

Dear readers,

The issue of sustainability in the European property sector is becoming ever more prominent, be it in current, politically motivated discussions or be it in numerous publications and statements on specialist topics. The clear communicative positioning of decision-makers on the sector's responsibility also plays a role. This aspiration is also clear from looking at the websites of European property companies. What started 20 years ago and cropped up on the European property map some seven years ago seems to have "arrived" at an operational level. At the same time, the fact that corporate sustainability (CS) is not only to be rated as a marketing instrument but far more as a development to be incorporated in the foundation of companies' corporate identity has now become accepted. This is because a sustainable approach not only takes account of ecological and social factors but also supports companies' economic goals. The first impression is that the issue has been recognised, it has been structured and then incorporated in day-to-day business. But how do things really stand in terms of its having arrived in day-to-day business at European real estate companies? Building on our survey "The Sustainability Strategies of European Property Companies – An Analysis" (IVG Research LAB 4/2011) we have again carried out an online survey among Europe's largest property companies to establish the extent and momentum of its development as objectively as possible. To this end, the largest European property companies were asked about their strategy, their operational implementation through to their product ideas.

### 1. Summary

- Property companies in Europe seem to be divided into one group where the integration of sustainability activities in day-to-day business is proceeding apace („Avantgarde“) and another group where the issue of sustainability is stagnating rather.
- In the meantime, 54% of the participants in the survey have a separate department or people whose key tasks involve issues of sustainability. In contrast to most of the other respondents, these companies regularly publish their own sustainability reports, provide information on sustainability issues both within the company and externally and increasingly offer various sustainable real estate products.
- Apparently the size of the company and whether it is listed are immaterial when companies decide whether to set up a sustainability department or not.
- Sustainability is not an end in itself: The companies that have employed staff especially for sustainability activities expect to gain a competitive advantage from this. 63% of the companies associate sustainability with the prospect of being able to make financial savings.
- Among stakeholders, investors and tenants have the most relevance with regard to sustainability issues for the companies.
- The implementation of a carbon footprint and the reduction in CO<sub>2</sub> emissions are a major priority for the companies in the next 24 months. Green facility management and green leases are topics that are also becoming increasingly significant.

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- The certification of properties has become more important in the last two years. Property certification in accordance with BREEAM and LEED receives most support in the survey; however, entirely different standards seem to be catching on nationally within Europe.
- Among the benchmarking systems, only the Global Real Estate Sustainability Benchmark (GRESB) is accepted to a certain extent by property companies. Companies often find the large number of possible systems unclear and confusing.
- Most (and almost only) companies with a sustainability department publish a specific sustainability report and, in doing so, focus on the GRI standard in particular. Three quarters of the listed companies questioned devote a separate section in their annual reports to the issue of sustainability; in so doing, 63% follow the EPRA guidelines among other things.
- Green buildings enjoy the greatest acceptance among sustainable property products; they are offered by 80% of the companies questioned. While two fifths of the companies plan to offer green leases, so far only 17% of the participants in the survey have concluded tenancy agreements of this kind. Completion figures are still modest. As a product, sustainable property funds are still in their infancy.

## 2. Study methodology

In our online survey, a total of 176 property companies from throughout Europe were asked about their sustainability activities in January and February 2013. The response rate was 13.6%. The companies' websites were also analysed.

Around two thirds of the companies that responded are listed. Measured against the database of all property companies under consideration, participants from German-speaking countries (accounting for 41.7%) and from Nordic countries (12.5%) are overrepresented, while comparatively few companies participated in the survey from the UK (20.8%) and France (4.2%). Most companies focus on commercial properties; only a tenth specialise in residential properties.

The range of participants is enormous in terms of company size, as can be seen from both staff numbers from fewer than 100 to 1,100 employees (median: 190 employees) and the value of assets under management (up to € 50 billion; median: € 3.8 billion).

50% of the persons responding are in senior management roles and almost 40% are either Managing or Associated Directors. The majority work in Investor Relations (29%), Corporate Responsibility/Sustainability (21%), Business Development (13%), Asset Management (13%) and Marketing/Communication (8%).

