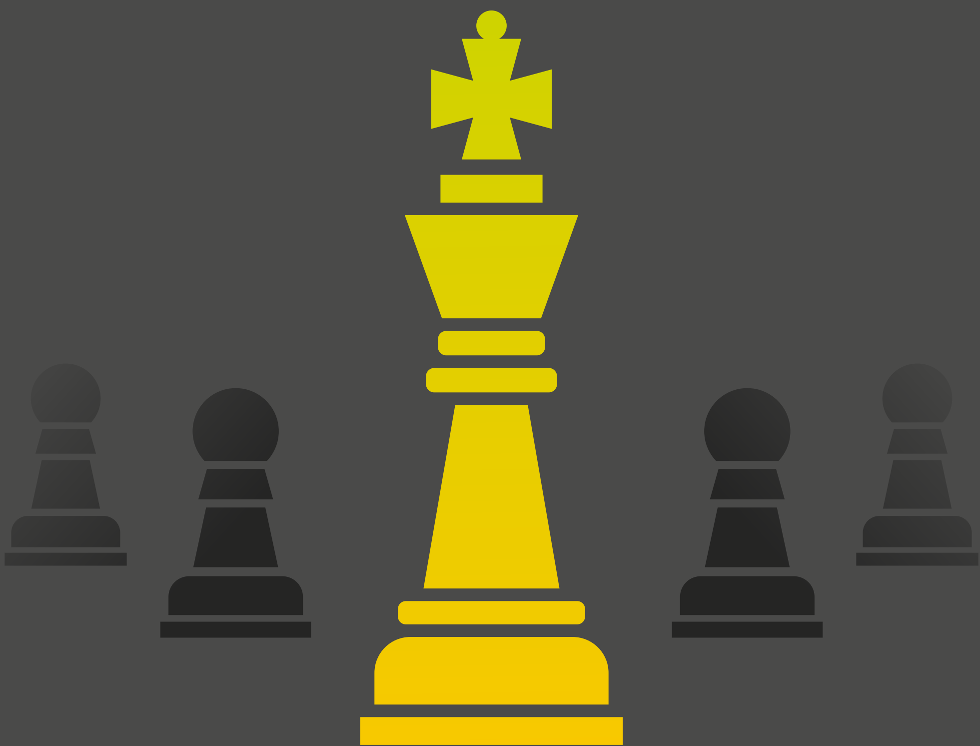
Report

# Green to Gold

**A need to lead:** Insight into investment attitudes

Summer 2016

BiLFINGER | GVA



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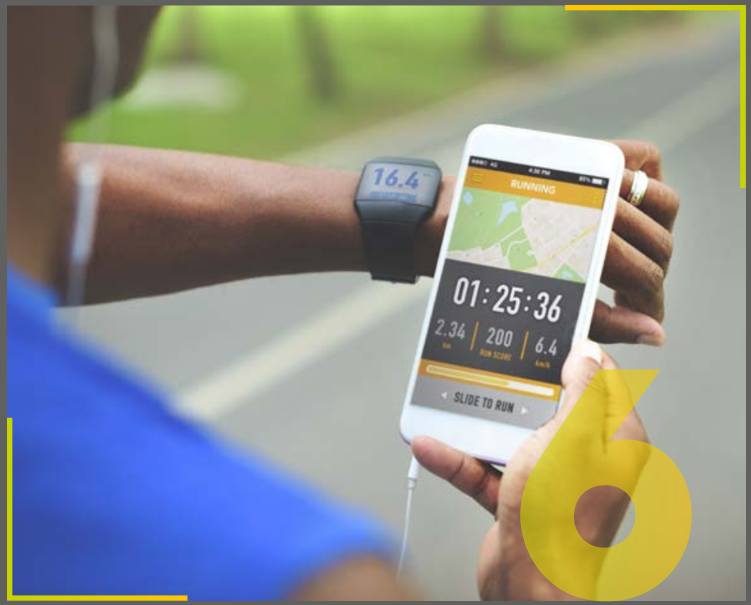
# Megatrends of 2016







## 1. Climate Change

A global temperature increase of 4.7°C by 2100 can be expected on current emission trajectories. Over 2°C is estimated to bring catastrophic change.

(World Economic Forum, 2016)

## 2. Resource depletion

The construction industry consumes more than one third of the planet's resources and generates huge quantities of solid waste.

(United Nations Environment Programme, 2015)

## 3. Environmental degradation

Air pollution, both inside and outside, contributes to 9,500 deaths in London each year.

(Royal College of Physicians and the Royal College of Paediatrics and Child Health, 2016)

## 4. Demographic change

A 61% rise in the number of over 65s is expected by 2032 in Britain. They already outnumber those under 16.

(Royal Geographical Society with the Institute of British Geographers, 2015).

## 5. Urbanisation

1.5 million people are added to the global urban population every week.

(PWC, 2015)

## 6. Wellness

Over 20,000 health care smartphone apps are available today with more on the way.

(EY, 2015)

## 7. Technological advancement

200 billion objects will be connected via the Internet of Things by 2020, compared to 15 billion in 2015.

(Intel, 2015)

# The Challenge

**A number of environmental and social megatrends are clear at a global level, including climate change, resource depletion, environmental degradation, demographic change, urbanisation, wellness, and rapid technological advancement.**

In reaction to some of these challenges a number of multinational agreements have been made within the last 12 months, including The Paris Agreement to limit climate change to 2 degrees Centigrade by the end of century, the EU's 40% greenhouse gas emissions reduction pledge for 2030, and the 17 UN Sustainable Development Goals.

