



2015 GRESB Results

Sander Paul van Tongeren, Head of Europe
November 4, 2015

GRESB

Started in 2009 by three institutional real estate investors and Maastricht University

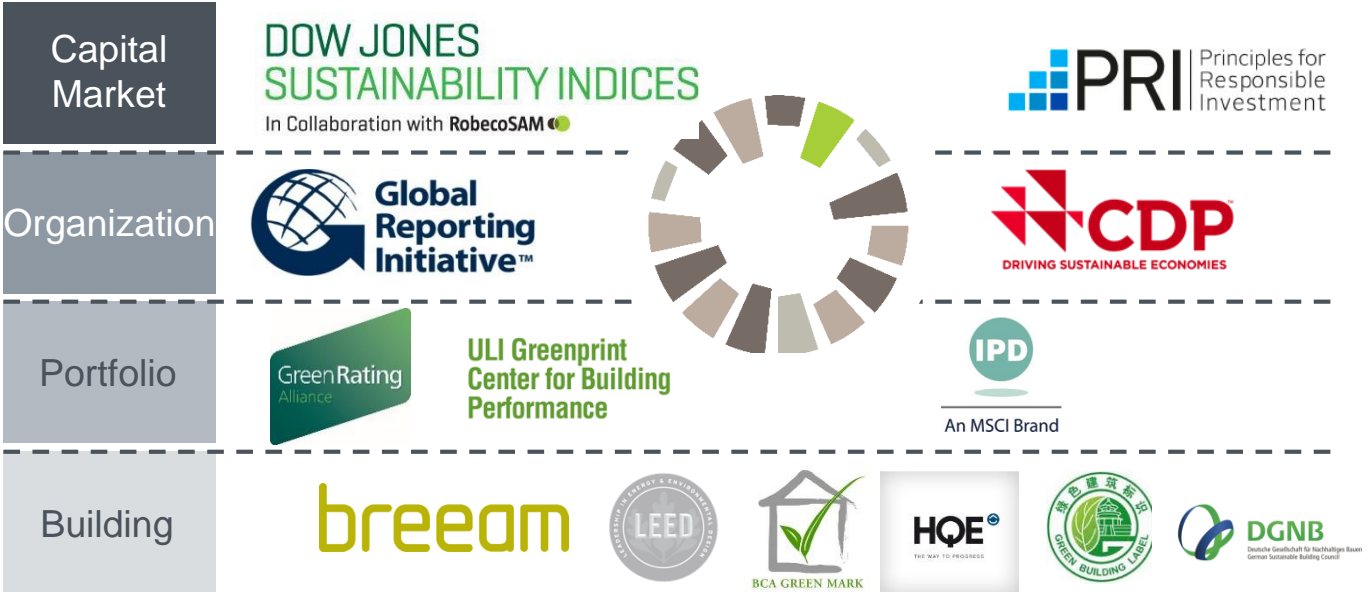


“GRESB’s mission is to enhance and protect shareholder value by evaluating and improving sustainability best practices in the global real asset sector.”

- A platform to assess the ESG performance of property companies and funds at portfolio level
- A systematic approach to score listed companies and private funds
- A global benchmark for ESG performance

Real Estate sector ESG reporting

GRESB serves both public companies and private equity



Partners and Supporters

Real Estate Associations and Industry Bodies

Strategic Alliances



Partners



Supporters

- ACSI (The Australian Council of Superannuation Investors)
- AFIRE (The Association of Foreign Investors in Real Estate)
- ARES (The Association for Real Estate Securitization)
- BBP (Better Building Partnership)
- Danish Property Federation
- JSBC (Japan Sustainable Building Consortium)
- PCA (Property Council of Australia)
- PHILGBC (Philippine Green Building Council)
- RIAA (Responsible Investment Association of Australasia)
- SGBC (Singapore Green Building Council)
- Swedish Property Federation

Coverage

The global ESG standard for real estate companies and funds

- GRESB covers **property companies and funds**
- The benchmark is actively used by institutional investors, representing **USD 6.1 trillion in AUM** to improve return and manage risk.
- In 2015, **707 property companies** and funds participated in the annual GRESB Survey, representing **USD 2.3 trillion in value**
- The GRESB database covers **61,000 assets** in more than 50 countries

Coverage

Coverage in all continents and more than 50 countries

	Total	North America	Europe	Asia	Australia/NZ	South America	Africa	Globally diversified
Listed no of participants	170	41	69	41	12	1	3	3
Gross asset value USD million	1,339,733	521,529	377,088	290,919	84,048	1,185	9,151	55,813
Average size based on GAV in USD million	7,881	12,720	5,465	7,096	7,004	1,185	3,050	18,604
Market coverage* Based on the regional FTSE EPRA/NAREIT	56%	55%	74%	39%	67%			
Private no of participants	537	114	311	63	35	9	1	4
Development only participants	19	0	2	12	1	4	0	0
Gross asset value USD million	962,149	434,036	372,860	73,167	72,704	3,230	1,423	4,730
Average size based on GAV in USD million	1,792	3,807	1,199	1,161	2,077	359	1,423	1,182
Total no of participants	707	155	380	104	47	10	4	7
Development only participants	19	0	2	12	1	4	0	0
Gross asset value USD million	2,301,881	955,565	749,948	364,086	156,751	4,415	10,574	60,543
Average size *based on GAV in USD million	3,256	6,165	1,974	3,501	3,335	441	2,644	8,649