## 3. Sustainability department as a distinguishing characteristic

In our first survey in 2011, 70% of the participating companies had a sustainability strategy. Two years later, we learn - from the companies themselves

### Study methodology

1. **Online survey** of Europe's listed and other large property companies (176 companies surveyed)
2. **Analysable responses:** 24
3. **Return rate:** 13.6 %
4. **Additional analysis of companies' websites**
5. **Period:**  
15 January to 6 February 2013

Source: IVG Research 2013

### Origin of the participants by country

Germany	37.5 %
United Kingdom	20.8 %
Belgium	8.3 %
Sweden	8.3 %
Finland	4.2 %
France	4.2 %
Greece	4.2 %
Netherlands	4.2 %
Austria	4.2 %
Others	4.2 %

Source: IVG Research 2013

- that 95% of the companies have already incorporated their sustainability strategy in their corporate strategy. The extent to which this is really practised and whether this result is representative of the market as a whole is doubtful, not least in view of the moderate response rate to the survey. We suspect that the companies that participated in the survey were primarily those that are very interested in the issue of corporate sustainability and consequently pursue sustainability strategies.

For 54% of the companies participating, the issue of sustainability is so important that they have established a separate department or employed one or more persons, who deal predominantly with sustainability issues.

There are no significant differences in this respect between listed and other property companies. The size of the company – irrespective of whether this is measured on the basis of assets under management or the number of employees - apparently has no influence on whether the company permits itself the “luxury” of a separate sustainability department or not. By contrast, it is striking that participants’ propensity to delegate separate personnel for the issue of CS is far higher in Northern European countries (100%) and Benelux countries (100%) than in, say, Germany (25%) and in the UK (60%).

The responses to the question as to how long the issue of sustainability has been enshrined in organisations staffing-wise indicated that CS activities received a significant boost in 2010. 2010 was the key year for 40% of companies with separate sustainability staff.

As far as the number of employees working in the area of sustainability is concerned, the following results emerge:

- The range extends from one to six employees; the average is roughly two people.
- However, around 40% of CS departments only employ one person, while around 70% employ up to two people.
- At the same time, there is no statistically significant link between the size of the company (measured by the total number of employees or the assets under management) and the number of employees working on sustainability.

In response to the question as to whether personnel in sustainability departments have received special training,

- 77% of the companies with CS personnel say that this is the case for them,
- and a further 15% that appropriate training is being considered for the future at least.

All companies that have set up a separate sustainability department (100%) cite the fact that they expect new opportunities and competitive advantages as a material motive for having done so. Both listed companies and other companies likewise cite pressure from the capital market (58% of responses) and customers’ concerns (42%) as additional material reasons.

The importance of competition as a motive for setting up a sustainability department is supported, according to all the companies questioned, by in-

**Reasons for integrating sustainability in corporate strategy**

*“Sustainability is the basic for corporate strategy.”*

*“We are highly exposed to the public. Our strategy is long term.”*

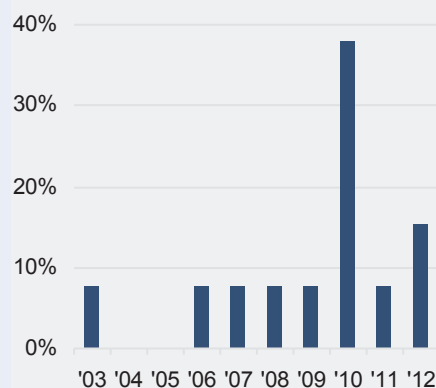
*“It is about a changing world.”*

*“Because it increases operational and new development efficiency and reduces running costs which attracts investors and customers.”*

*“We do not look at sustainability as an isolated term that deserves a policy of its own but as an integral part of day-to-day operations and decisions-making processes. Our ultimate goal is not to have a sustainability policy, but to embed sustainable thinking so deeply in our operations and our DNA that we will act in the most sustainable way without having to speak or think about it. Our aim is to be sustainable.”*