Expectations have increased for investors and businesses to understand their impacts in these areas, as evidenced through the Financial Stabilisation Board's Climate Disclosure Task Force and the EU Non-financial Reporting Directive. The integration of material environmental and social risks into strategic business planning and operation is an important change to the recent overhauls of both ISO 14001 and the Global Reporting Initiative.

Many businesses from different sectors and countries are reacting by forming alliances to collaborate, innovate and push for change. Examples include the RE100, the BCorp movement and the Investor Platform for Climate Actions. Innovative and disruptive businesses are also acting as catalysts across many sectors and investment is starting to prioritise sustainable outcomes with socially responsible investment and green bonds entering the mainstream.

Therefore in reaction to the global challenges, the political, investment and business communities across the world appear to have stepped on the accelerator and there are many reasons why the built environment will be integral to many of the changes, through choice or otherwise. For example, property and land accounts for 70% of all global wealth and property alone is attributable for over 30% of greenhouse gas emissions.

## Expectations have increased for investors and businesses to understand their impacts.

This is the sixth edition of Green to Gold, which started in 2007 and has run every two years since 2008. This provides us with a rich vein of information through which to assess the changing attitudes and actions of UK based property fund and portfolio managers to environmental and social factors, otherwise known as sustainability.

Our 2014 Green to Gold report illustrated a significant upswing in action since 2012 and concluded that sustainability was no longer viewed as "just a nice to have". For the property sector to retain its long-term value and fulfil its role in ensuring a sustainable society this accelerating pace of action will need to continue. This 2016 report provides a signal as to whether this is the case or not.

# five focus areas

### Strategy and reporting

**84%**

have a sustainability strategy or policy in place for the funds or portfolios managed

### Implementation

**23%**

have sustainability management plans for more than three-quarters of their properties

### Market impact

**93%**

think that investment agents inadequately reflect sustainability factors

### Minimum Energy Efficiency Standards

**89%**

agree that the property sector would benefit from knowing the future trajectory of MEES

### Acting on Climate Change

**70%**

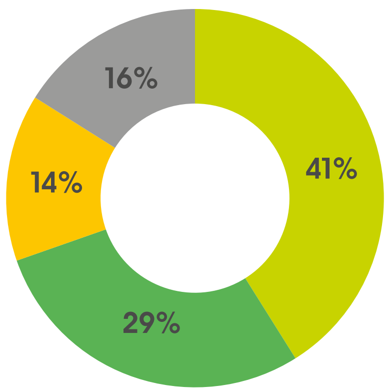
don't believe the sector can achieve a reduction in operational carbon intensity of 52% by 2030

# Strategy and reporting

**Over half of all respondents have sustainability strategies or policies at a fund/portfolio level. 41% of respondents have strategies or policies at both an organisation and fund/portfolio specific level, while a further 29% have them only at organisation level and 14% only at the level of fund/portfolio. However, compared to 2014, the proportion of respondents who do not have any sustainability strategies or policies has increased from 6% to 16%.**

The fund and portfolio managers were asked about their investment time horizon and when analysing the results on this basis the percentage of those without a strategy or policy reduces in line with a lengthening investment horizon. In line with the 2014 results, those respondents with an investment horizon of between 5 and 15 years were twice as likely to have a strategy or policy as those with a horizon of less than 5 years. The proportion of respondents with a less than five year investment horizon is significantly higher in 2016 than in 2014, which may explain the increase in the number of respondent organisations which have no strategy.

**Sustainability strategies or policies in place for the funds/portfolios managed**




- Yes – At an organisation and fund/portfolio specified level
- Yes – At an organisation level
- Yes – At a fund/portfolio specific level
- No

When asked to choose the three most important reasons for integrating sustainability criteria into the management of their fund, portfolio or property, over half of the respondents choose "occupier demand" and "corporate responsibility strategy". Occupier demand has been in the top three for the previous two surveys but has now leapt to the top of the list. However, in response to a separate question, almost a quarter of respondents think their occupiers consider sustainability issues as "not very important", which is a rise from the 7% in 2014. Only 9% of respondents believe their occupiers view sustainability issues as "very important" with a further two-thirds thinking their occupiers consider them "somewhat important".

"Corporate responsibility strategy" has seen significantly the greatest change in importance between 2012 and 2014, being cited as a reason for action by 54%, up from 28%. "Government regulation" is still one of the top three reasons given for integrating sustainability but since 2014 has dropped from first to third place.

"Investor pressure" has once again reduced in importance with only a quarter of respondents noting it as a primary reason for taking action. This may be related to the reduction in the number of respondents reporting via GRESB, which is an investor lead initiative. "Climate Change risks" were cited by 34% as a primary reason for integration. This is a significant reduction from the 46% in 2014 but a similar result to 2012.

**Primary reasons for integrating sustainability criteria into the management of funds/portfolios/properties**

| | 2012 (%) | 2014 (%) | 2016 (%) | Change from 2014 |
|---|---|---|---|---|
| Occupier demand | 48% | 43% | **59%** | Up |
| Corporate responsibility strategy | 25% | 28% | **54%** | Up |
| Government Regulation | 51% | 56% | **41%** | Down |
| Operational Costs | 46% | 35% | 36% | Same |
| Climate change risks e.g. flooding | 31% | 46% | 34% | Down |
| Company/fund reporting | 25% | 17% | 25% | Up |
| Investor pressure | 48% | 33% | 25% | Down |
| Energy security – i.e. maintaining access to energy supplies | 7% | 11% | 0% | Down |

Sustainability performance is reported by 87% of respondents with almost half reporting via their annual corporate responsibility (CR) report and/or the Global Real Estate Sustainability Benchmark (GRESB). Included with the 49% who report via their CR report, 8% are aligned with the standards of the Global Reporting Initiative (GRI). The third most popular way to report continues to be via the UN Principles of Responsible Investment with the EPRA or INREV sustainability best practice frameworks used by 13%.

