



ENERGY CRISIS AND REAL ESTATE

ERES INDUSTRY SEMINAR
ROME, March 8th 2024

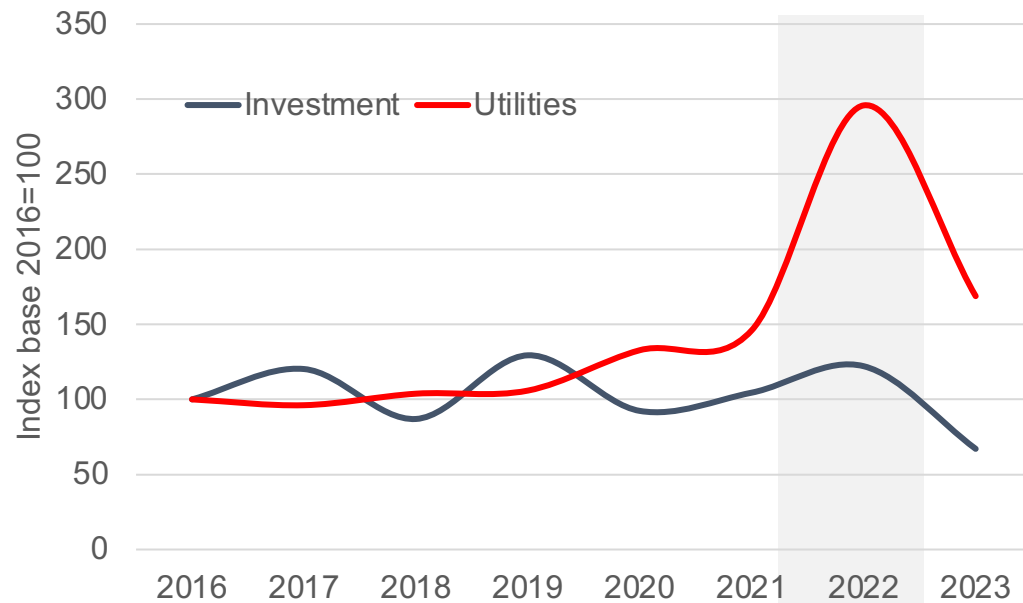
RAFFAELLA PINTO



INVESTMENT AND ENERGY

Energy crises added up further price pressure on the operations exacerbate by increased inflation while impact on investments was negligible

CRE Investment and Utilities* evolution, Italy



Source: C&W Research; *Utilities expenses in a sample of Office buildings

Oil and gas prices subside, remain volatile



Source: Cushman & Wakefield Research; Bloomberg

INTRODUCTION

40%

50% / 76%

#3

SETTING THE SCENE

ENERGY (CRISES) AND REAL ESTATE



TENANTS



LANDLORDS/INVESTORS



PLANET

TENANTS

REDUCING ENERGY CONSUMPTION WILL BE A PRIORITY FOR OCCUPIERS

Average energy consumption by area for real estate properties



33% HVAC 17% Lighting 16% Refrigeration 14% Computers & office
20% Other sources

Source: US EIA

WHAT OCCUPIERS WANT 2023

WHAT ARE THE MOST IMPORTANT STRATEGIC DRIVERS THAT INFORM KEY OFFICE REAL ESTATE DECISIONS SUCH AS SIGNING NEW LEASES, NEW LOCATIONS ETC. (BY REGION)?

	1	2	3	4	5
GLOBAL	Cost Pressure	Talent Sourcing & Retention	Operational Excellence	Customer Relations	ESG
AMERICAS	Talent Sourcing & Retention	Cost Pressure	Operational Excellence	Customer Relations	Corporate Brand
EMEA	Cost Pressure	Talent Sourcing & Retention	ESG	Operational Excellence	Customer Relations
ASIA PACIFIC	Operational Excellence	Customer Relations	Cost Pressure	Corporate Brand	ESG

