

# Webinar

## ULI Europe: Funding Green Growth

Date: September 08, 2021

00:00:32 --> 00:00:35: Good morning, good afternoon welcome you for taking the time

00:00:35 --> 00:00:37: to attend this UI webinar.

00:00:40 --> 00:00:45: According to the global Sustainable Investing Review of July 2021,

00:00:45 --> 00:00:51: there is about \$35 trillion in global sustainable investing assets

00:00:51 --> 00:00:54: under management in global emci estimates,

00:00:54 --> 00:00:58: the professionally managed real estate investment market about 10 and

00:00:58 --> 00:00:59: a half trillion dollars.

00:00:59 --> 00:01:03: So these 35 trillion clearly demonstrate the importance of sustainability

00:01:03 --> 00:01:07: and represent a critical source of funding for a capital

00:01:07 --> 00:01:08: intensive asset class such as

00:01:08 --> 00:01:11: real estate. Our industry

00:01:11 --> 00:01:14: must lead on this topic if not out of self

00:01:14 --> 00:01:18: interest or a shared sense of responsibility towards future generations,

00:01:18 --> 00:01:20: then at least from a risk management perspective if we

00:01:21 --> 00:01:22: do not lead ourselves,

00:01:22 --> 00:01:26: politicians will force change in the industry and we all

00:01:26 --> 00:01:30: know how many unintended or mullet road rules and effects

00:01:30 --> 00:01:31: can result.

00:01:31 --> 00:01:33: Before we start, if you have questions,

00:01:33 --> 00:01:36: please submit them via the chat function and we'll try

00:01:36 --> 00:01:39: to address as many of them as possible towards the

00:01:39 --> 00:01:40: end of the session.

00:01:43 --> 00:01:49: I'd like to introduce the webinar participants.

00:01:49 --> 00:01:52: We have with us else Fiedel head of risk and

00:01:52 --> 00:01:57: portfolio management at Western Europe at Allianz real

estate.

00:01:57 --> 00:02:04: Flips Report CFO of Vesteda Investment Management and Phillip was

00:02:04 --> 00:02:07: executive director at scope ratings.

00:02:07 --> 00:02:10: Can I ask Elsie, then Fritz and then Philip,

00:02:10 --> 00:02:12: to please give a short introduction about themselves?

00:02:17 --> 00:02:18: Sure,

00:02:18 --> 00:02:22: Many thanks. Depp UM my name is Elsie Fievel.

00:02:22 --> 00:02:26: I'm the head of risk and portfolio management for West

00:02:26 --> 00:02:29: Europe of Alliance real estate.

00:02:29 --> 00:02:31: I am really thankful of this opportunity to be a

00:02:31 --> 00:02:32: part of this panel.

00:02:33 --> 00:02:37: Share insights or of the company and how not to

00:02:37 --> 00:02:40: represent Allianz real estate.

00:02:40 --> 00:02:45: Alliance Real Estate is the investment and asset manager of.

00:02:45 --> 00:02:50: The alien Strongloop's father real estate bought for you.

00:02:50 --> 00:02:55: We own and manage around 70 billion of investments around

00:02:56 --> 00:02:57: the globe.

00:02:57 --> 00:03:03: As such, we are one of the largest investment investment

00:03:03 --> 00:03:09: management and asset manager globally for a single

00:03:09 --> 00:03:13: account.

00:03:09 --> 00:03:13: In my role as a risk and portfolio manager,

00:03:13 --> 00:03:16: I am in charge of not only the portfolio management

00:03:16 --> 00:03:18: as the name indicates,

00:03:18 --> 00:03:23: but also the risk oversight of our acquisitions and asset

00:03:23 --> 00:03:26: management activities of the region.

00:03:26 --> 00:03:27: And as you can imagine,

00:03:27 --> 00:03:31: the ESG topic is highly embedded into these activities and

00:03:32 --> 00:03:36: as such the risk and portfolio function within Allianz real

00:03:36 --> 00:03:39: estate is responsible to ensure the.

00:03:39 --> 00:03:44: Integration of our ESG framework and suggesting ESD

00:03:44 --> 00:03:46: targets to

00:03:44 --> 00:03:46: our executive committee,

00:03:46 --> 00:03:50: and as such I'm delighted to share the insights of

00:03:50 --> 00:03:54: what aliens real estate is is doing on export for

00:03:54 --> 00:03:57: you and investments in this panel.

00:03:59 --> 00:04:00: Thank you, Elsie

00:04:00 --> 00:04:02: Fitz. Yeah,

00:04:02 --> 00:04:06: thank you. Yep and good afternoon to all our participants

00:04:06 --> 00:04:07: in this in this cool.

00:04:07 --> 00:04:10: Yeah I'm afraid so forward to CFO or first aid

00:04:10 --> 00:04:10: app.

00:04:10 --> 00:04:15: If it stayed as a Dutch residential front with approximately

00:04:16 --> 00:04:21: 27,000 houses in ownership with a value of around 8.28  
00:04:21 --> 00:04:22: point 5 billion,  
00:04:22 --> 00:04:26: we have an A minus rating from S&P with the  
00:04:26 --> 00:04:30: leverage of approximately 20 percent 22%.  
00:04:30 --> 00:04:35: And the the. Obviously ESD is very important strategic  
objective  
00:04:36 --> 00:04:39: objective of our funds and you know,  
00:04:39 --> 00:04:42: in the recent years we have also taken a lot  
00:04:42 --> 00:04:46: of steps to implement the green finance framework and I'm  
00:04:46 --> 00:04:51: happy to share the insights and knowledge of this framework  
00:04:51 --> 00:04:53: and our experiences with you this afternoon.  
00:04:56 --> 00:04:58: Thank you for this Phillip.  
00:04:59 --> 00:05:00: Hello,  
00:05:00 --> 00:05:01: my name is Subash also warm.  
00:05:01 --> 00:05:05: Welcome from my site. I'm an executive director at scope  
00:05:05 --> 00:05:05: ratings.  
00:05:05 --> 00:05:10: Score ratings is the largest European credit rating agency  
and  
00:05:10 --> 00:05:14: we provides us a rating services covering the whole  
spectrum.  
00:05:14 --> 00:05:17: Called structured finals to southern finance,  
00:05:17 --> 00:05:22: corporate finance and more recently also ESG analysis or  
focus  
00:05:22 --> 00:05:25: or say on the impact of each individual.  
00:05:25 --> 00:05:30: Company on its environment, restring it down to the whole  
00:05:30 --> 00:05:31: supply chain.  
00:05:31 --> 00:05:36: It's still great things. I'm focusing on the real estate  
00:05:36 --> 00:05:40: corporates we cover today roughly 260 different corporates,  
00:05:40 --> 00:05:45: 40 of which are real estate corporates that manage around  
00:05:45 --> 00:05:49: 500 billion in assets under management and I'm happy to  
00:05:49 --> 00:05:52: be here in that role focusing on ESG because we  
00:05:53 --> 00:05:56: actually have the day to day struggle.  
00:05:56 --> 00:06:00: To really deal with the myriad of different performance  
indicators  
00:06:00 --> 00:06:04: and certificates for properties as well As for corporates to  
00:06:04 --> 00:06:06: really get a grasp on so to say,  
00:06:06 --> 00:06:11: the impact of ESG and also the activity of issuers  
00:06:11 --> 00:06:13: on their credit profile.  
00:06:13 --> 00:06:16: So what we are here is actually calling for more  
00:06:16 --> 00:06:22: standardization to really enable investors to compare each  
individual side  
00:06:22 --> 00:06:23: by side to another one.  
00:06:26 --> 00:06:28: Thanks very much fill up.

00:06:28 --> 00:06:31: Thanks all for participating in the in the seminar.

00:06:31 --> 00:06:37: Provide your perspective as both investor as operators as well

00:06:37 --> 00:06:39: as the raters.

00:06:39 --> 00:06:43: ESG grid is typically the primary focus here is G

00:06:43 --> 00:06:46: goes towards environmental.

00:06:46 --> 00:06:50: However, the S in the ESG stand actually stands for

00:06:50 --> 00:06:50: social.

00:06:50 --> 00:06:54: And in my perspective, here was a for our industry

00:06:54 --> 00:06:58: and a critical element is the lack of gender diversity

00:06:58 --> 00:06:59: in the recent industry.

00:06:59 --> 00:07:02: I think I can confidently say that being white and

00:07:02 --> 00:07:04: male characterizes much of our industry,

00:07:04 --> 00:07:06: especially in the senior most positions.

00:07:06 --> 00:07:09: Of course, there are notable exceptions.

00:07:09 --> 00:07:13: However, I think it's important to keep in mind that

00:07:13 --> 00:07:19: experienced studies have shown that further represent more representation of

00:07:19 --> 00:07:19: female,

00:07:19 --> 00:07:24: senior, female leadership has led to better financial outcomes as

00:07:24 --> 00:07:27: the industry we should keep in mind that if we

00:07:27 --> 00:07:29: do not lead as an industry,

00:07:29 --> 00:07:33: politicians will set standards. Just think about the requirements in

00:07:33 --> 00:07:33: Norway,

00:07:33 --> 00:07:37: the Netherlands and France. But if you do not have

00:07:37 --> 00:07:41: a certain percentage of the board or senior management composed

00:07:41 --> 00:07:41: of.

00:07:41 --> 00:07:46: Women. The company can no longer take legally binding actions.

00:07:46 --> 00:07:51: So in respect to this element of the ESG,

00:07:51 --> 00:07:53: my question to release and then to Fritz is how

00:07:53 --> 00:07:57: do they think the industry can address the current disproportionate

00:07:57 --> 00:07:58: male female imbalance?

00:07:59 --> 00:08:01: And what are you and Allie at Alliums invested are

00:08:02 --> 00:08:03: doing to address the topic.

00:08:03 --> 00:08:05: And do you have clear objectives to

00:08:05 --> 00:08:09: deal with this imbalance? Yeah,

00:08:09 --> 00:08:11: so that's a good question.

00:08:11 --> 00:08:16: Uhm, for Seder we have approximately around two two 250

00:08:16 --> 00:08:19: people working at first sight,

00:08:19 --> 00:08:25: out of which half of our staff is female.

00:08:25 --> 00:08:28: And as we operate in Amsterdam we also have a

00:08:28 --> 00:08:30: very many from Amsterdam.

00:08:30 --> 00:08:33: We have a very diverse.

00:08:33 --> 00:08:36: Staff based, uh, we, uh,

00:08:36 --> 00:08:39: we do not have strict requirements as opposed to the

00:08:40 --> 00:08:41: countries you you mentioned.