Use of other non-property sector specific reporting frameworks is very low, with rates of use at between 2 and 7 per cent. These are CDP, FTSE4Good, Dow Jones Sustainability Index (DJSI), and the UN Global Compact. 30% of respondents participate in two or more reporting processes, which is a reduction from the 50% in 2014 and similar to the 25% in 2012.

**Top four sustainability reporting methods**

| | 2012 (%) | 2014 (%) | 2016 (%) |
|---|---|---|---|
| Annual corporate responsibility report (GRI + non-GRI) | 58 | 67 | 49 |
| GRESB (Global Real Estate Sustainability Benchmark) | 21 | 53 | 45 |
| UN Principles for Responsible Investment (UN PRI) | 0 | 33 | 16 |
| EPRA/INREV Annual reports and accounts | N/A | N/A | 13 |
| Do not report | 30 | 2 | 13 |

45%

report to GRESB

# Insights

**It is disappointing to see a slight increase in the proportion of respondents who do not have a sustainability strategy but it is encouraging that over half have a strategy at the fund or portfolio level, rather than just at the corporate level.**

Levels of performance reporting have seen a similar downwards movement with use of all the reporting frameworks having reduced since the 2014 survey, although across the business world we know that sustainability reporting has actually increased. For example, the number of European funds reporting to GRESB has grown by between 12 and 16 per cent each year between 2012 and 2015.

Combined with other responses in the survey it is unclear that occupier demands have actually increased and so they may have surfaced as the primary factor for integrating sustainability due to the pressure from other factors reducing. In light of the global challenges it is a worry that both government regulation and investor pressure are deemed to have reduced in importance as drivers of action, although the former is no surprise in light of the bonfire of environmental regulation and tone from the Treasury.

Following the Paris Agreement in December 2015 it would be hoped that climate change would remain a key driver for the property industry, an industry with so much to mitigate and adapt to. However, it has instead fallen in ranking, proving perhaps that the 2014 result was mainly in response to the heavy flooding in the UK that year.

It is surprising to see CR strategy as such an important driver of sustainability implementation, although this is a positive result if it is a CR strategy that reflects the global challenges and addresses them in light of the mainstream business operations. However, if it is corporate responsibility in terms of tokenism and "green wash" it will not lead to the required actions.

No property owner is immune from the environmental and social challenges but each needs a sustainability strategy that sets them in the context of their own fund and portfolio, reflecting factors such as investment horizon, asset class, geography, investors and types of occupiers. Ideally this would not be a standalone sustainability strategy but rather the issues would be integrated into the single fund or portfolio strategy, but we do not think the industry is operating in this way yet.

“Equity investors' scrutiny of a fund's sustainability strategy and reporting have increased both in volume and broadened by investor type and scale. The assessments made in manager selection are now more formulaic than the past owing to the rise of established benchmarks such as GRESB. Following the Paris climate agreement I expect these global pressures will only intensify in terms of the impact on allocation of equity”

**Guy Glover**
Fund Manager
BMO Real Estate Partners

# Implementation

**Almost 25% of respondents have sustainability management plans for more than three-quarters of their properties, but 50% only have plans for less than a quarter. This implies that the large majority of properties do not have a management plan that explicitly factors in environmental and social risks and opportunities.**

This number is perhaps low considering that in 2014 over 50% of respondents had undertaken sustainability assessments on more than three-quarters of their properties. One reason may be due to a lack of landlord control over the management of the properties because of fully repairing and insuring lease terms.

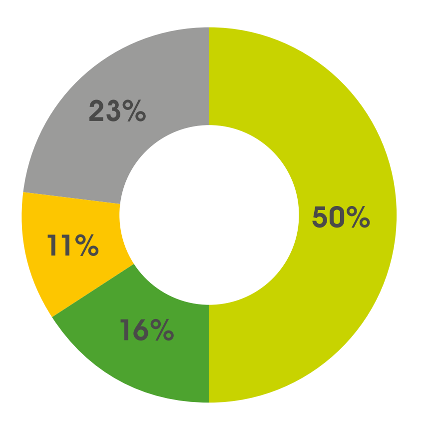
The importance placed on sustainability factors at either acquisition or disposal of property has not changed much since 2014. As could be expected the importance given to sustainability issues at disposal continues to be slightly less than at the time of acquisition. 95% of respondents give it "some importance" or "equal importance with other factors" at the time of acquisition, with this number declining to 86% for disposals.

No respondent claims that sustainability issues are of "over-riding importance".

When assessing sustainability, over 90% of respondents consider flood risk and Energy Performance Certificates (EPCs). Both have implications for market value and also relate to climate change, with flood risk an adaptation issue and EPCs being a method for attempting to reduce carbon emissions in order to mitigate climate change.