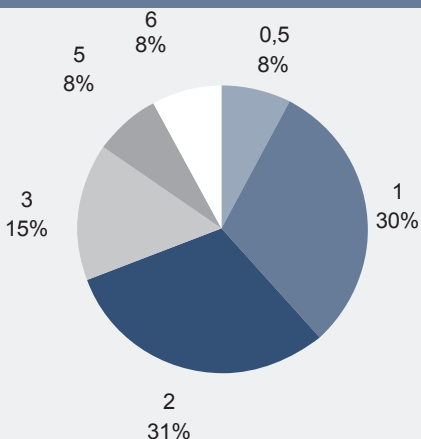
Source: IVG Research 2013

**Year of foundation of CS department**



Source: IVG Research 2013

**CS department: Number of employees**



Source: IVG Research 2013

creased interest in the issue of sustainability among stakeholders, particularly investors (91%) and tenants (79%). By contrast only 50% of the companies questioned believe that there is more demand among the public for information on sustainability. Interest among employees (46%), shareholders (33%) and service providers (only 21%) is viewed as even less.

The survey highlighted the following difference in the focus of sustainability activities between companies that have a separate sustainability department and other companies:

- While almost all companies with their own CS personnel prepare a specific sustainability report (92%), this is only the case for 55% of the other companies.
- In all cases (100%), a key objective of the specific sustainability departments is the provision of information on this subject; by contrast this area of responsibility is only covered by 45% of the companies without CS personnel.
- Management of strategic partners in the area of sustainability plays a role for 60% of companies with sustainability personnel but only for 18% of the other companies.
- In both groups, some 55% of the respondents state that checks of whether properties comply with the requirements for emissions constitutes a key area of responsibility.

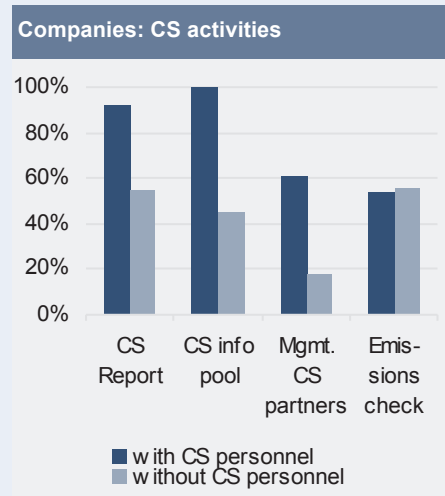
For companies that have their own CS personnel, the Intranet (92% of respondents), special events (62%), the Internet (54%) and regular newsletters (46%) represent the main instruments for providing information on sustainability issues within companies.

#### 4. Roadmap of the next 24 months

The question as to planned measures and activities in the next 24 months provides information about the “momentum” enjoyed by sustainability issues in the European property industry.

- 83% of the companies surveyed consider implementation of the carbon footprint to be very important or important. The European property industry consequently seems to be very aware regarding the CO<sub>2</sub> and greenhouse gas emissions<sup>1</sup>, which are associated with the use and construction (use of particular materials!) of real estate. Accordingly, the aim of a general reduction in CO<sub>2</sub> emissions is classed as similarly important by 74% of respondents.
- The introduction of green facility management is considered as very important or important by 38% of respondents.
- The subject of green leases, i.e. tenancy agreements containing clauses about green or sustainable use are also very relevant (very important or important for 61% of respondents).

<sup>1</sup> According to the Kyoto Protocol, greenhouse gases include carbon dioxide (CO<sub>2</sub>), methane (CH<sub>4</sub>), nitrous oxide (N<sub>2</sub>O), hydrofluorocarbons (H-FKW/HFCs), hydrocarbons (FKW/PFCs), and sulphur hexafluoride (SF<sub>6</sub>).



Source: IVG Research 2013  
N.B. several responses possible for companies with and without CS personnel



Source: IVG Research 2013

- The majority of respondents also viewed the improvement in transparency, the introduction of sustainability management and the intensification of dialogue with stakeholders as important albeit as being of lesser priority.
- Half the companies answered yes and no respectively to the fundamental question of whether climate change should be considered explicitly as a component of corporate strategy. Just under half the companies questioned are discussing measures to contain losses or achieve adjustments with politicians.