Coverage

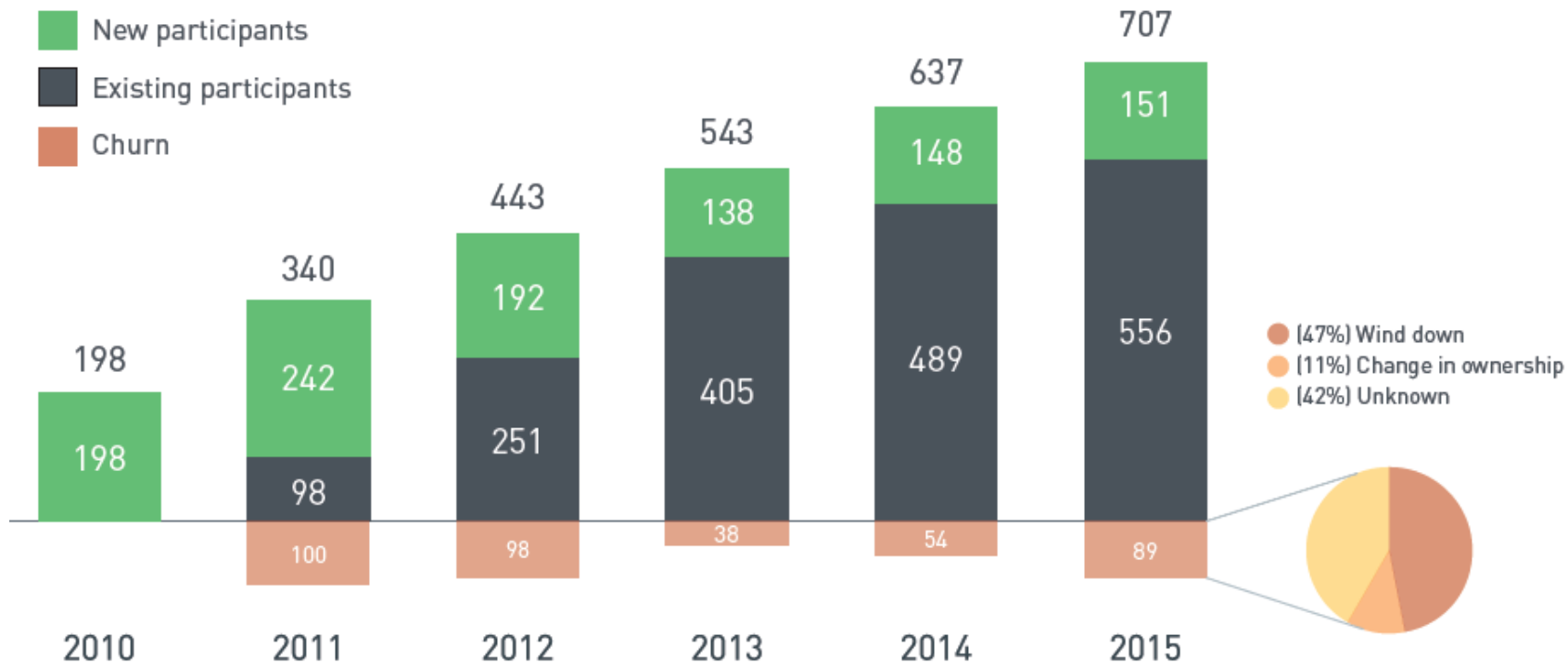
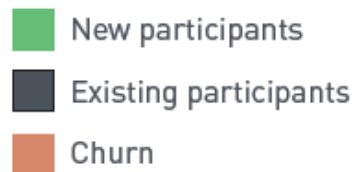
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Participation over time