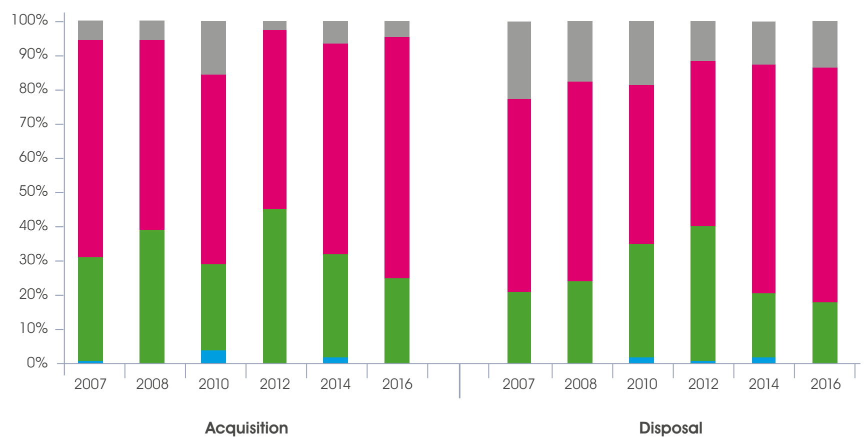
The importance of access to public transport continues to increase over the years of the survey and building certifications remain a high priority, acting as identifiable badges of sustainability to both occupiers and investors. Operational energy efficiency is noticeably less important with only 50% of respondents considering it. The other seven criteria are only accounted for by between 32 and 4 per cent of respondents.

What % of properties have a sustainability management plan?



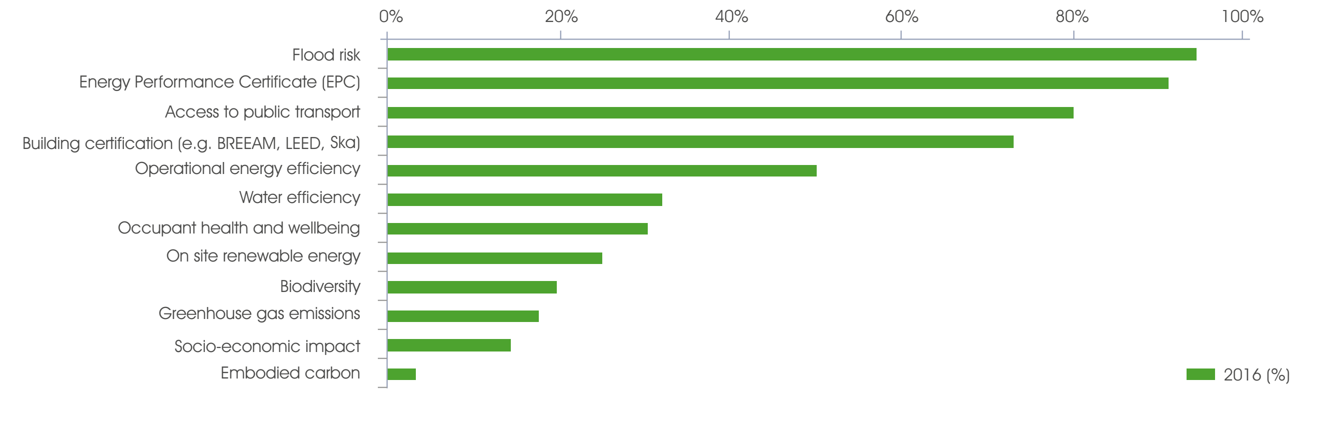

<25%
25 – 50%
51 – 75%
>75%

Importance of sustainability in investment decisions




Over-riding importance
Equal importance with other factors
Some importance
No importance

Criteria considered when assessing sustainability

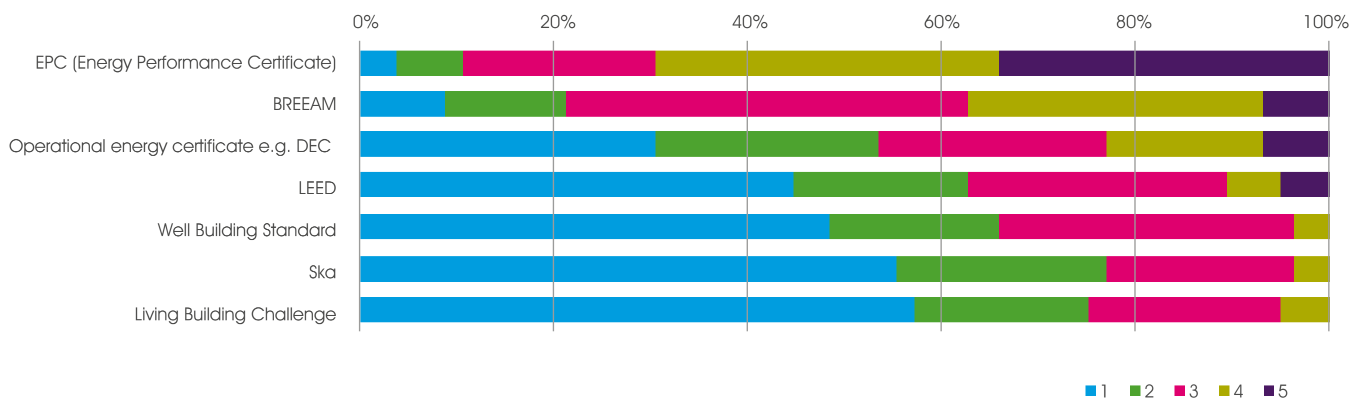



Energy Performance Certificates (EPCs) remain the most important building rating for investment decision making, with an average score of 4.0 out of 5, a slight increase from 3.8 in 2014 (1 is "not important" and 5 is "very important"). A third of respondents prescribed EPCs the highest level of importance, putting it far ahead of BREEAM and Operational energy certificates, both of which are only thought to be "very important" by 7% of respondents.

BREEAM continues to be given greater importance than both LEED and Ska, which continue to have average scores of around 2 out of 5, as they did in 2012 and 2014. Ska is probably given a low score as it is a rating for an occupier's fit-out and therefore less relevant to the landlord.

