

Webinar

C Change Check-in Demystifying Transition Risks and Valuation

Date: December 12, 2022

00:00:01 --> 00:00:04: Today is really our opportunity to tell you more about
00:00:04 --> 00:00:07: sea change, which aims to bring to the industry together
00:00:07 --> 00:00:10: to speed up and scale up decarbonisation. But also we
00:00:10 --> 00:00:13: want to talk to you about the first outcome of
00:00:13 --> 00:00:16: the sea change program. A few weeks ago we launched
00:00:16 --> 00:00:19: a set of consultation guidelines which are a first step
00:00:19 --> 00:00:23: to a common methodology to assess and disclose transition
risks
00:00:23 --> 00:00:27: as part of property valuations. Now that's already quite a
00:00:27 --> 00:00:30: complicated concept, so today, as the title suggests, we are
00:00:30 --> 00:00:31: here to break that.
00:00:31 --> 00:00:34: Down and demystify it. In actual fact, some of you
00:00:34 --> 00:00:37: may not end up engaging with the technical aspects of
00:00:37 --> 00:00:40: the guidelines, but it is still really important that you
00:00:40 --> 00:00:43: are here and know about why we have developed them
00:00:43 --> 00:00:47: for such an important aspect around decarbonization and
climate change.
00:00:48 --> 00:00:51: So we want to spread the work about the word,
00:00:51 --> 00:00:54: about the work we have done, but maybe more critically
00:00:54 --> 00:00:58: why this work on transition risk is important. The format
00:00:58 --> 00:01:01: is simple. Lisette Vandoorne, Uri Europe CEO, is going to
00:01:01 --> 00:01:05: talk us through sea change, explain about the reasons we
00:01:05 --> 00:01:08: need to address transition risks and the guide as well
00:01:08 --> 00:01:12: as the guidelines which we have published recently. Then we
00:01:12 --> 00:01:16: have time for time for and actually encourage your questions.
00:01:16 --> 00:01:18: So please do put those in the chat.
00:01:18 --> 00:01:21: No question is too simple. Now there's that. Over to
00:01:22 --> 00:01:22: you.
00:01:27 --> 00:01:31: Thanks so much for the introduction on Andrea and for
00:01:31 --> 00:01:35: being with us today to help moderate the session. Well

00:01:35 --> 00:01:39: thanks of all for for joining today. And I'm very
00:01:39 --> 00:01:43: pleased that to see this interest in sea change and
00:01:43 --> 00:01:47: the work we've done on transition risks. And next one
00:01:48 --> 00:01:52: please Martha and C chain is a really important program
00:01:52 --> 00:01:52: and.
00:01:54 --> 00:01:57: We've started this work about a year ago officially, when
00:01:58 --> 00:02:01: we kicked off the program at that time still called
00:02:01 --> 00:02:03: fast track to decarbonization.
00:02:04 --> 00:02:08: We've been inspired by Sir de Fisking who gave a
00:02:08 --> 00:02:12: virtual keynote at our virtual conference in early 2021. And
00:02:12 --> 00:02:16: and for those of you who don't know so David
00:02:16 --> 00:02:20: King is head of the Center for Climate Repair in
00:02:20 --> 00:02:23: the UK and a well known figure on climate change.
00:02:25 --> 00:02:29: We kind of following. He called on the real estate
00:02:29 --> 00:02:33: industry and the built environment to take action, which at
00:02:33 --> 00:02:36: that time was still, if existing, very fragmented.
00:02:37 --> 00:02:41: We were inspired, but also thinking, what can our role
00:02:41 --> 00:02:45: be as you alive? So we started to have conversations
00:02:45 --> 00:02:50: with Members, looked around what other industry
associations were doing
00:02:50 --> 00:02:53: and quickly found that a lot of work was already
00:02:53 --> 00:02:57: being done in terms of Rd maps, toolkits, action plans
00:02:57 --> 00:03:01: and speaking to members. What we learned was there was
00:03:01 --> 00:03:05: actually that was really great, although not so easy to
00:03:05 --> 00:03:07: navigate who was doing what.
00:03:07 --> 00:03:11: But the real issue was around trying to implement with
00:03:11 --> 00:03:17: so many, of course, different jurisdictions across Europe,
different legislations,
00:03:17 --> 00:03:21: a lot of legacy regulation actually in the way of
00:03:21 --> 00:03:23: adopt, helping to adopt new innovations.
00:03:25 --> 00:03:29: Use of new materials, et cetera, et cetera. And with
00:03:29 --> 00:03:33: you and I obviously being a global platform and working
00:03:33 --> 00:03:37: across the value chain, we thought that's actually a very
00:03:37 --> 00:03:41: good area for us to focus on, given that often
00:03:41 --> 00:03:46: the bottlenecks are also big between the different disciplines
within
00:03:46 --> 00:03:50: the built environment. So that's where we started. And we
00:03:50 --> 00:03:55: raised funding from 7 partners, including Schroeders, Heinz.
00:03:55 --> 00:04:00: Um alliance through Defco Arab?
00:04:01 --> 00:04:02: Catella.
00:04:03 --> 00:04:04: And.
00:04:06 --> 00:04:09: The servant I'll get to in a in a minute.