More than 250% increase since inception

Response rate development



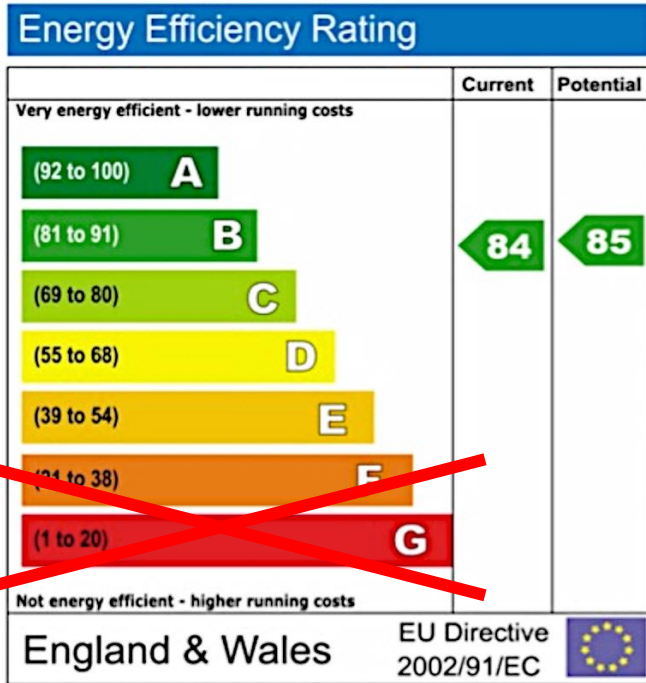
Market Drivers

Real estate market increasingly exposed to sustainability



Regulators: UK's Minimum EPC Regulations

By 2018, buildings labeled "F" and "G" can no longer transact in the UK



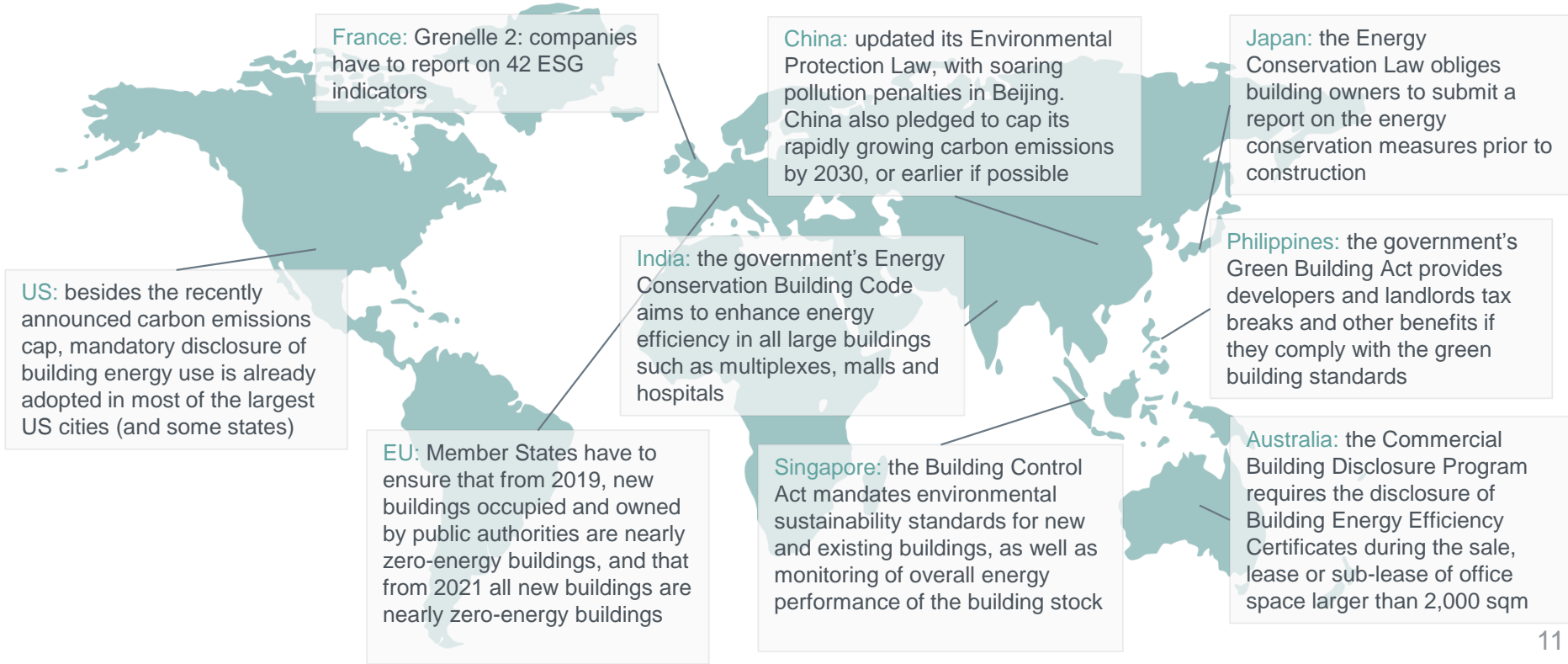
Landlords face £29bn green refurb bill

Landlords are facing a £29bn bill to bring their properties up to legal green standards by 2018.

That is the estimated cost of refurbishing 200,000 commercial properties in England and Wales within four years to avoid them becoming illegal to let.

Increased (building) regulations globally

Government is the most important driver in some markets (e.g. China)





Relevance of ESG

Institutional Investors

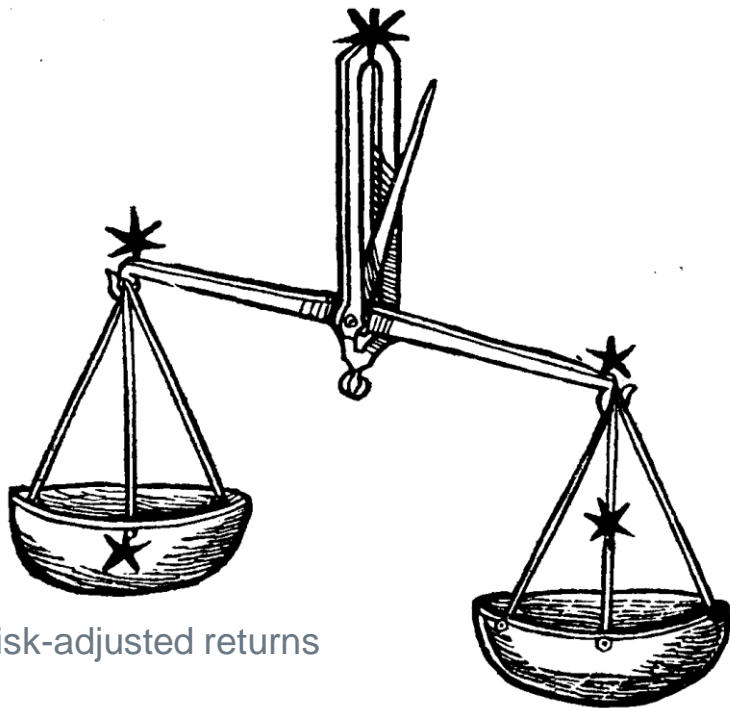
GRESB Investor Members

Integrate ESG data and GRESB tools into investment decision-making process



Institutional Investors and Sustainability

ESG is no longer seen as a tradeoff between financial returns and “doing good”