00:08:41 --> 00:08:43: It's it's more from yeah,

00:08:43 --> 00:08:46: voluntary perspective and we do see and,

00:08:46 --> 00:08:51: uh, that's really based on anecdotal evidence that the diversity

00:08:51 --> 00:08:52: of the teams.

00:08:52 --> 00:08:58: Is really helping and improves the yeah the the quality

00:08:59 --> 00:09:00: of auditions.

00:09:00 --> 00:09:03: And in terms of the boards both yet and the

00:09:03 --> 00:09:07: management team and our Supervisory Committee has a very good

00:09:07 --> 00:09:08: mix of male and female,

00:09:08 --> 00:09:11: so we are we do as much as we can

00:09:11 --> 00:09:13: to improve the diversity in our company.

00:09:14 --> 00:09:16: Else before going to you,

00:09:16 --> 00:09:18: can I? Fritsch and I and I don't mean to

00:09:18 --> 00:09:19: be disrespectful,

00:09:19 --> 00:09:21: but having been CFO Venable Remco Westfield,

00:09:21 --> 00:09:23: I know how we kind of,

00:09:23 --> 00:09:25: you know, use the numbers.

00:09:25 --> 00:09:26: Secretarial staff was

00:09:26 --> 00:09:28: counted towards a 50% as well.

00:09:28 --> 00:09:30: So if you think about the professional ranks,

00:09:30 --> 00:09:32: does that 50% still hold?

00:09:33 --> 00:09:37: Uhm, well. I mean, if you look at our management

00:09:37 --> 00:09:37: team,

00:09:37 --> 00:09:39: uh, we have a three,

00:09:39 --> 00:09:41: UM, three men and three year female.

00:09:41 --> 00:09:44: So I think from that perspective it's quite a quite

00:09:44 --> 00:09:50: well. OK. Thanks. Elsie. Yes,

00:09:50 --> 00:09:52: thank you for for these very good question.

00:09:52 --> 00:09:56: Uhm, so at any rate we we need to acknowledge

00:09:56 --> 00:10:00: that out of our button board member and executive committee

00:10:01 --> 00:10:04: we have one one female representative which is,

00:10:04 --> 00:10:08: uh, I must say a very influential people on it

00:10:09 --> 00:10:13: as such by the market in Germany and the company

00:10:13 --> 00:10:18: has acknowledged that we also have a very high share  
00:10:18 --> 00:10:21: of female representative among the.  
00:10:21 --> 00:10:23: Persons reporting directly to the EXCO members,  
00:10:23 --> 00:10:28: and that's how the company setting up dedicated training for  
00:10:28 --> 00:10:31: these persons and dedicated attention to uh,  
00:10:31 --> 00:10:37: promoting these talents in the organization and outside the  
organization  
00:10:37 --> 00:10:42: which will drive and support the talent development of these  
00:10:42 --> 00:10:43: individuals.  
00:10:43 --> 00:10:46: And maybe one thing that I can add on on  
00:10:46 --> 00:10:49: the S of ESG as it is also on the  
00:10:49 --> 00:10:52: table of our executive committee to to.  
00:10:52 --> 00:10:57: Further detail and we also are very involved into this  
00:10:57 --> 00:10:59: on the our investments,  
00:10:59 --> 00:11:03: our properties where we strive for including these properties  
in  
00:11:03 --> 00:11:05: their environments,  
00:11:05 --> 00:11:09: including these assets into the communities and where we  
also  
00:11:09 --> 00:11:12: already deployed as a matter of example,  
00:11:12 --> 00:11:17: apps in Singapore or Vietnam for including the community  
around  
00:11:17 --> 00:11:22: the building to the property and the tenants in the  
00:11:22 --> 00:11:22: property.  
00:11:22 --> 00:11:27: Or as we refurbished develop properties,  
00:11:27 --> 00:11:32: for instance involving the neighbors to the project and having  
00:11:32 --> 00:11:36: a real sense of community around our investments.  
00:11:37 --> 00:11:41: Thank you, I think that's a really important component  
because  
00:11:41 --> 00:11:44: I think sometimes we are as real estate professionals.  
00:11:44 --> 00:11:47: We tend to think about the assets as to standalone  
00:11:47 --> 00:11:49: assets processes generating the actual income.  
00:11:49 --> 00:11:53: Yet you know we do need to be critically aware  
00:11:53 --> 00:11:55: of the fact that we have an impact in a  
00:11:55 --> 00:11:59: footprint that goes well beyond the footprint of the actual  
00:11:59 --> 00:12:00: building  
00:12:00 --> 00:12:03: mall or what have you that you invest,  
00:12:03 --> 00:12:06: invest in. Have another question actually,  
00:12:06 --> 00:12:08: in terms of the importance of ESG.  
00:12:08 --> 00:12:10: Does come and fill up?  
00:12:10 --> 00:12:11: You can add as well.  
00:12:11 --> 00:12:13: Do you know? I think fits you have a better  
00:12:13 --> 00:12:14: perspective,

00:12:14 --> 00:12:17: but do you know if senior management part of senior  
00:12:17 --> 00:12:22: management compensation bonus or actually is actually tied  
to meeting  
00:12:22 --> 00:12:23: certain standards?  
00:12:23 --> 00:12:24: USDA standards.  
00:12:25 --> 00:12:29: Yes, absolutely. Actually, quite a lot,  
00:12:29 --> 00:12:33: uh, it's based on a very specific quantitative targets  
00:12:33 --> 00:12:35: and quality of targets as well.  
00:12:35 --> 00:12:41: And for our company the sustainability targets like how are  
00:12:41 --> 00:12:44: we progressing against the the the,  
00:12:44 --> 00:12:47: the A labels, the energy label,  
00:12:47 --> 00:12:50: CPC labels as well as the GRASPER rating?  
00:12:50 --> 00:12:53: And also how we deal with our corporate governance with  
00:12:53 --> 00:12:57: our shareholders is quite a significant part of our variable.  
00:12:57 --> 00:12:58: Conversation indeed.  
00:12:59 --> 00:13:03: Yeah, so actually also from a ratings agency agency  
perspective  
00:13:03 --> 00:13:06: and we see that especially for larger companies.  
00:13:06 --> 00:13:10: So to say the compensation component that is linked to  
00:13:10 --> 00:13:14: ESG is more and more so to stay relevant for  
00:13:14 --> 00:13:16: the Board of Directors.  
00:13:16 --> 00:13:17: Yeah, but rather for the smaller ones.  
00:13:17 --> 00:13:20: And also I cover a lot of small companies.  
00:13:20 --> 00:13:22: This seems to be early event for the time being,  
00:13:22 --> 00:13:25: so they rather focus on short term success and to  
00:13:25 --> 00:13:28: keep sort of saying that quickly flowed into just yes  
00:13:28 --> 00:13:29: survive,  
00:13:29 --> 00:13:30: let's put it that way.  
00:13:30 --> 00:13:32: With no specific focus on OK,  
00:13:32 --> 00:13:37: what is the actual impact of each corporates doing?  
00:13:40 --> 00:13:42: K&LC not just necessarily with respect to Rally Anderson or  
00:13:42 --> 00:13:43: as an organization,  
00:13:43 --> 00:13:45: but portfolio managers. For example,  
00:13:45 --> 00:13:49: at alliums, do they have ESG as part of their,  
00:13:49 --> 00:13:51: you know, do you know if they have easiest part  
00:13:51 --> 00:13:53: of their overall compensation structure?  
00:13:56 --> 00:14:00: That's a company target over also and we all have  
00:14:00 --> 00:14:04: a part of our in of our compensation linked to  
00:14:04 --> 00:14:06: the company targets,  
00:14:06 --> 00:14:08: and as such an alliance.  
00:14:08 --> 00:14:12: Our main client is part of the Asset owner Alliance  
00:14:12 --> 00:14:15: and has set the target that it spot for.

00:14:15 --> 00:14:20: You needs to reduce carbon emissions by 25%  
00:14:20 --> 00:14:24: in 2025, being net zero in 2040.  
00:14:24 --> 00:14:27: So that's part of the company's targets,  
00:14:27 --> 00:14:29: and as such, being a portfolio manager,  
00:14:29 --> 00:14:32: asset manager or being a member of the acquisition team,  
00:14:32 --> 00:14:34: you you have that in your blood,  
00:14:34 --> 00:14:35: so to say.  
00:14:36 --> 00:14:39: Just a quick question. I mean I you referenced the  
00:14:39 --> 00:14:39: 25%  
00:14:39 --> 00:14:42: by 2025, what's your baseline?  
00:14:42 --> 00:14:43: What's your base here?  
00:14:45 --> 00:14:48: So, so that's a bit depending on the on the  
00:14:48 --> 00:14:49: method.  
00:14:49 --> 00:14:52: Uh, we are using. Uhm,  
00:14:52 --> 00:14:55: so that would be the the past years.  
00:14:58 --> 00:15:03: Alright then my second question that it's addressed to all  
00:15:03 --> 00:15:07: and perhaps fill up you can start here.  
00:15:07 --> 00:15:10: I mean how do you define green or sustainable growth?  
00:15:12 --> 00:15:12: How  
00:15:12 --> 00:15:14: do I define or how do we get scope?  
00:15:14 --> 00:15:17: Define Rena sustainable growth? It's a good question.  
00:15:17 --> 00:15:21: So actually come, it's very imminent to the credit quality  
00:15:21 --> 00:15:23: of a company to go green.  
00:15:23 --> 00:15:24: Let's put it that way.  
00:15:24 --> 00:15:27: So we do not define it in a way that  
00:15:27 --> 00:15:27: we say,  
00:15:27 --> 00:15:31: OK, please do this and that and you should achieve  
00:15:31 --> 00:15:35: this and that because we believe everything will materialize  
over  
00:15:35 --> 00:15:38: the medium to long term and each company says they  
00:15:38 --> 00:15:41: credit quality. Because if a company doesn't address,  
00:15:41 --> 00:15:43: so to say specific risks.  
00:15:43 --> 00:15:46: In the future that are linked to either environmental or  
00:15:46 --> 00:15:49: social aspects and they either risk to lose their license  
00:15:49 --> 00:15:50: of operation.  
00:15:50 --> 00:15:55: For example for residential real estate corporates or they risk  
00:15:55 --> 00:15:57: stranded assets.  
00:15:57 --> 00:16:00: Because then in the end they have to deal with  
00:16:00 --> 00:16:03: a portfolio of properties that there are not any longer  
00:16:03 --> 00:16:05: attractive to investors,  
00:16:05 --> 00:16:06: not tenants.  
00:16:08 --> 00:16:12: Understand LC. Yeah,



