



Supporting energy efficiency investments in commercial real estate

Better Buildings Partnership
Sustainable Acquisitions Toolkit and
REEB

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Real Estate (BBP member)

Outline

- What is the BBP?
 - Who is TH Real Estate?
 - Introducing the Sustainable Acquisition toolkit and REEB
 - Practical application – how these tools are used by TH Real Estate
-

The BBP is...

A collaboration of the UK's leading property owners who work together to improve the sustainability of the UK's existing commercial buildings.

Our aim is to...

Enable market transformation through sustainability leadership and knowledge sharing across the property industry.

TH Real Estate

a **nuveen** company

Members

BBP | BETTER BUILDINGS PARTNERSHIP

Aberdeen

AVIVA
INVESTORS

Blackstone

British Land

bruntwood


CADOGAN

28

Members


CANARY WHARF
GROUP PLC

Capital & Regional


CLS Holdings plc


CORDING
REAL ESTATE GROUP

THE CROWN ESTATE

 Deutsche
Asset Management

+£180bn

Assets Under Management


GREAT PORTLAND
ESTATES


GROSVENOR


Hammerston


HERMES
INVESTMENT MANAGEMENT

intu


LandSecurities

 LaSalle
INVESTMENT MANAGEMENT


Legal & General
Investment
Management


LOW
CARBON
WORKPLACE
Partnership

M&G
REAL ESTATE

Schroders

SEGRO
WHERE BUSINESS WORKS

450m

sq ft

Shaftesbury

TH Real Estate

 Transport
for London


WORKSPACE®

TH Real Estate

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Managing Agents Partnership

BBP

BETTER
BUILDINGS
PARTNERSHIP

B BROADGATE
ESTATES

CAPITA

CBRE

 CUSHMAN &
WAKEFIELD

11

agents

GVA
An **APLEONA** company

 **JLL**

 **Knight
Frank**