Optimize risk-adjusted returns

Demonstrate social responsibility



Given that climate change risks and opportunities have the potential to impact investment risks and returns, considering them alongside traditional financial and business risk factors in making investment decisions will improve long-term risk adjusted returns to members.

(Source: HESTA's website)

APG's Investment Beliefs

Good governance and responsible investment are key

Our vision on investment

We summarized our vision on investment for you in a number of investment beliefs. These concern, for instance, the investment risk, spread of risk, innovation, active and sustainable investment. They constitute the basis for reaching your goals.

9. Good governance and responsible investment are key

We can improve the risk–return profile by factoring non-financial elements into the investment process. To APG Asset Management, responsible investing is a way to improve the investment portfolio's ratio of risk and return and simultaneously contribute to sustainability. We do this, for example, by paying attention in the investment process not only to companies' financial performance, but also to how they fulfill their social responsibility and how the executives of these companies deal with their shareholders.

Investors are driving disclosure...

Strong demand for sustainability reporting

World's Largest Investors Launch Effort to Engage Global Stock Exchanges on Sustainability Reporting Standard for Companies

Source: Ceres, 2014

Investors are gathering together and demanding better sustainability data. They need standardized, comprehensive information that is consistent over time

Source: Economist, 2014

Companies publish information on their environmental impact and vulnerability to green regulation, to attract or placate investors

Source: Economist, 2014

Investors are increasingly looking at the ESG performance of the companies they invest in as a way to improve the financial performance of their investment portfolio

Source: BSR, 2012

Investors encourage companies in which they invest in to be clear and open about the risks they face from climate change

Source: Mercer, 2014

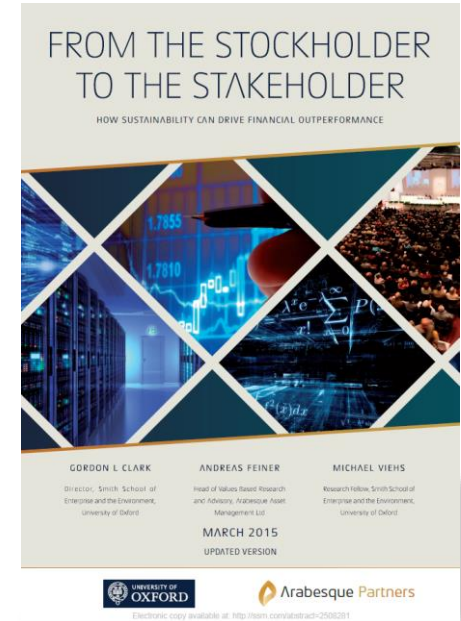
Fiduciary investors now weigh companies' sustainability performance when considering whether to hold them in portfolios

Source: top1000funds.com, 2014

The business case across asset classes

Recent report on the link between ESG and financial performance

- 90% of the studies on the cost of capital show that sound sustainability standards lower the cost of capital of companies
- 88% of the research shows that solid ESG practices result in better operational performance of firms
- 80% of the studies show that stock price performance of companies is positively influenced by good sustainability practices



The business case for Green Buildings

General and financial benefits for building owners

- Sustainable buildings provide general and financial benefits to building owners and tenants
- Any upfront additional investment costs are usually offset by a decrease in long-term life cycle costs

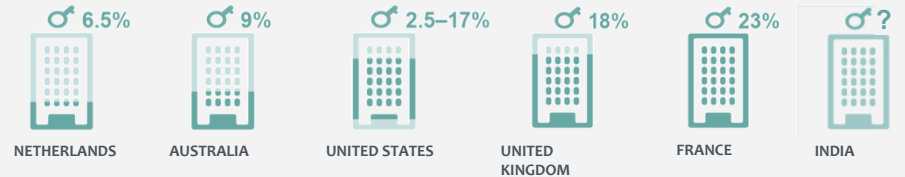
General Benefits

- Improved well-being for occupants
- Regulatory and climate change risk mitigation
- Tenant attraction and retention