00:16:12 --> 00:16:16: I completely agree with this point because and that's also  
00:16:16 --> 00:16:19: a very good reason why we look at this into  
00:16:19 --> 00:16:23: a risk perspective as allianss is a long term investor,  
00:16:23 --> 00:16:26: we are interested in long term cash flows,  
00:16:26 --> 00:16:31: meaning properties that are attractive for us to tenants.  
00:16:31 --> 00:16:34: Then to a land roads that are liquid over long  
00:16:34 --> 00:16:36: term and as a finance.  
00:16:36 --> 00:16:38: As we also have a a big portion of our  
00:16:39 --> 00:16:41: book that we dedicate to financing.  
00:16:41 --> 00:16:45: We are also a very much interested that the loan  
00:16:45 --> 00:16:47: is served and that we can,  
00:16:47 --> 00:16:52: but the risk is thus limited so sustainability plays a  
00:16:52 --> 00:16:57: big role into securing the promised assets and into the  
00:16:57 --> 00:16:59: liquidity risk of investments.  
00:17:03 --> 00:17:05: OK. Thank  
00:17:05 --> 00:17:07: you Chris. Yeah,  
00:17:07 --> 00:17:11: it's the forecast. I know we have a very specific  
00:17:11 --> 00:17:15: targets to improve the energy performance of our houses and  
00:17:15 --> 00:17:19: which means that by the end of 2020 four 99%  
00:17:19 --> 00:17:22: of our portfolio shooter should have a green label which  
00:17:22 --> 00:17:24: is an EPC level of a,  
00:17:24 --> 00:17:27: B or or C. And then we have some other  
00:17:27 --> 00:17:31: specific targets in terms of solar panels and what have  
00:17:32 --> 00:17:35: you and I think in order this is maybe another  
00:17:35 --> 00:17:39: subject but also. Very important from a I think from  
00:17:39 --> 00:17:44: a border ESG perspective is the ongoing debate in Europe,  
00:17:44 --> 00:17:49: but also in the Netherlands about affordable housing and  
00:17:49 --> 00:17:54: about  
00:17:54 --> 00:17:59: the issue of increasing house prices and rental prices and  
00:17:59 --> 00:18:04: in line with the whole yeah Dutch infested community  
00:18:04 --> 00:18:07: residential  
00:18:07 --> 00:18:11: investment we take also here are very responsible attitude  
00:18:11 --> 00:18:14: that  
00:18:14 --> 00:18:15: we try to mitigate as far as possible.  
00:18:15 --> 00:18:16: The rent increases, so I think that's also a very  
00:18:16 --> 00:18:18: important part of the other side of broader is Gia  
00:18:18 --> 00:18:20: perspective.  
00:18:20 --> 00:18:22: I, I think that's a really interesting point.  
00:18:22 --> 00:18:25: You're just raising here, Fritz.  
00:18:25 --> 00:18:27: Because my my my perspective on this also,  
00:18:27 --> 00:18:29: or at least I think a broader event point of  
00:18:29 --> 00:18:31: interest could actually be right.  
00:18:31 --> 00:18:33: How do you? How do you measure financial returns on

00:18:29 --> 00:18:31: these types of investments?

00:18:31 --> 00:18:32: Is it just purely defensive,

00:18:32 --> 00:18:35: or can it also show higher profitability?

00:18:35 --> 00:18:36: And how is that then?

00:18:36 --> 00:18:41: How does that correlate with your objective of supporting sustainable housing?

00:18:41 --> 00:18:41: housing?

00:18:41 --> 00:18:43: I think it's in Germany in particular.

00:18:43 --> 00:18:44: It's a very interesting question.

00:18:44 --> 00:18:46: I think considering what's going on in Berlin and the like.

00:18:46 --> 00:18:46: like.

00:18:46 --> 00:18:47: But well,

00:18:47 --> 00:18:51: actually, UM, it's it's a different kind of asset class.

00:18:51 --> 00:18:56: We typically aim for the mid rental segments,

00:18:56 --> 00:18:59: and this is kind of mid rental segment,

00:18:59 --> 00:19:02: but with some limitations which which are OK,

00:19:02 --> 00:19:06: it it typically means that you you cannot raise the

00:19:06 --> 00:19:10: the the rental price above inflation for a certain period

00:19:10 --> 00:19:14: of time or that there are some limitations in in

00:19:14 --> 00:19:16: selling individual units, which is fine.

00:19:16 --> 00:19:18: Because at the end of the love of their period,

00:19:18 --> 00:19:22: so there's still a possibility to to go back to

00:19:22 --> 00:19:24: the to the market trends.

00:19:24 --> 00:19:27: And that's that's actually a very good asset class and,

00:19:27 --> 00:19:31: and also is in line with the demand in the

00:19:31 --> 00:19:32: Netherlands.

00:19:32 --> 00:19:35: But typically these these assets they have a lower return,

00:19:35 --> 00:19:38: but at the same time also the risk is is

00:19:38 --> 00:19:41: very limited because it's a very stable cash flow,

00:19:41 --> 00:19:45: but you typically see is that the turnover rates in

00:19:45 --> 00:19:47: this in this segment is is lower.

00:19:47 --> 00:19:50: And still, there's a lot of value at the end

00:19:50 --> 00:19:52: of the lesson of the limitation period,

00:19:52 --> 00:19:53: which is still out there.

00:19:53 --> 00:19:56: So from that perspective, it's it's an interesting asset.

00:19:56 --> 00:20:00: Dress with a very low risk and hence should also

00:20:00 --> 00:20:04: have the mount lower internal rate of return and and

00:20:05 --> 00:20:09: very interesting is that we talk about the financing in

00:20:09 --> 00:20:15: terms also of sustainability, said we have this very specific

00:20:15 --> 00:20:17: credit line from the European.

00:20:17 --> 00:20:23: Investment bank which is typically used for investing in this

00:20:23 --> 00:20:27: in this asset class and this is this is also

00:20:27 --> 00:20:31: at a much lower interest rate than we we have

00:20:31 --> 00:20:33: in our other debt. Good situation.

00:20:36 --> 00:20:40: It's it's interesting, and do you find that you can

00:20:40 --> 00:20:44: make investments in sustainability that actually increase returns?

00:20:44 --> 00:20:47: So their basic more than exceed your hurdle rate,

00:20:47 --> 00:20:47: so to speak.

00:20:48 --> 00:20:53: Yes, that's that. That's obviously always a requirement.

00:20:53 --> 00:20:55: Is that what you're looking for?

00:20:55 --> 00:20:57: And I think, uh, the uh,

00:20:57 --> 00:21:02: uh, yeah sustainability. It is part of the strategy.

00:21:02 --> 00:21:04: And it also means that any investment you do in

00:21:05 --> 00:21:09: sustainability should be in line with your internal rate requirements.

00:21:09 --> 00:21:14: But normally when we do investments that sustainability investment is

00:21:14 --> 00:21:18: typically they are quite substantial in let's say the older

00:21:18 --> 00:21:19: buildings.

00:21:19 --> 00:21:22: In the 1970s were beginning in 1980s,

00:21:22 --> 00:21:26: but there's also some potential in increasing rents and what

00:21:26 --> 00:21:30: we normally also do with these sustainability investments that we

00:21:30 --> 00:21:31: do.

00:21:31 --> 00:21:33: A lot of renovation in the building.

00:21:33 --> 00:21:36: Replace also the interior of the buildings,

00:21:36 --> 00:21:39: make it much more future proof,

00:21:39 --> 00:21:42: and that means also that your future cash flows in

00:21:42 --> 00:21:45: terms of maintenance are reduced.

00:21:45 --> 00:21:47: Rental prices can be increased,

00:21:47 --> 00:21:52: although pass. Although a part of the the the the

00:21:52 --> 00:21:56: the energy savings are are part parcel so to our

00:21:56 --> 00:21:57: to our clients.

00:21:57 --> 00:22:00: But it means in the future that your risk return

00:22:00 --> 00:22:03: profile of these assets are typically improving.

00:22:03 --> 00:22:07: So normally these kind of investments are certainly in line

00:22:07 --> 00:22:10: with our internal rates of return requirements.

00:22:12 --> 00:22:14: OK, you raise an interesting points in else and I'm

00:22:14 --> 00:22:16: kind of curious about that as well.

00:22:16 --> 00:22:20: From your perspective, because obviously everybody is aiming for,

00:22:20 --> 00:22:22: Yep, net zero, we can talk.

00:22:22 --> 00:22:23: We'll talk about that in a little bit,

00:22:23 --> 00:22:26: but considering the fact that you both of you but

00:22:26 --> 00:22:26: also,

00:22:26 --> 00:22:28: I'm curious also how Lyons looked at this.

00:22:28 --> 00:22:29: You have stranded assets, right?

00:22:29 --> 00:22:30: You have a legacy

00:22:30 --> 00:22:33: portfolio, right? That was built way before.

00:22:33 --> 00:22:37: Effectively, ESG became one of the leading themes and real

00:22:37 --> 00:22:38: estate investments,

00:22:38 --> 00:22:40: so I'm kind of curious how stallions look at that.

00:22:42 --> 00:22:43: Uhm,

00:22:43 --> 00:22:47: I will start probably with a quote from our CEO.

00:22:47 --> 00:22:50: Of course saying that our yes,

00:22:50 --> 00:22:54: this strategy is bold and necessary.

00:22:54 --> 00:22:58: So we are acting as part of our mandate and

00:22:58 --> 00:23:02: our target is to reduce the emissions along with the

00:23:02 --> 00:23:05: asset owner Alliance framework.

00:23:05 --> 00:23:08: So we are. I think I think there there is

00:23:08 --> 00:23:11: a there are many pieces in this puzzle and the

00:23:11 --> 00:23:12: one we are.

00:23:12 --> 00:23:14: Mostly talking about is the cap,

00:23:14 --> 00:23:17: ex peace and we were discussing this earlier.

00:23:17 --> 00:23:21: How is I think your question was how can you

00:23:21 --> 00:23:25: make it sustainable and with attractive returns come I?

00:23:25 --> 00:23:28: I think we need to look at this as a

00:23:28 --> 00:23:31: whole as long as it was was saying it's embedded

00:23:32 --> 00:23:34: in the strategy so there is not without.

00:23:34 --> 00:23:38: So I have a very lively discussions with my team.

00:23:38 --> 00:23:41: So OK, how much is the ESD peaks in your

00:23:41 --> 00:23:41: car tax?

00:23:41 --> 00:23:45: And that's a very difficult question to answer.

00:23:45 --> 00:23:48: Because this is a whole and I think that's comes

00:23:48 --> 00:23:50: back to what Phillip was saying around.

