

## Sustainable real estate investment in Europe

### The first European study on ESG trends and best practices in sustainable real estate investment by Green Soluce and IEIF

*What is the current state of ESG practices among real estate investors in Europe? What are the main challenges identified, as well as the drivers for expanding sustainable investment and asset management strategies in terms of environmental, social / societal and governance issues? What priority themes do these players identify for the future?*

*To answer these questions, Green Soluce and the IEIF ("Institut de l'Épargne Immobilière et Foncière") have drawn up an overview of the best practices in sustainable real estate investment in Europe through a new study: "ESG Trends in Real Estate Investment: Best practices, drivers and challenges in Europe". For this first edition, more than 90 real estate players (institutional investors, listed property companies, non-listed real estate fund management companies) in 15 European countries, representing 787 billion euros of real estate assets under management, were interviewed between October 2020 and January 2021. Interviews with 25 of Europe's leading sustainable real estate investment companies have helped to identify future trends to accelerate the sector's environmental and societal transition.*

*This study was conducted in partnership with EPRA and INREV at the European level and 7 national professional associations (EjendomDanmark in Denmark, Investment Property Forum (IPF) in the United Kingdom, IVBN in the Netherlands, Norsk Eiendom in Norway, RAKLI in Finland, Wires in Spain, ZIA in Germany).*



## ESG TRENDS IN REAL ESTATE INVESTMENT

*Best practices, drivers and challenges*



The results unveiled today highlight **4 key findings**:

- 94% of players surveyed have defined an **ESG policy** for their real estate investments. Over 60% of respondents have defined quantified targets and monitor specific **energy** and **carbon** indicators.
- Real estate investors value buildings with **environmental labels** because of their attractiveness to tenants and see them as a key lever for the transition.
- **The complexity of the processes** and the **lack of harmonised normative frameworks** are considered to be the **most important challenges** for a systematic and explicit consideration of ESG factors in asset valuation.
- According to real estate market participants, **carbon**, **regulation**, and the **availability and quality of data** are the top ESG issues, but also among the most complex to address.

## I – Overview of sustainable real estate investment practices

The study carried out by Green Soluce and the IEIF first focuses on the evaluation of ESG practices in the investment and management phases of real estate assets. This stage of analysis of the current market, allows us to note that:

- **94% of all respondents** have defined an ESG policy for their real estate investments.
- Among institutional investors, few **real estate ESG managers** are members of their respective executive committees. This can be explained by the fact that these issues affect all asset classes and that institutional investors can also rely on the expertise of their external fund managers. On the other hand, ESG managers are much better represented in the executive committees of listed real estate companies and non-listed property fund management companies.
- Most of the respondents plan to extend their ESG policy coverage to more than **75% of their real estate assets** under management/portfolio within the next five years.
- **48% of the entities surveyed** stated that they use the GRESB, either to participate in this initiative or to use the results of the benchmark. The UN PRI benchmark is also highly valued.
- **Social / societal** and **governance** issues are taken into account, but are **not monitored through indicators** to date for a majority of the entities surveyed.

## II – Main drivers and obstacles for ESG policies

The study identified the main drivers and obstacles encountered in taking ESG criteria into account.

### The main drivers encountered:

- Strong investor demand;
- Willingness to reduce short and medium term risks;
- A need to strengthen and protect the value of property assets.

### The obstacles highlighted:

- Complexity of processes and lack of harmonised normative frameworks;
- Lack of data availability and quality;
- Anticipated project costs and the consequent decrease in the return on assets.

## III – The expectations of the main players in the real estate market with regards to sustainable investment

In order to determine the challenges of sustainable real estate investment in the future, **25 leading real estate investment professionals**, including fund managers, listed property companies and institutional investors, were interviewed.

The objective: to summarise their strategic vision and to find out their expectations in this field for the years to come.

There is a consensus among real estate players that reducing greenhouse gas emissions and adapting to climate change is an **absolute priority**. Indeed, the building and construction sector is one of the sectors most concerned by the reduction of carbon emissions. In this context, the ability to retrofit the existing stock is seen as one of the most important initiatives to address the carbon issue.

**Data management is also a priority** for the players interviewed, who need reliable indicators to monitor ESG issues. Today, data collection is still correlated to different types of factors such as the nature of the tenants or the location of the assets for example. In addition, market participants regret the lack of clear guidelines from regulators, particularly concerning the data needed to calculate the carbon footprint of buildings.

