



COLLIERS
EMEA
ESG
REPORT

Realising ESG Performance

The value-driven
transformation of Europe's
built environment

OCTOBER
2024

**Realising ESG
Performance**
The value-driven
transformation
of Europe’s built
environment



C O N T E N T S

Introduction	3
Regulation in motion	4
Positive commitments, but obstacles remain	5
Key areas of focus	6
A concerted response	7
The importance of expertise, and active management	8
Occupier transitioning	9
Colliers’ ESG Playbook [CASE STUDY]	10
Creating a clear and credible building sustainability profile [CASE STUDY]	12
Commercially focused sustainability enhancements [CASE STUDY]	14
Collaborative approach to smart building management [CASE STUDY]	15
ESG Enable [CASE STUDY]	17
Renewable energy	18
Collaborating for a sustainable impact [CASE STUDY]	19
Balancing heritage and sustainability in Europe’s hotels sector [CASE STUDY]	21
Colliers’ Sustainability Solutions	23
Strategy recommendations	24

Realising ESG Performance

The value-driven transformation of Europe's built environment

INTRODUCTION

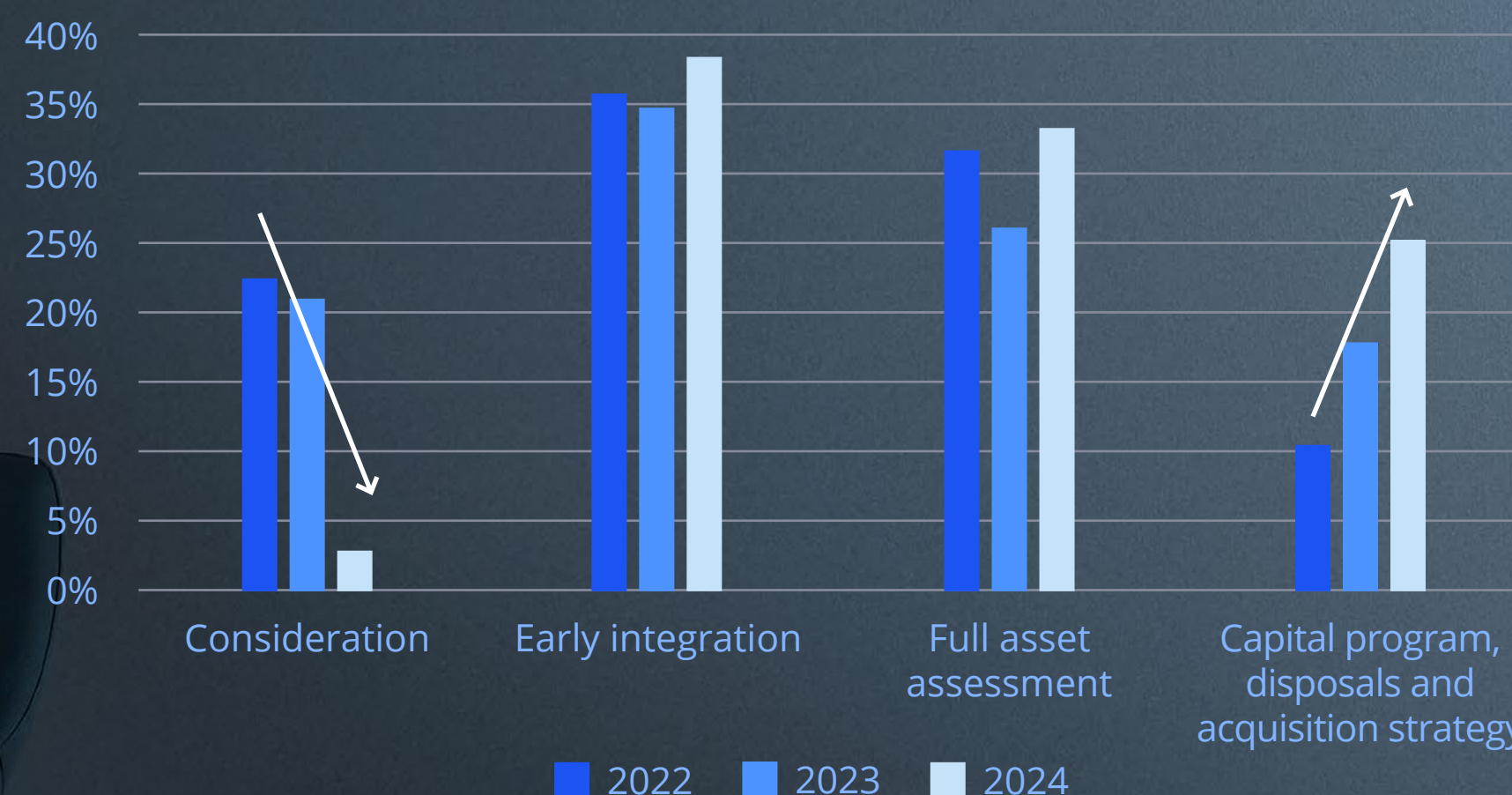
3

Europe leads the world when it comes to regulating the sustainability of the built environment.

Today, ESG rules are embedded in commercial market practice, with developers and owners knowing they must take action if they are to meet the expectations not only of regulators but also of investors and occupiers.

In a survey conducted for Colliers' 2024 Global Investor Outlook¹, the proportion of real estate investors who reported they were currently integrating or had completely assessed the environmental performance of their assets showed a marked rise from the prior year.

GIO 2024: ENVIRONMENTAL CONSIDERATIONS



A quarter (25%) said they had a full environmental, social and governance (ESG) disposal and acquisitions strategy in place, compared to less than half that proportion two years ago. Equally, the proportion of investors to whom ESG was simply a consideration has dropped dramatically to around 3%, illustrating the strong momentum in working towards a more sustainable built environment.

Similarly, we are seeing more occupiers prioritise ESG considerations when assessing commercial office, industrial and logistics space. More firms are publishing disclosures on how their real estate strategies align with expanding net zero commitments.

For all the strength of these trends, and the depth of demand for ESG-rated buildings, progress towards bringing buildings to market that meet occupier, investor and regulator needs varies widely across Europe. A year on from our [Renovation Wave](#) report, our latest report explores how leading companies and investors continue to approach sustainability challenges in the built environment. It sets out some of the strategies and processes in action to turn what some might see as Europe's regulatory reckoning into a value-generating opportunity.

¹ <https://www.colliers.com/en-gb/research/2024-global-investor-outlook>

Realising ESG Performance

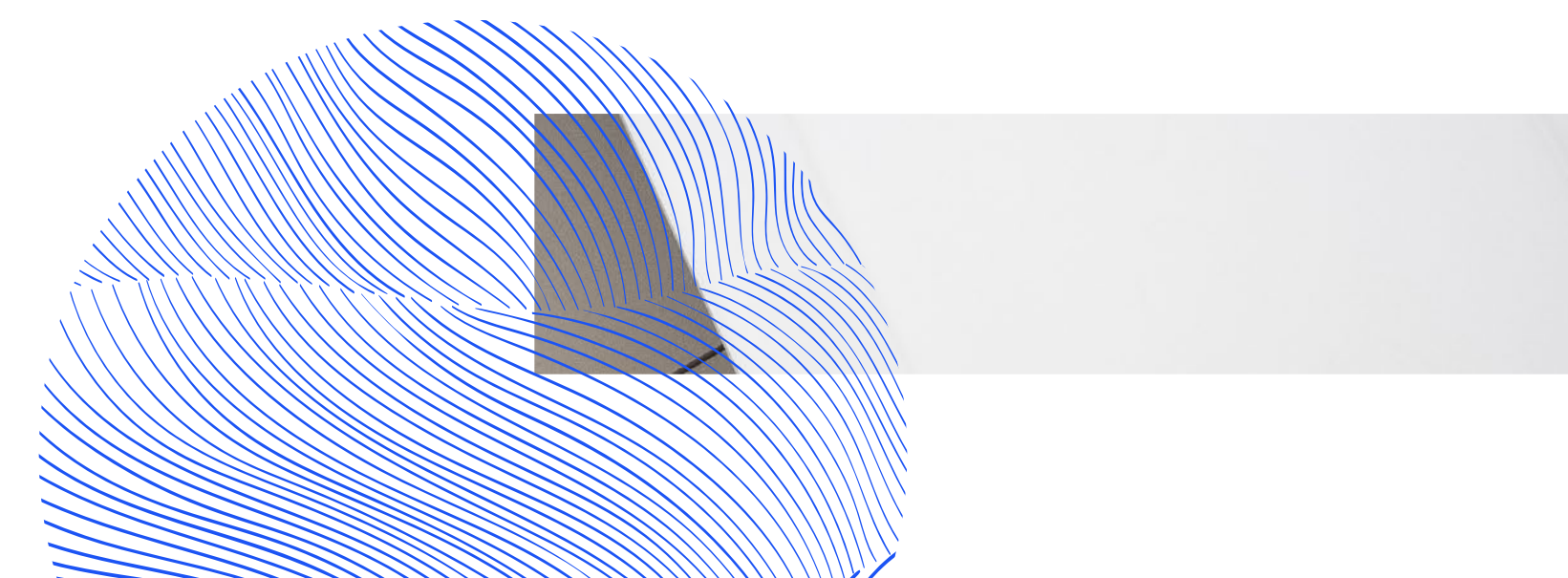
The value-driven
transformation
of Europe's built
environment



While the direction of travel has long been clear, recent developments have injected more urgency into the upgrading of buildings and portfolios.