00:23:50 --> 00:23:53: How do you measure? How do you make that standard

00:23:53 --> 00:23:55: and work together?

00:23:55 --> 00:23:59: So what we are doing is we are playing our

00:23:59 --> 00:24:02: framework along the access,

00:24:02 --> 00:24:07: improve and engage pillars, meaning that we are forward

00:24:07 --> 00:24:09: legacy

00:24:07 --> 00:24:09: portfolio assessing,

00:24:09 --> 00:24:12: doing energy audits, collecting data,

00:24:12 --> 00:24:16: implementing as we can, our building signature program.

00:24:16 --> 00:24:19: Where we can measure the performance of the building

00:24:16 --> 00:24:19: better?

00:24:19 --> 00:24:22: We can measure the occupancy of the building better,

00:24:22 --> 00:24:26: which in turn enables us to improve the standing portfolio,  
00:24:26 --> 00:24:30: meaning investing cap ex. But not only it means also  
00:24:30 --> 00:24:32: improving operations.  
00:24:32 --> 00:24:36: A very simple example making sure that you don't cool  
00:24:36 --> 00:24:37: while eating,  
00:24:37 --> 00:24:39: so that's saving costs for your tenants,  
00:24:39 --> 00:24:43: but also reducing the energy intensity of your assets and  
00:24:43 --> 00:24:46: in turn reducing your carbon emissions.  
00:24:46 --> 00:24:50: Of your assets and engaging the circular is engaging  
because  
00:24:50 --> 00:24:52: that's a topic that we,  
00:24:52 --> 00:24:56: as owner and manager, cannot do alone.  
00:24:56 --> 00:24:59: This is a yes. He is the topic of everyone.  
00:24:59 --> 00:25:01: And that's also something I want to share with the  
00:25:01 --> 00:25:02: audience.  
00:25:02 --> 00:25:03: We need to engage our tenants.  
00:25:03 --> 00:25:07: We need to act because they are the ones using  
00:25:07 --> 00:25:08: the energy.  
00:25:08 --> 00:25:12: So also setting the energy of intensity somehow of our  
00:25:12 --> 00:25:15: buildings on top of what we can do to improve  
00:25:15 --> 00:25:16: of course.  
00:25:16 --> 00:25:19: Envelope and the technical piece pieces of the building so  
00:25:19 --> 00:25:20: that piece is very,  
00:25:20 --> 00:25:23: very important to engage the tenants.  
00:25:23 --> 00:25:27: Being residential tenants, which is much more difficult but  
also  
00:25:27 --> 00:25:31: cooperates and other users and and and the community.  
00:25:31 --> 00:25:35: And maybe I would like to finish this this answer  
00:25:36 --> 00:25:39: with a quote of the CEO of Alliance who is  
00:25:39 --> 00:25:44: very much engaged into these topics because aliens is one  
00:25:44 --> 00:25:46: of the founding Member of this.  
00:25:46 --> 00:25:51: Asset owner alliance. There was a beginning of this year,  
00:25:51 --> 00:25:54: an interview of Oliver Beta.  
00:25:54 --> 00:25:57: You might want to see engaging other investors such as  
00:25:57 --> 00:26:01: aliens to join these target setting and he was saying.  
00:26:01 --> 00:26:04: After 130 years in business,  
00:26:04 --> 00:26:07: we never tie up working with others to find solution  
00:26:07 --> 00:26:11: to complex sustainability problems and we will remain  
unsatisfied until  
00:26:11 --> 00:26:15: we have found effective institutionalized long term solutions  
that make  
00:26:15 --> 00:26:18: the work the world a better place so.  
00:26:18 --> 00:26:21: You know, not sure this is a group work and

00:26:21 --> 00:26:24: This is why this engaged piece is so important for  
00:26:24 --> 00:26:26: us on our direct investments.  
00:26:26 --> 00:26:30: But also when we invest through funds and with partners  
00:26:30 --> 00:26:32: and on the debt side as well.  
00:26:34 --> 00:26:35: It's interesting  
00:26:35 --> 00:26:37: and I think that you're raising a very,  
00:26:37 --> 00:26:40: very important element that comes with the collaboration  
00:26:40 --> 00:26:42: and I would posit for the the broader group you  
00:26:42 --> 00:26:44: don't just deal with the tenants right?  
00:26:44 --> 00:26:46: I mean it's municipalities as well.  
00:26:46 --> 00:26:48: How about accessibility?  
00:26:48 --> 00:26:51: Public transportation, parking? You know,  
00:26:51 --> 00:26:54: like EV charging all of these elements  
00:26:54 --> 00:26:56: that goes with the planners.  
00:26:56 --> 00:26:59: Of course it's it's. It's interesting.  
00:26:59 --> 00:27:00: There's  
00:27:00 --> 00:27:02: a a question came in and I think it's relevant  
00:27:02 --> 00:27:05: in this context to talk about it right in terms  
00:27:05 --> 00:27:06: of the build,  
00:27:06 --> 00:27:11: the best opportunity is to to basically build sustainable  
00:27:11 --> 00:27:14: buildings,  
00:27:14 --> 00:27:18: and ESG is to work from the very beginning with,  
00:27:18 --> 00:27:21: you know with architects, planners and the like for this,  
00:27:21 --> 00:27:22: but I think it's also fair to say that the  
00:27:22 --> 00:27:24: vast majority,  
00:27:24 --> 00:27:25: if you think about the 35.  
00:27:25 --> 00:27:28: Sort of 10 and a half trillion.  
00:27:28 --> 00:27:29: It's invested in the in real estate.  
00:27:29 --> 00:27:31: Those are already there, right?  
00:27:31 --> 00:27:36: We're dealing with an enormous amount of quote,  
00:27:36 --> 00:27:41: unquote legacy legacy assets that somehow needs to be.  
00:27:41 --> 00:27:43: Improved on in order to mitigate the environmental impact  
00:27:43 --> 00:27:45: that  
00:27:45 --> 00:27:49: they that they have.  
00:27:49 --> 00:27:51: And while obviously you want to try from the very  
00:27:51 --> 00:27:53: beginning that other than officers and some logistics that's  
00:27:53 --> 00:27:55: too  
00:27:55 --> 00:27:59: hard.  
00:27:59 --> 00:28:00: Of course to deal with the current,  
the current assets. And I was kind of wondering else  
from allianz's perspective,  
would you guys sell assets that you no longer no  
longer or cannot?

00:28:00 --> 00:28:04: If you will be upgraded enough to meet your objectives

00:28:04 --> 00:28:05: is that is that the.

00:28:07 --> 00:28:08: Strategy

00:28:08 --> 00:28:11: then yeah, we look at the entire life cycle of

00:28:11 --> 00:28:16: our investments and on the legacy portfolio we of course

00:28:16 --> 00:28:18: could come take the decision.

00:28:18 --> 00:28:22: Would we think that we would not be the most

00:28:22 --> 00:28:27: qualified to upgrade one of these assets or investments to

00:28:27 --> 00:28:29: divest such investments?

00:28:29 --> 00:28:33: So? So that's one possibility among the others in this

00:28:33 --> 00:28:38: puzzle of of investing for sustainable sustainable path for you.

00:28:38 --> 00:28:40: Reaching our investors are our clients targets.

00:28:41 --> 00:28:45: Right? That's that I, I'm sure if it's it's something

00:28:45 --> 00:28:47: similar for this data.

00:28:47 --> 00:28:47: Yeah,

00:28:47 --> 00:28:51: it is very similar. We we have various criteria when

00:28:51 --> 00:28:55: we would opt for a sale of over complex and

00:28:55 --> 00:28:59: it's very much based on the the growth possibilities,

00:28:59 --> 00:29:02: the region, the maintenance costs,

00:29:02 --> 00:29:08: the possibilities about rental increase or parental levels.

00:29:08 --> 00:29:13: So it's never the sustainability which would would would be

00:29:13 --> 00:29:16: a sole reason to die fast and actually on the

00:29:16 --> 00:29:17: country.

00:29:17 --> 00:29:21: We currently seeing right now with very high house prices

00:29:21 --> 00:29:25: and very very low yields that actually makes a lot

00:29:25 --> 00:29:29: of business sense to actually improve and make a older

00:29:29 --> 00:29:33: complex is sustainable because the value which is still in

00:29:33 --> 00:29:37: those complexes and the rate of returns is much better

00:29:37 --> 00:29:38: than when you buy new,

00:29:38 --> 00:29:40: sometimes newer products.

00:29:41 --> 00:29:45: Are you finding? Are you finding friends at Mr Palletes

00:29:45 --> 00:29:48: are supportive with respect to the work?

00:29:48 --> 00:29:50: Should want to do or is it a little bit

00:29:50 --> 00:29:51: not in my backyard?

00:29:52 --> 00:29:53: No, no, they are. They are supportive.

00:29:53 --> 00:29:56: I think uh, in in general,

00:29:56 --> 00:29:59: sometimes it's a it's not possible to make a building

00:29:59 --> 00:30:03: or to improve the energy efficiency of a building just

00:30:03 --> 00:30:06: because of the yeah the the because of the age

00:30:06 --> 00:30:09: of the building or architectural issues.