The WELL Building Standard and the Living Building Challenge were included as options for the first time and although they score just 2.0 and 1.8 respectively they are being given some level of importance by nearly half of all respondents. The findings above illustrate that fund and portfolio managers view a broad set of sustainability issues as having a significant level of importance at acquisition, disposal and asset management. However, two thirds of respondents do not assign specific figures for sustainability issues within their investment appraisal calculations and one-fifth only sometimes assign such costs. This would appear to be a backwards step from both 2012 and 2014 when only 55% and 50% respectively responded that they did not assign specific figures for sustainability issues. However, it still demonstrates progress since 2007 when 86% of respondents said they did not reflect such costs.

Importance of building ratings in investment decision making (1= not important and 5 = very important)




**70%**

assign
'some importance'
to sustainability
criteria at acquisition



# Insights

**The integration of sustainability factors into investment and asset management strategies does not appear to have increased in the last two years. We believe there is still a disconnect between the aspirations of top level sustainability strategies and the impact they are actually having on day-to-day business.**

Flooding is understandably a very important risk factor, due to recent flood events and the reaction of the insurance industry. The increased risks of flooding are strongly related to climate change but this correlation is not borne out in the research findings, with less than a fifth of respondents assessing buildings on greenhouse gas emissions and only 4% undertaking embodied carbon assessments. This may be reflective of the fact that the majority of respondents are not taking a long-term view with a third having an investment horizon of less than five years, and over half between five and fifteen years.

The minimum energy efficiency standards (MEES) coming into force in 2018 has led to a greater scrutiny of EPCs, but operational energy efficiency is where large improvements are needed. We know there is a performance gap between as designed energy ratings and resulting operational energy efficiency. Only half of respondents are currently assessing buildings on this issue but we expect this to change in the next five years as data continues to become easier to obtain and hopefully an industry recognised rating system will have emerged. Several organisations are currently refining such benchmarks and rating systems, including the Better Building Partnership's Real Estate Environmental Benchmark, Legal & General's VolDEC, and the Base Building Energy Rating being developed by a UK consortium and based on the Australian NABERS scheme.

The global trend of personal health and wellbeing is rapidly moving into the property sector, facilitated by technological applications for measuring factors such as light and air quality, and the launch of the WELL Building Standard® in 2015. By the time of our next survey we expect a significant increase on the third of respondents who are assessing properties on occupant health and wellbeing and for greater importance to be given to the WELL Building Standard®.

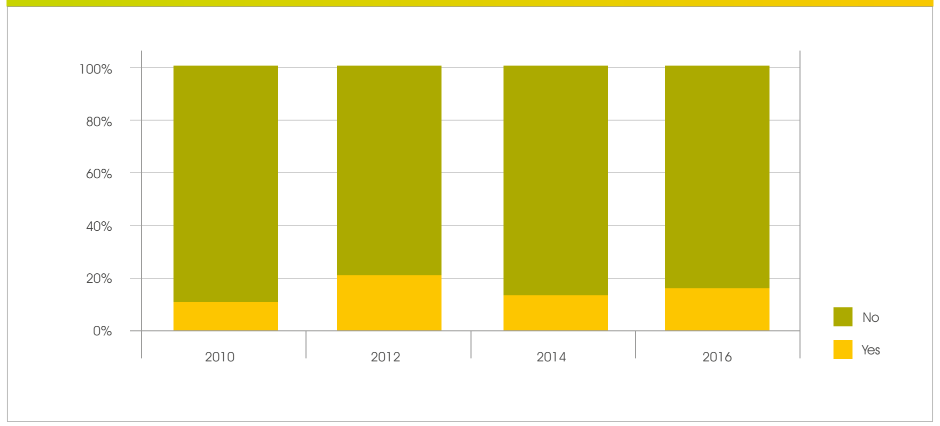
"Last year we introduced sustainability reporting for all the multi-occupied properties that we manage. Now, working in partnership with our clients and occupier customers, our teams are able to drive real demonstrable change in the buildings. From energy use to biodiversity we are starting to use this data to inform our asset management plans."

**Paul Harding**
Senior Director
Property Management Consultancy
Bilfinger GVA

# Market impacts

**Although most fund and portfolio managers do not appear to reflect sustainability factors in their own appraisals they still feel that 84% of valuers inadequately reflect such issues. This is a view similar to that of previous years and which is again joined by a similar view of investment agents, of whom 93% of respondents think inadequately reflect sustainability issues, an almost identical figure as in 2014.**