In addition to regulating the industry, the European Commission is also 'walking the walk' to become a more sustainable operation. Action is ongoing to reduce and reorganise its occupation of 300,000 sqm+ of office space across 21 buildings in Brussels. Buildings in the European Quarter of Brussels have been transferred to the Belgian state, to create Cityforward, a property fund established by FPIM (Federal Holding and Investment Company) and Ethias insurance, with Whitewood as manager. The 21 buildings are undergoing renovation, redevelopment and reprogramming inline with ESG principles and in collaboration with the Brussels Region and the municipalities concerned.

The intention is to allocate around 30% of the redevelopment to uses other than offices, such as housing and amenities, improving the functional mix of the European Quarter and turning it into a real city district. FPIM, as the government agency, will buy the buildings and Cityforward will handle the redevelopment work. Previously, Cityforward purchased the Engie towers at Brussels North Station and the IT tower in Avenue Louise which sit within the same district.



4 REGULATION IN MOTION

In mid-2024 the European Financial Reporting Advisory Group – a technical advisor to the European Commission on the Commission's Corporate Sustainability Reporting Directive (CSRD) - finalised guidance on CSRD,² providing more detail on ESG reporting requirements across corporate value chains. It served as a reminder to business leaders that they need to enhance visibility over their own building portfolios - both in terms of the ESG performance of their assets and their suppliers and partners, even as the Commission has moved to grant some sectors and non-EU companies more time to comply.³

In addition, the EU has formally adopted a revised directive on the energy performance of buildings that will require new buildings and existing stock throughout the region to be emission-free by 2050.⁴ The directive will also require non-residential buildings to meet minimum energy performance standards.

² <https://senecaesg.com/insights/eu-corporate-sustainability-reporting-directive-finalized>; <https://www.mondaq.com/unitedstates/diversity-equity-inclusion/1476844/eu-corporate-sustainability-reporting-directive-value-chain-guidance-finalized--key-points-from-the-guidance>

³ <https://www.consilium.europa.eu/en/press/press-releases/2024/02/07/council-and-parliament-agree-to-delay-sustainability-reporting-for-certain-sectors-and-third-country-companies-by-two-years/>

⁴ <https://www.consilium.europa.eu/en/press/press-releases/2024/04/12/towards-zero-emission-buildings-by-2050-council-adopts-rules-to-improve-energy-performance>

Realising ESG Performance

The value-driven transformation of Europe's built environment

5

POSITIVE COMMITMENTS, BUT OBSTACLES REMAIN

⁵ <https://insights.issgovernance.com/posts/net-zero-pledges-in-europe/#:~:text=Net%20Zero%20Commitments%20in%20the,or%20before%20the%20year%202050.>

⁶ <https://www.pwc.com/gx/en/asset-management/emerging-trends-real-estate/assets/emerging-trends-in-real-estate-europe-2024.pdf>

⁷ [https://content.deepki.com/hubfs/4.INTERNATIONAL/CP/EUROPEAN%20COMMERCIAL%20REAL%20ESTATE%20FACES%20STRANDED%20ASSET%20TIME%20BOMB%2C%20ACCORDING%20TO%20NEW%20RESEARCH%20BY%20DEEPI.docx%20\(1\).pdf](https://content.deepki.com/hubfs/4.INTERNATIONAL/CP/EUROPEAN%20COMMERCIAL%20REAL%20ESTATE%20FACES%20STRANDED%20ASSET%20TIME%20BOMB%2C%20ACCORDING%20TO%20NEW%20RESEARCH%20BY%20DEEPI.docx%20(1).pdf)

Many European companies have aligned to the EU regulations, or even gone beyond them. According to ISS,⁵ some 57% of companies across Europe have committed to reaching net zero by or before 2050, led by firms in the UK, Germany, Norway and France.

However, current assessments of the continent's real estate assets suggest the task before building owners remains immense. Colliers' own global investor outlook survey of 2024 shows how much uncertainty remains as to the cost of retrofitting assets. It also illustrates how

'smaller' investors, in terms of assets under management (AUM), remain behind the curve versus their larger counterparts as they often lack the resources to stay on top of regulatory commitments.

Around 25% of investors with AUM of less than EUR10bn do not know what

the cost of retrofitting assets could be, illustrating that staying up to date with new European regulations is not an even playing field.

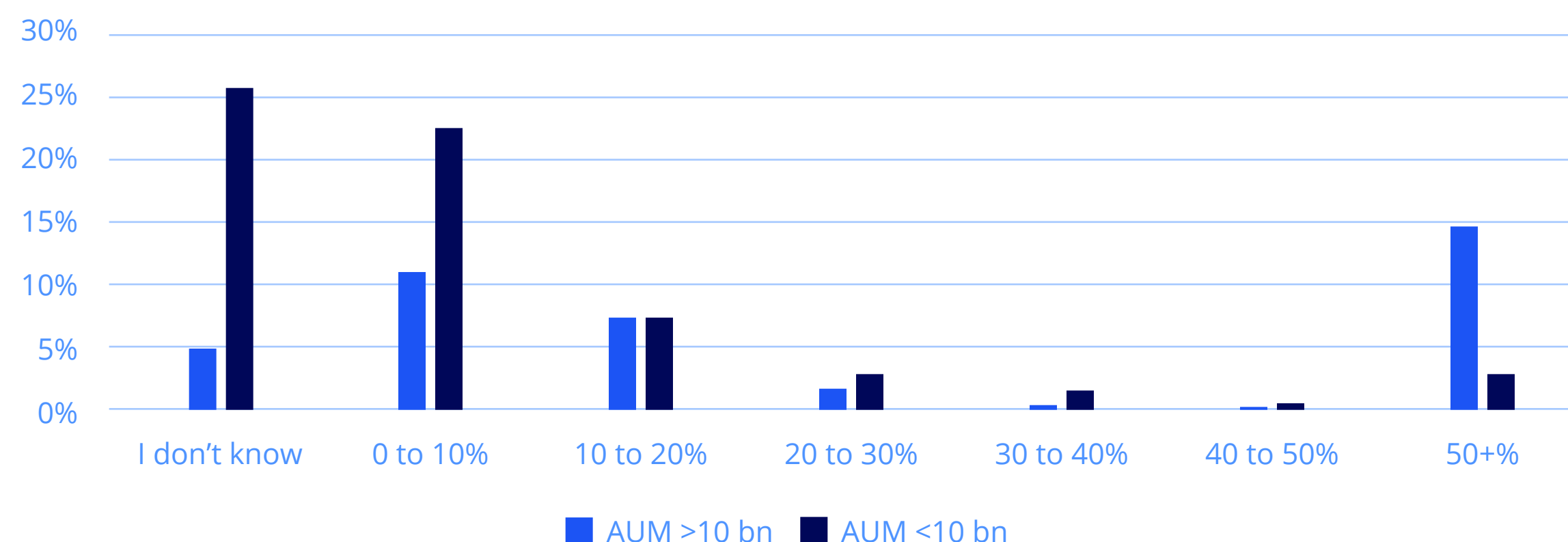
Additionally, while the consensus is that the cost of retrofitting will be broadly in the 10-20% range (as a % of the value of AUM), almost 15% of larger investors expect the retrofitting cost will amount to 50% of the value of their AUM. This is a huge challenge, particularly for larger legacy assets.

It is no surprise that PwC's Emerging Trends survey of 2024⁶ identified decarbonisation and sustainability strategy as the single biggest issue real estate investors will grapple with over the next 3-5 years. Another

recent survey of 250 European commercial real estate managers by Deepki⁷ reported similar troubling findings. Some 94% of those surveyed believe stranded assets pose a significant financial risk, while over half viewed 30% or more of their assets as already stranded.

Half of respondents stated a further 20-40% of their portfolios are at risk of becoming stranded over the next three years.