**Lambert
Smith
Hampton**

+26,000

properties

mum

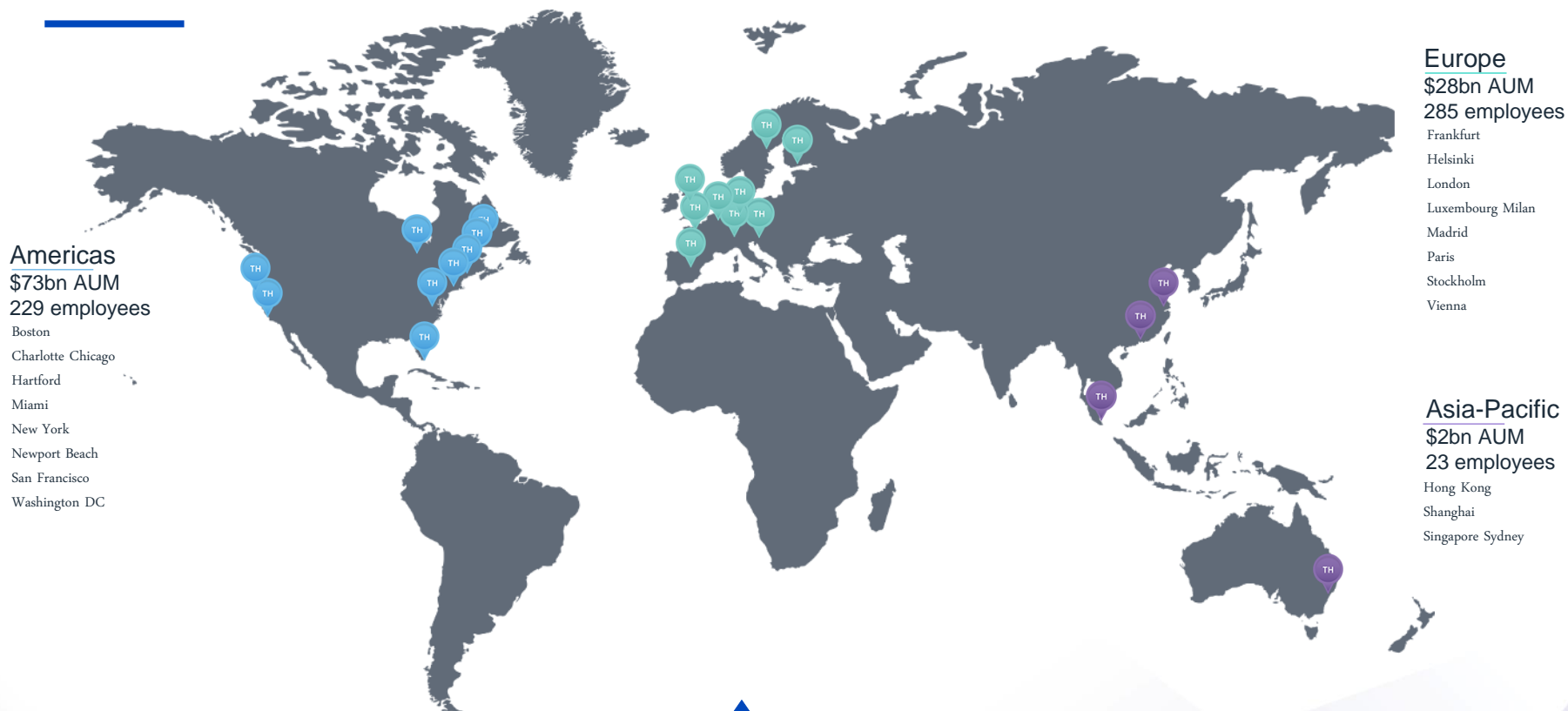
 **savills**

 **workman**

~1 billion

sq ft

Global real estate presence with local expertise



\$103bn AUM

537 people

22 cities

Source: TH Real Estate, 30 June 2017

Note: Staff numbers are calculated on a pro-rata basis.

For institutional investor use only.

TH Real Estate

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Acquisitions Sustainability Toolkit

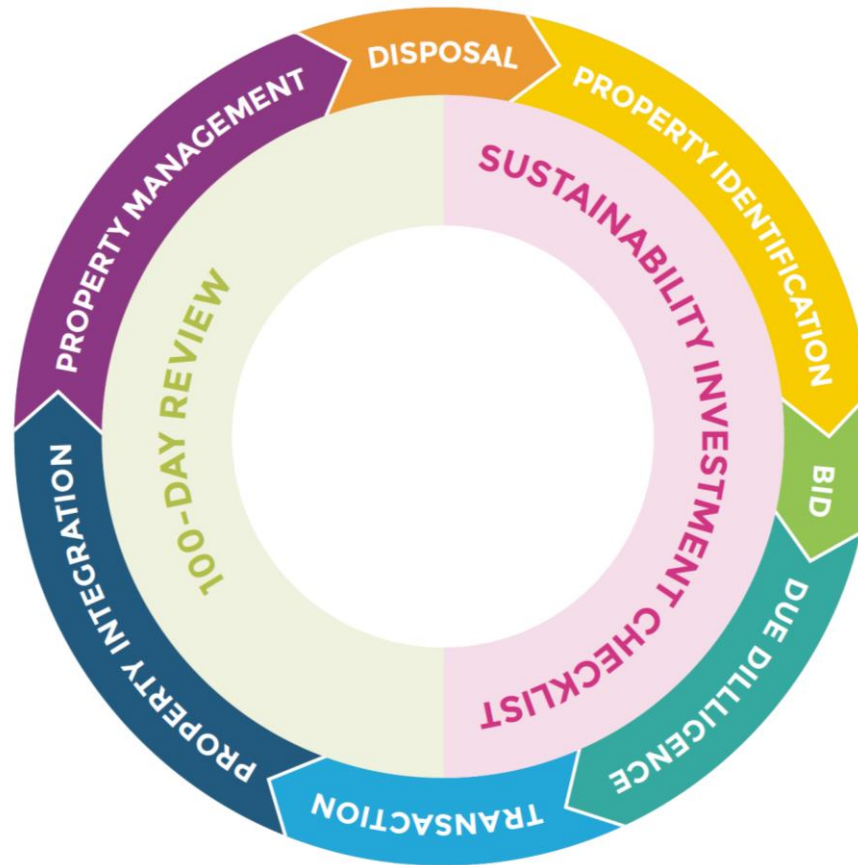
BBP | BETTER
BUILDINGS
PARTNERSHIP



What does it provide?

Topics

1. Information integration
2. Outstanding information requests
3. Information quality
4. Management of risks and opportunities identified
5. Roll-out into property management and asset management plans



Topics

1. Environmental Certification & Ratings
2. Building Fabric & Material
3. Building Services
4. Utility arrangements & Metering
5. Environmental & Climate Change Risk
6. Socio-economic risks
7. Property Management
8. Energy Efficiency
9. Water efficiency
10. Waste management
11. Health, Wellbeing & Occupier engagement
12. Biodiversity
13. Transport

Investment Checklist

Investment Critical

Items that could have a material impact on an investment decision from a regulatory or financial aspect, and where a negative appraisal may preclude investment. It is likely such items will be considered as part of any pre-bid decision making, prior to entering into the post-bid due-diligence phase.

CAPEX implication

Items which may require capital expenditure.

Required information

Information relating to legal compliance or that should be required as a minimum.

