.

- Average GRESB Score for all European participants: 52 (global: 56)
- Average GRESB score for listed European participants: 62 (global: 61)
- Average GRESB score for private European participants: 54 (global: 54)

European entities improved significantly in both GRESB dimensions of Management & Policy and Implementation & Measurement. The average Implementation & Measurement score improved by 19% and average the Management & Policy score increased by 15% resulting in average scores of 51 and 65 respectively for all European entities.

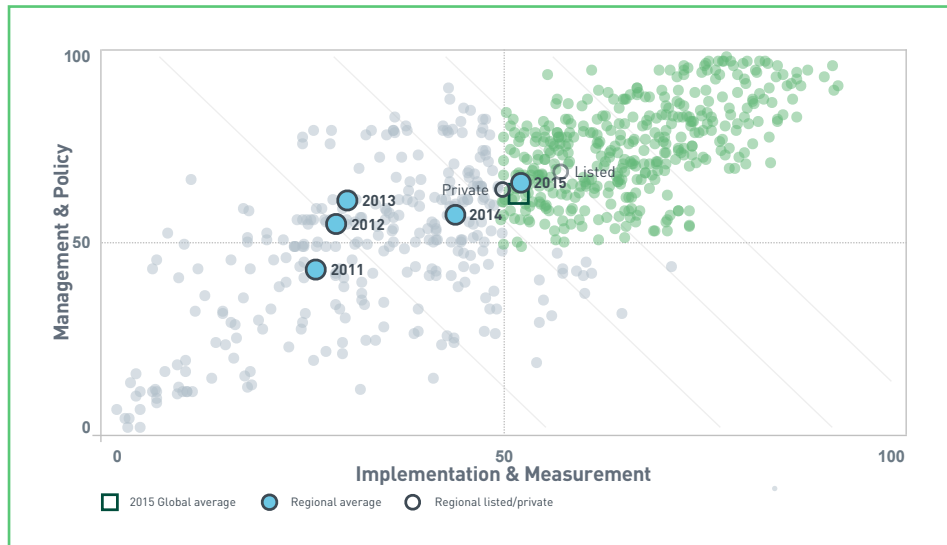
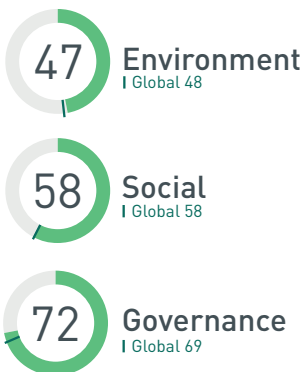
Quadrant Model

The GRESB Quadrant Model clearly shows the increased performance of the European region:

- 54% Green Stars (2014: 35%)
- 2% Green Walk (2014: 2%)
- 28% Green Talk (2014: 29%)
- 16% Green Starter (2014: 33%)

ESG Scores

The GRESB Score is broken down into separate scores for Environmental, Social and Governance (ESG). These scores are calculated based on the allocation of individual questions to E, S, or G. The results show that European GRESB participants score at or above the global average on each dimension.



“Amongst the EPRA membership, sustainability is of paramount importance for the listed real estate companies, proven by this year’s GRESB results for the sector as a whole. EPRA encourages disclosure and clarity in the field of sustainability and looks to challenge greater reporting performance through the EPRA sustainability BPRs and GRESB. EPRA has supported GRESB since its establishment and continues to do so.”

Fraser Hughes, Deputy CEO, EPRA

Aspects Scores

The GRESB Survey is structured into seven unique sustainable Aspects, plus a separate Aspect for New Construction & Major Renovations. The maximum score for each Aspect is the sum of scores for each question in that particular Aspect. Europe performs relatively well on the Aspects of Policy & Disclosure (69 versus 66 global) and Management (80 versus 78 global).



Sustainability Trends

Climate risk & resilience

Global climate change is expected to impact Europe in different ways; rising sea levels and shrinking snow and ice covers on land and at sea, extreme weather events and shifting weather patterns. The European Commission has developed a [strategy on adaptation](#) to climate change to make the region more climate-resilient. This includes recognition for the risk and opportunities associated with property, such as physical damage and insurance costs. The 2015 GRESB results show that within Europe, the commercial real estate sector has started to act:

- Policies to address climate risks: **61%** (global: 54%)
- Policies to promote resilience: **35%** (global: 34%)
- Natural hazard risk assessments for standing investments: **48%** (global: 46%)
- Natural hazard risk assessments for new acquisitions: **65%** (global: 68%)

61% of European participants have policies to address climate risks

Energy efficiency

Proposed European targets as part of the [2030 climate and energy framework](#) focus on the improvement in energy efficiency, the increased use of renewable energy, and major cuts in greenhouse gas emissions. As the European real estate market contributes significantly to energy consumption and greenhouse gas emissions, energy efficient retrofits, on-site generated renewables, and net-zero energy design are the increasing areas for opportunities for European property companies and funds.

