

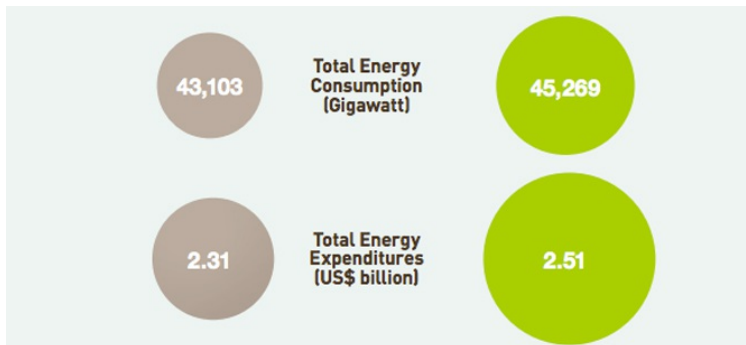


Market Forces and Sustainability in the Real Estate Sector

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A preview of the 2012 GRESB report. (Image credit: GRESB)

\$3.5 Trillion of Global Capital Fueling Green Buildings

Legislation is an important driver of green building adoption in the real estate sector. But while the pace and strength of legislation is affected by the volatility of policy making, there is another force in green building investment quietly happening everyday, driven by the capital market.

With the global growth of green building over the past decade, energy efficiency and sustainability in the built environment have now become vehicles to enhance and to protect the assets held by the largest investors across the globe – endowments, pension funds, insurance companies. These “institutional investors” increasingly realize that the sustainability of buildings is directly affecting the financial performance of their real estate investments, which is especially relevant given the long-term investment horizons that these investors often have.

Institutional investors typically have 5 to 10 percent of their total assets invested in real estate, and this exposure is built up indirectly – via privately managed funds, or via listed property companies (REITs). So, to assess the sustainability of institutional real estate investments, information is needed at the portfolio level, rather than at the level of the individual asset. Enter [GRESB](#).

The Global Real Estate Sustainability Benchmark (GRESB) is a quantitative tool that benchmarks a property company or fund’s energy efficiency and broader sustainability performance at the portfolio level. GRESB actively works with USGBC, and with all of the large real estate industry associations, including the [National Association of Real Estate Investment Trusts \(NAREIT\)](#) and the [Pension Real Estate Association \(PREA\)](#) in the United States. The data produced by GRESB is used by more than 35 of the largest global investors to engage with their investment managers. More than 450 property companies and funds now report to GRESB, representing \$1.3 trillion in assets under management, and some 36,000 properties.

The basis for GRESB, which just released its [2012 Report](#), is an annual survey measuring the environmental and social performance of real estate companies and funds – at the portfolio level. Based on responses to the annual GRESB Survey, a benchmarking framework has been created that captures almost 50 data points measuring sustainability, including energy and water consumption, but also sustainability policies, and of course [LEED certification](#).

One would hope that the largest, most sophisticated investors take the necessary initiatives to improve the energy efficiency and sustainability of their portfolios, in order to protect and increase the value of our pensions and endowments. But, of course, for the capital markets to function properly, information transparency on environmental, social and governance (ESG) metrics is a key ingredient. At the building level, LEED provides that insight. At the portfolio level, GRESB assists investors in their understanding of sustainability in real estate. Because institutional investors will ultimately shape the role of green buildings in our society.

Note: GRESB, the USGBC, CBRE and the Pension Real Estate Association (PREA) jointly organize an event in New York on September 27th. Participation is free of charge. Visit [gresb.com](#) for more information on the event, or to download the [2012 GRESB Report](#).



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