**Do valuers adequately reflect sustainability issues?**

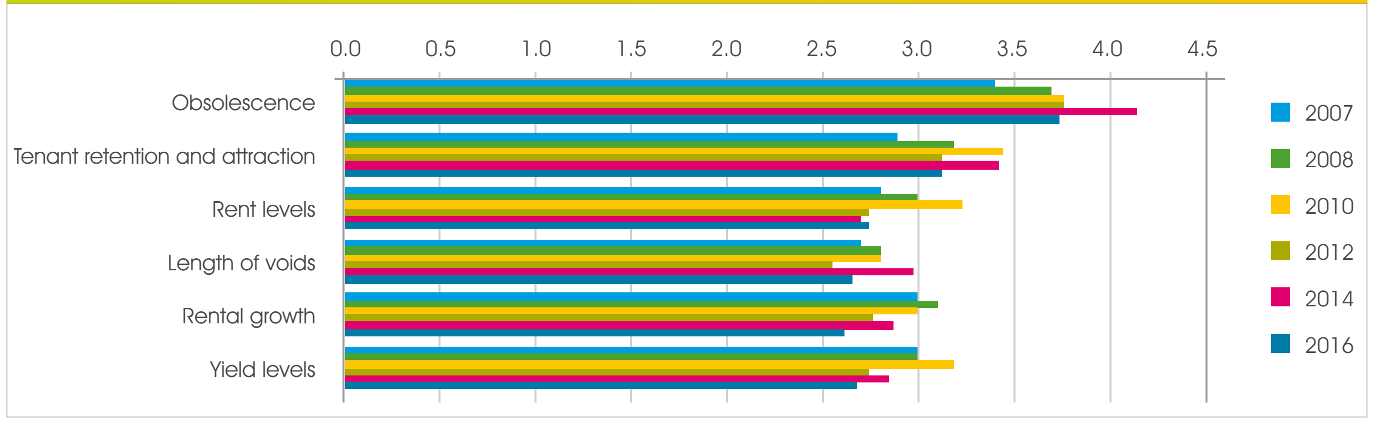



As in previous editions of Green to Gold reports, respondents feel that sustainability issues will have the greatest impact on obsolescence and tenant retention. The other options all had average levels of importance between 2.6 and 2.8 (where 1 represents "no impact" and 5 a "major impact").

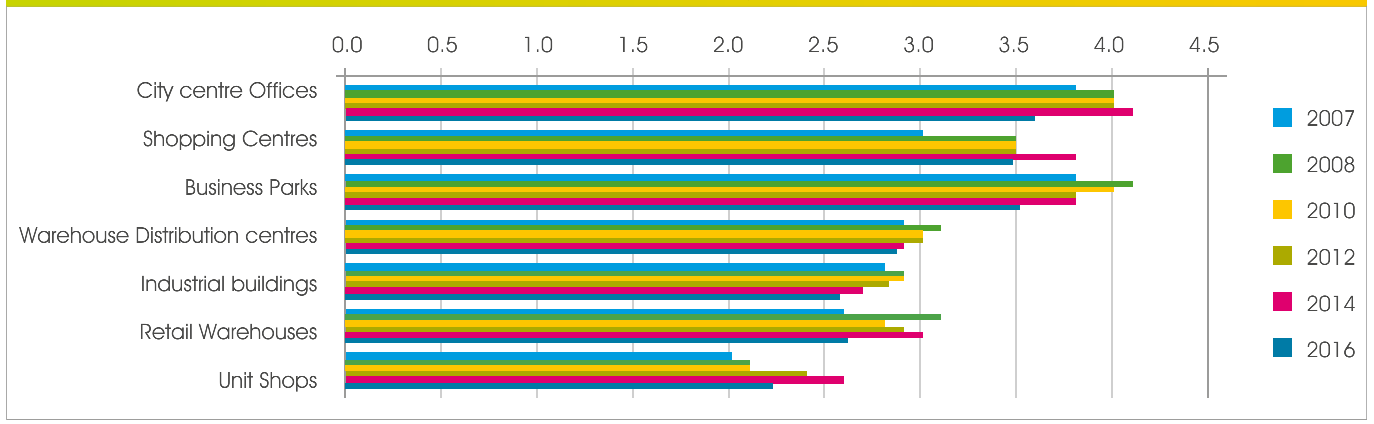
Since 2014 all but one of the options has decreased in importance but the variance between the two years is no greater than 0.4 for any of the options.

The impact on almost all sectors is thought to have decreased compared to the previous five reports. City centre offices remain top of the list, followed closely by business parks and shopping centres. This ranking may again reflect levels of management control over the buildings or estate.

**Effect of sustainability issues (1-5, with 5 being major impact)**




**Rating of sustainability issues by sector (1-5, with 5 being major impact)**



63%

are not assigning specific figures for the costs or benefits of sustainability issues in investment appraisal calculations



# Insights

**How to reflect sustainability risks and opportunities in pounds and pence appears to still elude much of the market.**

Two-thirds of the fund and portfolio managers say they don't assign specific costs and that they also believe that both valuers and investment agents fail to adequately reflect the issues. Valuers will of course only reflect the market and so if two-thirds of purchasers are not explicitly pricing in sustainability then it is unlikely to convert into market valuations. Similarly, investment agents will only comment on and factor in sustainability issues if their clients are communicating to them that it plays a part in their decision making.

The situation is not helped by the two areas identified as most greatly affected by sustainability being obsolescence and tenant retention, which are two of the hardest factors to value. Valuers are currently more likely to reflect risks implicitly, until such time as more evidence arises from clear trends in the market.

The findings point to the market feeling that the impact of sustainability has reduced on both the determiners of value and across the different sectors of property. This may be why a lack of progress on strategy, reporting and implementation is illustrated in the earlier responses, but this is a worrying sign for the industry as the wider global, political and business trends show the risks to only be increasing.

“It is possible the bull run since the last survey has to some extent disguised the influence of sustainability on investment pricing, stock selection and decision making. Certainly, at a transaction level and with the weight of money to invest, investors are keeping the parameters of their requirement wide and their decision making around sustainability issues at an Investment Committee or Fund level.

Although these conditions have made it challenging for valuers to unpick explicit drivers of sustainability in the final price, as the advent of MEES approaches it is likely the risk will be more explicitly reflected as a capital cost in valuations.