Companies were also asked how important the various dimensions of sustainability (triple bottom line) are for them:

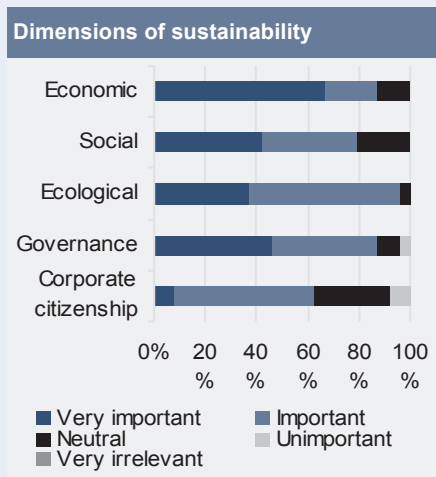
- The economic dimension, which was rated by 67% as very important and by 21% as important, has the highest priority for many respondents. This assessment is supported by the fact that about 63% of participants in the survey assume that they can achieve financial savings by implementing sustainability-related measures.
- The ecological dimension is considered as important at least by almost all respondents (96%) but is a matter of top priority for only 38%.
- The social dimension ranks third: 42% rate it as very important, 38% as important.
- The relevance of governance is similarly rated, while aspects of corporate citizenship are rated as important at least by 62% and as neutral by 29% of respondents.

### 5. Certification: regional clusters identifiable

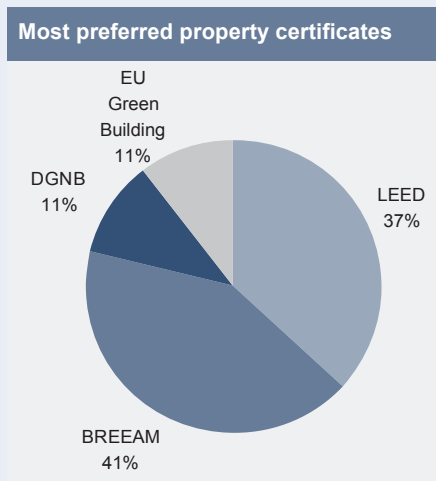
With regard to the certification of properties, companies now have a wide variety of options. They can choose, among others, from the American LEED, the British BREEAM, the German DGNB, the French HQE and the European EU Green Building certificate.

In the survey, European companies prefer LEED (37%) and BREEAM certificates (42%) above all. Despite the relatively high number of German property companies participating in the survey, the DGNB is most used by only just under 11% of the respondents and attracts scarcely any attention outside German-speaking countries. The European EU Green Building certificate is also used most by only around 10% of the companies. This confirms the picture from our survey in 2011. LEED and BREEAM ranked as European companies' favourites then too.

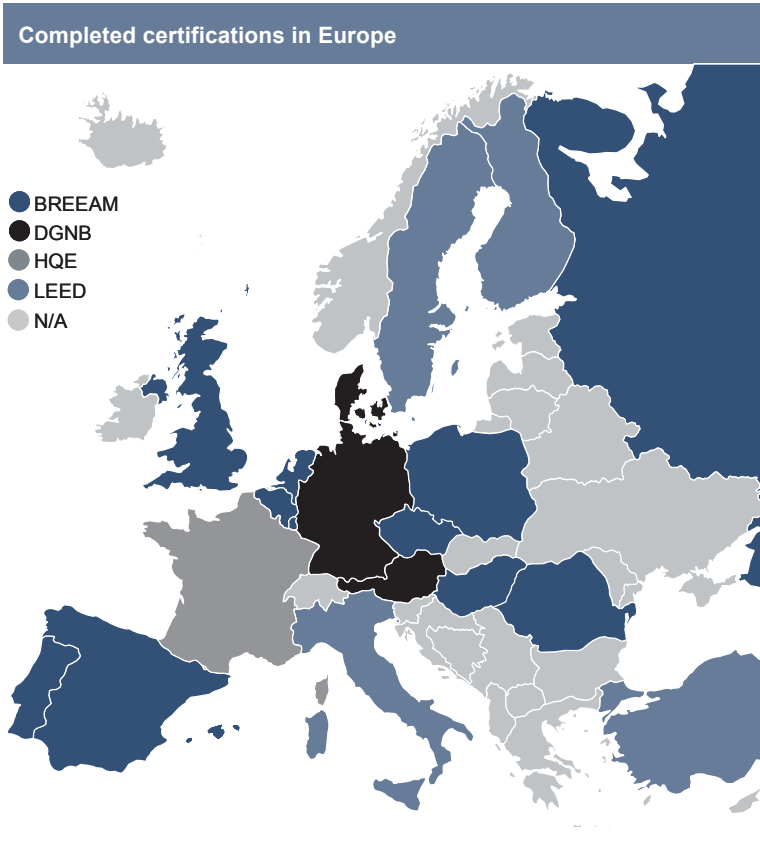
The results of the survey are also supported by an analysis of the certificates most used in Europe. While use of the HQE certificate is almost restricted only to France (where it dominates the market) and the DGNB certificate is only used in Germany, Austria and Denmark, the LEED and BREEAM certificate is used throughout Europe. BREEAM has a dominant position not just in the UK but also in the Benelux countries and in Eastern Europe. By contrast, LEED is widely disseminated in Scandinavia, Italy and in Turkey and competes with BREEAM in markets on the Iberian Peninsula.