00:30:09 --> 00:30:12: But overall they they. They are collaborative but I think

00:30:13 --> 00:30:16: it's also or else or mentions it's it's very important  
00:30:16 --> 00:30:20: that you communicate well with your tenants because normally 70%

00:30:20 --> 00:30:24: of our tennis shoes. Proof these kind of investments,  
00:30:24 --> 00:30:28: which normally will happen, but it's a sometimes it takes  
00:30:28 --> 00:30:31: a little bit of or a lot of communication to  
00:30:31 --> 00:30:32: to to convince them.  
00:30:32 --> 00:30:35: Certainly if you're not the sole owner of a building,  
00:30:35 --> 00:30:38: then and then it's getting a little a little bit  
00:30:38 --> 00:30:39: more complex.  
00:30:40 --> 00:30:42: And it's got this comes back against to the fact  
00:30:42 --> 00:30:45: that you have to cooperate right across various elements from  
00:30:45 --> 00:30:46: architects,  
00:30:46 --> 00:30:50: designers, neighbors, tenants. Seems good,  
00:30:51 --> 00:30:53: but I think in this I don't want to jump  
00:30:53 --> 00:30:54: ahead too far,  
00:30:54 --> 00:30:54: but  
00:30:54 --> 00:30:56: I think though I mean one of the things that  
00:30:56 --> 00:30:57: else mentioned.  
00:30:57 --> 00:30:59: I think highlights the significant problem.  
00:30:59 --> 00:31:02: I think Phillip, I'm very curious about your perspective considering  
00:31:02 --> 00:31:03: the amount of legacy assets,  
00:31:03 --> 00:31:07: right? Can you actually get to a net 04 for  
00:31:07 --> 00:31:09: the real estate industry?  
00:31:09 --> 00:31:11: I'm kind of objectively curious,  
00:31:11 --> 00:31:13: because if you think about what we're hearing on the  
00:31:13 --> 00:31:13: phone,  
00:31:13 --> 00:31:16: call with two very important investors.  
00:31:16 --> 00:31:18: They want to get to that net zero right?  
00:31:18 --> 00:31:20: But some of that may include.  
00:31:20 --> 00:31:23: Disposing of elements that are no longer  
00:31:23 --> 00:31:25: if you will meeting the requirements,  
00:31:25 --> 00:31:28: which doesn't mean those buildings get torn down and eliminate  
00:31:28 --> 00:31:29: it vectors,  
00:31:29 --> 00:31:29: so there's  
00:31:29 --> 00:31:32: a there is residue. So what do you think about  
00:31:32 --> 00:31:34: that perspective of Phillip?  
00:31:35 --> 00:31:39: So actually I'm also very good question and I personally  
00:31:39 --> 00:31:42: doubt that we will reach the net zero goal.  
00:31:42 --> 00:31:45: Follow Rivers State property stock in Europe by 2050



00:31:45 --> 00:31:46: because  
 00:31:46 --> 00:31:48: if you just look at it,  
 00:31:48 --> 00:31:50: what is needed in investments?  
 00:31:50 --> 00:31:53: So just talking nowadays technical standards.  
 00:31:53 --> 00:31:54: Of course we will have some improvements going forward to  
 00:31:54 --> 00:31:57: settle P,  
 00:31:57 --> 00:32:01: but if we look at nowadays technical standards and we  
 00:32:01 --> 00:32:03: estimate that around 200 to ???600 billion each year needs  
 00:32:04 --> 00:32:07: to be invested really to bring up so to say  
 00:32:07 --> 00:32:09: the outdated or legacy. Property stock and to be as  
 00:32:09 --> 00:32:12: carbon efficient or energy efficient as possible?  
 00:32:12 --> 00:32:15: Yeah, so that represents one to 3%  
 00:32:15 --> 00:32:19: of the European GDP and I guess to really source  
 00:32:19 --> 00:32:22: of financing that is needed for that is impossible.  
 00:32:22 --> 00:32:25: So I doubt that we will reach that.  
 00:32:25 --> 00:32:27: The problem also is that we subjectively focus only on  
 00:32:27 --> 00:32:30: prime assets or other good ones.  
 00:32:30 --> 00:32:34: So we have a huge or large investors that have  
 00:32:34 --> 00:32:37: the shiny offices or good residential real estate apartments  
 00:32:37 --> 00:32:40: and  
 00:32:40 --> 00:32:44: also the large ones can afford also to say.  
 00:32:44 --> 00:32:47: Come pay or use some of the money they got  
 00:32:47 --> 00:32:50: as a return from improved assets to also improve other  
 00:32:50 --> 00:32:52: assets that might not allow for the same internal rate  
 00:32:52 --> 00:32:53: of return their targeting. So yeah,  
 00:32:53 --> 00:32:57: that's so to say just the peak of the Oval  
 00:32:57 --> 00:33:01: covered stock,  
 00:33:01 --> 00:33:05: but I guess you vast majority is rather either owned  
 00:33:05 --> 00:33:07: by small investors or private individuals that do not have  
 00:33:07 --> 00:33:12: the financial means nor the access to actually get the  
 00:33:12 --> 00:33:15: financing to execute and anything.  
 00:33:15 --> 00:33:17: Proofs and energy efficient efficiency to the extent needed.  
 00:33:17 --> 00:33:20: And we have also not only a tenant demand that  
 00:33:20 --> 00:33:25: focuses on prime assets,  
 00:33:25 --> 00:33:26: we also have tenants that want to actually occupy billing.  
 00:33:26 --> 00:33:29: It's cheapest possible because they are not as deep  
 00:33:29 --> 00:33:31: pocketed  
 00:33:31 --> 00:33:35: as others,  
 00:33:35 --> 00:33:39: and they rather focus on short term lease contracts and  
 00:33:39 --> 00:33:43: just to have an accommodation,  
 00:33:43 --> 00:33:46: even for even either for their business or their living.  
 00:33:46 --> 00:33:49: So it will be at least from my personal perspective  
 00:33:49 --> 00:33:52: and possible as of now with the technical standards.

00:33:43 --> 00:33:46: But as as you mentioned,

00:33:46 --> 00:33:49: we need to say a lot of collaboration across all

00:33:49 --> 00:33:51: the different industries.

00:33:51 --> 00:33:54: So realistic date as an industry is not to say

00:33:55 --> 00:33:57: that living on Isle for itself,

00:33:57 --> 00:34:00: so we're linked to the utilities we linked to the

00:34:00 --> 00:34:02: construction industry.

00:34:02 --> 00:34:06: So actually, if all these industry trees to say focus

00:34:06 --> 00:34:08: on achieving that goal,

00:34:08 --> 00:34:09: we might reach it. Yeah,

00:34:09 --> 00:34:12: but a real estate on its own,

00:34:12 --> 00:34:13: it will be impossible.

00:34:15 --> 00:34:17: It's it's it's it's I'm I I'd like to come

00:34:17 --> 00:34:20: back to that if you don't mind fritzen else.

00:34:20 --> 00:34:23: But it question that comes to mind when you think

00:34:23 --> 00:34:26: about the importance of focus and with about \$35 trillion

00:34:26 --> 00:34:27: focused on ESG,

00:34:27 --> 00:34:30: it how much is greenwashing?

00:34:30 --> 00:34:34: You know in terms of a in terms of how

00:34:34 --> 00:34:39: do people levels 1/2 and three are equally important right?

00:34:39 --> 00:34:42: People tend to focus on levels two and three which

00:34:42 --> 00:34:43: is the easy thing to do right?

00:34:43 --> 00:34:46: Limiting emissions. But the construction element of it is.

00:34:46 --> 00:34:49: Doesn't get necessarily very, very much focused.

00:34:49 --> 00:34:52: I mean, how do you guys at scope think about

00:34:52 --> 00:34:53: you know the greenwashing?

00:34:53 --> 00:34:54: Because there is a lot.

00:34:54 --> 00:34:56: I mean as I just mentioned earlier on right,

00:34:56 --> 00:34:58: there's tweaking of the data.

00:34:58 --> 00:35:02: If you have many female assistants counting that against the

00:35:02 --> 00:35:02: 50%,

00:35:02 --> 00:35:06: yet female participation is a is a very standard trick.

00:35:06 --> 00:35:09: Lowering the year as of which the benchmark is set

00:35:09 --> 00:35:12: from where you achieve your 25%

00:35:12 --> 00:35:13: reduction is another. You know,

00:35:13 --> 00:35:15: sleight of hand, and I think there's many.

00:35:15 --> 00:35:19: Many of those kind of little tricks effectively to have

00:35:19 --> 00:35:23: people show that their portfolios are armor or green.

00:35:23 --> 00:35:25: If you will then then they actually are.

00:35:25 --> 00:35:26: I mean how to scope,

00:35:26 --> 00:35:28: how to scope approach that?

00:35:28 --> 00:35:31: So actually we cannot assess whether a company is focusing

00:35:32 --> 00:35:34: on or doing some greenwashing or not.

00:35:34 --> 00:35:37: So actually, as I set someone in the beginning,

00:35:37 --> 00:35:39: we focused more on the medium to long term impact

00:35:39 --> 00:35:42: of these measures and we will see that.

00:35:42 --> 00:35:43: So to say, not immediately,

00:35:43 --> 00:35:44: not in the short term,

00:35:44 --> 00:35:46: but in the medium term,

00:35:46 --> 00:35:50: either with more stable asset values or less capital expenditure

00:35:50 --> 00:35:54: needed or lower risk to lose the operational license.

00:35:54 --> 00:35:58: So credit. Quality is still linked,

00:35:58 --> 00:36:02: so to say to the financial and the business profile

00:36:02 --> 00:36:04: of a company or of a transaction.

00:36:04 --> 00:36:07: Yes, so the link to the cash flows provided by

00:36:07 --> 00:36:10: the translation of the company and any sort of,

00:36:10 --> 00:36:13: say, is do related topic that is has been brought

00:36:13 --> 00:36:17: forward by the issuer or by sponsor of a transaction

00:36:17 --> 00:36:19: and is not immediately accessible.

00:36:19 --> 00:36:22: But what we see in so they haven't the huge

00:36:22 --> 00:36:25: variety of transactions on our table.

00:36:25 --> 00:36:29: If there are investors. Or issues that are more ambitious

00:36:29 --> 00:36:31: than others or less ambitious so.

00:36:31 --> 00:36:34: And of course we put our fingers into the ground

00:36:34 --> 00:36:36: and say come on guys,

00:36:36 --> 00:36:39: maybe what you plan in cap ex spending there is

00:36:39 --> 00:36:43: not needed and to keep your property safe and running

00:36:43 --> 00:36:46: 10 years down the road because others in the same

00:36:46 --> 00:36:49: market. It's the same sort of say profile of property

00:36:49 --> 00:36:51: within their portfolio.

00:36:51 --> 00:36:54: Do a lot more. So this is actually what we

00:36:54 --> 00:36:56: say how we assess it.

00:36:56 --> 00:37:00: So we just compare. Each one or the the issue

00:37:00 --> 00:37:01: is to the others,

00:37:01 --> 00:37:04: yeah? And we try to provide guidance and that we

00:37:05 --> 00:37:09: should say request this standardized set of data just to

00:37:09 --> 00:37:13: have more insight how each individual issuer compares to its

00:37:13 --> 00:37:13: peers.

00:37:15 --> 00:37:19: It's interesting because you raise credit quality and that that

00:37:19 --> 00:37:23: leads into action naturally as to whether or not financing

00:37:23 --> 00:37:26: can actually be a tool to improve sustainability.

