

2015 GRESB Report

United States Snapshot

Introduction

The commercial real estate sector contributed \$747 billion to U.S. GDP in 2014, generated \$237 billion in personal income, and supported 5.7 million jobs. These economic benefits are intimately linked with critical national issues including energy, water, and health.

Energy use in U.S. residential and commercial real estate represents a significant cost and is an important source of environmental impact. Building-related energy expenditures exceeded \$400 billion in 2014 and accounted for 41% of total U.S. energy use. This energy use contributed directly or indirectly to 30% of U.S. greenhouse gas emissions. Fundamentally, these costs and environmental impacts represent inefficiencies and liabilities that can be reduced and potentially eliminated through more efficient, more sustainable buildings.

The U.S. Geological Survey estimates that residential and commercial buildings consume 73% of U.S. public potable water supply each year. This makes residential and commercial buildings critical in efforts to address drought and prepare for climate change. Fortunately, buildings also have an enormous potential for water savings, as illustrated by recent water conservation campaigns that have provided large-scale, short-term reductions in excess of 25% of total water demand.

Property also has direct and indirect impacts on well-being and population health. Prevailing patterns of urban development in the U.S. have contributed to rising rates of chronic disease, social isolation, and vehicle-related injuries. Conversely, recent studies show that built environments can provide practical solutions to these societal challenges. Property with associated with high quality pedestrian infrastructure, green space, parks, public transportation, and healthy food

choices can significantly lower risks for diabetes and other chronic diseases.

In each of these illustrations, we find that buildings represent both a source of challenges and solutions. GRESB's 2015 results provide insights into the on-going efforts of U.S. property companies and fund managers to navigate these complex environmental, social, and governance issues, while finding new opportunities to create value and managing short and long-term risks.

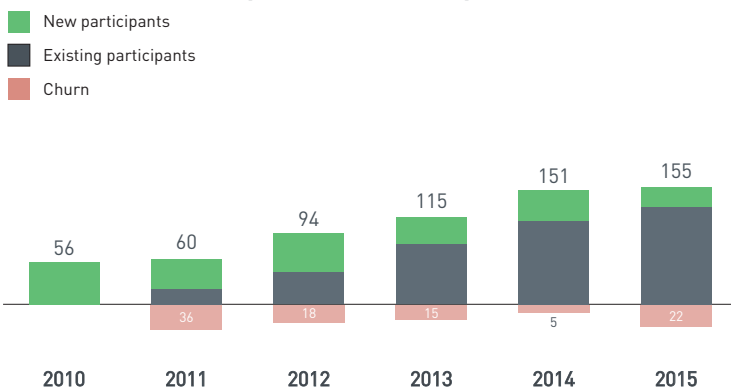
Response Rate

The 2015 GRESB assessment included 143 U.S. participants with a combined gross asset value of USD 813 billion, including 41 listed companies and 102 private funds. U.S. entities reported holding 16,433 assets across a range of property types including retail, office, industrial, residential, hotels, and healthcare. U.S. property companies and funds represent 35% of GRESB global participation by asset value and 29% by floor area, making it the largest region in the GRESB database. U.S. private fund participants are distributed across multiple investment strategies: 59% Core, 34% Value-added, and 7% Opportunistic.

The majority of US participants report having a mixture of standing investments and development. In 2015, there were no development-only U.S. entities.

- Standing investments only: 68 entities
- Development-only: 0 entities
- Standing investments and development: 75 entities

North American response rate development



"Sustainability is an issue of increasing importance for listed REITs and real estate companies, and of growing interest among investors. Over the past several years, these companies, which represent a cross-section of commercial real estate, have measurably increased their sustainability-related activities; and the annual GRESB Report provides useful information and comparative benchmarking data to help measure this progress."

Sheldon M. Groner, Executive Vice President, Finance & Operations, NAREIT

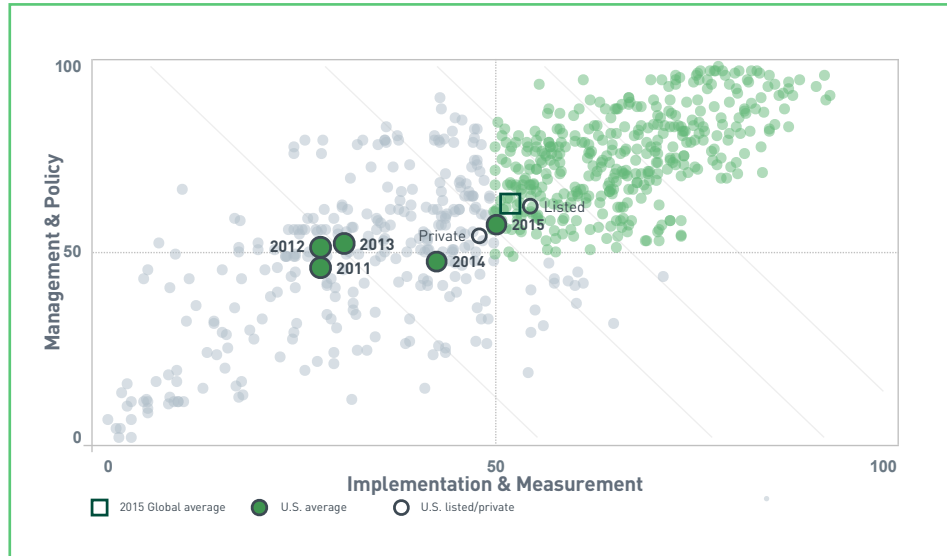
Regional Results

GRESB Scores

Overall, U.S. GRESB participants performed well, but slightly trailed global GRESB averages in 2015:

- Average GRESB score for all U.S. entities: 52 (global average 56)
- Average GRESB score for listed U.S. entities: 57 (global average 61)
- Average GRESB score for private U.S. entities: 50 (global average 54)

On average, U.S. participants achieved higher scores on the GRESB Management & Policy dimension (U.S. average 57) than the Implementation & Measurement dimension (U.S. average 50). U.S. listed companies outperformed private entities by 11% in Management & Policy and 19% in Implementation & Measurement.