GIO SURVEY 2024: COST OF ESG ASSET RETROFITTING AS % OF AUM



Realising ESG Performance

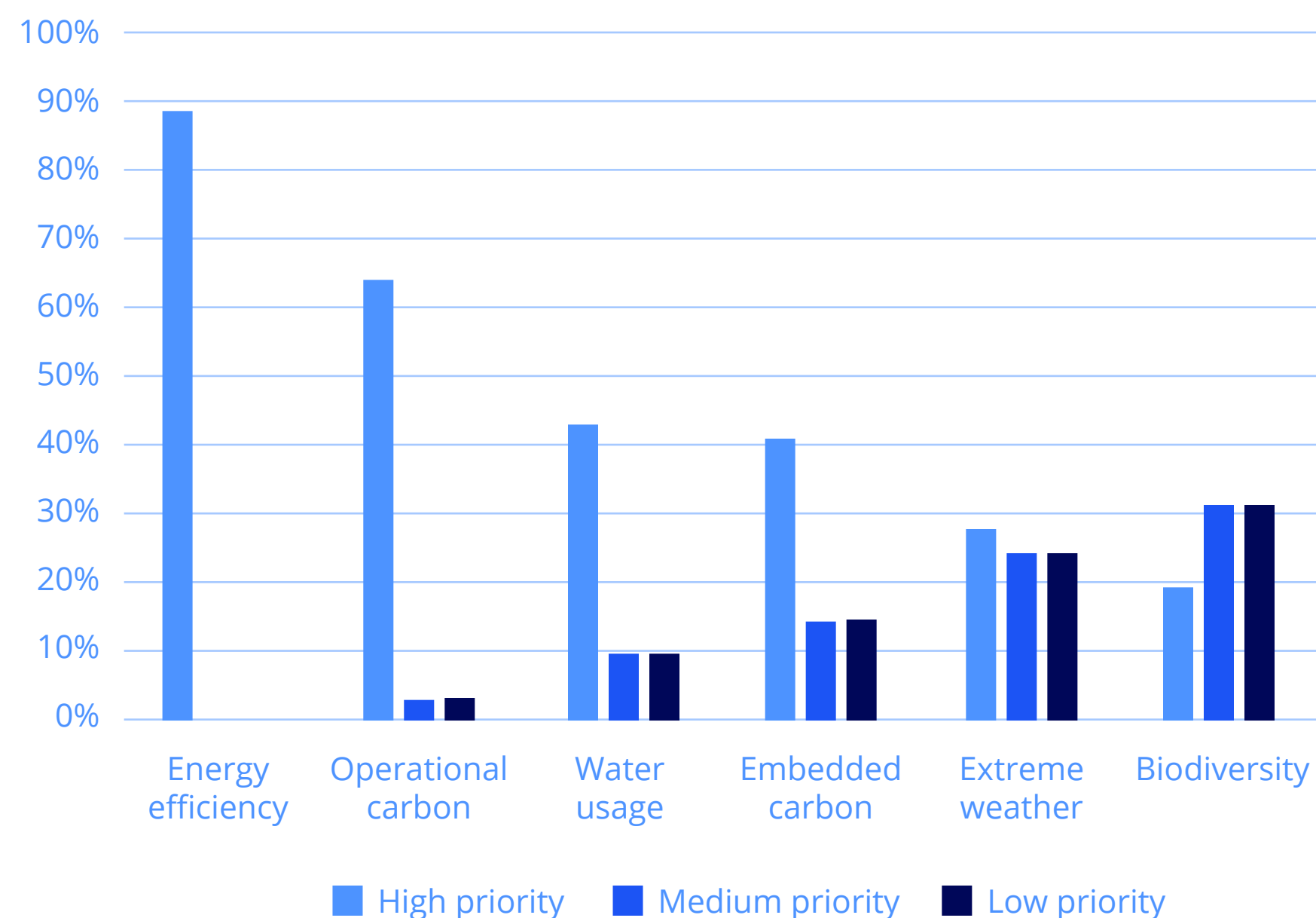
The value-driven transformation of Europe's built environment

6

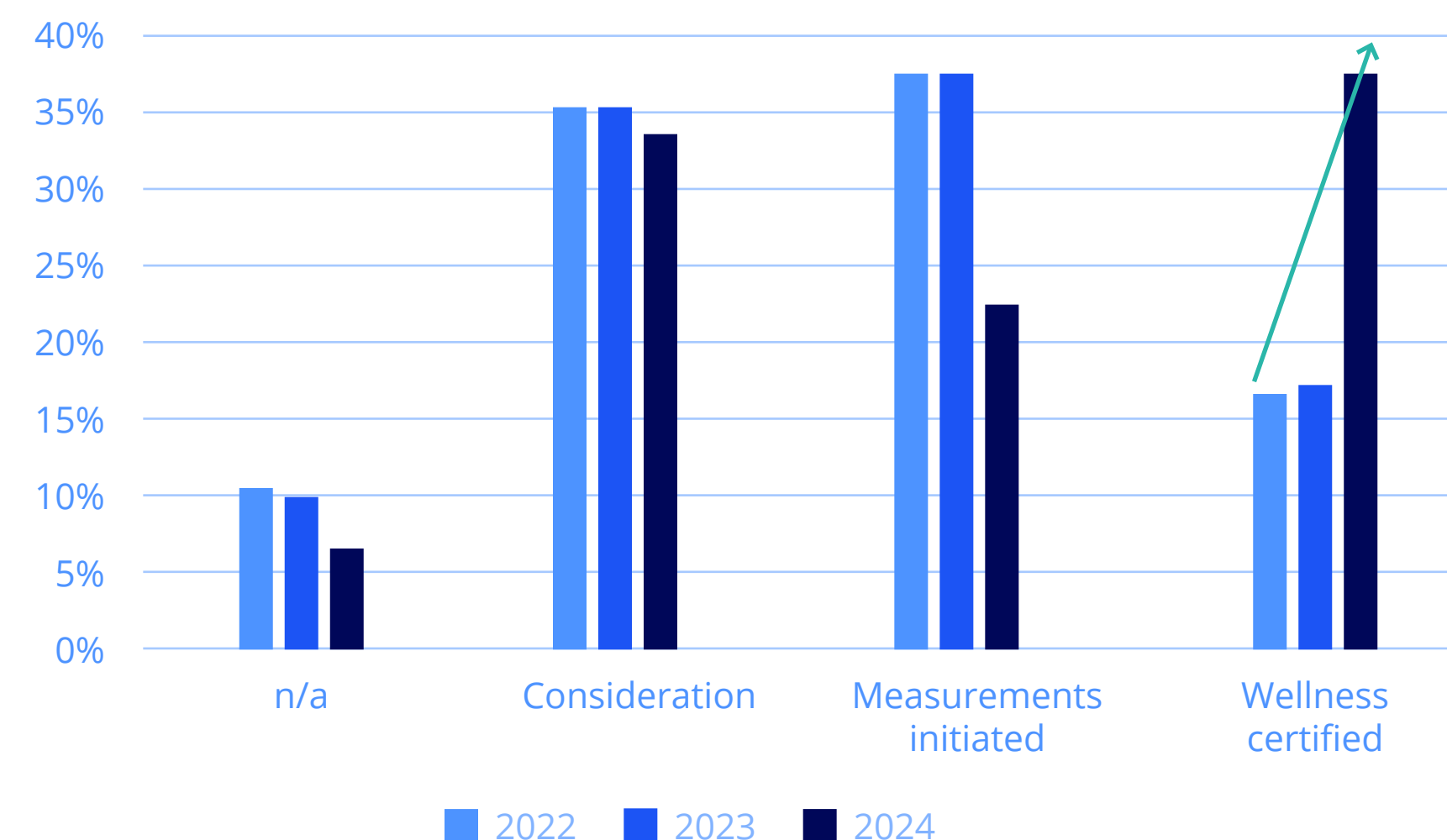
KEY AREAS OF FOCUS

Findings from the Colliers Global Investor Outlook 2024 survey highlight that investors remain focused on improving the environmental aspects of assets, notably the resources consumed, and emissions generated. Embedded carbon is also rising in importance.

GIO SURVEY 2024: ENERGY-SPECIFIC FOCUS-2024



GIO SURVEY 2024: HEALTH & WELLNESS PROFILE OF ASSETS



It's also becoming increasingly clear that ESG does not stop with the 'E'. The health and wellness profile of assets has also seen a continued momentum shift, with a significant rise in wellness certifications to increase transparency, and action, on non-climate sustainability indicators. A recent poll of European real estate industry leaders⁸ found 57% expect social impact to play a more important role in their portfolio over the next 3-5 years, and 70% anticipate a greater focus on the health and wellbeing of building occupiers and users⁹.

⁸ <https://www.osborneclarke.com/insights/how-avoid-greenwashing-risk-european-real-estate-sector>

⁹ <https://www.pwc.com/gx/en/asset-management/emerging-trends-real-estate/assets/emerging-trends-in-real-estate-europe-2024.pdf>

**Realising ESG
Performance**

The value-driven
transformation
of Europe's built
environment

Investors and occupiers
across Europe are focusing
on the same questions

What steps can be taken to
ensure an existing or new
building remains viable, and
valuable, for the long term?

What constitutes an effective
strategic response?

If an entire portfolio needs to be
recalibrated or upgraded, where is
the best place to start – and how
can the associated costs be kept
under control, or even supported?

If performance needs to be
measured, what are the most
relevant standards or criteria
to apply, and the best ways to
enhance transparency around a
series of indicators that are still
being defined?



While these questions are
not always easy to answer,
Colliers' research and our
on-the-ground experience
with sustainability-linked

projects across Europe demonstrate that
the ramp-up of ESG-related demands can
be a positive development. With the right
technologies and practices, investors,
owners and occupiers can leverage ESG
demands to enhance the efficiency and
resilience of the buildings they own
or inhabit. Delivering value even as
regulations tighten and expectations rise
takes multiple forms: progress towards
net zero targets, a more engaged and
productive workforce, and improved
financial returns and asset liquidity.