00:37:26 --> 00:37:31: I mean, can financing help in addition to just extending

00:37:31 --> 00:37:32: credit,

00:37:32 --> 00:37:35: but in terms of imposing terms or or the like,  
00:37:35 --> 00:37:36: you know if you want as a lender,  
00:37:36 --> 00:37:39: allium Subs is doing a lot of real estate lending  
00:37:39 --> 00:37:39: as well.  
00:37:39 --> 00:37:40: How do you guys look at  
00:37:40 --> 00:37:40: that?  
00:37:44 --> 00:37:47: And so we are a long term lender and we  
00:37:47 --> 00:37:49: land all the collaterals.  
00:37:49 --> 00:37:53: We then two are usually prime properties come.  
00:37:53 --> 00:37:58: We started with the green bond in 2019 and we  
00:37:58 --> 00:38:04: are taking the Imar principles for for calling our bond  
00:38:04 --> 00:38:05: screen.  
00:38:05 --> 00:38:10: So that's that's how we ensure that we invest in  
00:38:10 --> 00:38:12: sustainable.  
00:38:12 --> 00:38:16: Investments properties that we have also borrows that we  
00:38:16 --> 00:38:20: engage  
00:38:16 --> 00:38:20: towards winning the pot for you and to come back  
00:38:20 --> 00:38:22: to your question on greenwashing.  
00:38:22 --> 00:38:26: I think being one other thing that we do is  
00:38:26 --> 00:38:29: that we base our strategy on these three main items,  
00:38:29 --> 00:38:32: the AOA I mentioned earlier,  
00:38:32 --> 00:38:36: but also spti to make sure we standardize the way  
00:38:36 --> 00:38:39: we account for the carbon emissions and to rule.  
00:38:39 --> 00:38:43: So what we can do or not too?  
00:38:43 --> 00:38:47: In the calculation of the results that we deliver to  
00:38:47 --> 00:38:51: our investors and that our investors also published and we  
00:38:51 --> 00:38:53: also have the crime.  
00:38:53 --> 00:38:57: So these carbon risk are really state monitoring where we  
00:38:57 --> 00:39:01: for each of the property type know by which number  
00:39:01 --> 00:39:05: the energy intensity and carbon emissions need to be at  
00:39:05 --> 00:39:07: which year in which country.  
00:39:07 --> 00:39:09: And that's really this method.  
00:39:09 --> 00:39:13: Nickel approach, structured approach and complex.  
00:39:13 --> 00:39:16: Also, because this involves a lot of data gathering,  
00:39:16 --> 00:39:20: which in the real estate industry is not not that  
00:39:20 --> 00:39:21: old,  
00:39:21 --> 00:39:26: so that's something that investors have started doing in the  
00:39:26 --> 00:39:27: latest years.  
00:39:27 --> 00:39:31: Is is so important to ensure there is no greenwashing  
00:39:31 --> 00:39:34: in that sense and that makes the process and the  
00:39:34 --> 00:39:36: results much strict,  
00:39:36 --> 00:39:41: stricter and on which we also acting as a responsible

00:39:41 --> 00:39:42: investor?

00:39:43 --> 00:39:45: I want to come back to that else in a

00:39:45 --> 00:39:45: second,

00:39:45 --> 00:39:47: but friends from your perspective,

00:39:47 --> 00:39:50: how does how does financing enable this data to make

00:39:51 --> 00:39:53: sustainability investments?

00:39:53 --> 00:39:53: Yeah,

00:39:53 --> 00:39:55: I think it comes back to a discussion we we

00:39:55 --> 00:39:56: had in the beginning.

00:39:56 --> 00:40:01: Uh, that, uh, uh, sustainability investments and ESG is very

00:40:01 --> 00:40:03: much part of the strategy,

00:40:03 --> 00:40:06: and in my perspective finance follows their strategy,

00:40:06 --> 00:40:09: but it can. It can be a catalyst in in

00:40:09 --> 00:40:12: helping the business make making it visible.

00:40:12 --> 00:40:15: What kind of return sustainability investments have?

00:40:15 --> 00:40:18: So I think that that's first of all,

00:40:18 --> 00:40:23: I think important. Secondly, when you do have a sustainable.

00:40:23 --> 00:40:29: Portfolio, then it's then it's possible to finance that portfolio.

00:40:29 --> 00:40:31: Against a much lower cost of capital,

00:40:31 --> 00:40:33: not only from an equity fiscal perspective,

00:40:33 --> 00:40:36: given a lower risk, but certainly also from a debt

00:40:36 --> 00:40:39: perspective like we like aliens,

00:40:39 --> 00:40:42: we have issued our first green bond in in 2019,

00:40:42 --> 00:40:48: and it's actually interesting that in 2018 we also issued

00:40:48 --> 00:40:51: a 500 million Volt like in 2019,

00:40:51 --> 00:40:54: which in 2018 was not a green in green bonds,

00:40:54 --> 00:40:59: but the the difference was actually quite quite striking that

00:40:59 --> 00:41:01: in 2019 with the green bonds.

00:41:01 --> 00:41:04: We had much more investor investors.

00:41:04 --> 00:41:08: The book was over scribe to six times against 2

00:41:09 --> 00:41:13: 1/2 times in in 2018 and whereas in 2018 bond

00:41:13 --> 00:41:17: was issued at A and a new issue premium of

00:41:17 --> 00:41:21: 20 basis points. Actually, the green bonds was issued at

00:41:21 --> 00:41:25: a negative issue premium of five basis points and it

00:41:25 --> 00:41:29: makes it very visible that there's also a return from

00:41:29 --> 00:41:33: a financial perspective and in terms of financing.

00:41:33 --> 00:41:36: Also, making a petroleum green and I I had as

00:41:37 --> 00:41:41: well as like energy that the issue of green green

00:41:41 --> 00:41:42: washing.

00:41:42 --> 00:41:47: I think it's virtually impossible in the residential sector

00:41:47 --> 00:41:51: because

00:41:47 --> 00:41:51: you have very objective criteria for the energy labels and

00:41:51 --> 00:41:56: our green finance framework is very much attached to how  
00:41:56 --> 00:42:00: many a labels we have which which are objectively measurable.

00:42:00 --> 00:42:03: And we report on those.  
00:42:03 --> 00:42:06: Those assets as part of our green financing framework.  
00:42:08 --> 00:42:11: So then going back and it's very clear,  
00:42:11 --> 00:42:13: transparency is a critically important element and we can come  
00:42:13 --> 00:42:17: back to this standardization between what kind of reporting framework  
00:42:17 --> 00:42:18: do you need to take?  
00:42:18 --> 00:42:20: Because there's so many different ones out there,  
00:42:20 --> 00:42:23: right? But else this question for you,  
00:42:23 --> 00:42:25: I mean, have you guys as aliens is also direct  
00:42:25 --> 00:42:27: lender right against real estate?  
00:42:27 --> 00:42:31: Define his acquisitions. I I've seen Alliums operate right in  
00:42:31 --> 00:42:32: our own background.  
00:42:32 --> 00:42:35: Have you got? Do you know of loans that have  
00:42:35 --> 00:42:37: been rejected because it didn't meet?  
00:42:37 --> 00:42:39: Alliances, ESG standards.  
00:42:43 --> 00:42:46: It's a difficult question, uh,  
00:42:46 --> 00:42:50: because, uh, it's uh often it is a whole,  
00:42:50 --> 00:42:52: so it's a if alone,  
00:42:52 --> 00:42:55: UM, get rejected by our investors.  
00:42:55 --> 00:42:57: It's a it's the whole package that,  
00:42:57 --> 00:43:01: uh, is not making sense or does not reach on  
00:43:01 --> 00:43:02: our targets overall,  
00:43:02 --> 00:43:04: so I think that's again,  
00:43:04 --> 00:43:07: that's that's embedded in the whole project.  
00:43:07 --> 00:43:10: Investors need to like the the collateral,  
00:43:10 --> 00:43:13: the borrower and etc etc.  
00:43:13 --> 00:43:15: And yes, she's one part of it.  
00:43:15 --> 00:43:18: I understand, so not yet identified,  
00:43:18 --> 00:43:21: individual benchmark against which you could say no,  
00:43:21 --> 00:43:23: because if the returns are very attractive,  
00:43:23 --> 00:43:26: longer term, you know the ESD maybe,  
00:43:26 --> 00:43:28: but one part of it right?  
00:43:28 --> 00:43:29: Even if it doesn't meet all the criteria.  
00:43:30 --> 00:43:34: In the end I I really I think what what  
00:43:34 --> 00:43:37: Philip said is a is very is very true.  
00:43:37 --> 00:43:41: UM, you will see that medium to long term and  
00:43:41 --> 00:43:42: this is what,  
00:43:42 --> 00:43:47: uh, is committed to what Alan's investors are committed to

00:43:47 --> 00:43:51: and probably with more view of the past and actions  
00:43:51 --> 00:43:52: done.  
00:43:52 --> 00:43:55: You don't even need to ask the questions.  
00:43:56 --> 00:43:58: The interesting thing though is because this is,  
00:43:58 --> 00:43:59: I think, critically important element.  
00:43:59 --> 00:44:02: But if you think about this data and alliums,  
00:44:02 --> 00:44:05: you guys can afford to take the long term view.  
00:44:05 --> 00:44:07: I would submit that on in the audience,  
00:44:07 --> 00:44:10: you lied, as many private owners that work with funds  
00:44:10 --> 00:44:13: which have a defined find investment horizon and it defined  
00:44:13 --> 00:44:15: horizon trade out of this right?  
00:44:15 --> 00:44:20: So it is not quite as easy to basically do  
00:44:20 --> 00:44:22: all of the parts or ESG  
00:44:22 --> 00:44:25: part right? If you have a shorter term,  
00:44:25 --> 00:44:26: shorter term horizon and that that.  
00:44:26 --> 00:44:30: Goes back to divested. You know the stranded assets.  
00:44:30 --> 00:44:32: Phillip, just from how to scope the scope.  
00:44:32 --> 00:44:34: There's a lot of private ratings as well,  
00:44:34 --> 00:44:37: right? Are you seeing the ESG part of the private  
00:44:37 --> 00:44:40: ratings take on a more important component?  
00:44:42 --> 00:44:44: Uhm,  
00:44:44 --> 00:44:49: not necessarily. So actually, it really also depends on each  
00:44:49 --> 00:44:50: individual issue.  
00:44:50 --> 00:44:53: If he has a capacity also to deal with that.  
00:44:53 --> 00:44:55: So the smaller the issue or the less also the  
00:44:55 --> 00:44:59: capacity and the willingness actually to introduce anything  
that is  
00:44:59 --> 00:45:02: linked to SG because it adds up additional costs also  
00:45:02 --> 00:45:05: to define what are the targets.  
00:45:05 --> 00:45:08: What do I measure against it and who will be  
00:45:08 --> 00:45:12: actually than the company that to say audit my my  
00:45:12 --> 00:45:15: achievements with regard to my SG at Target.  
00:45:15 --> 00:45:18: So that easily sort of say as upper few basis  
00:45:18 --> 00:45:22: points in additional costs to the financing I want to  
00:45:22 --> 00:45:25: execute and in the end sort of say it will  
00:45:25 --> 00:45:28: not be beneficial from a financial perspective to go down  
00:45:28 --> 00:45:29: the SG route.  
00:45:29 --> 00:45:32: So we see that rather for larger bonds and maybe  
00:45:32 --> 00:45:35: also one thing that is important in what fruits already  
00:45:35 --> 00:45:36: mentioned.  
00:45:36 --> 00:45:39: Why we do have some kind of premium.  
00:45:39 --> 00:45:43: So we have more attractive terms for green or sustainable

00:45:43 --> 00:45:46: linked bonds compared to blind another bonds.