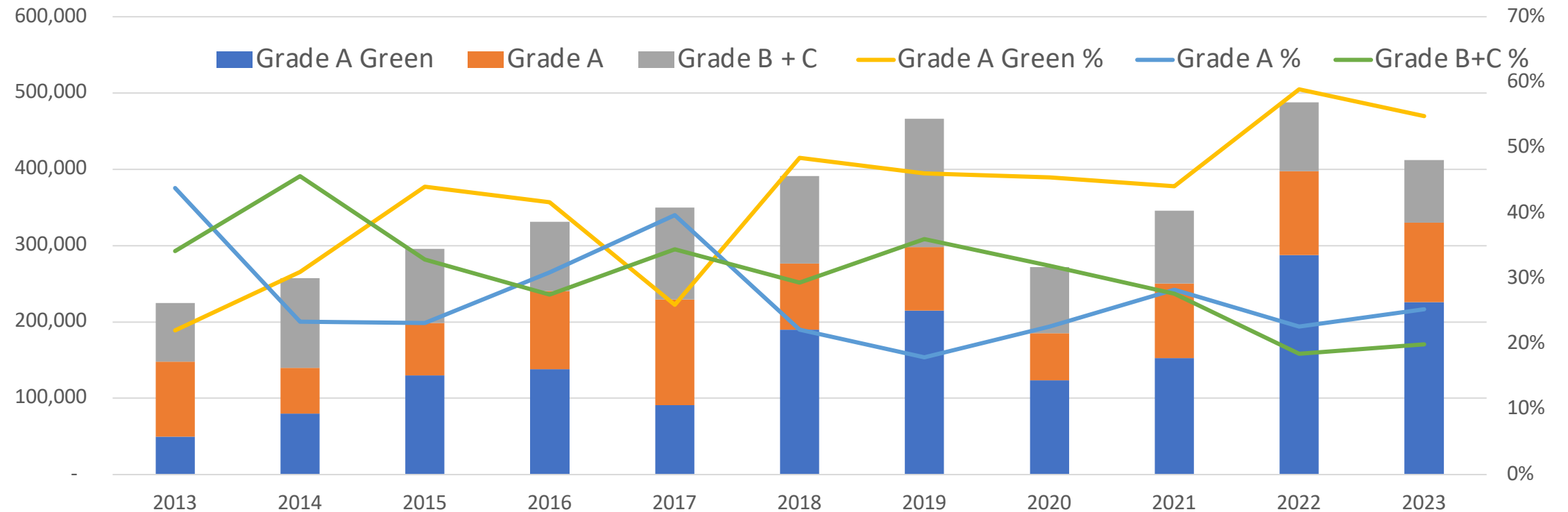
Previous Survey Global Ranking

1. Talent
2. Cost Pressure
3. Operational Excellence
4. Corporate Brand
5. Customer relations

Source: C&W Research; What Occupiers' Want 2023

MILAN OCCUPIERS' DEMAND

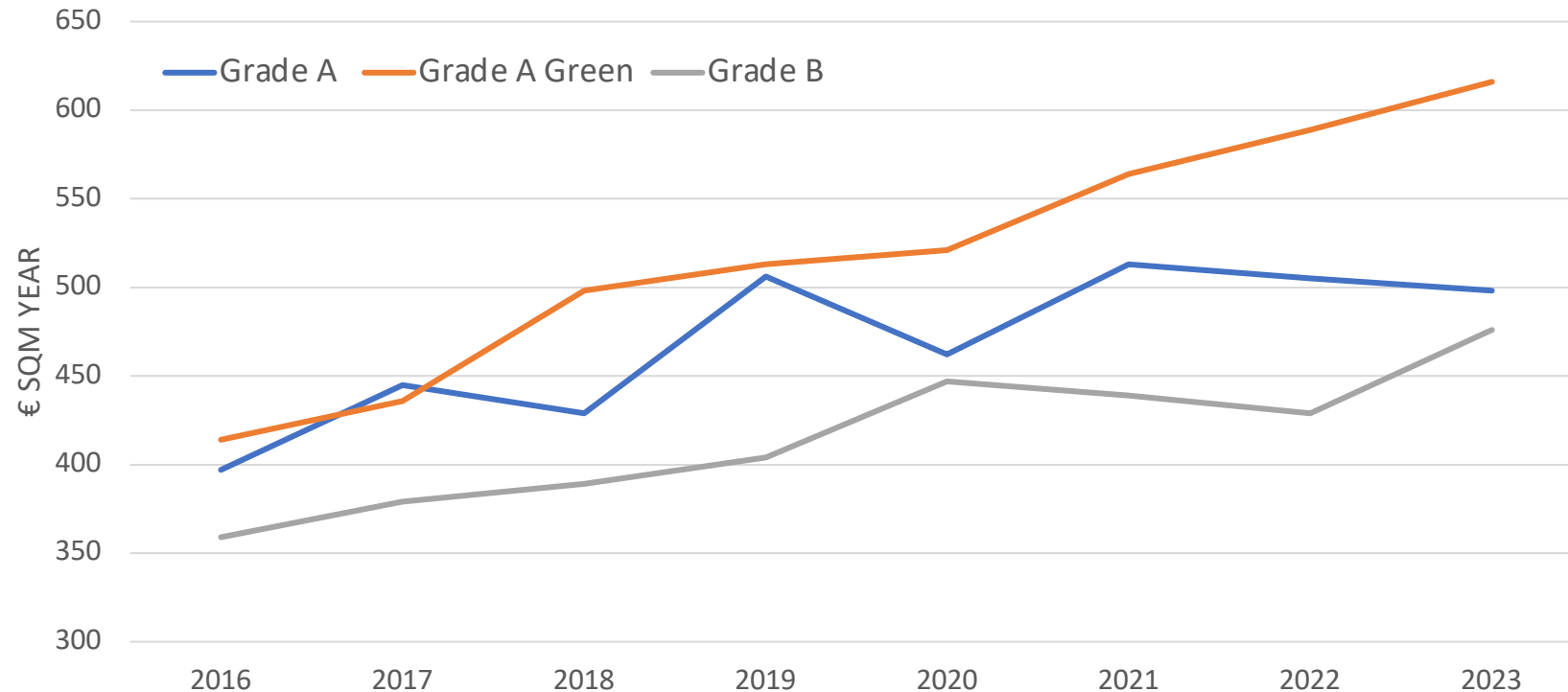
MILAN – TAKE UP: INCREASINGLY TOWARD A GREEN BUILDING



Source: C&W Research

OCCUPIERS' DEMAND: PREMIUM FOR GREEN

WEIGHTED AVERAGE RENTS, MILAN CBD



+10%
