

The Sustainability Shift



NINEFOUR
VENTURES

The Challenge: Many CRE players view adoption of sustainability as an incremental cost.

There is a common belief that retrofitting an existing building with green features is considered relatively challenging compared to developing new ones, and so the former tends to have lower sustainability adoption.

- New construction, excluding renovations, accounts for approximately 1.8 percent of the total U.S. building stock.
- There is significant opportunity to increase sustainability implementation in the existing building stock.

But...

- Research demonstrates that there isn't a significant cost of greening an existing building compared to the cost of mending a building exterior.
- The higher upfront costs associated with greening a building tend to be offset by lower long-term life cycle costs.

Rational For Owners/Operators/Developers: Buildings (re)designed with green features will depreciate less quickly than others, will be more likely to meet the growing demand of today's occupier/investor market, will have increased marketability and will also have lower long-term life cycle costs and energy savings.

- Environmental measures targeted towards reducing energy costs stand to have a positive impact on asset values.
- According to Business Commission for Sustainable Development (BCSD), energy efficiency solutions in buildings are rated as a top three topic of value creation opportunities from the SDGs, estimated to be around 770 USD billions annually by 2030.
- According to the National Association of Homebuilders, homebuyers want — and will pay more for — sustainable features like energy-efficient appliances, windows and the like, alongside features that ensure better air quality.

“The use of technology to improve the sustainability of a building has been one of the largest advances during my five decades in architecture” - Architect
Helmut Jahn

Rational For Renters: The largest pool of tenants and buyers consists of millennials and eventually Gen Z. Both generations care about carbon footprint. Properties can stand out from the crowd if they have features that highlight environmental consciousness.

- According to a Nielsen study, 81% of consumers around the globe believe it is extremely or very important for companies to have environmental improvement as an objective.
- Real estate stands for 40% of overall energy usage globally and 30% of global CO2 emissions
- Companies will benefit from considering the impact on health and well-being, while planning their sustainability initiatives to improve occupant satisfaction. This will also result in higher investment returns for RE investors.
- An NMHC study states: Survey respondents say they are willing to pay an extra \$32.64 a month in rent to live in an apartment building that has earned a “green building” certification such as a Leadership in Energy and Environmental Design (LEED) from the U.S. Green Building Council.
 - Three quarters of all respondents—75 percent—said they were “interested” or “very interested” in these “green” certifications. The certifications can even be the deciding factor for some potential renters.

Industry Examples: Real Estate companies have rolled out comprehensive sustainability initiatives. The opportunity to leverage and apply technology within this space, to meet their goals, is substantial.

Buzzuto:

“Bozzuto’s growing focus on innovation and smart buildings continues to enhance residents’ lives, blending sustainability with technology and design in ways once never imagined in the industry.” We have a strong commitment to sustainability, as it is implemented throughout our company”.

Boston Properties:

“As one of the largest owners and developers of office properties in the United States, Boston Properties actively works to promote our growth and operations in a sustainable and responsible manner across our five regions. Our sustainability strategy is broadly focused on the economic, social and environmental aspects of our activities, which include the design and construction of our new developments and the operation of our existing buildings. We believe that by understanding the social and environmental impacts of our business, we are better able to protect asset value, reduce risk and advance initiatives that result in positive social and environmental outcomes.”

Brookfield:

“We strive to minimize the environmental impact of our operations and believe that using resources in a responsible manner preserves our environment and results in significant operational cost savings,”

*Brookfield Property Partners has raised \$250M to develop and refurbish green property projects, as capital markets reward investors with a strong sustainability focus.

GRESB: Their **Initiative** for Change and RE Partners

GRESB was launched in 2009 by a group of large pension funds who wanted to have access to comparable and reliable data on the ESG performance of their investments. They have become the leading Environmental, Social and Governance (ESG) **benchmark for real estate and infrastructure** investments across the world.

- ESG data and benchmarks now cover USD 4.5 trillion in real estate and infrastructure value and are used by more than 100 institutional investors to make decisions that are leading to a more sustainable real asset industry.

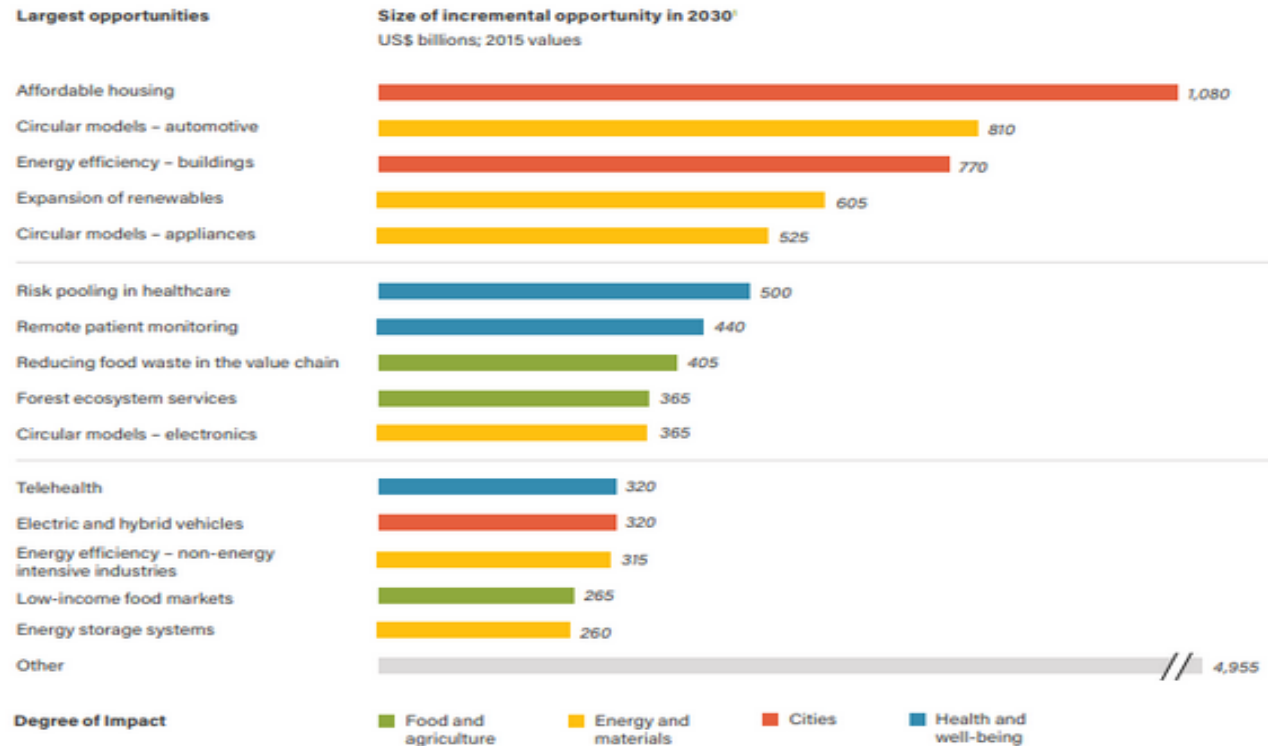
Americas Partners



The **Impact** of Sustainable Development Goals

The Sustainable Development Goals are a collection of 17 global goals set by the United Nations General Assembly in 2015 for the year 2030.

Delivering the SDGs could generate over US\$12 trillion worth of business opportunities



Source: "Better business, better world", Business Commission Sustainable Development, Jan 2017