00:45:46 --> 00:45:49: It's just that. We have a high invested in mind

00:45:49 --> 00:45:49: there,

00:45:49 --> 00:45:51: so we have an oversubscription,

00:45:51 --> 00:45:53: and if I compare in 2020,

00:45:53 --> 00:45:55: so to say green bonds have claimed another bond,

00:45:55 --> 00:45:59: so Greenbaum said an over subscription or 4.5 times approximately

00:45:59 --> 00:46:04: where as criminal bonds just had a oversubscription of three

00:46:04 --> 00:46:04: times.

00:46:04 --> 00:46:07: So you see, there is a lot of pressure from

00:46:07 --> 00:46:11: the investor side to actually invest into these sustainability linked

00:46:11 --> 00:46:12: bonds,

00:46:12 --> 00:46:15: and this sort of say investment banks can push down

00:46:15 --> 00:46:16: the pricing.

00:46:16 --> 00:46:18: Yeah, and so we see the green room of 5/2.

00:46:18 --> 00:46:20: 20 or 25 basis points eventually,

00:46:20 --> 00:46:24: but in the end. Actually this is not justified because

00:46:24 --> 00:46:27: the green bond ranks similar to a plane vanilla bond

00:46:27 --> 00:46:28: and is sort of,

00:46:28 --> 00:46:30: say subject to the same credit quality of the same

00:46:30 --> 00:46:31: issuer.

00:46:31 --> 00:46:34: So we do not see that there is any justification

00:46:34 --> 00:46:35: for that premium.

00:46:35 --> 00:46:38: And we also believe that in the future this will

00:46:38 --> 00:46:41: level out there because it will be just a new

00:46:41 --> 00:46:45: standard and desperate said it's embedded in a company strategy.

00:46:45 --> 00:46:48: Yeah, so you do not have to label your bonds

00:46:48 --> 00:46:48: green.

00:46:48 --> 00:46:51: If your strategy is green and if your strategy is

00:46:51 --> 00:46:54: focusing on avoiding risk in the future,

00:46:54 --> 00:46:57: avoiding stranded assets, keep your cash flow stable,

00:46:57 --> 00:46:59: and doing that in the most efficient way.

00:46:59 --> 00:47:02: Then this will be acknowledged also on the credit quality

00:47:03 --> 00:47:04: and the pricing of your debt.

00:47:05 --> 00:47:07: Yeah, I mean I, I think Philip light years,

00:47:07 --> 00:47:10: for which you're hinting ads or steering towards is that

00:47:10 --> 00:47:14: at some point when sufficient investors right see the ESD

00:47:14 --> 00:47:18: standards being as important to the credit quality as the

00:47:18 --> 00:47:21: absolute cashflows itself, right? You're not going to be able

00:47:21 --> 00:47:22: to issue a bond if you don't.



00:47:22 --> 00:47:24: If you're not a green company anymore,  
00:47:24 --> 00:47:25: right? 'cause that's kind of what you would.  
00:47:25 --> 00:47:26: That's what you need to get to,  
00:47:26 --> 00:47:29: but you still today have that distinction right?  
00:47:29 --> 00:47:31: Where you have 35 trillion.  
00:47:31 --> 00:47:35: It's defined as ESG linked right?  
00:47:35 --> 00:47:38: And that that. Needs to find a place which considering  
00:47:38 --> 00:47:41: the fact there is still so little standardization of green  
00:47:41 --> 00:47:41: bonds,  
00:47:41 --> 00:47:46: right? You see that premium that that that that exists.  
00:47:46 --> 00:47:50: It's likely not. And this goes back because I,  
00:47:50 --> 00:47:52: I mean, again, from my own experience,  
00:47:52 --> 00:47:55: red green bonds. I mean the standardization right?  
00:47:55 --> 00:47:58: It's still the lack of standardization is put this way  
00:47:58 --> 00:48:00: is still enormous in Graz beaded dress.  
00:48:00 --> 00:48:05: Be doesn't enormous job in terms of collecting data,  
00:48:05 --> 00:48:08: but from again from my own experience we needed a  
00:48:08 --> 00:48:12: team that spent about two months a year ticking all  
00:48:12 --> 00:48:13: of the boxes right?  
00:48:13 --> 00:48:17: And information that grows be required and you never quite  
00:48:18 --> 00:48:18: know like.  
00:48:18 --> 00:48:20: OK, the Greasby is 1 standard,  
00:48:20 --> 00:48:22: but there's so many others which which.  
00:48:22 --> 00:48:24: Which one is going to define?  
00:48:24 --> 00:48:28: I mean, have you found particular uses or particular rating  
00:48:28 --> 00:48:29: standards  
00:48:29 --> 00:48:30: more relevant in other spirits?  
00:48:32 --> 00:48:36: Uhm? No, perhaps not. To not to one of them  
00:48:36 --> 00:48:41: is is that the the the the most important one.  
00:48:41 --> 00:48:43: Obviously grasp is it for our industry,  
00:48:43 --> 00:48:44: a very important one. And yes,  
00:48:44 --> 00:48:46: it's it's a lot of work,  
00:48:46 --> 00:48:49: but I think in terms of comparability it's it's.  
00:48:49 --> 00:48:53: It's very useful and uh and yeah and and for  
00:48:53 --> 00:48:54: our own sector,  
00:48:54 --> 00:49:00: the residential sector leader, the labels is very important.  
00:49:00 --> 00:49:01: Comparison air base.  
00:49:03 --> 00:49:04: Do you think at this point,  
00:49:04 --> 00:49:06: I mean fill up or else for that matter,  
00:49:06 --> 00:49:07: is investment in green bonds?  
00:49:07 --> 00:49:10: Do you think there is still a somewhat light definition  
00:49:10 --> 00:49:14: of what actually constitutes a green bond because you have

00:49:14 --> 00:49:16: funds that need to invest in green bonds?

00:49:16 --> 00:49:18: I mean, if you take a couple of boxes,

00:49:18 --> 00:49:19: is that sufficient? I mean,

00:49:19 --> 00:49:21: are you seeing that there is a?

00:49:21 --> 00:49:24: There's greener, some bonds are greener than others?

00:49:27 --> 00:49:30: Else why don't you start?

00:49:30 --> 00:49:32: I see your smile so you must see some of

00:49:32 --> 00:49:33: that.

00:49:33 --> 00:49:35: Philippe has opened his micro first.

00:49:37 --> 00:49:39: Will you please? OK

00:49:39 --> 00:49:42: so yeah, actually we see that there are some bonds

00:49:42 --> 00:49:45: greener than others because there are some bonds out there

00:49:45 --> 00:49:49: where the only prerequisite is that actually these one

00:49:49 --> 00:49:53: proceeds

00:49:53 --> 00:49:57: will be used to invest into certified buildings,

00:49:58 --> 00:50:02: not even saying OK, they have to be certified by

00:50:02 --> 00:50:03: LEED or BREEAM or GNB Archway and but only say

00:50:04 --> 00:50:07: OK 35 buildings.

00:50:07 --> 00:50:10: Yeah, and I'm decent level of yeah reached there.

00:50:10 --> 00:50:14: But there are others where we have really sort of,

00:50:14 --> 00:50:17: say, direct targets embedded with regard to the reduction of

00:50:17 --> 00:50:20: energy consumption etc PP where we also see that if

00:50:20 --> 00:50:22: the company does not reach the targets,

00:50:22 --> 00:50:26: we will have to pay a penalty.

00:50:26 --> 00:50:28: So actually the premium will turn into a penalty and

00:50:28 --> 00:50:31: increases the financing costs.

00:50:31 --> 00:50:34: So what we then do is to look at OK.

00:50:34 --> 00:50:38: Is this incentive enough actually to spend on that?

00:50:38 --> 00:50:41: Because if the attached capital expenditure is much more or?

00:50:41 --> 00:50:44: Very high compared to the penalty.

00:50:44 --> 00:50:48: Well maybe then as a result,

00:50:48 --> 00:50:52: if liquidity is typed, the company might just go for

00:50:52 --> 00:50:54: the penalty instead of investing into its portfolio so.

00:50:54 --> 00:50:57: Yeah, there are some bonds greener than others.

00:50:57 --> 00:50:59: And

00:50:59 --> 00:51:02: as far as we are concerned,

00:51:03 --> 00:51:07: at their last red state where the green bond is

00:51:07 --> 00:51:08: labeled as per the LMA principles which include the whole

00:51:08 --> 00:51:12: piece of SNG,

00:51:12 --> 00:51:13: so this is the route we went for to label

00:51:16 --> 00:51:18: our bone screen.

00:51:16 --> 00:51:18: OK, I mean one of the things.

00:51:18 --> 00:51:21: Actually, there's a question that's come through from a British

00:51:21 --> 00:51:24: A that says that aren't green premiums almost a prerequisite

00:51:24 --> 00:51:27: to drive more asset owners to make those investments?

00:51:27 --> 00:51:28: And in the long term,

00:51:28 --> 00:51:32: there's a differential. Simply get replaced by value differential.

00:51:32 --> 00:51:35: Else we talked about, have talked about this in the

00:51:35 --> 00:51:36: past right?

00:51:36 --> 00:51:37: And what, how? How does?

00:51:37 --> 00:51:41: How do the appraisers take those investments into into account?

00:51:41 --> 00:51:44: And is these are these kind of investments actually a

00:51:45 --> 00:51:48: function of what goes into the models for the valuers?

00:51:50 --> 00:51:54: Uhm, I think it comes back to what I was

00:51:54 --> 00:51:56: mentioning earlier too.

00:51:56 --> 00:52:00: It is still very difficult in a market like real

00:52:00 --> 00:52:04: estate by all buildings are different sub locations are different

00:52:05 --> 00:52:08: so there is not such thing as a standardized building

00:52:08 --> 00:52:13: to extract these ESG piece of the sustainable peace out

00:52:13 --> 00:52:17: of the investments or out of the strategy.

00:52:17 --> 00:52:20: So this is a whole and as appraisers look at

00:52:20 --> 00:52:25: the markets and also I'll be dependent because they they

00:52:25 --> 00:52:26: appraised value.

