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Sustainable Real Estate – Responsible Property Investment

Preparing for the new requirements

Context

The evolution of the EU and local regulatory environment, together with the changes in market conditions, create major challenges for the real estate industry and has changed the context for real estate investment decision-making. Governments around the world are introducing ever more stringent regulations and fiscal policies to tackle the carbon and environmental performance of new and existing buildings, as well as the businesses that occupy them. The EU's Energy Performance of Buildings Directive is just one example of this.

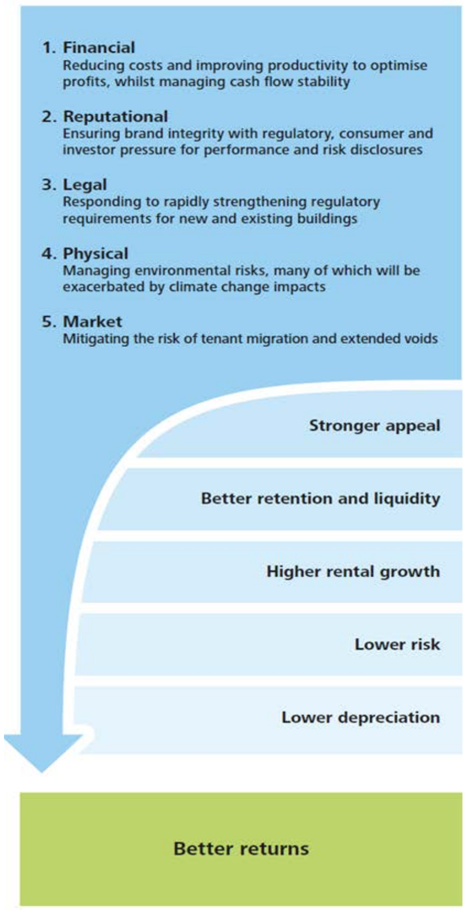
Key Issues

With the emergence of an array of regulations, guidelines and best practices, and a spotlight being shone on the impact of the built environment, it is difficult to know where to start.

Investors and shareholders are beginning to demand more robust and transparent approaches to 'sustainability' from their Fund Managers and General Partners.

Non-green properties will end up with lower rents and take longer to re-lease. In addition, these assets will depreciate more quickly and carry higher risks than their green counterparts, making non-green properties less desirable to investors.

Drivers of Sustainable Real Estate



Main Challenges

An increasing number of occupiers, especially those with the strongest covenants, are working towards developing measurable carbon reduction and non-financial performance targets, many of which engage in robust public disclosure of performance, which stands to impact on leasing decisions where it isn't doing so already.

Sustainability issues apply at each stage of the real estate investment and management process. This requires an integrated response which encompasses investment decision-making, asset management and development, stakeholder and tenant engagement, and measurement and reporting.

The general trajectory of rapidly rising utility costs, volatility in the commodity markets, and an increasing propensity for governments to 'tax' carbon emissions, introduces an increasingly compelling direct financial driver for greater resource efficiency within commercial property.

The prospect of detrimental impacts on building performance resulting from climate change is leading to an intensification of depreciation risk.

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Designed and produced by MarCom at Deloitte Luxembourg