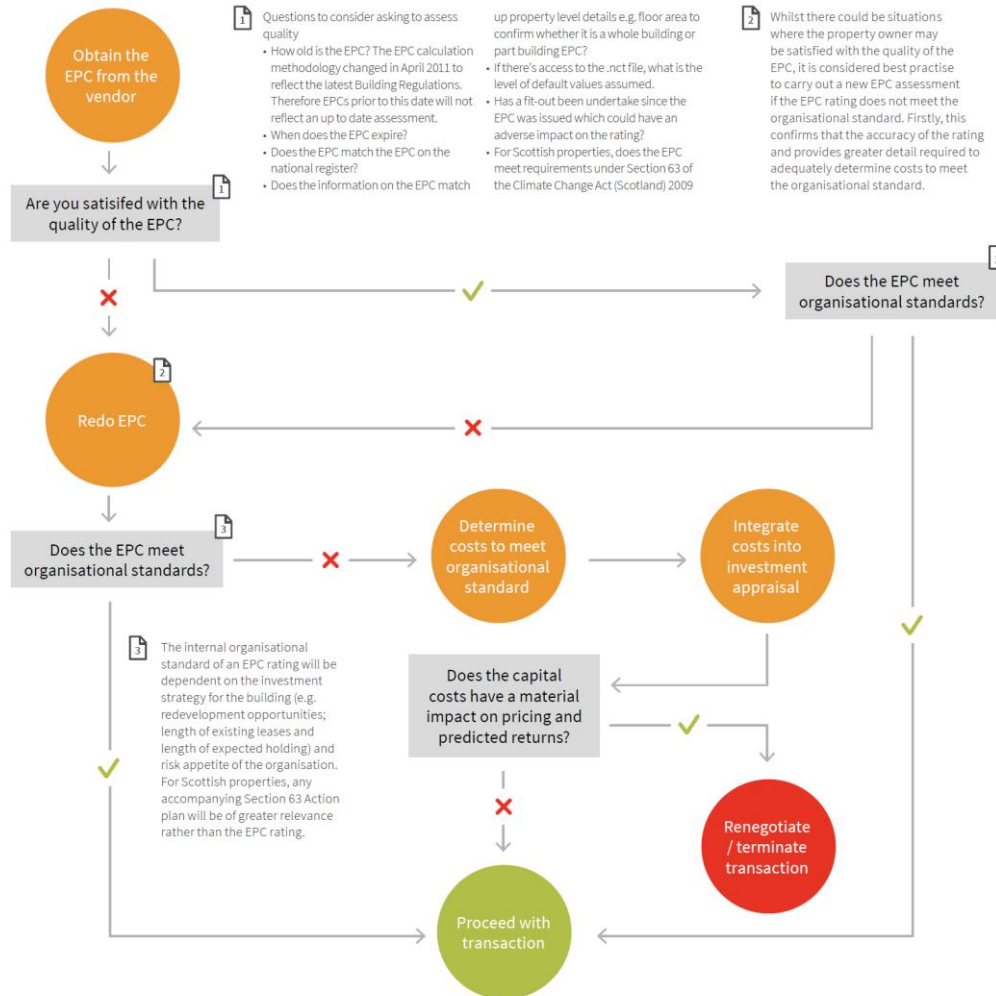
Supports 100-Day Review

Information that is considered best-practice. This information is particularly useful post-acquisition as part of a 100-Day Review to ensure a smooth transition of ownership for the occupiers and integration onto the new property owner's relevant management systems. Requesting such information during due-diligence will also reduce future costs of commissioning any survey/reviews which historically may have been undertaken by the previous owner.

Investment Critical Decision Trees

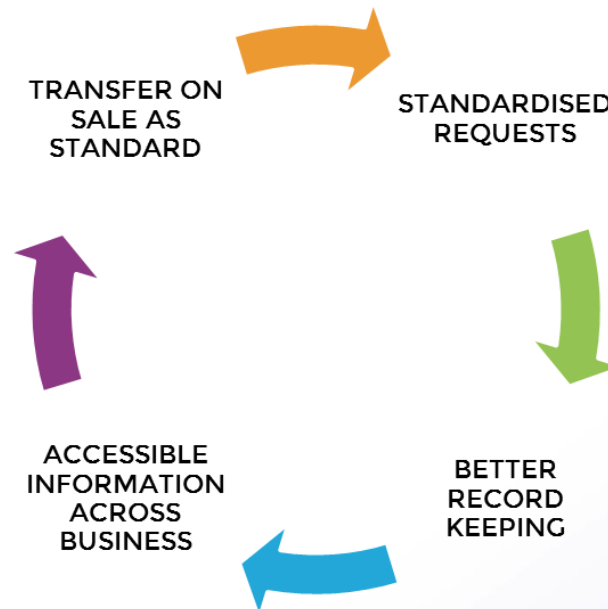
- a. **Minimum Energy Efficiency Standards (MEES)
Risk (and equivalent for Scotland).**
 - b. **Flood risk**
 - c. **Land contamination**
 - d. **Impact on portfolio operational performance**
-