00:52:26 --> 00:52:30: Based on the uh on the market transaction,

00:52:30 --> 00:52:32: like a willing buyer and a willing seller would,

00:52:32 --> 00:52:36: would do a contract for for buying or selling an

00:52:36 --> 00:52:40: asset and they watch the market and they watch what

00:52:40 --> 00:52:45: investors do and price their investments so they are dependent

00:52:45 --> 00:52:48: on what happens on the market so.

00:52:48 --> 00:52:50: Uhm, the prices would value.

00:52:50 --> 00:52:54: This is the sustainability piece or all these buildings that

00:52:54 --> 00:52:58: are the the best in class buildings with the micro

00:52:58 --> 00:53:01: transactions that they can see.

00:53:01 --> 00:53:04: So it's a bit the investors also making the game.

00:53:04 --> 00:53:08: And at some point in time there,

00:53:08 --> 00:53:12: that's the liquidity of one product and the price which

00:53:12 --> 00:53:16: would then feed back into the the appraisers so it

00:53:16 --> 00:53:18: once all your question more directly,

00:53:18 --> 00:53:22: it's a I think. Killer very difficult in the market

00:53:22 --> 00:53:24: to extract these sustainability piece.

00:53:24 --> 00:53:27: It's really a linked with what happens on the market

00:53:27 --> 00:53:30: and really linked on what kind of investors should have

00:53:30 --> 00:53:33: on the market and what kind of creature are they  
00:53:33 --> 00:53:34: are looking at for the investments.  
00:53:36 --> 00:53:38: Fritz, I saw you nodding your head,  
00:53:38 --> 00:53:40: is that pretty much in line with your thinking?  
00:53:40 --> 00:53:40: Yeah,  
00:53:40 --> 00:53:41: it's very much in line.  
00:53:41 --> 00:53:45: I think the prices are really struggling with how to  
00:53:45 --> 00:53:49: incorporate these investments in their in their models and  
00:53:49 --> 00:53:52: looking at the effects on on the cash flow.  
00:53:52 --> 00:53:55: So for longer periods and in in a few cases  
00:53:55 --> 00:54:01: where we have renovated relatively old buildings from the  
00:54:01 --> 00:54:02: 1970s  
00:54:02 --> 00:54:05: or 60s,  
00:54:05 --> 00:54:09: even then they don't have the references to.  
00:54:09 --> 00:54:11: Compare those new buildings with what's happening in the  
00:54:12 --> 00:54:15: market,  
00:54:15 --> 00:54:17: so it's a bit of of of guessing and we  
00:54:17 --> 00:54:20: have learned that we have to educate the appraisers to  
00:54:20 --> 00:54:23: a large extent in in in,  
00:54:23 --> 00:54:26: in why we decide to invest in these assets and  
00:54:26 --> 00:54:27: why do we think it makes a good return.  
00:54:29 --> 00:54:31: So they're really struggling with taking it into account in  
00:54:31 --> 00:54:33: the malls.  
00:54:33 --> 00:54:34: I can imagine it's it's basically what is the revenue  
00:54:34 --> 00:54:36: increase if you will let you get back to easy  
00:54:37 --> 00:54:41: enough.  
00:54:41 --> 00:54:44: It's basically what's the impact on the revenues down the  
00:54:44 --> 00:54:45: residential location. That doesn't happen immediately  
00:54:47 --> 00:54:49: because it takes awhile  
00:54:49 --> 00:54:50: before a tenant lease and you can actually increase the  
00:54:50 --> 00:54:54: rent in a lot of cases.  
00:54:54 --> 00:54:56: There's a question that came up that I think is  
00:54:56 --> 00:54:59: relevant in this context.  
00:54:59 --> 00:55:02: The the crystallization of carbon offset cost is that sufficient?  
00:55:02 --> 00:55:05: Of its fishing market driven mechanism.  
00:55:05 --> 00:55:06: Well, as the as the as the host I will  
00:55:06 --> 00:55:07: take you know prior I'll submit my perspective.  
00:55:07 --> 00:55:10: I think carbon offsets are a fig leaf.  
00:55:10 --> 00:55:14: You know it's very easy.  
00:55:14 --> 00:55:17: You don't do anything yourself,  
00:55:17 --> 00:55:20: you're just paying up to plant some trees.  
00:55:20 --> 00:55:23: To me that is not a fundamental part of sustainability

00:55:14 --> 00:55:15: investing right.

00:55:15 --> 00:55:17: It needs to it. Obviously this needs to happen,

00:55:17 --> 00:55:21: but the offsets are a very easy way to come,

00:55:21 --> 00:55:24: like hide effectively what you're what you're not doing yourself.

00:55:24 --> 00:55:28: But again, I'm. Open for rent for the counter argument

00:55:28 --> 00:55:28: here.

00:55:32 --> 00:55:33: Who wants to go first?

00:55:35 --> 00:55:39: Maybe I can add that's only a spti framework.

00:55:39 --> 00:55:43: We do cannot count offsetting for reaching our targets,

00:55:43 --> 00:55:45: so that's why we need to find other solutions.

00:55:48 --> 00:55:51: Does my state I use offsets press no,

00:55:51 --> 00:55:55: not right now, no? We were thinking about how how

00:55:56 --> 00:55:57: to do that Sir,

00:55:57 --> 00:56:02: but not not no, no no concrete plans right now.

00:56:03 --> 00:56:09: Separately, though purchasing utility or importing electricity that's produced naturally

00:56:09 --> 00:56:10: like wind,

00:56:10 --> 00:56:13: solar is of course one at one element that does

00:56:13 --> 00:56:14: actually help,

00:56:14 --> 00:56:16: right without it becoming effectively an offset,

00:56:16 --> 00:56:20: so to speak. A. Phillip,

00:56:20 --> 00:56:23: do you have any perspective on whether or not offsets

00:56:24 --> 00:56:27: our carbon offsets are a fundamental part of the the

00:56:27 --> 00:56:29: green framework for scope.

00:56:30 --> 00:56:33: Uhm, there. All the fundamental clouds for framework,

00:56:33 --> 00:56:36: but I guess they are one part of reaching the

00:56:36 --> 00:56:40: net zero ambition by 2050 because I set up associated

00:56:40 --> 00:56:44: investments and to bring up the whole property stock to

00:56:44 --> 00:56:46: a level that actually meets the target is impossible.

00:56:46 --> 00:56:48: So we have to talk about offsets as well.

00:56:49 --> 00:56:49: Yeah.

00:56:52 --> 00:56:54: Alright, let me get to a couple of questions.

00:56:54 --> 00:56:55: I'm sorry it's taken so long,

00:56:55 --> 00:56:59: but one of the questions in reverse reverse order,

00:56:59 --> 00:57:01: in which I've been received.

00:57:01 --> 00:57:06: Do you think that blockchains are necessary to correctly and

00:57:06 --> 00:57:10: fairly archive the history of buildings?

00:57:10 --> 00:57:12: Is that something that's even a function in your day

00:57:12 --> 00:57:13: to day life?

00:57:16 --> 00:57:19: Fritz, where you first? Yeah,

00:57:19 --> 00:57:22: I know I'm I'm not sure it it will because

00:57:22 --> 00:57:25: I think for my perspective we need to see a  
00:57:25 --> 00:57:26: bit more.  
00:57:26 --> 00:57:29: Uh, application of blockchain technology.  
00:57:29 --> 00:57:31: That's it, I think. Still for us a bit a  
00:57:31 --> 00:57:32: bit far off.  
00:57:32 --> 00:57:35: So I on the short term I don't think that  
00:57:35 --> 00:57:36: that will be the situation,  
00:57:36 --> 00:57:40: maybe longer term and blockchain is more uh incorporated in  
00:57:40 --> 00:57:43: the in the sector and in the in the daily  
00:57:43 --> 00:57:43: usage.  
00:57:46 --> 00:57:48: And also have you seen anything on that?  
00:57:48 --> 00:57:51: No, I I would concur with what fits and assign.  
00:57:52 --> 00:57:56: My only observation from having done some of this stuff  
00:57:56 --> 00:58:00: ourselves is you could theoretically shorten the due diligence  
elements  
00:58:00 --> 00:58:03: in terms of title in ownership right of the of  
00:58:03 --> 00:58:06: the property, which would make it more efficient right to  
00:58:07 --> 00:58:10: to trace effectively uninterrupted ownership and title,  
00:58:10 --> 00:58:13: but otherwise it's it's really hard to see blockchain,  
00:58:13 --> 00:58:15: at least in my perspective,  
00:58:15 --> 00:58:16: and perhaps I'm too limited.  
00:58:16 --> 00:58:20: Have a direct application in the day-to-day operating  
management of  
00:58:20 --> 00:58:21: the of the buildings.  
00:58:24 --> 00:58:26: And then one more quick question.  
00:58:26 --> 00:58:28: I'm sorry we're we're I'm being told we're out of  
00:58:28 --> 00:58:28: time.  
00:58:29 --> 00:58:31: Again, this is a. This is clearly a topic that  
00:58:31 --> 00:58:34: could we could talk about much longer than we've had  
00:58:34 --> 00:58:35: that at time for,  
00:58:35 --> 00:58:38: but I really would like to or to think thank  
00:58:38 --> 00:58:39: Alliance  
00:58:39 --> 00:58:42: and Kennedy Wilson. And  
00:58:42 --> 00:58:46: obviously, frets else and Phillip thank you very much for  
00:58:46 --> 00:58:50: your time and thanks all to the UI participants who  
00:58:50 --> 00:58:54: are are on this webinar.  
00:58:54 --> 00:58:56: What I would like the attendees to do if you  
00:58:56 --> 00:58:59: could spare the time is to complete the web and  
00:59:00 --> 00:59:00: R survey.  
00:59:00 --> 00:59:03: It's about 2 minutes to actually do so.  
00:59:03 --> 00:59:09: And. We would also would like to.  
00:59:09 --> 00:59:14: Point you to the upcoming digital program of U Li.

00:59:14 --> 00:59:17: As you can see on the screen here on Wednesday  
00:59:17 --> 00:59:20: the 22nd and the 6th of October for leadership for  
00:59:21 --> 00:59:23: Good and Building a flexible future.  
00:59:23 --> 00:59:27: And then I would suggest also that if you want  
00:59:27 --> 00:59:28: to revisit the webinar,  
00:59:28 --> 00:59:35: we can actually see this at the [knowledge.uli.org](https://knowledge.uli.org).  
00:59:35 --> 00:59:37: And with that, let me thank you all.  
00:59:37 --> 00:59:39: Been a pleasure and  
00:59:40 --> 00:59:42: we hope to see you soon.

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