+20%

Source: C&W Research

INVESTORS

WHY NOW?

THE COST CONUNDRUM



- COST OF **DEBT** HAS RISEN 350-400 BPS
- **CAPITAL EXPENDITURE** HAS RISEN 20-25%
- **OPERATIONAL EXPENDITURE** HAS RISEN 10-20%
- **PRIME RENTS** IN EUROPE HAVE RISEN BY 15% ON AVERAGE OVER THE LAST 5 YEARS
- **OFFICE CAPITALIZATION RATES** HAVE SOFTENED BY 90 BPS SINCE Q1 2022

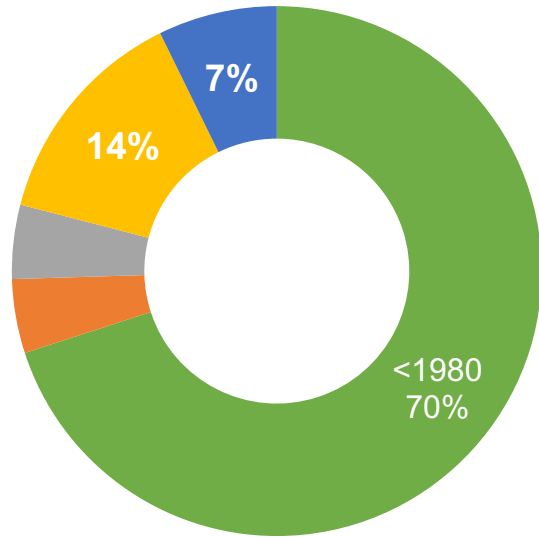
Source: C&W Research; Office Asset Optimization