Minimum Energy Efficiency Standards

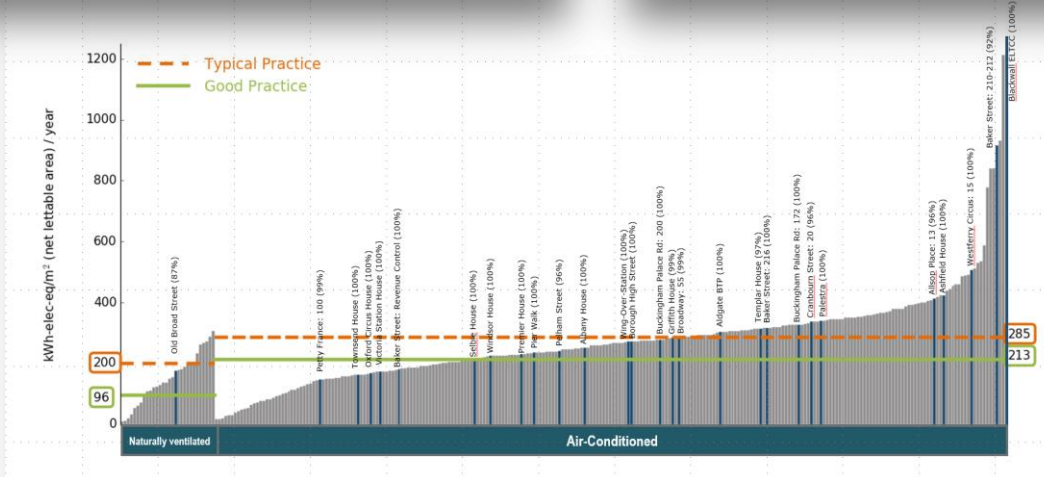
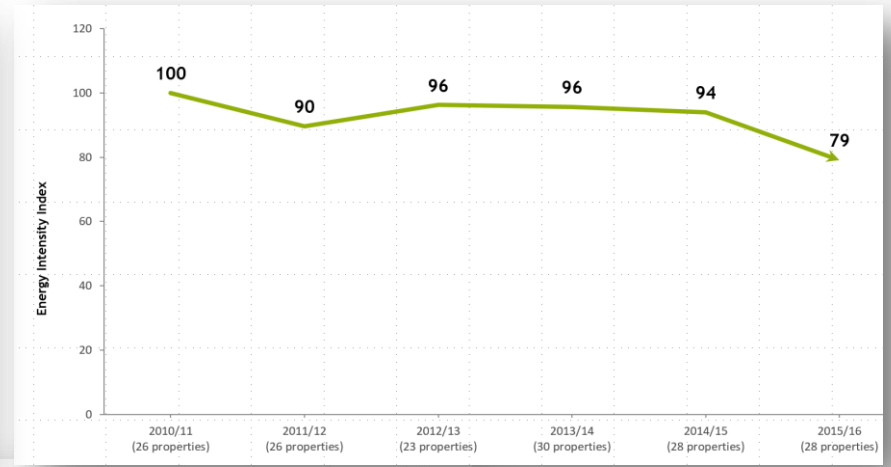
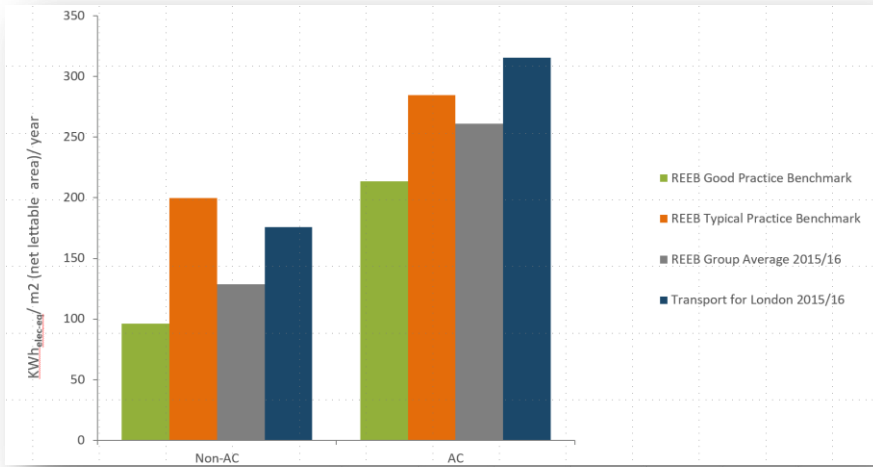


Equally important to asking the right questions is how you use it post-acquisition.