Source: IVG Research 2013



Source: IVG Research 2013



Source: IVG Research 2013

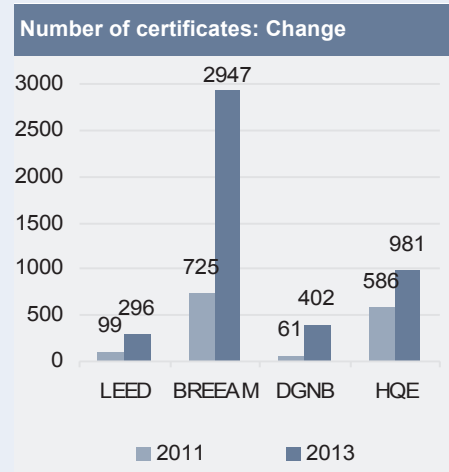
The number of certifications in the property sector has more than tripled since our last survey in 2011 from just under 1,500 to over 4,600. Only properties certified in accordance with LEED, BREEAM, DGNB and HQE have been taken into account here. The smallest rate of increase was apparent in the case of the French HQE certification, where numbers increased by 67% to 981 certificates. The expansion was strongest for the German DGNB, which grew by 550% to 402 certificates; this is mainly attributable to the low starting level in 2011. The number of LEED certificates has tripled to just under 300; BREEAM certificates have even quadrupled to around 2950.

In terms of numbers, the BREEAM certificate is the market leader throughout Europe. 63% of the cases were certified in accordance with BREEAM. At the time of our first survey in 2011, only one in every two certifications in Europe was awarded by BREEAM. This trend can be explained primarily by the sharp increase in certifications in the UK – the country in Europe with by far the highest number of certified buildings in Europe and where certification in accordance with BREEAM has become established. BREEAM is therefore far from becoming established as the European standard, as the other two large markets, namely Germany (DGNB!) and France (HQE!), show.

The sharp increase in the importance of certifications should not obscure the fact that this market will experience further dynamic growth in both quantitative and qualitative terms. While we expect attention to be focused on certificates at property level in the next few years, the search for the carbon footprint – see page 4 - illustrates the fact that investors focus still more on the measurability and value creation of sustainability aspects.