00:04:10 --> 00:04:14: And we kind of started working, we hired a consultant
00:04:14 --> 00:04:18: 103 and immobile, sorry, I got the last one and
00:04:18 --> 00:04:21: we hired one or three consultants to work with us.
00:04:22 --> 00:04:25: And given what I just said about the difficulty to
00:04:25 --> 00:04:30: navigate or the industry initiatives and also to really
determine
00:04:30 --> 00:04:34: what would be most useful for us to focus on,
00:04:34 --> 00:04:38: we started off with work to identify all the different
00:04:38 --> 00:04:41: initiatives that were going on.
00:04:41 --> 00:04:45: And maybe before I get to that, one more comment
00:04:45 --> 00:04:49: on where we are, because we see all those initiatives
00:04:49 --> 00:04:53: happening, but we're definitely now going fast enough and as
00:04:54 --> 00:04:58: also explained by Antonio Gutierrez at COP 27, the UN
00:04:58 --> 00:05:02: Secretary General, that we're on a highway to climate hell
00:05:02 --> 00:05:06: with our food still on the accelerator. So by no
00:05:06 --> 00:05:11: means are the current initiatives that we undertake
sufficiently to
00:05:11 --> 00:05:12: decarbonize.
00:05:12 --> 00:05:17: Our society but also to decarbonize the built environment.
Next
00:05:17 --> 00:05:21: slide please Marta, because we all know that the built
00:05:21 --> 00:05:26: environment makes up such an important part. Almost 40%
of
00:05:26 --> 00:05:31: both operational and embodied carbon emissions are coming
from the
00:05:31 --> 00:05:36: built environment. So we have a responsibility in this in
00:05:36 --> 00:05:40: in tackling this challenge and we feel as you're lying
00:05:40 --> 00:05:43: that's also core to the sea.
00:05:43 --> 00:05:47: Gains program that we can only do this together, partly
00:05:47 --> 00:05:52: because individually so many initiatives already going on, but
also
00:05:52 --> 00:05:55: because we need to speed up the process. We can't
00:05:55 --> 00:05:59: afford to lose time and therefore we need to scale
00:05:59 --> 00:06:03: up the initiatives that are being taken across the industry.
00:06:03 --> 00:06:05: Next slide please.
00:06:06 --> 00:06:07: So now.
00:06:08 --> 00:06:13: This is what I already talked about, the different sponsors
00:06:13 --> 00:06:14: of the program.
00:06:15 --> 00:06:18: We kicked this off a year ago it's but it's
00:06:18 --> 00:06:22: obviously meant to be a multi year program to mobilize
00:06:23 --> 00:06:27: the industry and speed up and scale up the process
00:06:27 --> 00:06:28: of decarbonization.
00:06:29 --> 00:06:33: And the focus is on systems change and what that

00:06:33 --> 00:06:38: means is finding those biggest bottlenecks that hold back progress

00:06:38 --> 00:06:42: across the industry. And as I just mentioned, we also

00:06:42 --> 00:06:46: feel strongly that a lot of knowledge is already there.

00:06:46 --> 00:06:50: So let's first start to bring that out, identify the

00:06:50 --> 00:06:55: best practice solutions and see how we can scale those

00:06:55 --> 00:06:57: up to speed up the process.

00:06:58 --> 00:07:02: Next slide. So now back to where I started in

00:07:02 --> 00:07:07: terms of what are those initiatives that are already going

00:07:07 --> 00:07:12: on, what are those biggest bottlenecks, if you will, holding

00:07:12 --> 00:07:17: back progress for the industry? This is the work that

00:07:17 --> 00:07:19: we kicked off with and you see.

00:07:21 --> 00:07:26: I think around 14 intervention points that we identified and

00:07:26 --> 00:07:30: a couple of them we saw were already progress was

00:07:30 --> 00:07:35: being made but from other organizations, for example related

00:07:35 --> 00:07:37: to

00:07:38 --> 00:07:43: net zero building standards.

00:07:43 --> 00:07:48: Energy efficiency databases and whole life carbon. We

00:07:48 --> 00:07:52: mapped this,

00:07:52 --> 00:07:56: all these initiatives and all these intervention points with what

00:07:57 --> 00:08:02: our Members were thinking was most important for you and

00:08:02 --> 00:08:06: I to focus on. Obviously that yielded some overlap example.

00:08:06 --> 00:08:08: Not surprisingly, all Members also thought that working

00:08:08 --> 00:08:12: around standards

00:08:12 --> 00:08:15: and common definitions was very important, but given that it

00:08:15 --> 00:08:20: was already well underway.

00:08:20 --> 00:08:25: We didn't. We didn't think it was a good idea

00:08:25 --> 00:08:25: for us to focus on that. So we instead focused

00:08:26 --> 00:08:31: on those where no other organizations were already

00:08:32 --> 00:08:38: focusing. That

00:08:38 --> 00:08:42: led to 4 priorities and the alignment between occupiers and

00:08:44 --> 00:08:48: landlords.

00:08:48 --> 00:08:52: Assessing transition risk in property valuations.

00:08:52 --> 00:08:55: City level financial solutions for assets that are likely to

00:08:55 --> 00:08:59: be stranded and a coordinated investment voice.