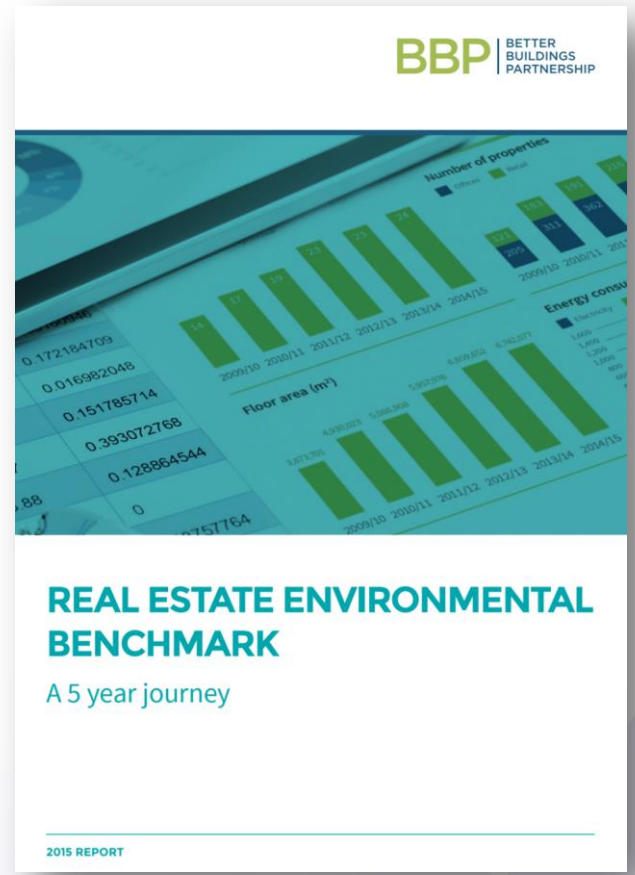
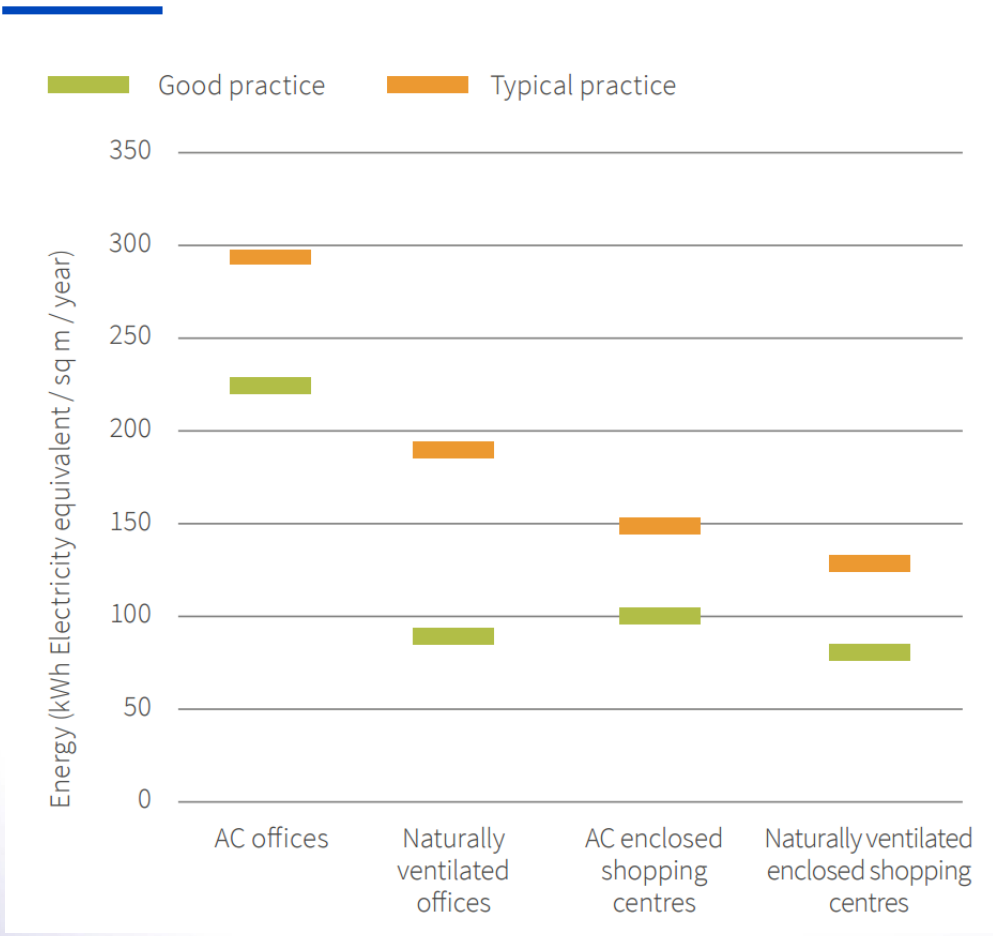
Suggests a process to ensure smooth transition into on-going management.