Certificate	LEED	BREEAM	DGNB	HQE
Austria	6	4	42	-
Belgium	2	140	-	5
Czech Rep.	8	26	1	-
Denmark	5	1	10	-
Finland	33	15	-	-
France	10	109	1	967
Germany	45	47	348	1
Hungary	8	23	-	-
Italy	25	16	-	1
Luxembourg	-	10	-	7
Netherlands	5	46	-	-
Norway	2	2	-	-
Poland	15	101	-	-
Portugal	1	2	-	-
Romania	1	10	-	-
Russia	4	15	-	-
Spain	31	40	-	-
Sweden	29	16	-	-
Switzerland	8	8	-	-
Turkey	35	26	-	-
UK	23	2290	-	-
<b>Total</b>	<b>296</b>	<b>2947</b>	<b>402</b>	<b>981</b>

Source: IVG Research (February 2013) based on:  
[www.greenbooklive.com](http://www.greenbooklive.com)  
[www.dgnb.de](http://www.dgnb.de)  
[www.gbci.org](http://www.gbci.org)



Source: IVG Research 2013



## 6. Green talk: sustainability reporting as a means of image-enhancement

The sustainability report, as published by many European companies once a year in most cases, constitutes a focal point in sustainability communication. It serves as a medium both for presenting a company's successes, progress and objectives with regard to sustainability issues and also to introduce the concept per se to the public:

- Around 46% of the companies questioned prepare a separate sustainability report. They are almost exclusively companies that have set up a sustainability department or a comparable entity.
- 62% of the participants in the survey devote a separate section to the issue of sustainability in their annual report. This is particularly the case for three quarters of the listed property companies.
- Newsletters, websites, social media and presentations offer additional means of communicating sustainability issues to the outside world.

With regard to sustainability reporting, international reporting standards are preferred by two thirds of companies (proportion among companies with separate sustainability personnel even amounts to 85%).

54% of the participants in the survey also discuss sustainability issues with their stakeholders on a regular basis. Investors are the group most frequently cited in this respect, namely by 92% of companies, by tenants and employees (69% in each case), by shareholders (54%), service providers (46%) and the public sector (39%). This illustrates the fact that all key stakeholder groups are strongly represented.

The findings are consistent with the results from our first survey in 2011 in which both investors and tenants were the two main groups addressed in dialogue with stakeholders. The significance of dialogue with employees has increased over time.

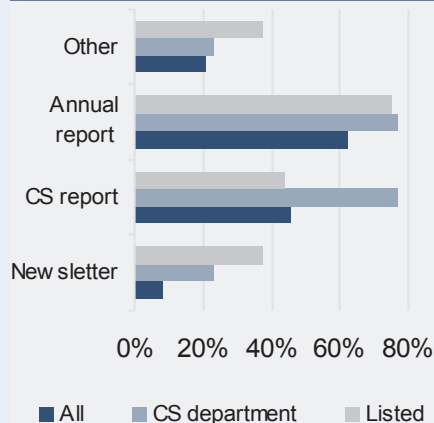
## 7. Benchmark and rating

The question as to the comparability of the information and data collected is becoming increasingly prominent in the development of reporting activities – for the most part in accordance with the GRI standard. Around three fifths of the companies questioned currently carry out benchmarking activities. These are carried out both for reasons of comparability and competition within the sector and to communicate success. With benchmarking, it is therefore particularly important that a comparison is based on the most objective criteria possible.

Against this background, at least two thirds of the companies questioned prefer to use international organisations' benchmarks; not even a quarter of the participants in the survey argue in favour of a national benchmark.

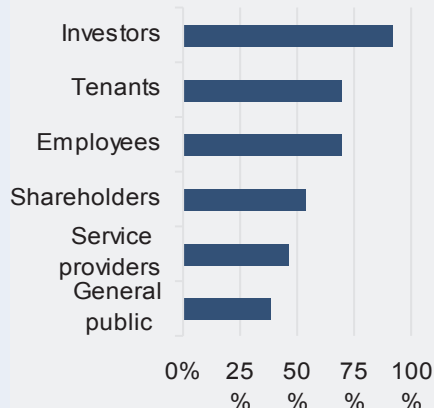
To the question which benchmark system is actually used to assess companies' own property portfolios, only the Global Real Estate Sustainability Benchmark (GRESB) received an appreciable number of positive votes.