00:08:59 --> 00:09:03: I will mostly talk about predominantly talk about transition risk

00:09:03 --> 00:09:06: today as that is the focus of this session. If

00:09:06 --> 00:09:10: you have any further questions on any of the others

00:09:10 --> 00:09:14: which I will briefly come back to at the end

00:09:14 --> 00:09:14: of my presentation, then please let me know. We're always

00:09:14 --> 00:09:14: happy to ask questions and then those you see in

00:09:14 --> 00:09:14: light blue at the bottom needs urgent industry action as

00:09:14 --> 00:09:14: well but were felt to some of them follow from.

00:09:14 --> 00:09:18: The work, for example, related to transition risks.

00:09:19 --> 00:09:22: Or we need to kind of work slightly lower on

00:09:22 --> 00:09:26: the priority risk on the priority list, although they're very

00:09:26 --> 00:09:27: important.

00:09:28 --> 00:09:29: And next slide, please.

00:09:32 --> 00:09:36: So moving on to transition risk and the intervention and

00:09:36 --> 00:09:40: the work we did around that, before I go into

00:09:40 --> 00:09:43: the detail, maybe I'll first for those of you that

00:09:43 --> 00:09:48: aren't aware focus on what is the transition risk. We

00:09:48 --> 00:09:52: have two types of risks related to climate change. One

00:09:52 --> 00:09:55: is adaptation risk as we call it is adapting to

00:09:55 --> 00:09:58: the physical climate risk, it's.

00:09:59 --> 00:10:04: Heavier rain, more extreme temperatures and.

00:10:04 --> 00:10:10: Storms, etcetera, etcetera. While the other part where we

00:10:10 --> 00:10:14: focus

00:10:14 --> 00:10:18: on is the transition risk, it is the risk related

00:10:18 --> 00:10:22: to the transition to a low carbon environment and both

00:10:22 --> 00:10:26: in terms of the use of energy as well as

00:10:26 --> 00:10:30: water energy is being used to mitigate as much as

00:10:30 --> 00:10:34: we still can the impact of climate change. It is

00:10:34 --> 00:10:36: the 1 1/2 degree scenario that we still focus on,

00:10:36 --> 00:10:40: although we know that.

00:10:40 --> 00:10:43: That is getting more and more difficult to achieve given

00:10:43 --> 00:10:48: where we are also coming back to the comment made

00:10:48 --> 00:10:49: by the UN Secretary General that we're actually still heading

00:10:49 --> 00:10:51: in the wrong direction.

00:10:51 --> 00:10:54: Next slide, please.

00:10:54 --> 00:10:55: So.

00:10:56 --> 00:11:01: What what is this about? What is unlocking the valuation

00:11:01 --> 00:11:04: issue? What we looked at is and why we focused

00:11:04 --> 00:11:08: on this work is that currently in property valuation the

00:11:08 --> 00:11:12: cost of doing nothing, so not taking any action and

00:11:12 --> 00:11:13: not.

00:11:14 --> 00:11:19: Adapting any building to become net 0 carbon is not

00:11:19 --> 00:11:25: included, so nobody's encouraged to do anything because

00:11:26 --> 00:11:31: your property

00:11:31 --> 00:11:36: valuation doesn't show. That makes it very hard to make

00:11:36 --> 00:11:41: the business case to make those investments. That is mostly

00:11:41 --> 00:11:45: due to the fact that there is no regulation in

00:11:45 --> 00:11:49: any country yet to get to net 0 carbon emissions.

00:11:49 --> 00:11:50: We have in some countries, we have of course, the

00:11:49 --> 00:11:50: Paris Agreement.

00:11:50 --> 00:11:54: But the Paris Agreement was needed to be put into
00:11:54 --> 00:11:58: local regulation to get on the right trajectory.
00:11:58 --> 00:12:01: In some countries what we do have is what we
00:12:01 --> 00:12:06: call energy performance certificates. For example becoming
00:12:06 --> 00:12:10: effective for office
00:12:10 --> 00:12:14: buildings in the Netherlands from the 1st of January. We
00:12:14 --> 00:12:18: have something similar in the UK and but those energies
00:12:19 --> 00:12:21: performance certificates requirements I think is in the
00:12:21 --> 00:12:25: Netherlands. It's
00:12:25 --> 00:12:25: see it doesn't get you to net zero, gets you
00:12:26 --> 00:12:28: in the right direction, but nowhere near where we need
00:12:29 --> 00:12:33: to be.
00:12:33 --> 00:12:37: And four.
00:12:37 --> 00:12:40: To get to net, shirini, to have the transparency of
00:12:40 --> 00:12:45: what are the investments needed to get our buildings to
00:12:45 --> 00:12:48: net zero and that's why we need it to be
00:12:48 --> 00:12:53: included in the valuation. Currently there's not enough
00:12:53 --> 00:12:57: market evidence
00:12:57 --> 00:12:59: for the values to include it. We read a lot
00:13:00 --> 00:13:05: about brown discounts and green premiums, but often that is
00:13:05 --> 00:13:10: blurred because what we see happening is the greenest
00:13:10 --> 00:13:16: buildings
00:13:16 --> 00:13:21: are often in the highest value.
00:13:21 --> 00:13:26: Locations and demanded by high end tenants. So you could
00:13:26 --> 00:13:30: not just kind of isolate the impact of a green
00:13:30 --> 00:13:35: building from its location and and the valuation impact of
00:13:35 --> 00:13:40: that from being in in the best location the moment
00:13:40 --> 00:13:43: by the say most of clowns tenants. So that is
00:13:43 --> 00:13:48: something that blurs what the impact of net.
00:13:48 --> 00:13:49: Theories. And therefore we felt it's really important despite
00:13:49 --> 00:13:53: the
00:13:53 --> 00:13:57: lack of regulation to create transparency on what they are,
00:13:57 --> 00:13:57: the transition risks as we call it and what is
00:14:00 --> 00:14:00: their impact on real estate valuations, what we see
00:14:01 --> 00:14:05: happening.
00:14:05 --> 00:14:09: Next slide please.
00:14:09 --> 00:14:14: Yeah. Well, I'll just keep going. What we see happening
00:14:14 --> 00:14:14: is that.
00:14:14 --> 00:14:14: Some.
00:14:14 --> 00:14:14: Some individual players already have started working on this
00:14:14 --> 00:14:14: and
00:14:14 --> 00:14:14: obviously do their homework on their existing portfolios and
00:14:14 --> 00:14:14: also
00:14:14 --> 00:14:14: include that in their due diligence. Now obviously we're