Financial Benefits

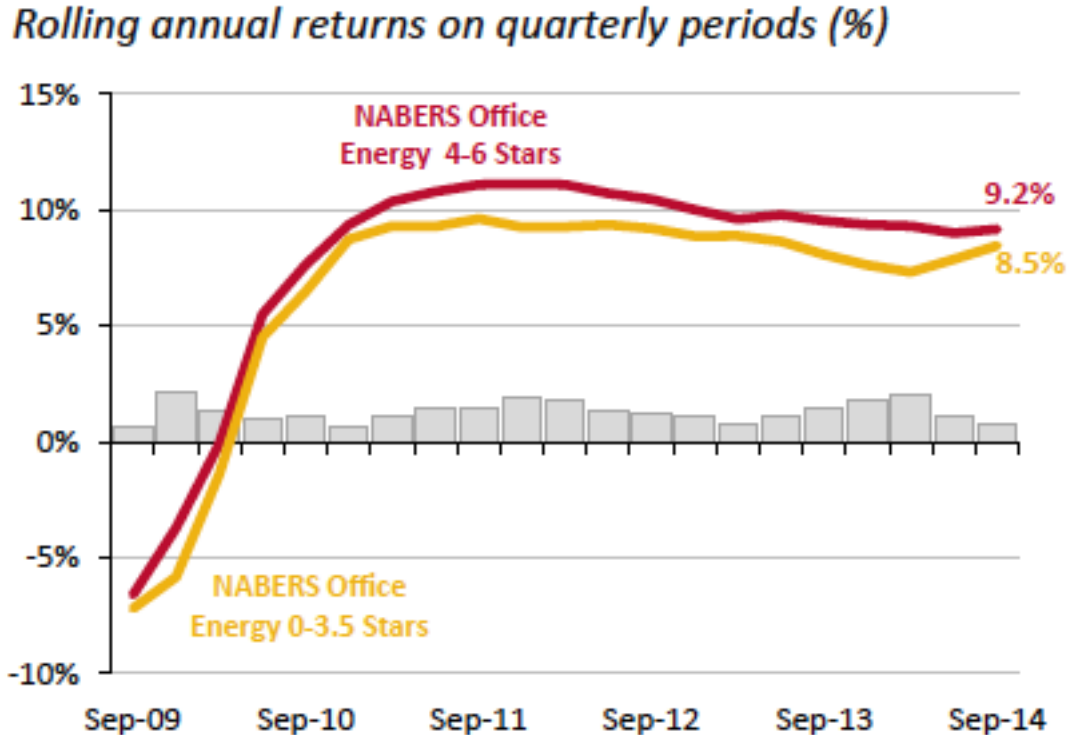
- Higher rental levels
- Lower vacancy levels
- Lower operating costs
- Higher capital values
- Increased asset liquidity

Premium in Office Rents



PCA/IPD Australia Green Property Index...

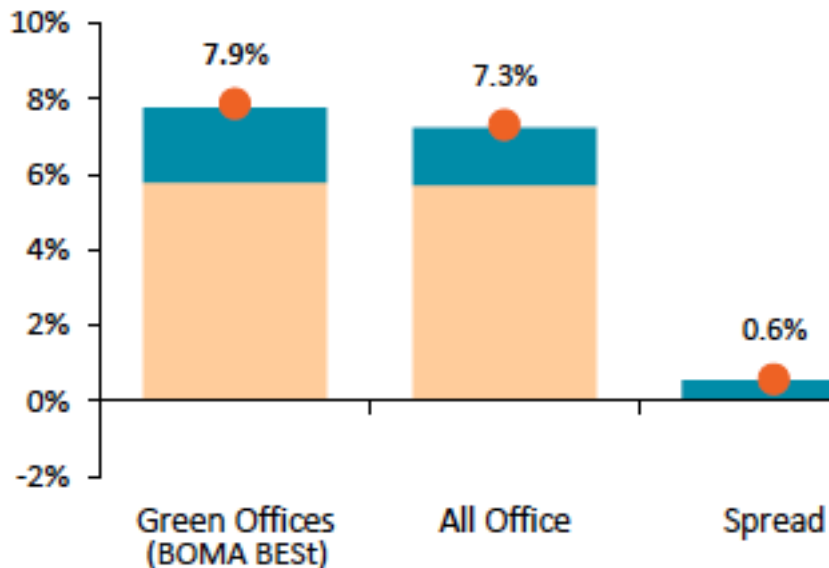
NABERS Office 2009 2014: 70bps spread



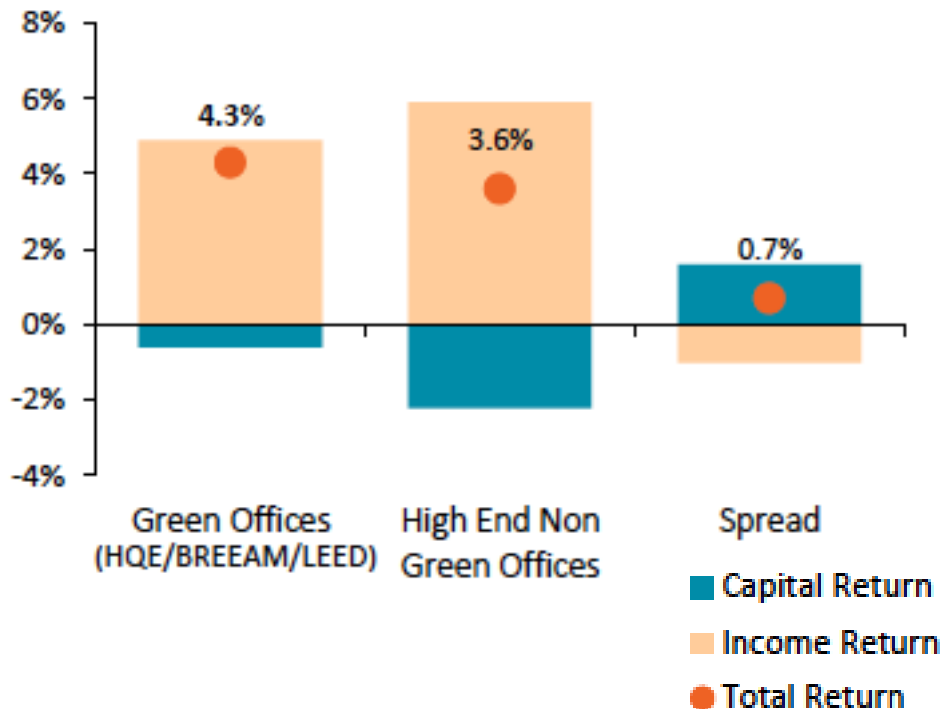
...Across a Number of Markets...