### External provision of CS information



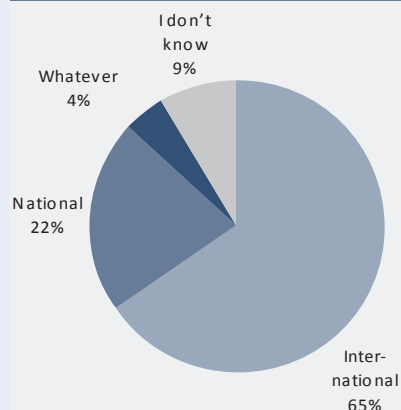
Source: IVG Research 2013

### Stakeholder dialogue



Source: IVG Research 2013

### Benchmark: International vs. national



Source: IVG Research 2013

Around 38% of the companies questioned indicated that they fall back on this system. Other systems are scarcely or not even mentioned (e.g. Energy Performance Certificate, Greenprint, SIRE). This militates in favour of GRESB still being most likely to become established as the benchmarking standard. However, a third of respondents admitted that they do not carry any benchmarking so far although a third are considering the introduction of benchmarking systems in future.

The moderate enthusiasm felt by property companies for the existing benchmarking systems is attributable not least to the fact that many companies feel lost because of the large number of benchmarking systems. Around 30% of the companies surveyed judge the benchmarking organisations as “unclear” with regard to their number and transparency, while 22% even describe them as “confusing”. 44% of the participants in the survey describe the situation as “manageable”, while a mere 4% view it as „well structured“.

Companies also have the opportunity to be rated in terms of sustainability via property or portfolio benchmarking. This is why many companies’ sustainability reports are based on various organisations’ reporting standards. Rating organisations not only rate the content of sustainability reports as a base but also the section of companies’ websites dealing with corporate sustainability.

Most companies base their sustainability reporting on the standards of several - on average two - organisations:

- 60% of participants in the survey cite GRI (CRESS) in this connection, of which almost all are companies with separate CS personnel.
- 55% of companies are guided by EPRA criteria on best practice on sustainability, of which 63% are listed companies.
- The Carbon Disclosure Project is cited by 36%, while the recommendations on sustainability from INREV (European Association of Investors in Non-listed Real Estate Vehicles) were only cited by 23%.
- Other standards such as the Green House Gas Recommendations, Global Compact, International Sustainability Alliance, Protocol for Project Accounting and SA 8000 – Social Accountability are seldom mentioned (i.e. by fewer than 10% of the respondents).

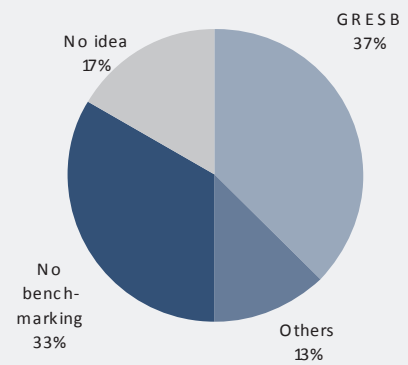
In addition to competitive benchmarking and ratings, best practice is increasingly significant. For instance, EPRA (European Platform of Regulatory Authorities) awards gold, silver and bronze medals for sustainability among the best European property companies every year.

**8. Sustainable property products: a broad range?**

Sustainable property products have increasingly become established in the property sector in recent years. These include primarily

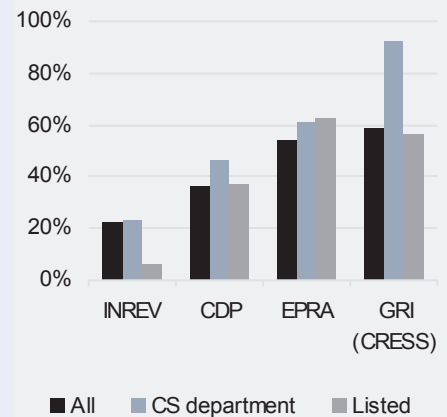
- Green buildings,
- Green leases and

**Preferred benchmarking system**



Source: IVG Research 2013

**Preferred reporting standards**



Source: IVG Research 2013  
Anm. Mehrere Antworten möglich



■ Real estate funds that invest sustainably.

For participants in the survey, green buildings occupy first place among sustainable property products. These are offered by almost 80% of companies and by almost all respondents with separate sustainability personnel. 21% of the companies questioned do not offer any sustainable property products.