Achieving the right mix of ESG and financial
outcomes is a delicate process that requires
active management at every stage of the
building and portfolio lifecycle.

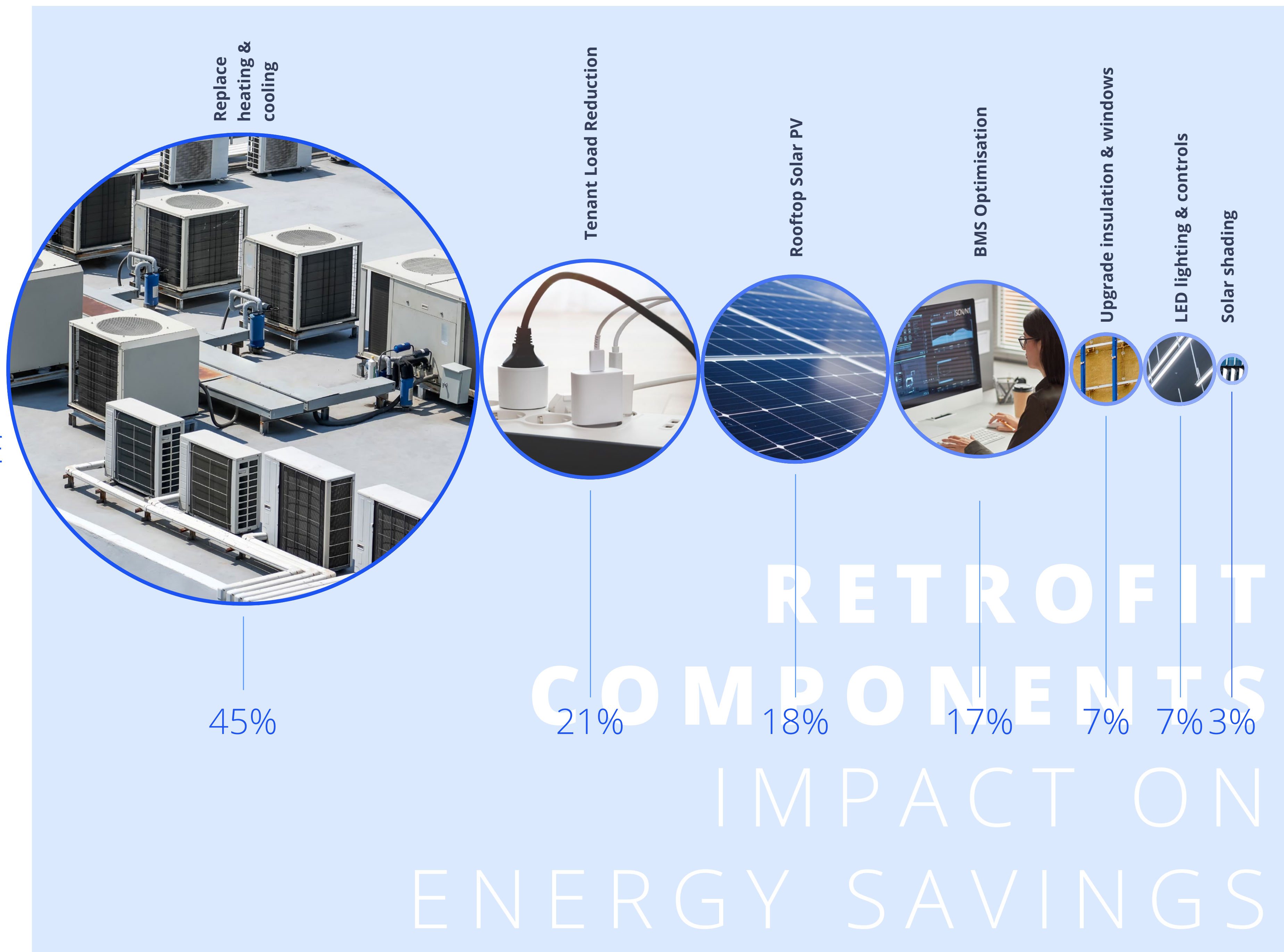
Realising ESG Performance

The value-driven
transformation
of Europe's built
environment

8

THE IMPORTANCE OF EXPERTISE, AND ACTIVE MANAGEMENT

Occupiers, investors and landlords are confronted with a wide range of sustainability improvements that could potentially be made, but the costs and benefits of each are often difficult to discern. Active management coupled with engineering and purchasing expertise is therefore advisable, ensuring that each possible change maximises return on investment.



Realising ESG Performance

The value-driven
transformation
of our
environment



OCCUPIER TRANSITIONING

For many companies, the **ESG performance** of owned or occupied real estate is a significant factor in their progress towards their own sustainability targets and net zero as a whole.

Financial services companies like Switzerland's UBS have carefully examined their real estate footprint when addressing their Scope 1 and 2 emissions, monitoring the carbon they use in their own operations. According to its most recent sustainability report UBS lowered energy consumption by 8% in 2023 partly by investing in more sustainable buildings, and partly by upgrading existing buildings with energy-saving LED lamps and modern heating systems.¹⁰

For many large companies, investments in building and environmental management systems have paved the way to measurable outcomes. Sensors can track the use of building features, water resources and energy, shedding light on where these resources may be wasted and making

adjustments based on usage or prevailing conditions to ensure emissions are minimised. Such systems have helped companies like automotive and e-mobility supplier BorgWarner increase the proportion of ESG-certified buildings in their portfolios.¹¹

Tech giant Amazon is extending the use of a management tool that controls various building systems to optimise air flow, temperature, and other environmental and usage variables. This contributed to a 3 percent reduction in absolute carbon emissions from 2022-2023.¹² Additionally, by employing materials such as lower-carbon concrete and steel, Amazon reduced embodied carbon by a total of 79,500 metric tons of CO2 equivalent across 29 building projects last year.¹³

¹⁰ <https://www.ubs.com/content/dam/assets/cc/investor-relations/sustainability-report/2023/sustainability-report-2023.pdf>

¹¹ <https://www.borgwarner.com/company/sustainability>

¹² <https://sustainability.aboutamazon.com/2023-sustainability-report.pdf>

¹³ <https://sustainability.aboutamazon.com/2023-sustainability-report.pdf>

Realising ESG Performance

The value-driven transformation of Europe's built environment

10 CASE STUDY

ESG Playbook aligns net zero aspirations with transaction & project delivery



ORGANISATION/COMPANY

Various clients



LOCATION



London, UK



SUSTAINABILITY SOLUTION

All



CHALLENGE

Many of Colliers' clients are in the early stages of identifying how their environmental, social and governance (ESG), particularly net zero, commitments align with their property strategies. This can be challenging for organisations for which neither commercial real estate nor ESG are their core functions.



HOW COLLIERS HELPED

In response to rising demand, Colliers Occupier Services has developed an ESG Playbook, a carefully structured platform approach to match a client's ESG aims with real estate decisions and practices. Rather than treating ESG as an add-on to other services provided, the Playbook integrates ESG into every stage of the client relationship, whether lease administration, transactions or project management.

The first page of the Playbook is to understand the client's sustainability and social impact targets. In some cases, the client is unsure what these should be or how they align with their obligations as defined

by the Paris climate accord. We draw upon our wide advisory experience to suggest appropriate and realistic targets for the organisation which cover complex aspects such as embodied carbon, as well as energy intensity and water usage.

Once the goals are clear, we then reflect them in requests for proposals (RFPs) from building owners. Colliers has pioneered a triage process we call GreenCRE, which creates an RFP longlist based on the willingness and ability of landlords to provide key pieces of ESG data. Our transaction managers provide the asset owners with a link to our evaluation, which poses relatively simple queries about a building's fossil fuel use, greenhouse gas certificates and net-zero pathway. Responses are automatically pooled into our database for analysis.

