

REAL ESTATE

# REurope

*The finance and economics of european Real Estate*



THE SUSTAINABILITY ISSUE

## Green Giants

REurope rounds up the titans of real estate who are transforming Europe's skyline with some fantastic solutions to save the planet

Torre Oriente



## UNION INVESTMENT REAL ESTATE

By Fabian Hellbusch, Head of Corporate Communications

“ For a real estate investor like Union Investment that acts on behalf of many individual investors, the inevitable question is how to combine tackling climate change with achieving the returns expected by customers. The large number of initiatives set up and launched in 2009 as part of our sustainability programme shows that there are ways of reconciling these apparently opposing objectives.

Awareness of the energy performance and environmental credentials of buildings is crucial for any major portfolio manager wishing to establish a strategic programme of action that engages all stakeholders and defines binding targets to reduce environmental impact. Accordingly, Union Investment devoted significant resources in 2009 to analysing the 250 or so properties in its portfolio. “Energy passports” have already been produced for 190 of our properties over the past year, allowing tenants or buyers to identify the overall energy efficiency of a building. Energy passports became mandatory for all commercial buildings in Germany on 1 July 2009. In addition, the Sustainable Investment Check – an analytical tool developed by Union Investment and based on popular certification schemes like LEED, BREEAM and DGNB – enabled us to examine over 150 office, hotel and retail properties within our holdings specifically in terms of sustainability criteria. How sustainable and “future-proof” buildings are is determined by means of five criteria: energy and climate protection; water consumption; waste and recycling; efficiency and flexibility, and health and well-being. The Sustainable Investment Check is not just used to screen existing holdings though. Since the beginning of last year, this assessment has been part of our standard process for vetting acquisitions. Properties that fail to meet the Sustainable Investment Check criteria are automatically ruled out.

When it comes to acquiring properties for our funds, the existence of a certificate is not the deciding factor, nor will it be so in future. Given the plethora of different, incompatible schemes, this would not be a viable approach. Our investment activity is based instead on our proprietary sustainability standard, which is tailored to the specifics of office, hotel and shopping centre properties. In the not too distant future our entire portfolio will be rated in this way.

Sustainable real estate investment is now an integral part of our business strategy. The purchase of the Mercado shopping centre in Hamburg and Radisson Blu hotel in Krakow demonstrates the sustainable focus of our investment strategy, which can also be credibly communicated to our investors. In 2009, Union Investment invested some EUR 465 million in other certified green buildings, including the BREEAM-certified office property at 10 Gresham Street in London (“excellent”) and the ATMOS office building in Munich, which has a DGNB “silver” certificate. Our holdings incorporate 12 properties and projects with national or international awards for sustainable building. At some EUR 1.27 billion, the total value of certified properties represents just a small proportion of our funds’ total property assets (approx. EUR 16 billion), but we intend to continue down this path and invest more in this area. As a founding member of the DGNB (German Sustainable Building Council) and partner of the ULI Energy Efficiency Exchange, we are helping to raise awareness among investors and developers of the opportunities presented by sustainable real estate investment, while progressively creating a European market for green buildings. We are pursuing the same objective with the 2010 Prime Property Award, which is organised by Union Investment on a bi-annual basis and recognises investors whose exemplary projects incorporate sustainability factors in the development and refurbishment of commercial and residential buildings in Europe. Over 140 entries have been submitted to the competition. We see this level of interest as proof that



European property investors are increasingly seeking to take sustainability into account when planning and operating buildings, while at the same time focusing on economic viability. The awards ceremony for the Prime Property Award at EXPO REAL 2010 will provide valuable new insights into the industry's commitment to sustainability. We look forward to sharing our findings with others in the sector.

In 2009, we made significant progress towards our goal of creating a property portfolio that is sustainable on as many levels as possible by purchasing green buildings and continuing to invest in existing properties. Tenant fit-out of existing properties, such as the Le Levant office building in Boulogne-Billancourt, increasingly takes sustainability into consideration. Where refurbishment and updating takes place, energy-efficient building technology is being deployed in many cases. This has a positive impact on the environmental credentials of tenants and on service charges. The support of tenants is essential here: solutions that enhance a building's energy performance require the owner and users to work closely for mutual benefit. Cooperating with tenants therefore forms a central focus of initiatives by Union Investment aimed at fostering innovation and encouraging tenants to get involved as proactive partners. For this to succeed, we promote dialogue with all stakeholders, including our own employees in Hamburg. Sustainable real estate investment is an established part of the curriculum at our company's training academy. In 2010, our annual staff award will recognise outstanding contributions by Union Investment employees in this key area. We thus remain trendsetters while at the same time preparing to take our commitment to the next level.