Green leases seem to be becoming increasingly important in the property industry: while only about 17% of the companies surveyed said that they had already concluded green leases, a further quarter of the participants in the survey plan to offer green leases in future. Typically, however, only companies that have delegated separate staff to the issue of sustainability (e.g. in the form of a department) are dealing with this issue. However, green leases still seem enjoying a wallflower existence even among the pioneers in terms of sustainability: the relevant companies only cite five to 30 green leases being completed in the survey for example. Away from the survey, however, the websites of individual European property companies feature up to 900 green leases brokered.

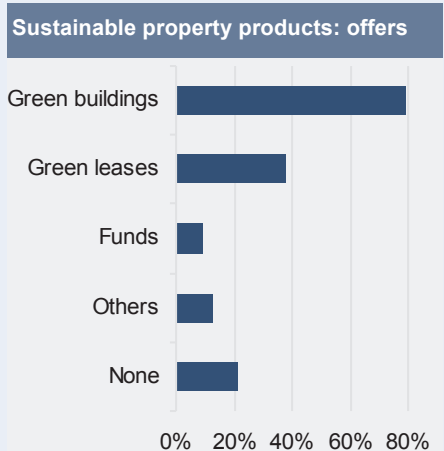
Another product, which is gradually becoming established on the market is real estate funds that invest sustainably. This new type of real estate fund invests in sustainably focused properties, which are distinguished by high levels of energy and resource-efficiency, reduced emissions of greenhouse gases and CO<sub>2</sub>, the use of environmentally friendly construction materials and the avoidance of waste. The properties' sustainable design also contributes to an increase in quality of life and an improvement in the working conditions of those people spending time in the buildings.

According to the survey, the special funds have only been offered by around one tenth of the companies to date. Virtually without exception, they state the attractive prospective returns as the main reason for floating sustainable fund products.

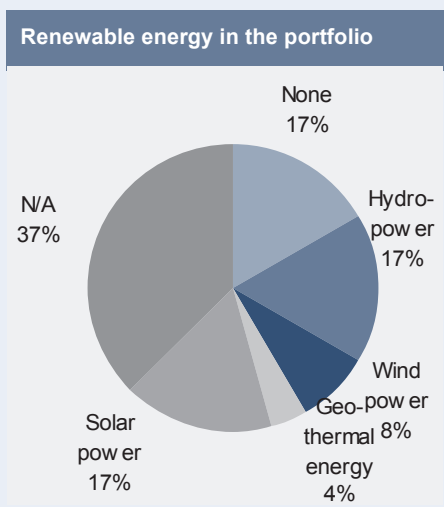
The energy supply is a further aspect of sustainability associated with properties. Some 38% of companies provide no response to the question which source of renewable energy is of greatest significance for their property portfolio. 17% of respondents give priority to solar and hydroelectric power in each case, 8% to wind power and only 4% to geothermal power. 17% of respondents still waive any use of renewable energy sources.

**9. Conclusion: what comes after the commitment to sustainability?**

It is clear that the relevance of sustainability issues in the property sector will necessarily increase. It is being driven mainly by changes in legislation, rising energy prices and demand for sustainable property products. Attention is also becoming increasingly focused on the basic concept of sustainability: It is clearly shifting from the superficial consideration as a marketing tool and becoming fundamentally integrated in corporate strategy. The issue is even becoming broader: almost one in two companies that participated in the survey state that they take account of climate change in their corporate strategy. Nevertheless, it is apparent that the sector is split in two. Here, the Avantgarde, which is pursuing the course it has adopted unswervingly in accordance



Source: IVG Research 2013  
N.B. several answers possible



Source: IVG Research 2013

with its strategic measures. There, the majority of companies, which are encountering the first hurdle: following commitment to the issue, comes implementation – which is very cost-intensive in some respects – at an operational level. We are now seeing a healthy dose of realism here: what is entirely transparent is the cost entailed in adopting a more sustainable approach. What remains extremely obscure is the quantifiable benefits. So far, only very few companies can provide this “evidence”. The triumphant progress of sustainability activities among European property companies should therefore be accompanied by still more stringent demands for transparency in the direction of quantifiable earnings.

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