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The value of environmental and social issues to real estate investors

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INVESTIBLE STRATEGIES

- Property values - fundamentals –
 - Reflection of income stream – so whatever determines or affects income is key
 - Derived from opinion
 - Estimate of likely selling price
 - Established by balancing the property financials with market data and evidence
 - Trading not always transparent – imperfections in market
 - Valuation and price may be different reflecting individual parties views and strategies

- Property characteristics – as being material for SEE framed investment -
 - Complex relationships between investor and investment and beyond
 - Multiple entities - building and occupier
 - Liquidity and transactional costs
 - Engagement and dialogue

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INVESTIBLE STRATEGIES

- Individual focus area drivers
 - Widely accepted that the ‘least cost’ carbon abatement solution is to increase energy efficiency in buildings
 - Designers, engineers, project managers, developers, the construction sector, asset managers all have a part to play in the supply chain that contributes to the property investment industry
 - With increasing trend of pressure and demand from tenants, property managers and owners increasingly need to offer an environmentally and socially friendly proposition
 - Flood risk

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INVESTIBLE STRATEGIES

■ Improver Funds

- Existing assets, provide a ring-fenced sample subset
- Investigate and monitor the effect of ESG interventions on portfolio returns
- Aim to maintain and enhance investment returns
- Accept difficulties but apply successes across remaining portfolios
- Examples are Prupim, BT Pension Fund, Calpers CURE program

■ Green Funds

- New investment, with set rationale based on methodology, criteria, standards, experts
- Sourcing of assets may be difficult
- Obtaining funds may prove a challenge with market conditions
- Examples are Climate Change Capital, Sustento

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COLLABORATION

- UNEPFI – Property Working Group
 - Composition and mission
 - Connection between ESG practice and financial performance
 - Briefs and CEO Briefing – evidence of global best practice
 - Collaboration with other groups
- Grow membership
- PRI for property
- Green Building certifications and standards
- Toolkits
- GRI & Real Estate Sector Supplement



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COLLABORATION

- World Green Building Council – focus on new construction
 - Australia, India, Germany, United States, United Kingdom, and other regions
- IPF, BPF, IIGCC, GBFC, RICS – industry bodies providing collective voice and views
- Syndications
 - Benchmarking Clubs
 - Third Dimension
 - Occupier surveys
- More evidence and examples and outreach to strengthen case and promote action