The market participants interviewed increasingly see **regulation as an opportunity** to enable the convergence of best practices in sustainable investment, rather than being an obstacle. However, they point to the need for harmonisation and convergence of the different regulations at European level and encourage legislators not to consider only new construction projects, but to **take more account of the renovation of the existing building stock**. This is particularly the case for the European taxonomy project, for which the majority of the entities surveyed have begun to prepare, with varying levels of maturity from one player to another.

*“We at Green Soluce are delighted to have partnered with the IEIF to carry out this study dedicated to sustainable investment in real estate assets at the European level. This study is unique in the sustainable finance ecosystem. For the first time, in a context where the transition to carbon neutrality and, more broadly, the environmental and societal transition is accelerating, reliable data is provided with regards to ESG trends for real estate. This provides real estate investment players with the insight they have been waiting for and that is relevant to their decision-making.”* **Ella Etienne-Denoy, CEO of Green Soluce.**

*“Taking into account the various issues related to climate change, but also to societal and governance changes, is becoming increasingly important in real estate investment and asset management strategies. There was an urgent need for a European-wide benchmark study that would provide an overview of best practices and priorities in terms of responsible investment. This study, co-produced by Green Soluce and IEIF, will be enhanced each year to provide real estate players with an updated benchmark.”* **Christian de Kerangal, CEO of IEIF.**

Full study available here <https://www.greensoluce.com/gs-ieif-esg-trends-study-2021/>

from May 6<sup>th</sup> 2021 to October 6<sup>th</sup> 2021

#### Methodology:

Study co-produced by Green Soluce and IEIF (Institut de l'Épargne Immobilière et Foncière) with the insights of real estate fund managers, listed real estate companies and institutional investors, spread over 15 European markets and based on data received from members of the real estate industry's professional associations that are partners of the study and represent all the markets covered: EjendomDanmark (Denmark), EPRA (Europe, listed), INREV (Europe, unlisted), IPF (Investment Property Forum, UK), IVBN (Netherlands), Norsk Eiendom (Norway), RAKLI (Finland), WIRES (Spain), ZIA (Germany).

An in-depth survey was conducted between October 2020 and January 2021 and interviews were conducted between December 2020 and March 2021. In total, 162 entities contributed to the survey, of which 93 responded fully.

#### PARTNERS: 9 leading real estate industry associations across Europe



## ABOUT GREEN SOLUCE

As a new kind of player, combining the best of consulting and customised support with digital solutions, Green Soluce defines itself as a committed group of facilitators and accelerators serving the shift of companies and organisations towards a more sustainable, more inclusive and more resilient model. The Green Soluce team helps private and public players to navigate the complexity of the environmental and societal transition by daring to imagine, build and implement bold solutions with a strong and positive impact. Green Soluce stands out for its in-depth expertise in one of its preferred sectors, real estate and the city, as well as for its unique philosophy - DARE, DO, LEAD - that drives the Green Soluce team's actions every day.

The team offers a unique combination of skills in strategy, engineering and communications in a multidisciplinary dynamic and mobilises 4 hubs of expertise: "Advisory" (sustainability and CSR strategy and technical engineering consulting), "Learning" (innovative digital and face-to-face educational tools), "Sustainable Finance" (specific expertise dedicated to responsible investment in non-listed assets, i.e. real assets - real estate and infrastructure - and private equity), and "Content" (with "The Studio", content creation for sustainability communications, and the digital collaborative media platform "Urban Chronicles" [www.urban-chronicles.com](http://www.urban-chronicles.com)).

For more information: [www.greensoluce.com/en](http://www.greensoluce.com/en)

## ABOUT IEIF

Created in 1986, the Institut de l'Épargne Immobilière et Foncière (IEIF) is an independent study, research and forecasting centre specialising in real estate. Its objective is to support real estate and investment players in their activities and strategic thinking through studies, analysis notes, summaries and think tanks. The IEIF's approach integrates real estate into both the economy and asset allocation. It is trans-disciplinary, covering markets (commercial property, housing), real estate funds (SIIC, REIT, SCPI, OPCI, FIA) and financing. The IEIF currently has over 130 member companies. It has a team of 23 people, including 7 associate researchers. It has a large number of economic, financial and real estate databases, some of which are over 30 years old.

For more information: [www.ieif.fr/en](http://www.ieif.fr/en)

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