OFFICE SUPPLY: MILAN

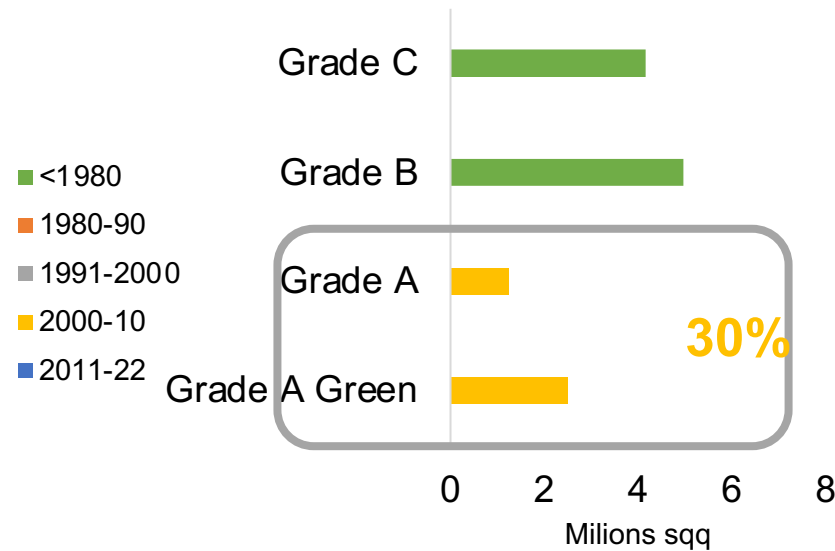
FLIGHT TO QUALITY LEADING TOWARD A HIGH RISK OF OBSOLESCENCE

2022

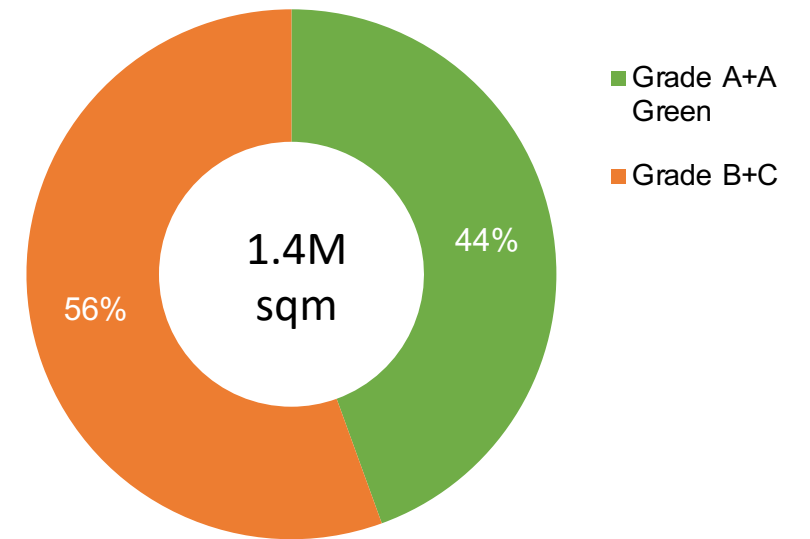
Age



Quality



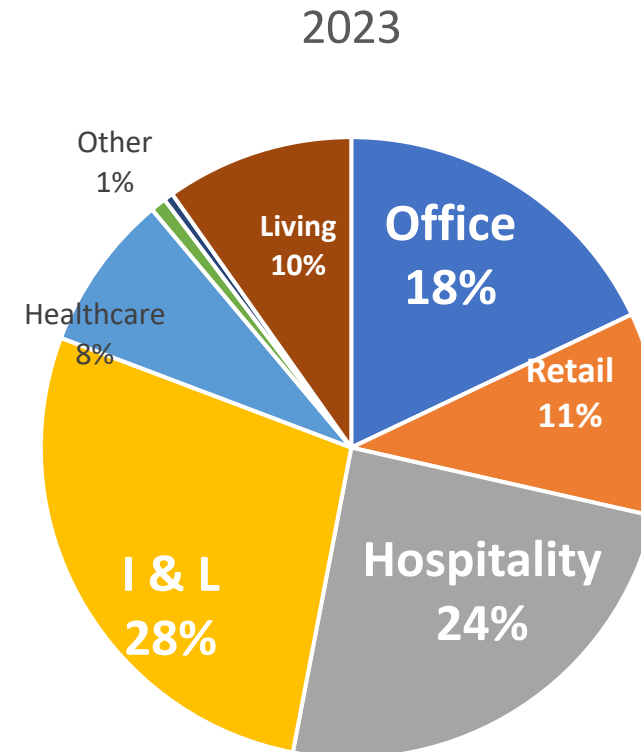
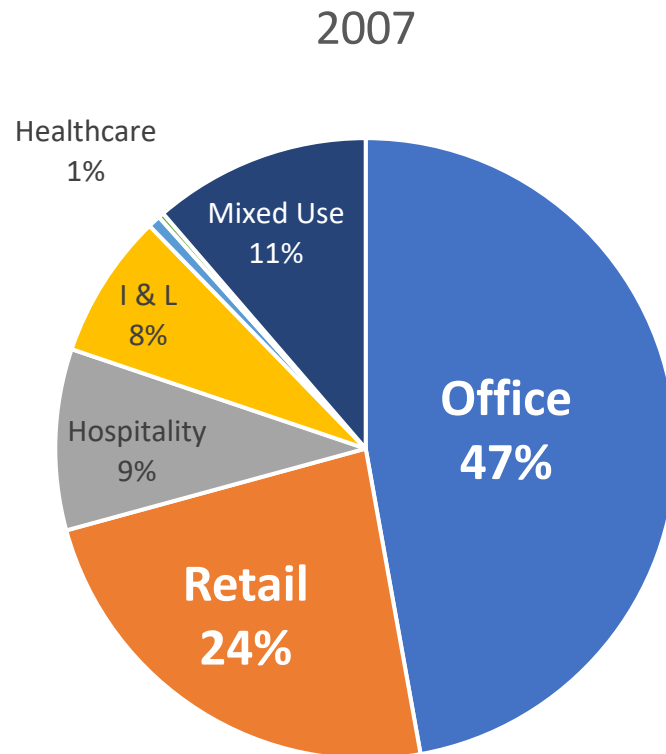
Availability by Quality



Source: Cushman & Wakefield Research

INVESTORS' TARGETS ARE CHANGING

MORE OPERATIONAL ASSETS IN THE RADAR



Source: C&W Research

ENERGY CRISIS PROMPTED INVESTORS TO TAKE ACTIONS

AN EXAMPLE OF ACTIONS FROM TWO LEADING RETAIL SPECIALISTS' ACTIVE IN ITALY

- **Revamping** and gas removal in Curno and Collestrada.
- District **heating** implemented at Il Castello.
- **100% renewable energy** for 6 shopping centers in the whole portfolio.
- **BREEAM** pre-assessment according to the new protocols (V6).
- Smart meters on **HVAC systems** to monitor consumption.
- **BREEAM** Certifications: total of 10 certified assets (2 new 'excellent')
- **Electricity** consumption monitoring: 290 departmental meters - Artificial Intelligence Project.
- **Energy from renewable sources: 94%** of electricity certified, -3,500 tonnes/CO2 in 2022.
- **Photovoltaic:** 8 operational plants (2.1MWp), 5 agreements signed for 2023, 6% of total energy consumed was self-produced.
- **ISO 14001** certifications in Italy: 24 assets + headquarters, about 95% of the total sq. metres.

UNLOCK ACCESS TO FINANCING

	EUROCOMMERCIAL	SONAE SIERRA	igd SIQ	KLEPIERRE
› Have you issued green financing instruments in the last 12 months?				
› Which kind of loan?	Green + Sustainability Linked	Green + Sustainability Linked	Green	Sustainability Linked
› What is the % of GSSS and Green debt on the total?	25%	17%	41%	16%
› Which indicators?	<ul style="list-style-type: none"> • Renewable energy, • Waste to the landfill, • «Green» rental contracts • Others 	<ul style="list-style-type: none"> • Certification • LEED/BREEAM • GHG emission reduction, • Waste recycling rate. 	<ul style="list-style-type: none"> • Specific Green Framework 	<ul style="list-style-type: none"> • CO2 per sq m • BREEAM Certification

CONCLUSIONS

- **Tenants and landlord** increasingly partnering to achieve the common NZE target (green lease, certifications, ecc) – landlords must listen and meet tenant's needs
- Acceleration in the implementation of **Energy Efficient** procedures to reduce the Carbon footprint
- Estimate the **cost** to green the assets will be a central point in underwriting real estate investment in the future

THANK YOU