looking

00:14:14 --> 00:14:18: at a transaction market which is close to standing still,
00:14:18 --> 00:14:23: but before we sort transactions happening where
investments were needed

00:14:23 --> 00:14:25: and we saw two parts of the market, one was
00:14:26 --> 00:14:30: more the informed investors had done their homework, but
maybe

00:14:30 --> 00:14:31: it's better.

00:14:31 --> 00:14:35: Sell this off instead of making all the investments. You
00:14:35 --> 00:14:38: know what's one part of the market that hadn't done
00:14:38 --> 00:14:42: the homework yet? Maybe also not having the resources to
00:14:42 --> 00:14:45: really focus on this or not knowing exactly what to
00:14:45 --> 00:14:46: do.

00:14:46 --> 00:14:48: Who were then typically the buyers?

00:14:50 --> 00:14:53: We feel for the industry to take action. It's important
00:14:53 --> 00:14:56: that we bring the whole market up to speed. And
00:14:57 --> 00:15:01: again that's why it's important that this information needs to
00:15:01 --> 00:15:05: be included in property valuations. But until the evidence
comes

00:15:05 --> 00:15:08: out and we have clarity on a what the costs
00:15:08 --> 00:15:12: are and these and and the investments needed, what the
00:15:12 --> 00:15:15: different risks are and what the impact is on the
00:15:15 --> 00:15:19: valuation and that is being disclosed before we can get
00:15:19 --> 00:15:20: the whole market.

00:15:20 --> 00:15:25: On board, and there's another element related to that
because

00:15:25 --> 00:15:30: generally, obviously the cost of decarbonizing for say, a
typical

00:15:30 --> 00:15:35: office building is the same despite the location, whether it's
00:15:35 --> 00:15:39: in the CBD or somewhere in a suburban office location.

00:15:39 --> 00:15:43: However, if the costs are the same, the value is
00:15:43 --> 00:15:47: not the same. So it is much easier to make
00:15:47 --> 00:15:51: the business case for the transition in those higher.

00:15:51 --> 00:15:56: Tell your locations and those higher value assets for example
00:15:56 --> 00:16:01: also with high end residential what is really important is
00:16:01 --> 00:16:05: that we make a transition that is just an just
00:16:05 --> 00:16:10: unfair because the whole all we need to decarbonize all
00:16:10 --> 00:16:14: our buildings not just those where it's easier to make
00:16:14 --> 00:16:19: the business case. So that is also a very important
00:16:19 --> 00:16:21: element that we wanted.

00:16:21 --> 00:16:22: To demonstrate.

00:16:23 --> 00:16:24: Next slide, please.