GreenCRE allows us to create a shortlist that matches the occupier's ESG requirements without having to undertake extensive due diligence on every longlisted building. Only once viable candidates have been shortlisted do we undertake technical

Realising ESG Performance

The value-driven
transformation
of Europe's built
environment

11

CS

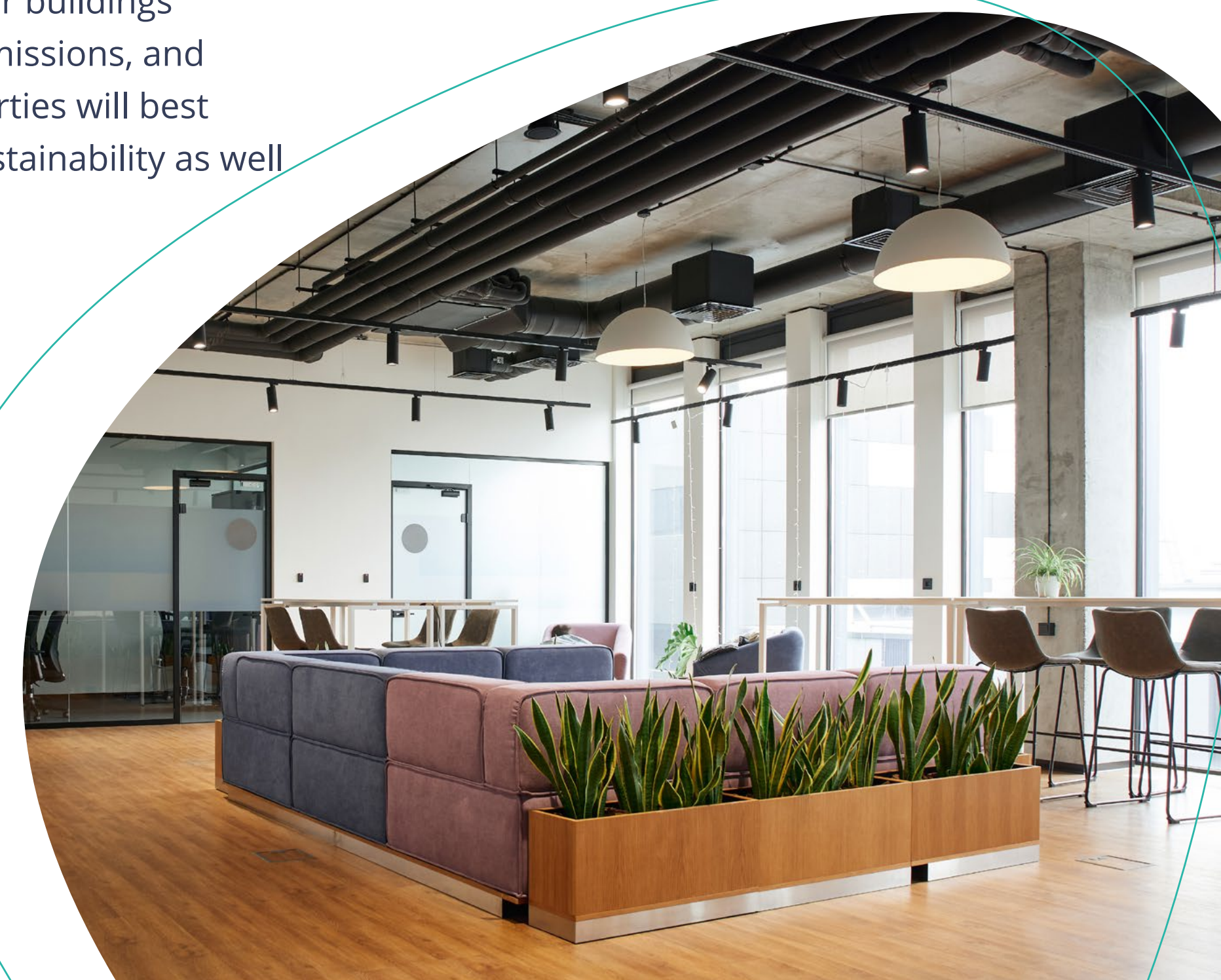


due diligence by a building surveyor and sustainability consultant against ESG criteria. Buildings are analysed both in terms of the client's requirements and also those of official regulators, and are ideally subjected to a net-zero audit to identify pathways to zero carbon. Less than 5% of new buildings globally have so far achieved this status.

The next page of the Playbook is to draft a lease with sustainability clauses that are aligned with the client's strategy. For instance, keyed to energy consumption data, EPC ratings, sustainable refits or the sourcing of renewable power. One important consideration is whether the landlord is working to expand the supply of renewable power with features like rooftop solar, as opposed to simply taking it off the grid. The Playbook is also designed to allow targets to evolve in line with new technology and market conditions.

★ OUTCOMES

Even the most stringent certifications, such as LEED Platinum, do not put a building on course for net zero, which many occupiers have set as a target over the next decade. Colliers' ESG Playbook relieves building occupiers of the technical challenges of understanding how their buildings contribute to their GHG emissions, and of identifying which properties will best advance them towards sustainability as well as commercial goals.



Realising ESG Performance

The value-driven transformation of Europe's built environment

12 CASE STUDY

Creating a clear and credible building sustainability profile



ORGANISATION/COMPANY

Skanska



LOCATION



Poland



SUSTAINABILITY SOLUTION

Transact & Invest



CHALLENGE

When it comes to assessing the performance of a building, environmental, social and governance (ESG) factors are among the most complex considerations. ESG performance is scrutinised ever more rigorously not only by tenants, but also by investors and financial institutions aiming to strengthen the low-carbon elements of their portfolios and also to identify signs of 'greenwashing,' when environmental claims are overstated. This is particularly the case as European legislation around building energy consumption becomes more detailed and prescriptive.

Skanska's Commercial Development unit in Central and Eastern Europe is behind some of the most advanced new office buildings in the region. The developer wanted to know how its properties measured against ESG standards and regulations both at the national and EU level, now and in the future. They asked Colliers to assess and report on their performance in a way that investors would find clear, accessible and, most importantly, credible.



HOW COLLIERS HELPED

Identifying and measuring ESG metrics is a complex process that needs to withstand scrutiny. Colliers therefore developed and implemented a comprehensive, rigorous approach. This was exemplified for Skanska's Brama Miasta B building with the compilation of an ESG Product Report that analysed the building's sustainability profile from every applicable angle, benchmarking against both regulation and the performance of comparable buildings. In total Colliers assisted with six buildings, four in Poland and two are in Hungary.

Colliers' assessment included:

1. EU Taxonomy compliance verification,
2. CRREM decarbonisation path verification,
3. Carbon footprint calculation,
4. Verification of green buildings certification,
5. Social and governance policies screening.

Realising ESG Performance

The value-driven
transformation
of Europe's built
environment



13

CS

Our assessment included elements such as embodied and operational carbon that were used to evaluate the building. Findings included that the project's embodied carbon was lower than average for Central and Eastern Europe; for example, for Brama Miasta B, 30% of construction materials were from recycled sources.

We assessed the project's pathway to net zero against Carbon Risk Real Estate Monitor (CRREM) standards, using a simulation tool developed by Colliers Poland called Asset Emissions Calculator, and tracked operational energy use.

Importantly, the ESG Product Report went well beyond energy considerations, extending to other environmental social and governance factors that are often neglected in these kinds of evaluations. The report analysed the site's water recycling system,

and water consumption against the LEED baseline. We surveyed the amount of green space in proximity to the building, the quality of the daylight inside, and looked at how the building performed against 'Project Walk Score,' which measures the extent to which daily tasks can be completed in the vicinity without a car (it scored an impressive 96 out of 100). We also examined whether its amenities were accessible to the local population, the quality of thermal and acoustic comfort within the block, and how easy the structure is to traverse and navigate depending on varying physical abilities.

For both the developer and for capital markets, it was also important to ensure Skanska's activities and building features aligned with the terminology of the EU taxonomy, which has strict definitions of what counts as sustainable project work.

OUTCOMES

The comprehensive evaluation confirmed the validity of Skanska's design approaches and its position as a market leader in ESG standards and practices. Validations of this kind raise perceptions of the value of its buildings and enhance confidence among potential tenants and investors.

Accurately gauging ESG performance for world-leading companies such as Skanska creates financial and social value, demonstrates concrete results from sustainability initiatives, and creates the potential for lower financing costs for projects that meet ESG criteria.



Realising ESG Performance

The value-driven transformation of Europe's built environment

CASE STUDY

Commercially focused sustainability enhancements



ORGANISATION/COMPANY

Leading investment managers for real estate in Germany and Europe.



LOCATION



London, UK



SUSTAINABILITY SOLUTION

Enhance assets



CHALLENGE

The client, a leading German and European real estate investment manager, was seeking to upgrade an owned asset in London to best-in-class for sustainability. In 2017 it had undertaken an extensive refurbishment which significantly enhanced the building in every respect, refitting everything from the façade, to HVAC systems and interiors. It is a very well performing asset from an operational energy perspective; however, tenants are increasingly demanding even higher sustainability standards from their corporate real estate. The investment manager was keen to understand if this well-performing asset could be further improved.

With an eye on future net zero carbon standards and BREEAM certification, the investment managers carried out some high-level analysis which identified potential enhancements with total costs of more than £750,000.



HOW COLLIERS HELPED

Colliers undertook a detailed building audit identifying any areas for energy and

sustainability improvements. We then modelled potential upgrades to identify which ones could deliver the biggest pound-for-pound impact, with Colliers' cost management team providing the commercial analysis to help identify the most cost-effective approach. Proposals included replacing gas boilers with heat pumps, adding an innovative solar PV shading system in place of the existing brise soleil, and introducing smart controls to further improve operational energy efficiency.



OUTCOMES

Our analysis found that the client could upgrade the building to EPC A and achieve BREEAM Excellent rating for an investment of around £300,000 - less than half the original suggested outlay. What is more, the proposed upgrades were assessed by building surveyors to understand if a proportion of the investment may be co-funded through service charges when replacing existing equipment at end-of-life.

The ambitious client is now considering similar analysis of other buildings in its portfolio.



