Sustainability & Property Asset Management

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Agenda

- Context for considering Sustainability initiatives in Property Investment Management
- The investment supply chain for Property Investment Management
- The drivers and incentives (or lack thereof) for sustainability
- Our approach / response through asset management
- The challenges
- Some observations of the success in the industry to date
Context

The Property Investment Managers approach

- Property Investment Managers Responsibility
  - Active asset management
  - Value
  - Performance

- Response to the Investor drivers
  - Investment returns
  - Social licence to operate
  - Fiduciary duties

Returns

Alignment
Investment Universe

Superannuation Fund and Investment Managers

Retail Investment

Wholesale Property Funds

Listed Property Security

Property Investment Management

Invest Directly

asset  asset  asset  asset
Portfolio Allocation to Property

**Australian Funds Under Management**

- **Aust Equities**: 23%
- **Global Equities**: 19%
- **AFI**: 13%
- **IFI**: 5%
- **Cash**: 16%
- **Global Direct Property**: 1%
- **Infrastructure**: 3%
- **Global Listed Property**: 1%
- **Property Securities**: 4%
- **Direct Property**: 9%
- **Other Infrastructure**: 6%

Totals A$1.397 trillion as at Sept 08

**Total property FUM = 15%**

Source: Rainmaker & CFS Research
Portfolio Allocation to Property

Property FUM direct versus listed
A$183 billion as at Sept 08

Direct Property 71%

Property Securities 29%

Source: Rainmaker & CFS Research
Investment Drivers

Markets and Their Influence

Investment Type
1. Unlisted Property mandate
2. Listed Property Mandate

Investment Term
1. Long Term (minimum 5 years)
2. Short Term (12 months)

Enhanced/ Impinge on Sustainability Agenda
Property Investment Manager’s Response

Management Philosophy

- Embodies sustainability
- Just good business sense
- United Nations Principles of Responsible Investment (UNPRI)
  A voluntary globally recognised programme which encourages best practice in
  - Environmental,
  - Social and,
  - Governance issues.

Responsible Property Investment
The Manager will:

1. incorporate ESG issues into investment analysis and decision-making processes;
2. be active owners and incorporate ESG issues into our ownership policies and practices;
3. seek appropriate disclosure on ESG issues by the entities in which we invest;
4. promote acceptance and implementation of the Principles within the investment industry;
5. work together to enhance our effectiveness in implementing the Principles;
6. each report on our activities and progress towards implementing the Principles.
Property Investment Manager’s Execution

**Portfolio and Asset Manager’s Direction**

- **Active Asset Management**
  - Long term positioning & repositioning
  - Maintenance and creation of value
  - Security of income
  - Provision of amenity

**Sustainability Integral through Asset/Property/Facilities Management**

- Operating costs
- Utility consumption
- Resource consumption and recovery
- Emissions
Property Investment Manager’s Measurable Outputs

Existing building stock

✦ The Green Issues
  - Climate change
  - Efficiencies
  - Tenant demand
  - Regulation & legislation

✦ Standards for transparency
  - Performance
  - Specifications
  - Green Leases

✦ Implementation
  - Targets
  - Benchmarking
  - Monitoring
  - Management
  - Analysis
  - Continual improvement

green building council australia

NABERS

Colonial First State
Property Investment Manager’s Challenges

- Balance:
  - Return
  - Value

- Wholesale vs. Listed:
  - Total Return
  - Income

- Does balance effect on-site management?
- Does it affect sustainability implementation?
- New investment and redemptions
Observations

- Transparency
- Ratings
- Eco-Efficiency
- Tenant Engagement

Green increases value!

“Doing well by doing green”
- Research by Nils Kok & others (Jan 09), Maastricht University Netherlands, & UC Berkeley (ref; USA Office Real Estate).
Green Building Rated Stock

Investable grade assets and GreenStar Rated Stock

Source: GBCA, IPD and CFS Research
NABERS Energy Ratings

- Introduced in 1999

- 40% of Australian office space has been rated

- Sydney has about 56% of stock rated

- Where buildings have been performance benchmarked and rated more than once; their ratings have improved by +/- 10% or half a star rating

Source: Proposed Federal Legislation for introduction 2010
“Mandatory disclosure of Commercial Office Building Energy Efficiency”
Summary

- Sustainability integral to Asset Management
- PRI framework
- Performance targets
  - set & measure
- Responsible Property Investment
- Green adds value
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