00:16:27 --> 00:16:30: We for explained what I just told you about the

00:16:30 --> 00:16:34: difference in locations where it's easier to make the business
00:16:34 --> 00:16:38: case and also the the potential inequality risk that it
00:16:38 --> 00:16:42: is related to decarbonizing the built environment in a paper
00:16:42 --> 00:16:47: that's called breaking the value deadlock and that is available
00:16:47 --> 00:16:50: on our website and we can also share it with
00:16:50 --> 00:16:53: you after this webinar if you haven't already seen it.
00:16:55 --> 00:17:00: We also published guidelines because we feel the industry
needs
00:17:00 --> 00:17:04: to come together on this and act jointly, not only
00:17:04 --> 00:17:09: in the way we analyze and assess these transition risks,
00:17:09 --> 00:17:14: but also, as I mentioned before on reaching agreement that
00:17:14 --> 00:17:18: we need to disclose these transition risk. What is that
00:17:18 --> 00:17:23: impact on of transitioning to a low carbon environment on
00:17:23 --> 00:17:24: my building?
00:17:25 --> 00:17:30: And and what we've identified through a very long process
00:17:30 --> 00:17:35: among not only involving our Members but also other
industry
00:17:35 --> 00:17:41: associations, we felt workshops, interviews, round table
discussion, more than
00:17:41 --> 00:17:48: 100 industry experts were involved and we developed
consultation guidelines.
00:17:48 --> 00:17:52: We launched these at our inaugural Uihc change summit that
00:17:52 --> 00:17:55: was held mid-october in Rotterdam.
00:17:56 --> 00:18:01: And these are now open for consultation. We've identified 14
00:18:01 --> 00:18:06: transition risks of which nine can now be quantified and
00:18:06 --> 00:18:11: and we've also developed disclosure sheets with data points
for
00:18:11 --> 00:18:16: transparent information transfer not only to the valuer but
also
00:18:16 --> 00:18:20: to the other stakeholders including investors.
00:18:21 --> 00:18:27: This requires the mindset change to remove transition rates
as
00:18:27 --> 00:18:31: it is now as a competitive part of transactions.
00:18:32 --> 00:18:36: Next slide please. So what are those transition risks? Here
00:18:36 --> 00:18:40: you see an overview of the 9 risks that we
00:18:40 --> 00:18:43: identified, the the nine risk of the 14 that we
00:18:43 --> 00:18:47: think we can already model and integrate in a discounted
00:18:48 --> 00:18:51: cash flow model because that is the basis that we
00:18:51 --> 00:18:56: took. So it's obviously the cost of decarbonization, the cost
00:18:56 --> 00:19:00: of carbon, embodied carbon, both the historic part as well
00:19:00 --> 00:19:02: as the future that.
00:19:02 --> 00:19:06: May come when any future upgrades need to be done,
00:19:06 --> 00:19:11: depreciation energy costs 10 and four. It's excellent yield and
00:19:11 --> 00:19:16: rental income change for each of these we've laid out

00:19:16 --> 00:19:21: following a similar structure what what the risk is about

00:19:21 --> 00:19:25: and next slide just wanted to show you one example

00:19:25 --> 00:19:29: related to energy costs, how it is being treated in

00:19:29 --> 00:19:32: the guidelines, so the guidelines.

00:19:32 --> 00:19:37: Without a principle for each of these 14 risks and

00:19:37 --> 00:19:42: also proposed treatment in the DCF not only now current

00:19:42 --> 00:19:46: but also proposed treatment in the future.

00:19:47 --> 00:19:50: And for example, also what you'll find in the guidelines

00:19:50 --> 00:19:53: is how this would look in a cash flow model.

00:19:53 --> 00:19:54: Next slide please.

00:19:56 --> 00:20:00: For again for energy costs, you will then see how

00:20:00 --> 00:20:05: this looks in the future. For example, when you've made

00:20:05 --> 00:20:10: investments to reduce the use of energy, how your energy

00:20:10 --> 00:20:14: cost goes down, or how it goes from one source

00:20:14 --> 00:20:18: of energy and fuel to natural gas or.

00:20:19 --> 00:20:21: Renewable energy.

00:20:22 --> 00:20:22: Next slide, please.

00:20:25 --> 00:20:30: So what does this bring? We think this work can

00:20:30 --> 00:20:35: really potentially help to close the information gap both to

00:20:35 --> 00:20:40: bring the whole industry on board and what this is,

00:20:40 --> 00:20:45: help those that may not have the the resources to

00:20:45 --> 00:20:49: all kind of come up with this internally and to

00:20:49 --> 00:20:55: most importantly develop a standardized approach to deal

00:20:56 --> 00:20:59: Risk because ultimately that is what we need to bring

00:20:59 --> 00:21:04: it into and to incorporate it into property valuation. There's

00:21:04 --> 00:21:09: great work already being done within many companies and

00:21:09 --> 00:21:12: we've

00:21:09 --> 00:21:12: taken a lot of that to come up with this.

00:21:12 --> 00:21:16: But we ultimately need to create a standardized approach

00:21:17 --> 00:21:21: because

00:21:17 --> 00:21:21: we know that from standardization comes progress and we

00:21:21 --> 00:21:25: can

00:21:21 --> 00:21:25: speed up the process and the work that's already been

00:21:25 --> 00:21:26: done and.

00:21:26 --> 00:21:29: Again, this also helps to see for all kinds of

00:21:29 --> 00:21:35: different buildings what the necessary investments are that

00:21:35 --> 00:21:35: need to

00:21:35 --> 00:21:35: be made.

00:21:37 --> 00:21:40: What also and what we're now going to work on

00:21:40 --> 00:21:43: for next year is a is a model and I'll

00:21:43 --> 00:21:45: talk a bit more about that at the end of

00:21:46 --> 00:21:50: standardized model to include all these risk based on

standardized datasets. Some of them are already available, some of them still need to be developed and one element obviously that we're mostly focused on is the cost side, but what is also included is what it can be impact be on the revenue side.

For example, on rents on exit, yields on vacancy and maybe reducing that for longer tenant contracts. Next slide please.

So next steps is we need your views. We need your input to what makes sense, what doesn't make sense, what is clear, what is not clear. So I would encourage all of you to review those consultation guidelines and give us your feedback. Even if you're not the technical expert, as already outlined by Andrea before, it is still very useful to receive your feedback on a higher level. And again, not only relate to the assessment but also to the disclosure, because for this to be the successful, we need everyone in the industry to adopt it.