Realising ESG Performance

The value-driven transformation of Europe's built environment

CASE STUDY

Collaborative approach to smart building management delivers sustainability targets



ORGANISATION/COMPANY

Three French Institutional Investors committed in a club deal.



LOCATION



Paris, France



SUSTAINABILITY SOLUTION

Enhance assets



CHALLENGE

Tower Initiale is a 105m tall office in La Défense of Paris built in 1966. Its name "initiale" emphasises that it was the first tower built in the La Défense district. It spans 30,000 sq m over 30 floors, with the top floor featuring meeting rooms and a restaurant. The building has an 84% occupancy rate, housing around 13 organisations. Colliers Global Investors (Colliers GI) was appointed to manage the tower, starting in February 2023, to meet energy transition and sustainability targets by 2030, '40, and '50.

In France, control systems for buildings with air conditioning or heating equipment rated over 70 kW can face mandatory improvement if they fall below standard. This can affect both owners and tenants, depending on the ownership of the installation.



HOW COLLIERS GLOBAL INVESTORS HELPED

The team focused on smart building management, collaborating with key stakeholders including the property and facility managers and the tenants of the building. Smart building management was accomplished through asset monitoring, equipment management, and raising tenant awareness of energy use. As part of the Cube competition in 2023, a reduction of 25% in energy usage was achieved.

The Colliers GI team implemented an Energy Performance Contract to enhance the site's energy efficiency. This contract outlines various actions to improve energy performance. Some of the key actions taken included:

- Optimised HVAC systems, improved lighting, and enhanced thermal insulation.
- Adjusted setpoint temperatures for air handling units (AHUs) to 19°C in winter and 26°C in summer.



Realising ESG Performance

The value-driven
transformation
of Europe's built
environment

16

CS

- Reduced setpoint temperatures for ventilation units (VUs) in letting areas from 23°C to 21°C.
- Shutting down air conditioning and using free cooling during mid-seasons.
- Shutting down hot water tanks in common and letting areas.
- Shutting down AHUs and VUs in areas expected to be closed during the summer or Christmas holidays.

A Periodic Green Committee was set up. All tenants were invited to be part of this committee, regardless of the size of the space they occupy. Such committees are mandatory in France, but only for tenants

who occupy over 2,000 sq m. The Colliers GI team chose to involve all tenants and is committed to maintaining this approach.

Colliers' approach led to the tower becoming an award-winning asset. Colliers GI registered the Tower Initiale for the Cube competition, which recognises energy efficiency in real estate. The tower won the national contest for the most efficient high-rise building. Over 200 buildings were entered into the competition, in its eighth season, and 13 buildings were in the same high-rise building category as the Tower Initiale. This achievement aligns with the strategy to meet regulatory targets but also provides all the tower's stakeholders with a benchmark against similar premises in the area.

★ OUTCOMES

A 25% reduction in energy consumption was achieved as part of the Cube 2023 competition, without any capital cost expenditure. This equated to a 1,877,190-kWh reduction, which led to lower bills, benefiting both the investors and tenants. The development of the Periodic Green Committee has fostered greater collaboration among facility managers, asset managers, property managers, and tenants, creating a unified mission. The Tower Initiale now also has the kudos of being an award-winning asset. The team are continuing their efforts to reach the next target of a 40% reduction in energy consumption by 2030 – which will involve monitoring equipment and defining a capex strategy.

Realising ESG Performance

The value-driven transformation of Europe's built environment

17 CASE STUDY

ESG Enable - filling the blanks in tenant energy consumption



ORGANISATION/COMPANY

Multiple business owners



LOCATION



UK



SUSTAINABILITY SOLUTION

Report & certify



CHALLENGE

For building owners, understanding how much energy tenants are using is increasingly important. Reporting Scope 3 emissions requires companies not only to account for their own direct carbon emissions (Scopes 1 & 2), but also for those throughout their value chain (Scope 3). Regulatory developments like the EU's Corporate Sustainability Reporting Directive (CSRD) are also focusing investors' minds on how to collect this data.

While multi-let offices usually have central contracts that makes energy information easily accessible, this is not the case with full repairing and insuring (FRI) leases. FRI leaseholders, common in retail and industrial parks, source their own energy supplies. For many landlords, collecting energy usage information from these tenants can be difficult and time-consuming. Often it is not available at all, leaving no choice but to adopt estimates to calculate emissions, which can vary considerably from the actual emissions within portfolios.



HOW COLLIERS HELPED

In the UK, Colliers has partnered with an energy broker to co-develop 'ESG Enable'. This is a service available to Colliers' clients to source and analyse tenants' consumption data on behalf of landlords, after first securing tenants' permission to receive the data electronically. ESG Enable helps solve an industry-wide challenge by harvesting energy consumption data and providing it to both the tenants and landlords in an online platform or automatic upload to other platforms – making carbon calculations a breeze.



OUTCOMES

ESG Enable has radically improved the speed and coverage of Scope 3 disclosures among clients in the UK. In one recent example, it boosted the data visibility over a client's UK portfolio from 5% to 97% in just two months.¹⁴

¹⁴ <https://www.colliers.com/en-gb/services/sustainability>

**Realising ESG
Performance**

The value-driven
transformation
of Europe's built
environment



RENEWABLE ENERGY

Switching to **renewable energy** is another common strategy that can be more complex than it appears.

Simply drawing green energy from a national electricity grid may carry reputational risks, because it adds no new renewable power to the system and can therefore be dismissed as greenwashing. Colliers encourages companies to explore on-site renewables, primarily using photovoltaic (PV) panels. In addition to advancing sustainability goals, on-site renewables can be a direct source of income for landlords, improving net operating income, and creating cost savings for occupiers.

In Europe, however, fitting PV is often not straightforward, especially as the rules governing selling energy back to the grid differs by country. The age and architecture of some European buildings means that PV sometimes needs to be installed in an innovative way, not least to accord with heritage regulations. In one case where the roof space was not available for PV, Colliers engineers came up with the solution of fixing the panels on window overhangs.

To that end Colliers is establishing partnership agreements with PV specialist providers, which have the expertise to support the assessment, installation and management of large-scale PV and renewable energy hardware and systems. These agreements are established so Colliers can support both the landlord and occupier in terms of improving ESG alignment and lowering costs/driving returns.

Realising ESG Performance

The value-driven
transformation
of Europe's built
environment

CASE STUDY

Collaborating for a sustainable impact



ORGANISATION/COMPANY

Berkeley Estate Asset Management (BEAM)



LOCATION



London, UK



SUSTAINABILITY SOLUTION

Enhance assets



CHALLENGE

Berkeley Estate Asset Management (BEAM) manages a portfolio of 120 London buildings on behalf of an investor based in the Middle East. The portfolio includes buildings of historical significance in some of London's most sought-after areas, with Berkeley Square House and One Curzon Street among the flagships.

In 2021 BEAM appointed Colliers as the managing agents for the portfolio, which encompasses buildings of various ages and use types, including residential, retail and commercial. BEAM has a net zero commitment, and a strong focus on reducing emissions from managed assets.



HOW COLLIERS HELPED

Colliers instigated energy reviews across four flagship assets with a particular focus on the operation of the building management systems (BMS). The reviews were carried out in partnership between Colliers building managers and the incumbent engineering contractor, Jaguar Building Services (JBS). This process yielded significant savings from relatively simple approaches, for instance by suspending the heating, ventilation and air conditioning (HVAC) outside of operating hours and reducing the temperature of boiler systems from 80°C to 60°C. These simple steps led to a 15% reduction in energy usage.

In June 2024 Colliers convened an energy forum at which the building managers could present results to BEAM's asset managers and showcase the energy savings available. This event, coupled with Colliers tools and training, helped to incentivise the building managers to go even further, including staging open discussions with occupiers to encouraging more conservative approaches to energy use.