Relative return outperformance of green certified assets (source: IPD/MSCI)

Canada (to Sep-14)



France (to Dec-13)

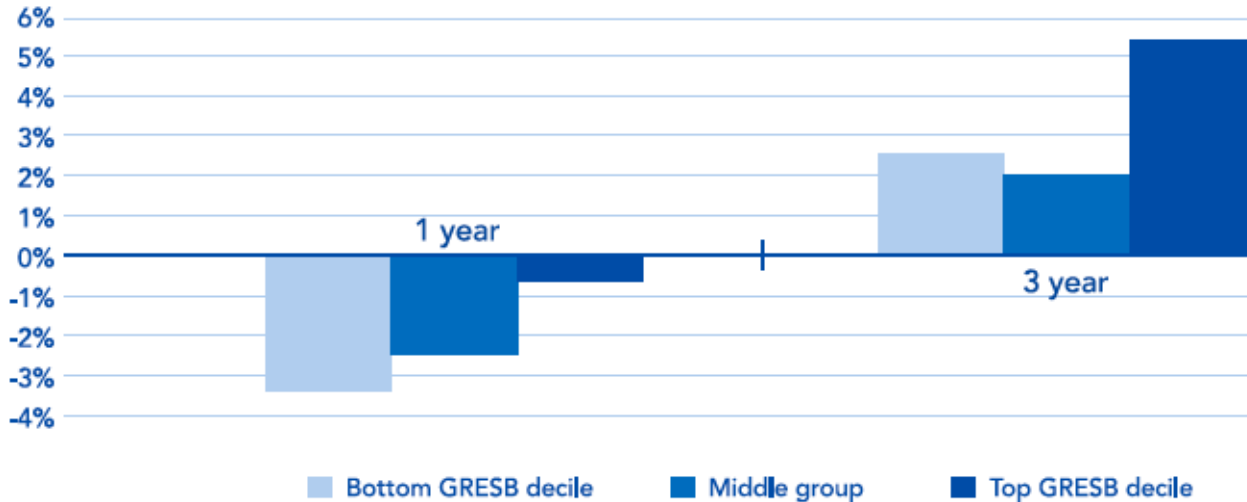


INREV research using GRESB data

Results from study with INREV show sustainability performance matters

Highlights:

- INREV data merged with GRESB data (101 funds – 3 years of data)
- Total return correlations show sustainability matters
- Attribution analysis shows that this is partially due to differences in leverage



Transparency and Performance of the European non-listed Real Estate Fund Market, Dirk Brounen et al, Sept 2014

Cambridge University study with GRESB data

Higher GRESB Ratings correlate to superior financial performance

A University of Cambridge study by Franz Fuerst, commissioned by the Carbon War Room and the Rocky Mountain Institute, found that, adjusted for risk, there is a significant link between portfolio sustainability indicators and REIT stock market performance. [More](#)

TABLE 1:
AVERAGE FINANCIAL PERFORMANCE OF GRESB
VERSUS NON-GRESB PARTICIPANTS
(% ANNUAL RETURN)

	2011	2012	2013	2014
Non-GRESB ROA	3.193	3.599	3.696	3.335
GRESB ROA	3.618	2.683	3.055	3.711
Non-GRESB ROE	5.994	7.577	6.607	7.465
GRESB ROE	7.949	6.267	7.011	8.515

- A higher sustainability ranking in the annual GRESB REIT survey correlates to superior financial performance. Both the returns on assets and returns on equity of REITs with high GRESB scores outperform their peers.
- Adjusted for risk, there is a significant link between portfolio sustainability indicators and REIT stock market performance.
- The study establishes for the first time that investing in sustainability pays off for investors in REITs, enhancing operational performance and lowering risk exposure and volatility.

Be aware of other business implications...

...that are more difficult to quantify, but the impact on real assets could be significant

Lloyd's calls on insurers to take into account climate-change risk

Extreme weather as global climate alters demands a longer view and more action to avoid financial losses, says insurance firm



■ A home damaged by Superstorm Sandy in 2013 in the Staten Island borough of New York City. Photograph: John Moore/Getty Images

Super storm Sandy caused close to \$62 billion in damage in the United States and at least \$315 million in the Caribbean.