And we will be doing more sessions going forward and in the next couple of months during the consultation. So there's still more. And if you want to have a conversation, have more specific questions, let us know. I already mentioned the two. We will start the development of a standardized tool that we've called preserve.

And based on standardized data sets like cram, climate zone data, cost, intervention, cost of intervention, data of the main intervention needed to decarbonize.

So that we can all use the same data we're making these assessments and also what we will be start looking at is other areas to encourage adoption such as the data sharing that needs to happen and carbon pricing.

Next one please.

And then finally, before I close, I wanted to come back also to the other work that we're doing well. Obviously, a lot of the focus is on progressing the work we've started around transition risk and real estate valuations.

One other thing we're focusing on is develop an education program as well as case studies so you can see how it works for specific buildings.

00:24:29 --> 00:24:31: We've also done in the first year a lot of
00:24:31 --> 00:24:36: work around Occupy, landlords alignment based on
interviews with occupiers
00:24:36 --> 00:24:39: and for now, the second year, we will put that
00:24:39 --> 00:24:44: into a community of practice bringing occupiers, landlords
and other
00:24:44 --> 00:24:45: stakeholders together.
00:24:46 --> 00:24:50: To see what the biggest challenges are, which solutions
already
00:24:50 --> 00:24:55: exist that can for example, be transferred to other countries,
00:24:55 --> 00:24:59: can be scaled up and see what's needed for that,
00:24:59 --> 00:25:05: identify new challenges and then collaboratively,
collaboratively work on solutions.
00:25:06 --> 00:25:12: And then starting work on other other priorities already
identified.
00:25:12 --> 00:25:17: One is around the more coordinated investment voice,
ultimately the
00:25:17 --> 00:25:22: regulator. Whenever they come, they will come to the
building
00:25:22 --> 00:25:22: owner.
00:25:23 --> 00:25:27: So we think it would be very useful if the
00:25:27 --> 00:25:32: investment side of the industry, both investors and managers
team
00:25:32 --> 00:25:37: up more proactively to to build the key industry advocacy
00:25:37 --> 00:25:42: to also go stand behind useful initiatives to help scale
00:25:42 --> 00:25:46: up and speed up the adoption of these that helps
00:25:47 --> 00:25:52: bring the industry forward. And one other important topic is
00:25:52 --> 00:25:53: related to again.
00:25:54 --> 00:25:57: The transition risk work that once we are able to
00:25:58 --> 00:26:02: have a common methodology to assess these risks, we'll
also
00:26:02 --> 00:26:06: see much clearer which assets are likely to strand. For
00:26:07 --> 00:26:11: example, related to the lower value ones. You can think
00:26:11 --> 00:26:17: of affordable and social housing, maybe certain
neighborhoods, maybe certain
00:26:17 --> 00:26:21: districts, suburban in cities, and maybe some uses that are
00:26:22 --> 00:26:24: not so much in the mount anymore.
00:26:24 --> 00:26:28: And what we're going to do is work in Berlin
00:26:28 --> 00:26:32: in a two phase process. First to identify those buildings
00:26:32 --> 00:26:35: that are more likely to strand. And in the second
00:26:36 --> 00:26:41: phase work very collaboratively with all stakeholders
including local city
00:26:41 --> 00:26:47: government, national government and maybe housing
corporations, private sector to

00:26:47 --> 00:26:52: work through solutions which are not just financial, some of
00:26:52 --> 00:26:55: it the financial, some can be planning.
00:26:55 --> 00:26:58: Related or team up on investment. So if you want
00:26:58 --> 00:27:01: to know more about this let us know. Very happy
00:27:01 --> 00:27:04: to answer any questions and talk more about it.
00:27:05 --> 00:27:08: And now I think it's time for Q&A. Thank you
00:27:09 --> 00:27:09: very much.
00:27:11 --> 00:27:15: Thank you Lizette lissette for that fantastic overview. Be very
00:27:15 --> 00:27:18: keen to have your questions. If you want to pop
00:27:18 --> 00:27:20: them in the chat, it would be no question is
00:27:20 --> 00:27:23: to simple. If you want to know more about what
00:27:23 --> 00:27:27: we're doing please do just pop a questionnaire. And Lisette
00:27:27 --> 00:27:30: for individuals who want to feedback, could you maybe also
00:27:30 --> 00:27:33: tell us a little bit about the survey that they
00:27:33 --> 00:27:35: can fill in on the sea change page as well?
00:27:36 --> 00:27:41: Yeah. Sure, Andrew. Uh, very good question. Obviously,
what we've
00:27:41 --> 00:27:45: done is we've created the sort of standardized survey to
00:27:45 --> 00:27:49: kind of facilitate the feedback. And that's not just for
00:27:49 --> 00:27:53: the technical experts who want to really go into the
00:27:53 --> 00:27:56: detail, but also if you have just more, much more
00:27:56 --> 00:28:01: general view on this, there's the opportunity to provide
feedback
00:28:01 --> 00:28:04: and we would really value that we can share the
00:28:04 --> 00:28:07: link after the webinar with everyone.
00:28:07 --> 00:28:10: So that you can just click it and then provide
00:28:10 --> 00:28:13: your feedback on the on the on the guidelines.
00:28:14 --> 00:28:16: And I think if people are people on the web
00:28:16 --> 00:28:18: and I can also be ambassadors for our work within
00:28:18 --> 00:28:20: their companies if they want to come to us with,
00:28:20 --> 00:28:22: you know, suggestions for us to catch up with people
00:28:23 --> 00:28:25: within their organization as well, that's another way that we
00:28:25 --> 00:28:28: just, you know, we're really trying. As I think we
00:28:28 --> 00:28:30: said today, the technical aspects are important. But you can
00:28:30 --> 00:28:33: see from Lizette, from your arguments how important it is
00:28:33 --> 00:28:34: to collaborate on this.
00:28:36 --> 00:28:39: We see this also as as continuous almost work in
00:28:39 --> 00:28:43: progress because obviously what we're trying to do with this
00:28:43 --> 00:28:47: work is to speed up the process because we cannot
00:28:47 --> 00:28:51: just sit and wait until regulation will come when the
00:28:51 --> 00:28:55: value we're obviously knows how to include it in the
00:28:55 --> 00:28:58: in the valuations. This is really meant to speed up