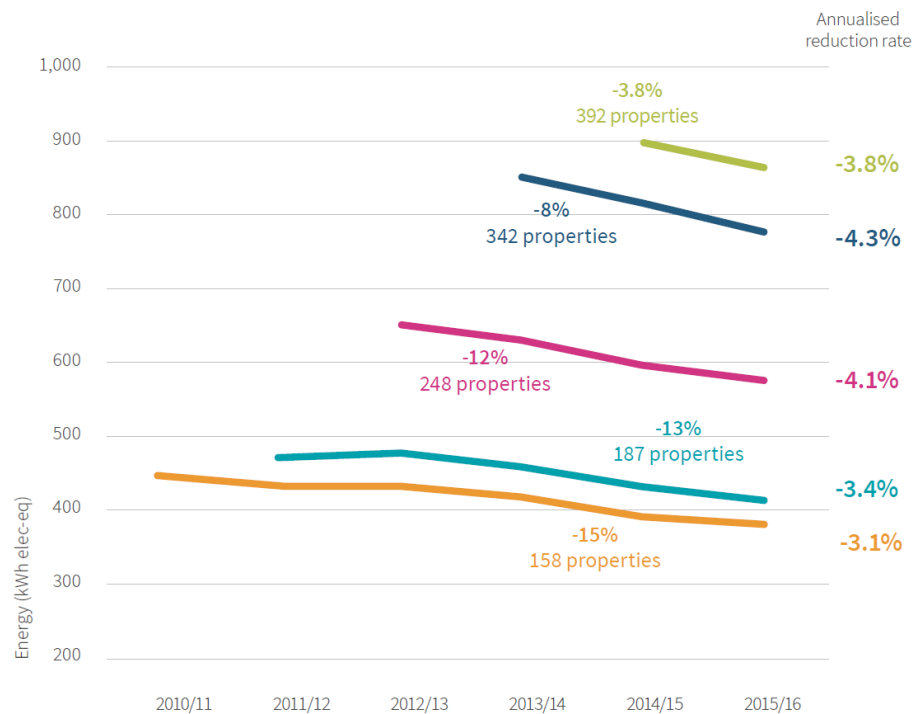
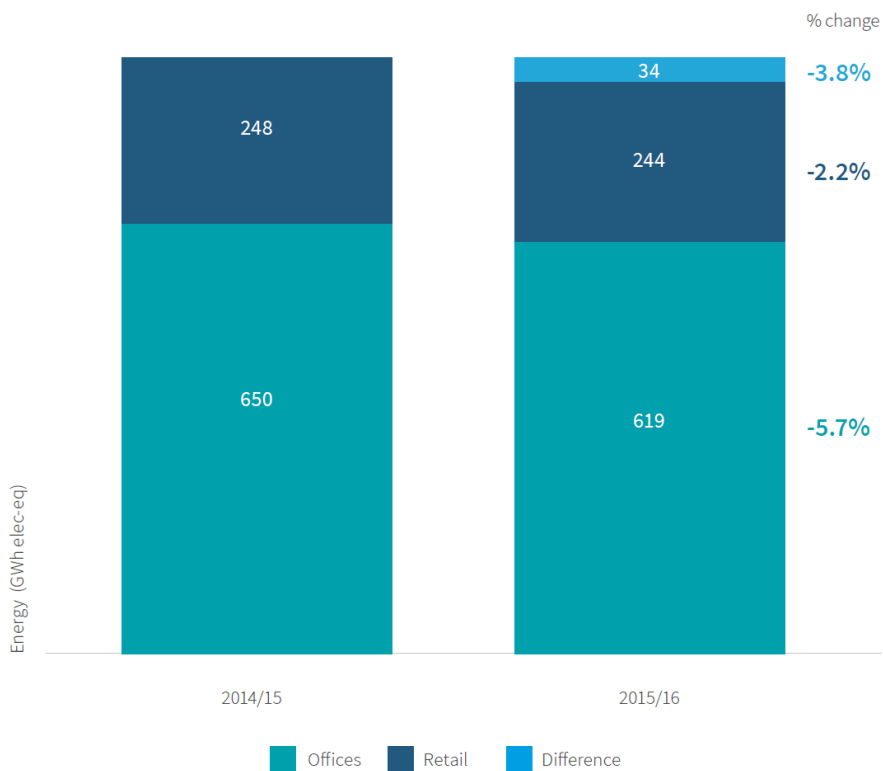
Real Estate Environmental Benchmark



Industry Outputs



Like-for-Like Performance



The impact of sustainability through the investment lifecycle



Tomorrow's World Strategy

Increased Capital Raising – positive ratings in investor benchmarks

Sustainability View at Due Diligence phase

Climate Change resilience, legislative risk and impact new acquisition will have on ability to meet targets