Quadrant Model

In 2015, U.S. GRESB participants aligned with the larger global trend, with a significant increase in entities recognized as Green Stars. However, a significant percentage of companies and funds remain in the Green Starter category:

- Green Stars: 50%
- Green Walk: 5%
- Green Talk: 15%
- Green Starters: 30%

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. U.S. entities perform well on the Risk & Opportunities Aspects with a score of 71 as compared to the global average of 60. However, there are opportunities for improvement on all other Aspects, notably including Management (score of 71 as compare to 78 global), Policy & Disclosure (score of 58 as comperad to 66 global) and Stakeholder Engagement (score of 53 as compared to 58 global).

ESG Scores

The GRESB Score is broken down into separate scores for Environmental, Social and Governance (ESG) based on mapping these issues to specific questions. Overall, U.S. entities matched or modestly trailed global averages. The average score for environmental performance was 47, matching the global average. Social was 55, trailing the global average by 5%. Governance was 61 with the widest gap, falling nearly 11% below the global average.



Sustainability Trends

Energy

The 2015 GRESB data indicate that U.S. property companies and funds are taking broad-based action to understand and reduce energy-related costs and environmental impacts. Specific policies, actions, and monitoring reported for standing assets include:

- Provisions to monitor energy use in data management systems: **99%**
- Energy policies as part of overall sustainability policies: **96%**
- Implementation of specific measures to promote energy efficiency: **71%**

In many situations, effective energy management requires collaboration with tenants. The 2015 GRESB results include an increase in tenant engagement indicators to promote energy savings. Commonly used measures reported by U.S. participants include:

- Utility data sharing: **66%**
- Cost-recovery clauses for energy efficiency improvements: **69%**
- Energy efficiency requirements for tenant improvements: **59%**

The 2015 GRESB data also include information on development activities. In 2015, 71% of U.S. entities with new construction and major renovation activity reported energy efficiency management strategies, such as:

- Above code energy efficiency requirements: **51%**
- High efficiency equipment and appliances: **81%**
- Building commissioning: **66%**

The 2015 GRESB data indicate that these efforts have yielded tangible results. On average, U.S. GRESB participants report:

- Average energy data coverage: **65%** across all property types

U.S. participants generated **112,591 MWh** of on-site renewable energy

- Like-for-like reduction in total energy consumption: **-1.8%** from 2014
- On-site renewable energy use: **112,591 MWh**, a 29% increase from 79,423MWh 2014

Health & Well-Being

The United States faces a long-term challenge with health care spending. Investors, fund managers, and occupiers are increasingly looking to buildings as a potential platform to contribute to preventive care and promote population health. Ultimately this creates the potential to positively differentiate property that contributes directly and indirectly to efforts to reduce healthcare costs and social impacts.

The 2015 GRESB results indicate that the U.S. commercial real estate sector is taking actions to understand and promote health, safety, and well-being in buildings. Examples of specific policies, actions, and monitoring reported for standing assets include:

- Health and safety checks: **71%**
- Community engagement program monitoring local resident well-being: **57%**
- Community engagement programs addressing health and well-being: **49%**

Internally, **45%** of U.S. 2015 GRESB participants monitor occupational health and safety indicators, including:

- Lost day rate: **69%**
- Absentee rate: **48%**
- Other metrics: **31%**

Water

Severe and prolonged drought in the western U.S. has brought attention to the importance of water conservation and sustainable water supply management. Short-term events such as droughts are superimposed on a long-term decline in the per capita availability of renewable freshwater resources across the U.S. Consequently, efficient and productive use water is essential to maintaining both economic activity and environmental quality.

The 2015 GRESB results indicate that property companies and funds are taking a variety of actions to understand and conserve water resources. Specific policies, actions, and monitoring reported for standing assets by U.S. entities include:

- Provisions to track water consumption in data management systems: **95%**
- Water policies as a specific aspect of overall sustainability policies: **94%**
- Water-related risk assessments for new acquisition: **83%**

In 2015, 88% of U.S. entities reported water efficiency requirements for new construction and major renovation, including:

- High efficiency fixtures: **95%**
- Drought tolerant/low-water landscaping: **67%**
- Drip or "smart" irrigation: **61%**

The 2015 GRESB data indicate that these actions have contributed to significant, positive outcomes. In 2015, U.S. GRESB participants report:

- Water data coverage: **71%** across all property types
- Like-for-like reduction in total water consumption: **-2.4%**

88%

of U.S. entities reported water efficiency requirements for new construction and major renovations


45%

of U.S. property companies and funds monitor occupational health and safety indicators

Explore the 2015 GRESB Report



2013-2014 Consumption Change



0.6 TWh Renewable energy generated
(equivalent of 114 wind turbines)



535 GWh Reduction in energy consumption
(equivalent of 857 thousand barrels of oil)

244

Metric kilotonnes
Reduction of GHG emissions
(equivalent of 15,316 cars off the road)

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