THE AUSTRALIAN 🇦🇺

Climate threat to housing insurance

Home insurance premiums would rise 92 per cent over the life of a 30-year mortgage at the high end of climate change projections

The Japan Times

Japan's flood damage to triple by end of century



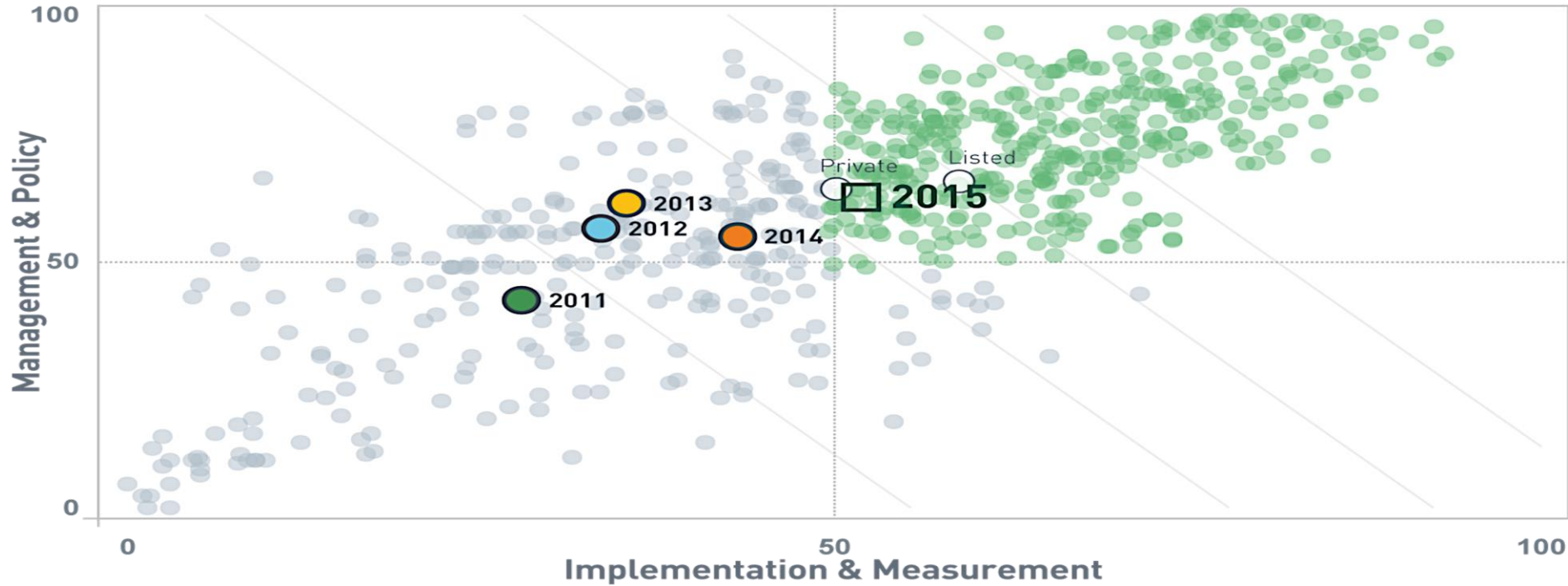


2015 GRESB results

Connections to global challenges

Global Trend: 2015 average = Green Star

Listed property companies are outperforming non-listed funds



No big regional differences

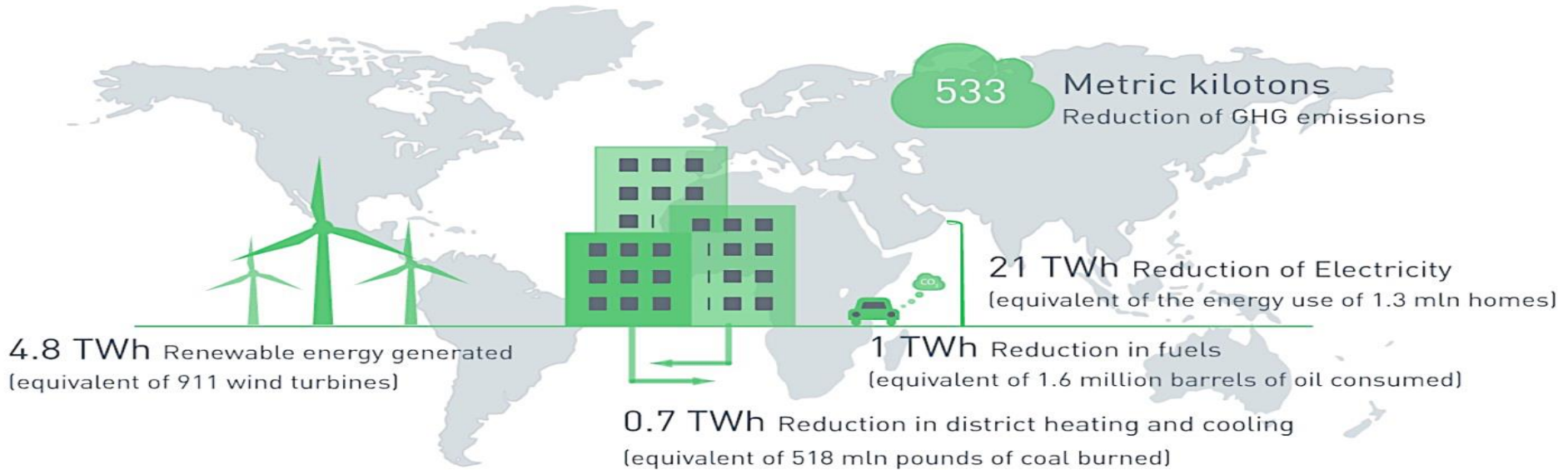
Australia/NZ is the exception: still outperforming all other regions