Realising ESG Performance

The value-driven
transformation
of Europe's built
environment



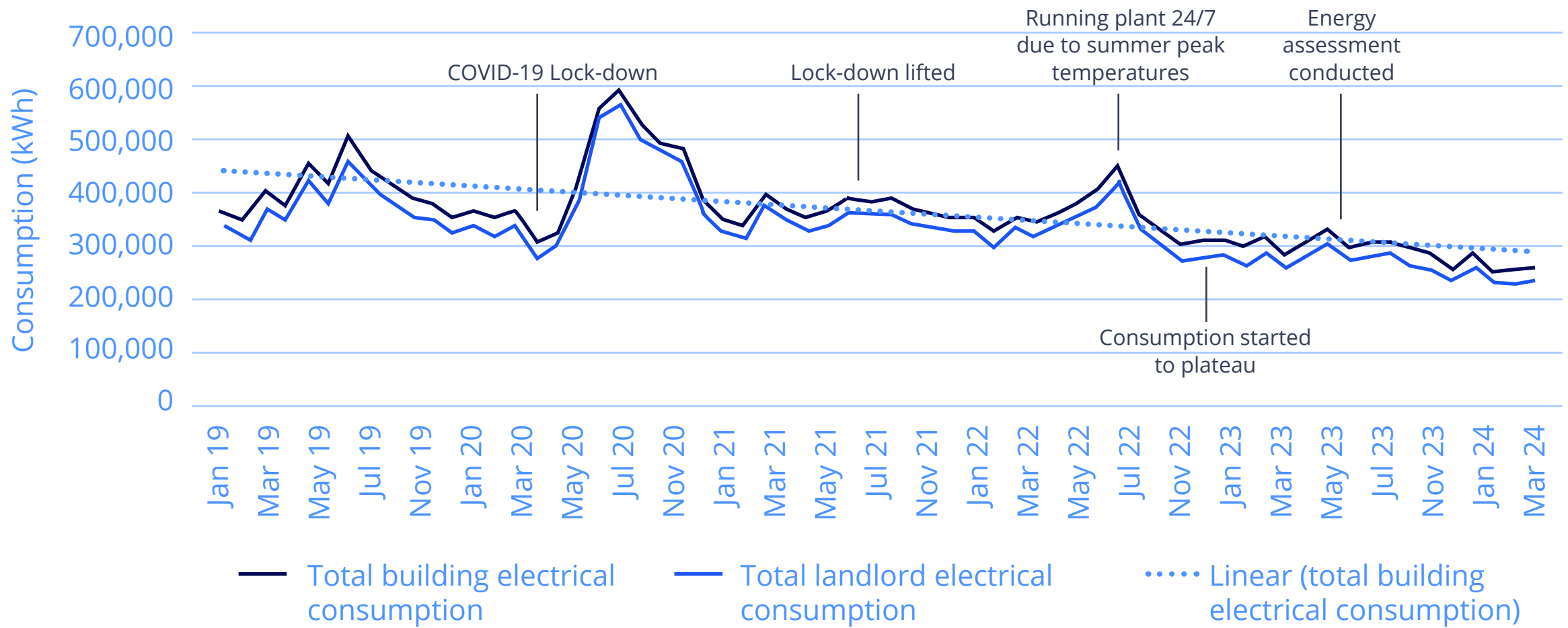
★ OUTCOME

Colliers approached the role with three areas of focus:

1. Ensuring an excellent occupier experience,
2. Instilling an active approach to improving BEAM's emissions,
3. Utilising technology to demonstrate progress.

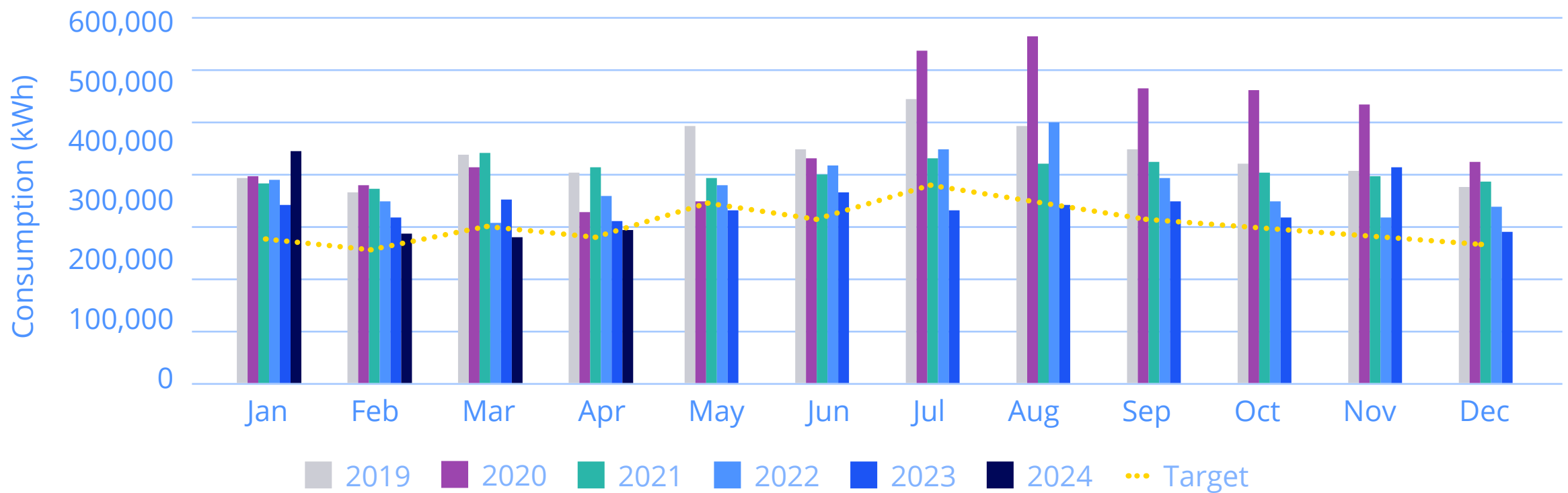
Combining the latter two pillars with clear communication helped visualise the energy-saving results. On one of the four buildings assessed, Colliers' calculations identified savings of £250,000. In addition, Colliers has produced a series of recommendations to secure further energy and cost savings, including that all BMS systems be capable of remote operation and data export, and that regular energy inspections take place. Meanwhile, JBS has incentivised its engineers to identify further energy savings as part of a rolling series of upgrades.

TOTAL BUILDING ELECTRICITY CONSUMPTION (JAN 2019 - APR 2024)



Source: Colliers, BEAM Energy Forum Presentation

LANDLORD ELECTRICITY CONSUMPTION - MONTHLY ANALYSIS OVER THE YEARS



Source: Colliers, BEAM Energy Forum Presentation

Realising ESG Performance

The value-driven transformation of Europe's built environment

CASE STUDY

Balancing heritage and sustainability in Europe's hotels sector



ORGANISATION/COMPANY

Major European luxury hotel chains



LOCATION



Italy



the Netherlands



Spain



other European markets



SUSTAINABILITY SOLUTION

Enhance assets



CHALLENGE

Many European luxury hotels occupy buildings that are of exceptional architectural and historic importance. Some are centuries old and while they need to retain compelling aspects of their heritage, they also need to adapt to the challenges of the 21st century. This includes climate change and compliance with rising ESG standards.

Striking this balance means that energy renovations must be approached in a sensitive, but effective, way. The UN estimates that hotels need to reduce emissions by 66% per room by 2030, and 90% by 2050, to stay within thresholds set by the Paris climate agreement.¹⁵ Colliers has shown that we can help hotel owners and operators meet, or even exceed, these targets without compromising on what makes them unique.

Unlike offices, where major renovations often take place at the end of a lease, hotels cannot afford downtime outside of regular refurbishment cycles which can be decades

apart. Not only is it usually impractical to close the hotel to guests; it's not possible to interrupt services such as hot water for showers even for a day - a problem given that impactful energy renovations are often around hot water.

Features need to be preserved or replaced in a way that maintains a quality aesthetic, including key elements such as lighting and windows. Limited space can be a factor in older converted buildings, with plant rooms crammed into basements and roof space sometimes reserved for seating or dining areas. This requires HVAC or solar systems to be installed in a creative way.



HOW COLLIERS CAN HELP

With hotels, our first step is always to talk to asset and engineering managers to better understand the building in question, the possibilities and limitations. Based on our findings, we then formulate both near-term plans to place the building on a net-zero pathway that cover the next 5 to 10 years, or longer-term roadmaps up to 2050, tailored specifically to each property.

¹⁵ <https://unfccc.int/news/un-works-with-global-hotel-industry-to-reduce-emissions>

Realising ESG Performance

The value-driven
transformation
of Europe's built
environment

22

CS



Colliers' engineers and building modellers work with costing specialists to identify which upgrades could have the most impact per euro spent, but the assessment goes beyond that. Consideration is given to the local climate and conditions to ensure that heating and cooling systems are appropriately sized and operate with maximum efficiency. One recent example, a hotel in Milan, was a strong candidate for a ground-source heat pump. For a hotel in Venice, famous for its canals, we looked at how innovative cooling systems could exploit the available water. Conversely, for a hotel in water-stressed Barcelona, we focused on reducing water consumption by as much as possible.

Often, we recommend and implement tools such as smart building management systems that reduce operation of energy systems during periods of lower occupancy. Other examples include employing sensors that monitor CO₂, or that regulate temperatures according to weather conditions.

OUTCOMES

With hotels globally consuming an average of between 250 and 700kwh per square metre annually,¹⁶ Colliers has demonstrated that our approach can cut consumption in line with the Paris objectives, reducing the overall footprint of a critical and growing sector of European real estate. As interest rises in hotels as an asset class, this will help ensure investments in the sector have a positive environmental as well as financial impact.