**Mark Frampton**
Senior Director
Investment
Bilfinger GVA”

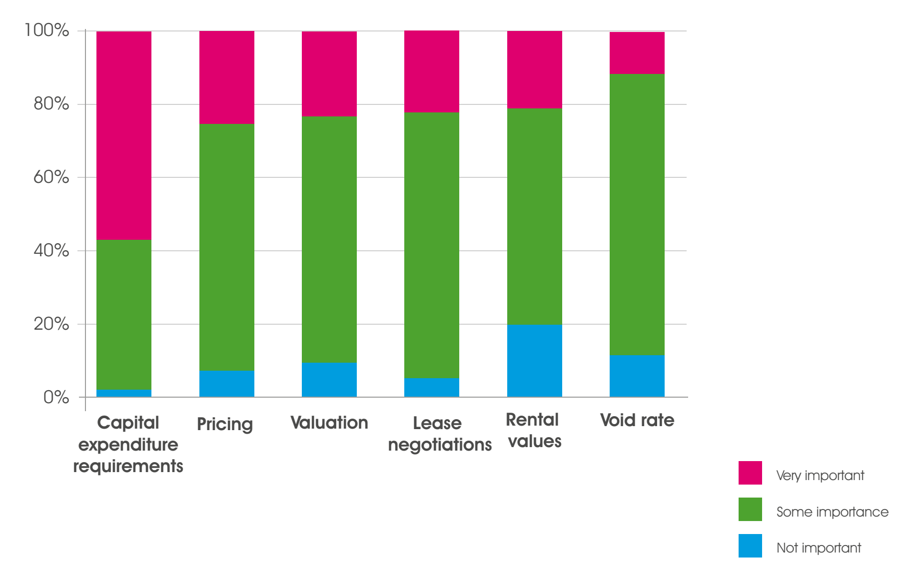
# Minimum energy efficiency standards (MEES)

**The minimum energy efficiency standards (MEES) come into force on April 1st 2018. Over 90% of respondents think that MEES will be "some what important" or "very important" to four of the six listed drivers of investment performance, namely: Capital expenditure requirements, pricing, valuation and lease negotiations. Capital expenditure requirements are believed to be significantly more affected than the others, with over half the survey respondents ticking the "very important" option.**

Over half (57%) of all respondents have assessed their portfolio's risk profile in regards to the MEES regulations, which is not a surprise as this is clearly an important issue with a high propensity to influence investment performance. However, on this evidence there are still a lot of properties for which the level of risk and potential mitigating measures are unknown.

89% of respondents agree that the property sector would benefit from the introduction of a known trajectory of any future increases in the level of the minimum energy efficiency standard, such as from an EPC rating of E to a D. Only 4% thought that there would be no benefit of having a trajectory, with 7% unsure.

**How will the following be impacted by the forthcoming MEES regulations?**





**43%**

are yet to assess their portfolio's risk profile in regards to the 2018 MEES

# Insights

**As the MEES regulations are effective in less than 2 years from now there is a surprising number of respondents who are yet to assess their portfolios, but we do feel that this reflects the true state of the market. Some fund managers are taking an informal ad-hoc approach to managing MEES risk, following an asset-by-asset approach or waiting to address risk at the next lease event.**

MEES presents a risk to letting buildings from 2018, however, when it comes to managing risk cost effectively, the devil is very much in the detail. There remain issues with the quality of EPCs, with question marks over accuracy and therefore reliability.

This is particularly important when acquiring a building. We would therefore expect the level of due diligence on existing EPCs and cost appraisals for improving ratings to significantly increase as we approach 2018.

Integrating EPC improvement measures into existing asset management processes, such as pre-planned maintenance schedules, and establishing EPC commissioning criteria, is the key to saving time, resource and capital. Our message to those yet to assess their portfolios is that now is the time to start in order to avoid exposure to unnecessary risk and disruption to transactions or lease negotiations as we approach 2018.

Investors hate uncertainty and the message is clear to the government that industry would welcome a known trajectory.

“Preparing for MEES now is essential. This goes beyond simply assessing portfolios for risk but implementing proactive portfolio wide strategies to de-risk assets. This extends to individual assets where early engagement with our customers and advisors is key.

**Jessica Pilz**
Environmental and Sustainability Risk Manager
Royal Bank of Scotland”

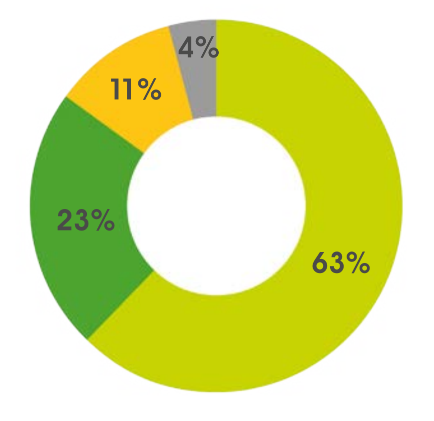
# Acting on climate change

**The Paris Climate Change Agreement in December 2015 witnessed 195 countries agree to reduce carbon emissions to limit the impacts of global warming to 2 degrees and commit to exploring ways to keep this target to under 1.5 degrees warming.**

The agreement was heralded a success by leaders of all countries, but there is also recognition that nothing has been achieved yet and that the implementation of the principles agreed remains a significant challenge.

Almost two-thirds of respondents believe the Paris Climate Change Agreement will have "some impact" on the real estate investment market by 2020, with 4% predicting a "major impact". 11% believe it will have "no impact" and almost a quarter are "not sure" as to whether there will be an impact or not. It is unclear as to whether people are unclear due to not knowing about the Paris Agreement itself or that they do not know what impact it will have on the market.

**Impact of the Paris Climate Change Agreement on real estate investment market**




Some impact
Not sure
None
Major impact

It is estimated that the operational carbon intensity of UK commercial property needs to reduce by 52% between now and 2030 as part of the UK government's legally binding plan to reduce emissions by 80% by 2050. Such a trajectory is in line with the global goal of keeping warming to 2 degrees. However, 70% of respondents think that the commercial property sector cannot achieve this reduction.