Global impact of 707 participants

Reporting year 2014

Impact of Change



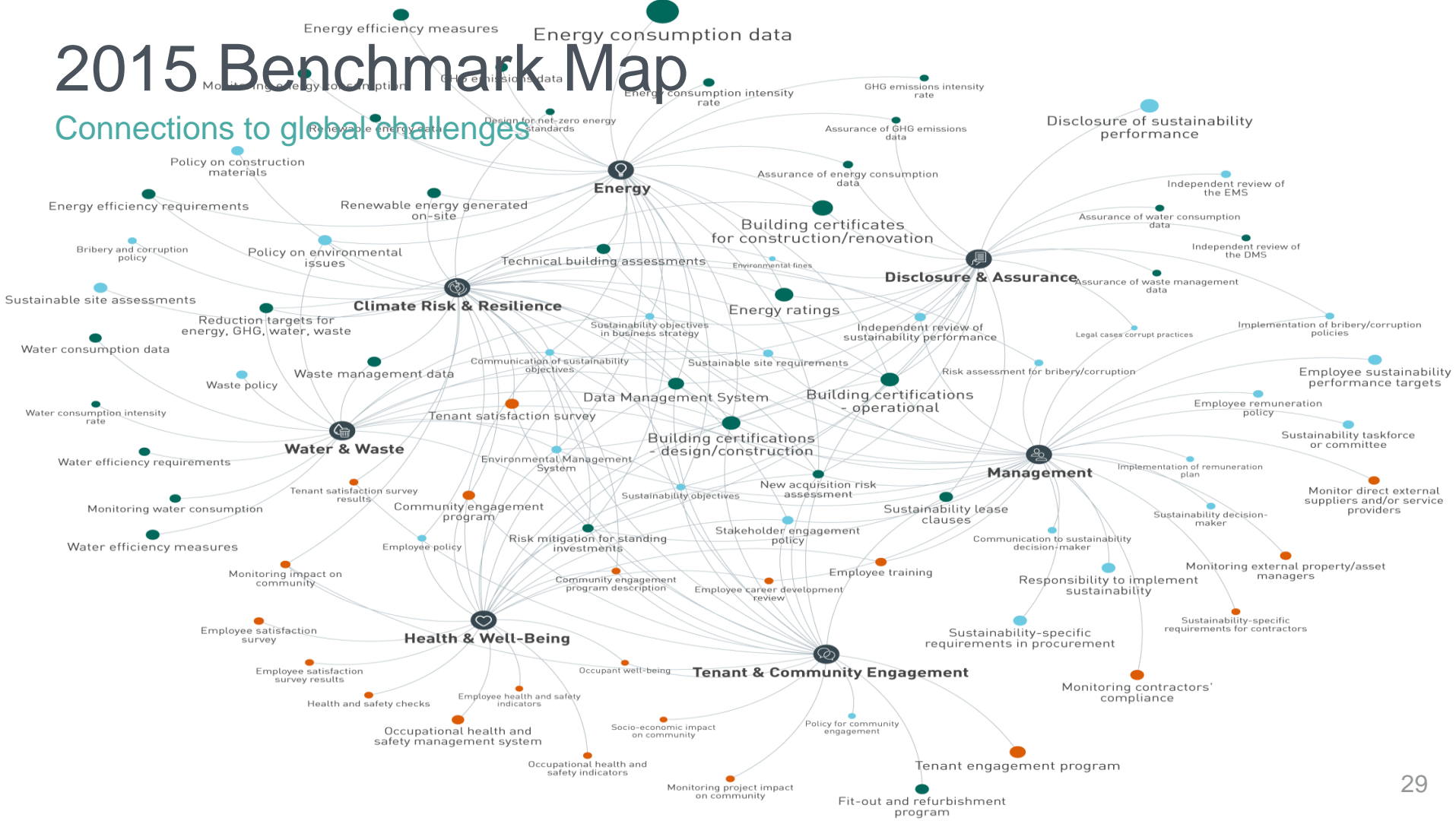
2015 Benchmark Results

Global Challenges

- Management: governance and accountability
- Disclosure & Assurance: transparency and data quality
- Climate Risk & Resilience: assessment and action
- Energy & Carbon: managing regulatory risk
- Water & Waste: managing costs and risk
- Health & Well-being: creating superior places for people
- Tenant & Community Engagement: collaboration to promote performance

2015 Benchmark Map

Connections to global challenges



Solutions to challenges

Highlights of progress

- Management: 96% have a responsible individual
- Disclosure & Assurance: 92% report ESG objectives
- Climate Risk & Resilience: -3.04% decrease in GHG emissions
- Energy: -2.87% decrease in energy use
- Water & Waste: -1.65% decrease in water use
- Health & Well-being: 84% promote health in new construction
- Tenant & Community Engagement: 61% green lease clauses

GRESB Reports

www.gresb/downloads

2015 GRESB Results

Online Report



Innovation Case Studies



Downloads

- 2015 GRESB Report
- 2015 GRESB Highlights
- Asia Snapshot
- Australia/NZ Snapshot
- Europe Snapshot
- North America Snapshot
- U.S. Snapshot



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Questions & Comments