00:28:58 --> 00:29:02: the process because we have no time to lose and
00:29:02 --> 00:29:05: therefore any suggestions anyone has to kind of.
00:29:06 --> 00:29:10: Involve broader groups within the market to see what maybe
00:29:10 --> 00:29:15: not can not done cannot be immediately done today, but
00:29:15 --> 00:29:18: going forward any feedback is helpful.
00:29:19 --> 00:29:22: And we've sort of talked about this being very collaborative
00:29:22 --> 00:29:25: and requires a different mindset. Do you think the industry
00:29:25 --> 00:29:27: is ready to this be the topic on where there's
00:29:27 --> 00:29:30: plenty to be competitive on, but just be collaborative on
00:29:30 --> 00:29:31: this topic?
00:29:33 --> 00:29:37: All the journeys been very interesting. When we started from
00:29:38 --> 00:29:42: this work, we I think we decided early February, somewhere
00:29:42 --> 00:29:45: in February on this was going to be one of
00:29:45 --> 00:29:49: the main priorities for first year of work of C
00:29:49 --> 00:29:53: change. There wasn't so much talk about it, it was
00:29:53 --> 00:29:57: recognized. But I think what you've seen since then is
00:29:57 --> 00:30:01: that a real momentum has been developed across the
industry,
00:30:01 --> 00:30:03: not because of us.
00:30:03 --> 00:30:07: So because of the wider discussion that as an industry
00:30:07 --> 00:30:10: we need to solve this issue that we know exactly
00:30:10 --> 00:30:14: that what the impact on the valuation is done and
00:30:14 --> 00:30:17: and see the need to make those investments. So I
00:30:18 --> 00:30:21: yes think and if I didn't see how many people
00:30:21 --> 00:30:26: volunteered during the process already mentioned more than
100 people
00:30:26 --> 00:30:30: been involved with even people within companies that we've
not
00:30:31 --> 00:30:33: been directly in contact with.
00:30:33 --> 00:30:37: And also the interest we've seen since we've launched these
00:30:38 --> 00:30:40: consultation guidelines, I think.
00:30:41 --> 00:30:45: I think there's the real recognition that this is a
00:30:45 --> 00:30:50: very important challenge we need to tackle collaboratively
and and
00:30:50 --> 00:30:54: then the key question is how. So that is more
00:30:54 --> 00:30:58: into the detail of what it should exactly look like.
00:30:58 --> 00:31:00: And I think the outcomes have been so practical. I
00:31:00 --> 00:31:03: mean, these are consultation guidelines, but people could
look at
00:31:03 --> 00:31:06: how they would work in practice already and that kind
00:31:06 --> 00:31:08: of feedback or case studies that they might do on
00:31:08 --> 00:31:11: certain assets we'd be really interested in, I think.
00:31:11 --> 00:31:12: Bring that feedback as well.

00:31:13 --> 00:31:17: Yeah, I think that would be the greatest feedback honestly

00:31:17 --> 00:31:21: speaking if if people already started applying them, try to

00:31:21 --> 00:31:24: apply them maybe in a due diligence where you're looking

00:31:24 --> 00:31:28: at a the transaction to buy something or doing your

00:31:28 --> 00:31:30: portfolio management and try to kind of.

00:31:31 --> 00:31:34: Take some assets and see how the guidelines would apply

00:31:34 --> 00:31:37: to them and then I think it would be a

00:31:37 --> 00:31:40: great way to see what works, what doesn't, what is

00:31:40 --> 00:31:43: actually not clear or needs to be clarified further would

00:31:43 --> 00:31:47: be really useful. So yes, I would encourage everyone to

00:31:47 --> 00:31:50: already start using the guidelines because I think that would

00:31:51 --> 00:31:52: be the most meaningful feedback.

00:31:53 --> 00:31:56: And just a final question actually on the tenant Landlord

00:31:56 --> 00:31:59: alignment intervention that you mentioned, that's probably

00:31:59 --> 00:32:01: the the other

00:32:01 --> 00:32:04: main strand sea changes looking at the moment.

00:32:04 --> 00:32:06: Why is that so important? Why has that come? Why

00:32:06 --> 00:32:07: did that end up being top of the agenda really

00:32:07 --> 00:32:09: for the industry?