Sustainability credentials used in marketing collateral e.g. LEED, Energy Star

Positive impact on tenant retention

Reduced tenant costs through efficient operation

Ongoing benchmarking and reporting

Sustainable Property Development Policy

Sustainability considerations worked into annual asset business plan process

Future proofing against negative impact in exit yields and liquidity

TARGET

2030: 30% reduction

For all owned stock

2015 Baseline

Energy Intensity Based

Categorisation of assets to focus effort appropriately

Tier 1 – 6% annual energy reduction target

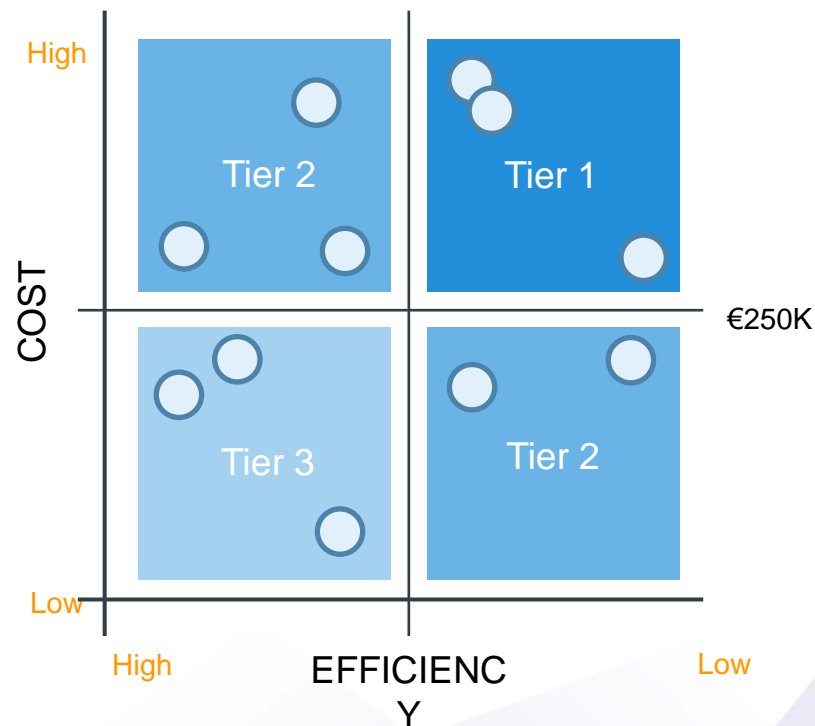
High energy cost and high energy intensity: site visits, remote diagnostics, additional support, review meetings, in depth reporting

Tier 2 – 4.5% annual energy reduction target

Standardised checklists (per property type), remote diagnostics where there is a return on investment.

Tier 3 – 3% annual energy reduction target

Standardised checklists, monitoring approach. Engagement with tenants.