In regards to how government can drive carbon reduction in buildings, over half the respondents thought minimum building standards for existing and new build was the most appropriate way. Financial incentives garnered around a third of the votes, with both a carbon tax and disclosure of carbon emissions each receiving less than 15% of the vote. This would appear to support the minimum energy efficiency standards and potential reintroduction of the recently scrapped zero-carbon building standards or similar if the sector is to be driven to greater energy carbon reductions.

In response to climate change, the issue of occupiers is once again highly referenced, with almost three-quarters of respondents feeling their organisation should engage with occupiers over the next two years in order to mitigate and adapt to climate change. Over half say that asset level carbon reduction plans should be created and that staff should be trained on the risks and opportunities. Almost half believe that their organisation should go further than current building standards and planning requirements. Supply chain delivery standards were thought to be important by a quarter of respondents with only 16% choosing to set science based emission reduction targets.

| Actions your organisation should take within the next two years in order to mitigate and adapt to climate change | |
|---|---|
| Engage with occupiers | 71% |
| Create asset level carbon reduction plans | 55% |
| Train staff on the risks and opportunities | 52% |
| Outperform current building and planning regulatory requirements | 48% |
| Set service delivery standards for supply chain | 23% |
| Set science based emission reduction targets | 16% |

*Respondents could tick as many as they liked

63%

say the Paris Climate Change Agreement will have 'some impact' on the real estate investment market by 2020.



# Insights

**The Paris Climate Change Agreement is the first agreement of its kind and was welcomed by Bilfinger GVA who subsequently joined the Paris Pledge for Action to support the aspirations of the Agreement.**

Critically, business was recognised as a key component for delivering the target and whilst 67% of our survey respondents feel that the Paris Agreement will have some impact, it is understandable that there is some uncertainty as to how it will trickle down to our sector and over what timescale. Immediate trends emerging, which have intensified since Paris, include; divesting from high carbon assets such as coal, a rapid transition to renewable energy supply and battery storage, and commitments from some progressive governments to establish net zero carbon cities. These trends imply that through the actions of both governments and leaders in business, a transformation of some kind in the built environment is inevitable. The key question remains as to the speed and severity of the full impacts on the property market.

Although the respondents do think that the Paris Agreement will have some impact on the commercial property industry, a considerable majority think the sector will not achieve a 52% reduction by 2030. If the government wish to push the industry to greater emission reductions then minimum building standards appears to be the best way to do it, especially if coupled with financial incentives. Reporting is not seen as a strong driver of change but we feel that it is a necessity as you can't manage what you don't measure and we cannot hide from our age of ever increasing transparency. The key to funds and portfolios improving performance seems to be through a mix of occupier engagement, staff training, developing more efficient properties and using a carbon reduction management plan. It is welcoming to see broad backing for all of these necessary initiatives which together should be included in any sustainability strategy.

"At Land Securities we were pleased that the Paris Climate agreement recognised the role businesses have to play in tackling climate change. Since Paris we have responded positively, setting a new and ambitious long term science-based carbon reduction target across our portfolio; and committing to 100% renewable electricity provision. We believe this shows to the industry what can be done and what needs to be done to respond to this key challenge."

**Caroline Hill**
Head of Sustainability
Land Securities plc

# Outlook

**This year's Green to Gold findings do not provide the signals of progress that we would expect considering the broader global trends.**

Short investment horizons appear to translate into less focus on sustainability and existing corporate and fund level sustainability strategies are not translating into the corresponding level of change at acquisition and management. F and G rated EPCs are known to be a risk but the actual level is still largely unknown, while action on mitigating climate change is set to be far below the required level to meet national and global targets.

Occupiers are thought to want sustainability and engaging with them is seen as the most appropriate way to respond to climate change. However, the importance placed on their health and wellbeing seems low considering the level of importance that we know sustainability and design professionals are placing upon it.

## Moving forward

There are three areas in which we expect to see rapid progress within the next two years:

- **EPC risk**
  This will include MEES portfolio level risk assessment, much greater levels of due diligence on the production of EPCs and the creation of improvement plans for F and G properties.
- **Operational energy use**
  This will include a focus on the performance gap, the emergence of standardised benchmarking and reporting across the industry and will be linked with climate change mitigation.
- **Occupier health and wellbeing**
  Direct access by occupants to air, light and acoustic information via emerging technologies and rapid uptake of the WELL standard and similar ratings will push owners to understand the performance of their properties.

## Business unusual

There are a number of property and fund managers who are reacting to the challenges and new expectations of investors and occupiers but broad and deep change is required across the industry if value is to be retained and property is to fulfil its role in a sustainable society.

Further work is required by businesses to map the environmental and social challenges to their operations and identify how they can be part of the solution. Strategies need to then be reflected in new processes, asset management plans and training to close the skills gap. Collaboration is key; with occupiers, suppliers, partners and other businesses. No one business can solve the challenges alone.

Luckily a lot of the technology, best practice case studies and collaborative organisations already exist. Now is the time to make it mainstream. From politicians, industry groups, companies and individuals; there is a need to lead.

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**The Survey**

Our survey was conducted in April 2016. All responses were received from fund and portfolio managers, representing property and institutional investors.



**For further information, please contact:**

**Alastair Mant**
*Director, Head of Sustainability*
020 7911 2940
alastair.mant@gva.co.uk

**Jon Gibson**
*Associate, Sustainability*
020 7911 2680
jonathan.gibson@gva.co.uk

**Mark Frampton**
*Senior Director, Investment*
020 7911 2181
mark.frampton@gva.co.uk

@GVASustainable

**08449 02 03 04**
**gva.co.uk**/sustainability

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