00:32:09 --> 00:32:14: Well, I think for numerous reasons actually. First of all,

00:32:14 --> 00:32:19: I think it's fair to say that collaboration between occupiers

00:32:19 --> 00:32:22: and landlords has never been optimal.

00:32:23 --> 00:32:27: Because we've been used to kind of signing a contract

00:32:27 --> 00:32:31: and then not look on after the tenant for a

00:32:31 --> 00:32:34: while by the end of the towards the expiry of

00:32:34 --> 00:32:38: the contract being contact again. So I think there's a

00:32:38 --> 00:32:43: general feeling I I'm generalizing here obviously that not

00:32:43 --> 00:32:48: always

00:32:48 --> 00:32:51: the interest of the occupier have been taken into account

00:32:51 --> 00:32:55: and now suddenly there's a real need for the two

00:32:55 --> 00:32:57: parties to work together on decarbonizing.

00:32:57 --> 00:33:00: Feelings and.

00:33:00 --> 00:33:04: So that is one part of it. And then obviously

00:33:04 --> 00:33:07: the other part is there is the big need because

00:33:07 --> 00:33:11: you cannot get a building to net zero if you've

00:33:11 --> 00:33:15: not collaborated with the tenant. Given that the actual use

00:33:15 --> 00:33:19: of the energy, not just for the owner controlled spaces

00:33:19 --> 00:33:22: but for the whole building needs to be controlled. And

00:33:22 --> 00:33:26: first of all, there needs to be the transparency on

00:33:26 --> 00:33:28: what, how does the tenant use the building, what is

00:33:28 --> 00:33:31: the actual energy use.

00:33:28 --> 00:33:31: So you need the that the exchange of the data.

00:33:32 --> 00:33:38: And and then of course design collaboratively measures to either

00:33:38 --> 00:33:43: reduce that to more collaboratively and it's not always been

00:33:44 --> 00:33:46: easy there may be very.

00:33:47 --> 00:33:52: You think of solutions where the the building now generates

00:33:52 --> 00:33:57: energy through solar panels, but there are still regulation in

00:33:57 --> 00:34:01: place in countries where that you can't then distribute that

00:34:01 --> 00:34:05: energy to your tenants. So it sounds even if you

00:34:05 --> 00:34:07: get the alignment.

00:34:08 --> 00:34:11: Share the same objectives. It is not that easy in

00:34:11 --> 00:34:15: practice. So at each of those different levels there are

00:34:15 --> 00:34:19: obstacles and that's why I think because it's so important,

00:34:19 --> 00:34:24: there's really the importance of working together and that's why

00:34:24 --> 00:34:26: it ended up so highly on the list.

00:34:27 --> 00:34:29: And anyone who wants to get involved with that strand

00:34:29 --> 00:34:31: as well can also get in touch if they've kind

00:34:31 --> 00:34:34: of interested in that tenant and occupant tenant and landlord.

00:34:34 --> 00:34:37: Side yeah, yeah, sure. If you would like to be

00:34:37 --> 00:34:38: part of the.

00:34:38 --> 00:34:42: Community of practice. And also if you already have

00:34:42 --> 00:34:46: solutions

00:34:46 --> 00:34:49: that you've created and think, well, this actually works really

00:34:49 --> 00:34:53: well and I'm not really sure why anyone else is

00:34:53 --> 00:34:56: not using it, please let us know. We're very interested

00:34:56 --> 00:34:59: to see whether we can bring that in and obviously

00:34:59 --> 00:35:00: and see how it can be used by the wider

00:35:01 --> 00:35:03: industry as well.

00:35:03 --> 00:35:05: OK. Well, thank you for everyone for kind of staying

00:35:05 --> 00:35:08: on that. You've not had any questions, but you've all

00:35:08 --> 00:35:11: been sat there listening. So hopefully you if you will.

00:35:11 --> 00:35:14: Follow up either with the survey or separate questions to

00:35:14 --> 00:35:18: us as well. We'd really welcome that. I think Martha's

00:35:18 --> 00:35:20: now going to put up just a little feedback questionnaire

00:35:21 --> 00:35:23: for you to give us feedback to continue to improve

00:35:23 --> 00:35:26: our webinars. And I just want to kind of reiterate,

00:35:26 --> 00:35:30: I think some of the work that Lizette pointed out

00:35:30 --> 00:35:33: through January and February, we'll be having lots of events

00:35:33 --> 00:35:37: and other webinars and ways for you to interact with

00:35:37 --> 00:35:38: the sea change program and those consultation guidelines.

00:35:38 --> 00:35:41: But please

00:35:37 --> 00:35:38: do help us spread the word.

00:35:38 --> 00:35:41: And see come to us if you think there's another

00:35:41 --> 00:35:44: way, another group that we should talk to another organization
00:35:44 --> 00:35:47: or just within your within your company as well. So
00:35:47 --> 00:35:50: Lizzette thank you very much for taking us through the
00:35:50 --> 00:35:53: fantastic presentation about the work done so far and we
00:35:53 --> 00:35:55: look forward to seeing you all soon. So thank you
00:35:55 --> 00:35:58: very much for attending and and have a good rest
00:35:58 --> 00:35:59: of the day. Thank you very much.

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