The 2015 GRESB results indeed show a positive contribution from European participants to achieving the proposed reduction targets:

- LFL change in greenhouse gas emissions: **-6.4%** (global: -3.04%)
- Reduction LFL change in energy consumption: **-6.1%** (global: -2.9%)
- On-site renewable energy generation: **110GWh**, an increase from 67GWh in 2014
- Development projects generating on-site renewable energy: **39%** (global: 35%)
- Development projects designed to meet net-zero energy standards: **8%** (global: 5%)

-6.4% LFL change in greenhouse gas emissions

Health & well-being

The promotion of health and well-being is emerging as a focal point for the property industry. This reflects growing recognition that the design, construction, and operation of buildings can significantly affect human performance, including productivity, stress, the incidence of chronic disease, and many other conditions. [Research](#) is being done in Europe to better understand the potential for both positive and negative impacts.

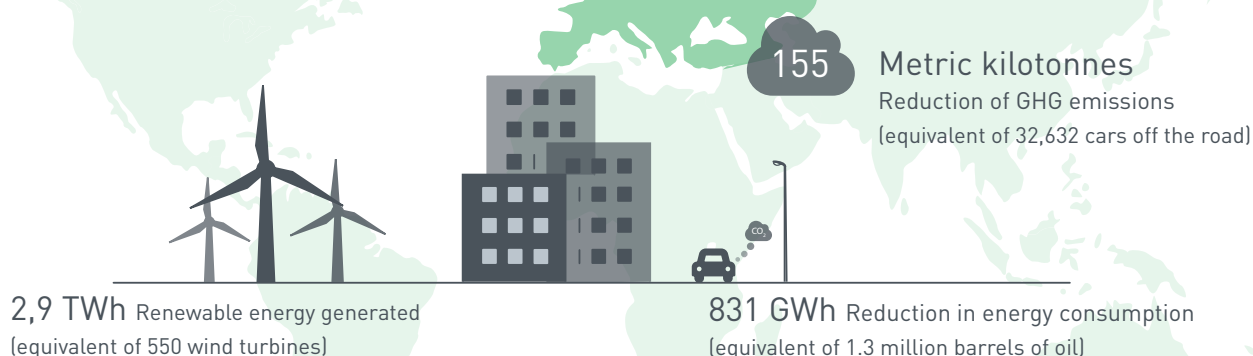
65% perform health, safety, and well-being risk assessments for acquisitions

The GRESB assessment addresses health, safety and well-being from different angles and for different stakeholders. Results for the European market show:

- Health and safety checks for employees: **94%** (global: 88%)
- Monitoring occupational health and safety indicators: **78%** (global: 70%)
- Health, safety, and well-being risk assessments for acquisitions: **65%** (global: 65%)
- Health and well-being features in development projects: **79%** (global: 84%)
- Health and well-being as part of community engagement programs: **39%** (global: 42%)



2013-2014 Consumption Change



Regional Sector Leaders

Property type	Listed	Listed/Private combined	Private
Diversified	UII/DEFO-Immobilienfonds1 - Union Investment Institutional Property GmbH		Linked Life Fund - <i>Legal and General Property</i>
Retail	Unibail-Rodamco*		Steen & Strom AS
Office	Fabegé		CBRE Dutch Office Fund - <i>CBRE Global Investors</i>
Industrial		Industrial Property Investment Fund - <i>Legal and General Property (Private)*</i>	
Residential		Altera Vastgoed NV - Woningen - <i>Altera Vastgoed NV (Private)</i>	
Other		Leisure Fund Property Partnership - <i>Legal and General Property (Private)*</i>	
Diversified - Retail/ Office	British Land Company Plc		Managed Fund - <i>Legal and General Property*</i>
Diversified - Industrial/ Office		UK Property Income Fund - <i>Legal and General Property (Private)</i>	
Diversified - Residen- tial/Office		AXA Switzerland - <i>AXA Investment Management (Private)</i>	

* Global Sector Leader

Contact

GRESB B.V.

Sarphatistraat 370
1018 GW Amsterdam
The Netherlands
Tel. +31 (0)207740220

info@gresb.com
www.gresb.com

@GRESB

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