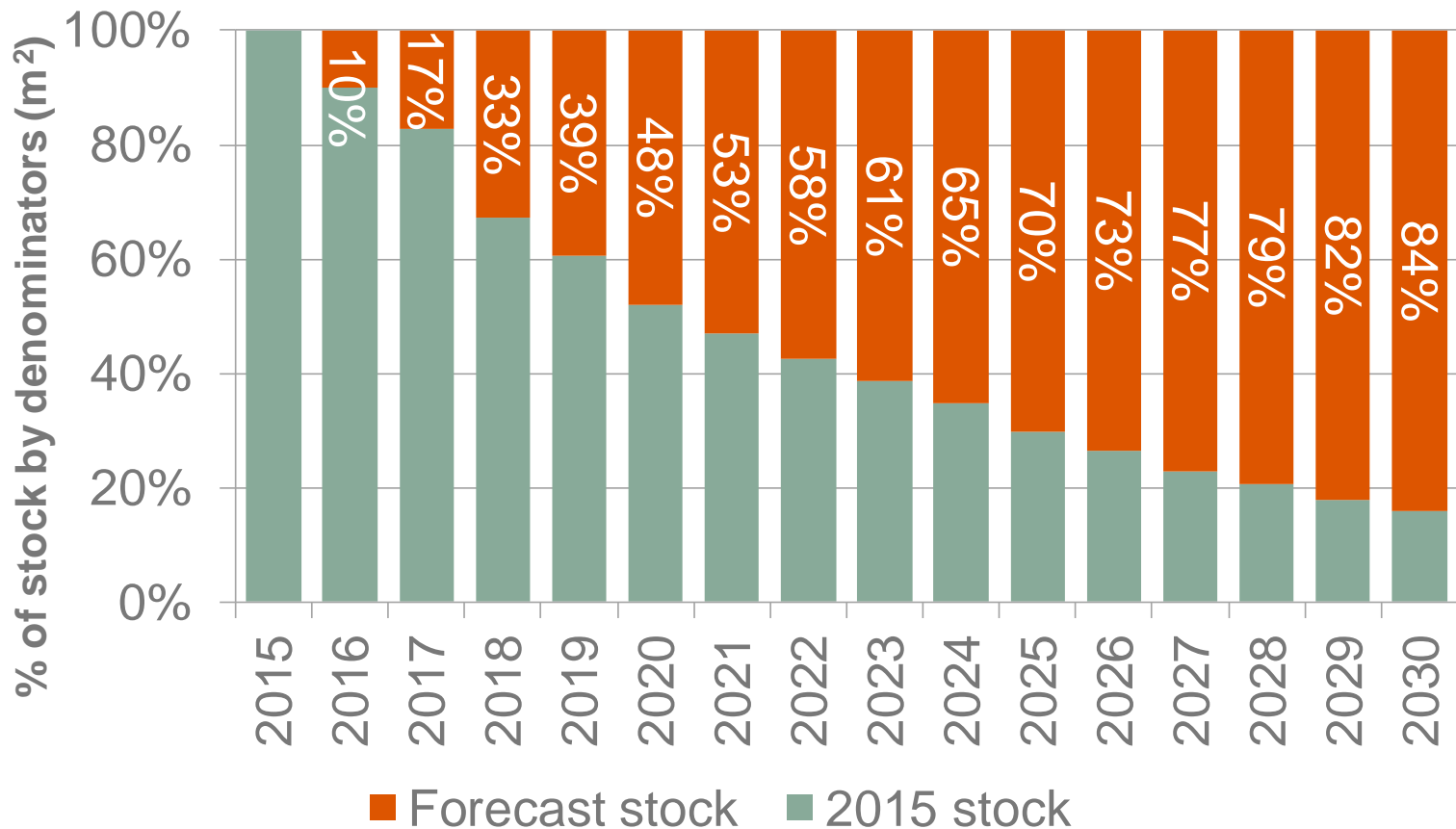


Cost threshold = €250,000 pa

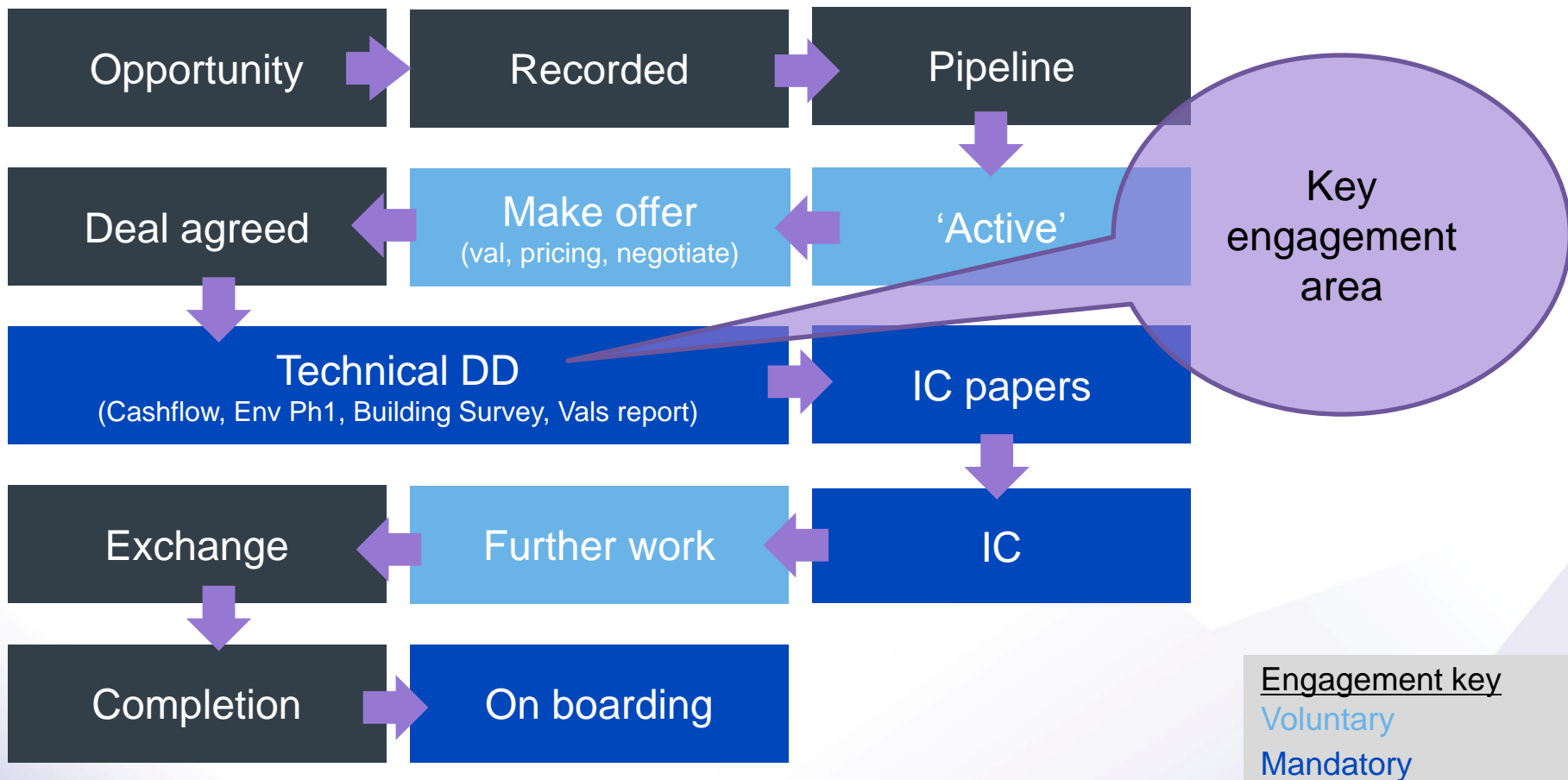
Efficiency threshold = top quartile of market average

So, Tier 1 assets = spend above €250K + outside of top market quartile for energy intensity

The impact of churn and growth mean that targets can only be achieved by influencing what assets are bought



Integrating sustainability into the due diligence process





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Any questions?