¹⁶ <https://pure.tue.nl/ws/portalfiles/portal/46914585/801837-1.pdf>

Realising ESG Performance

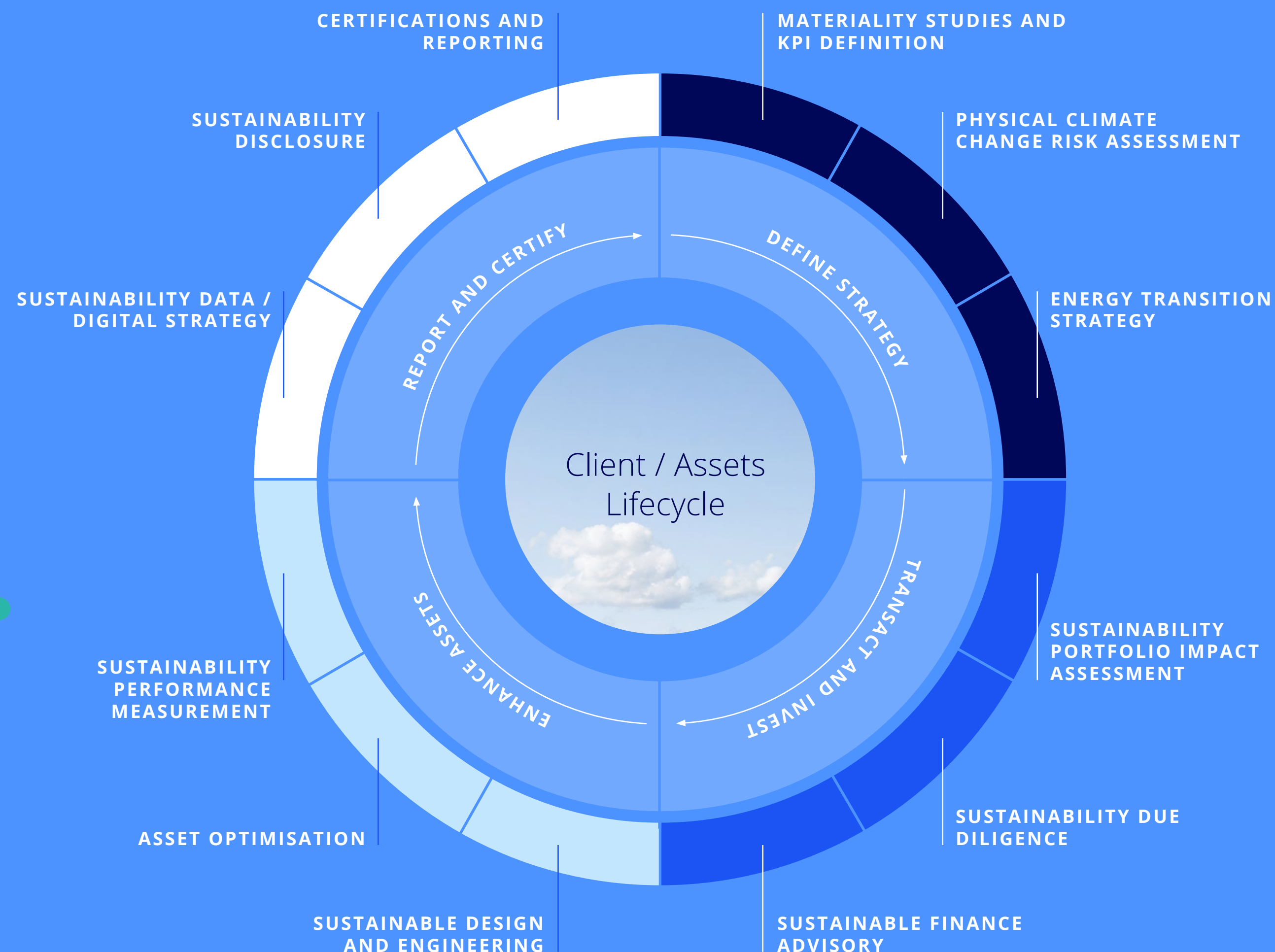
The value-driven transformation of Europe's built environment

As our series of case studies illustrate, it can be valuable to commission external expertise - given all the variables at play - when it comes to the task of translating an organisation's sustainability goals and/or obligations into effective action at the real estate portfolio level.

COLLIERS' SUSTAINABILITY SOLUTIONS



While best practices and standardised technologies certainly exist, the most sophisticated strategies will be based on a deep understanding of an organisation's operations, targets and constraints. This must be coupled with carefully directed investments, knowledge of the tools and practices available, and understanding of conditions on the ground.



Realising ESG
Performance

The value-driven
transformation
of Europe’s built
environment



STRATEGY
RECOMMENDA-
TIONS



CONSIDERING THE CURRENT TRAJECTORY OF REGULATION AND MARKET FORCES, AND OUR RECENT EXPERIENCE ADVISING CLIENTS ON ESG STRATEGIES IN THE FIELD, WE RECOMMEND KEEPING THE FOLLOWING PRINCIPLES IN MIND WHEN AIMING TO OPTIMISE A PORTFOLIO IN A WAY THAT ALIGNS REAL ESTATE TO SUSTAINABILITY GOALS:

Emphasise
targeted,
incremental
steps

Faced with the rapid development of regulation and the extent of change needed to future-

proof an asset or portfolio, it is easy to feel overwhelmed. But over time, even relatively small steps can achieve transformational results in terms of compliance, accreditation and emissions reduction. Our work with Berkley Estate Asset Management (BEAM)’s portfolio in London substantially reduced the energy intensity of multiple properties simply by suspending some systems outside working hours and reducing boiler temperatures.

Invest in
measurement
and
transparency

As standards evolve and businesses and investors are expected to report on a wider

range of outcomes, sourcing, analysing and reporting the right data becomes critical to the sustainability of assets and long-term portfolio performance. This makes it important to invest early in the monitoring and building management systems that make it possible to track energy consumption, facilities usage and other sustainability-relevant metrics with greater levels of precision. These tools can identify opportunities and gaps and ensure any efforts to improve a building’s sustainability credentials are directed where they’re needed most.

Consider
place and
context

Strategies to improve the ESG aspects of properties should not only consider the buildings themselves, but where they are

situated. Factors such as the availability of renewable energy from regional or national utilities can play a decisive role in an asset’s alignment with net-zero targets. The local infrastructure and physical environment should also inform what initiatives or approaches are adopted. As our work in the hotel sector in Europe has shown, water-based cooling systems can be an environmentally friendly solution in markets where water is abundant, but not in markets where water resources are stressed.

Realising ESG Performance

The value-driven
transformation
of Europe's built
environment



Think beyond energy efficiency

The widely held focus on cutting Scope 1 and 2 emissions leads many companies to prioritise reducing

energy consumption when seeking to enhance the ESG aspects of properties. But the rising emphasis of regulators and other stakeholders on Scope 3 and non-climate indicators such as health argue for asset owners and occupiers to think beyond buildings' direct emissions or energy performance. Actions such as reducing the amount of embodied carbon in a building in the development phase by using materials such as mass timber, cutting waste, or introducing strategies to improve air quality can provide other paths to meeting targets and enhancing the value of an asset.

Accept limits

To reduce the chances of stranded assets, the overall goal should be to optimise a

portfolio as much as possible. However, it's inevitable that bringing some assets up to more elevated standards will be either too expensive or impossible. It's important to recognise these cases and move quickly to develop a viable exit plan, which will only leave the portfolio stronger.

Take advantage of best practices

As sustainability requirements become more relevant and pressing, the range of strategies and solutions available to

improve the ESG performance of buildings is expanding rapidly. This has created more choice, but also more complexity. As the right product and approaches will vary heavily depending on the asset or portfolio, we advise companies to benchmark some of the more tested processes and frameworks that have emerged in this space, such as Colliers' ESG Playbook. Organisations should also consider working with partners who have developed and implemented multiple projects to drive ESG performance, giving them the perspective and experience needed to propose the optimal formulas to ensure investments in sustainability features or upgrades are reflected and returned in building valuations.





Contact

Damian Harrington	Sam Addison	Andy Mercer
Head of Research Global Capital Markets & EMEA	Head of Project Management Occupier Services EMEA	Head of ESG ESG
damian.harrington@colliers.com +44 20 7487 1691	sam.addison@colliers.com +44 20 7487 1716	andy.mercer@colliers.com +44 20 7344 6998

Colliers (NASDAQ, TSX: CIGI) is a leading diversified professional services and investment management company. With operations in 68 countries, our 22,000 enterprising professionals work collaboratively to provide expert real estate and investment advice to clients. For more than 29 years, our experienced leadership with significant inside ownership has delivered compound annual investment returns of approximately 20% for shareholders. With annual revenues of more than \$4.4 billion and \$96 billion of assets under management, Colliers maximizes the potential of property and real assets to accelerate the success of our clients, our investors and our people. Learn more at corporate.colliers.com, X @Colliers or LinkedIn.

This document/email has been prepared by Colliers for advertising and general information only. Colliers makes no guarantees, representations or warranties of any kind, expressed or implied, regarding the information including, but not limited to, warranties of content, accuracy and reliability. Any interested party should undertake their own inquiries as to the accuracy of the information. Colliers excludes unequivocally all inferred or implied terms, conditions and warranties arising out of this document and excludes all liability for loss and damages arising there from. This publication is the copyrighted property of Colliers and /or its licensor(s). © 2024. All rights reserved. This communication is not intended to cause or induce breach of an existing listing agreement.



Realising ESG
Performance

The value-driven
transformation
of Europe’s built
environment