



Deep dive into non-financial performance: Listed Real Estate companies across Europe

November 2024

KPMG. Make the Difference.



This study is based on the analysis of EPRA members performance measures (sBPR data) and therefore does not aim to represent an index for the Real Estate sector.

FOREWORD



Sandie Tzinmann

Real Estate Partner, KPMG

As the listed real estate sector is actively preparing to apply the CSRD (Corporate Sustainability Reporting Directive), this third survey shows a clear trend to accelerate the ESG transition.

The measures already implemented by the real estate players began to yield positive results while the economic context has been challenging these last years.

The EPRA sBPR database reflects the global shift the industry has already achieved and the next steps for a more integrated approach to ESG at all levels of their operations.

While the first focus was put on the E and the S, we can notice that companies have also reflect this year on Governance in order to organise their reporting process, the review of the quality of the data, the implication of the Board and the Audit Committee as well as the alignment of the ESG objectives with their business model.

In this 3rd edition of the survey, we have included Scope 3 carbon emissions, which will present significant challenges in the value chain of real estate companies in the coming years.



Hassan Sabir

EPRA Finance & ESG Director

Since 2011, EPRA has emphasized the importance of transparent, accurate, and comparable ESG data in the listed real estate sector through the EPRA Sustainability Best Practices Recommendations (sBPR), the established benchmark for European LRE ESG reporting.

In 2021, in collaboration with KPMG, we marked the sBPR's tenth anniversary with a pioneering study on the sector's evolution in sustainability disclosure.

In this 2024 edition, we've broadened the study to provide a more comprehensive sector breakdown, offering enhanced insights into sustainability practices across various regions and sub-sectors.

The EPRA sBPR Database, which underpins our study, highlights the sector's growing commitment to sustainability reporting, spurred by increasing investor interest. With the EU's continued advancement toward mandatory sustainability standards for listed property companies, our sector is well-prepared to lead in reducing greenhouse gas emissions by 2050.

I view this report as an evolving series that maps the ongoing journey of sustainability in our sector, driving excellence in ESG practices. It's more than just a document; it's a reflection of our progress and an inspiration for the industry's pursuit of the highest sustainability standards.



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Scope

Market capitalization by country

The country flag represents the stock exchange where the company is listed. The Market capitalization is the total Market capitalisation of the companies in the sBPR database for the country.

Overall, there are 103 companies in the scope, operating across Europe.



United Kingdom

Market cap at 12/31/2023

121bn€

Number of companies

39



France

Market cap at 12/31/2023

124bn€

Number of companies

8



Germany

Market cap at 12/31/2023

142bn€

Number of companies

8



Belgium

Market cap at 12/31/2023

36bn€

Number of companies

11



Sweden

Market cap at 12/31/2023

100bn€

Number of companies

18



Spain

Market cap at 12/31/2023

24bn€

Number of companies

3



Switzerland

Market cap at 12/31/2023

37bn€

Number of companies

6



Finland

Market cap at 12/31/2023

12bn€

Number of companies

2



Netherlands

Market cap at 12/31/2023

8bn€

Number of companies

4



Norway

Market cap at 12/31/2023

6bn€

Number of companies

1



Ireland

Market cap at 12/31/2023

1.2bn€

Number of companies

1



Italy

Market cap at 12/31/2023

2bn€

Number of companies

1





Methodology

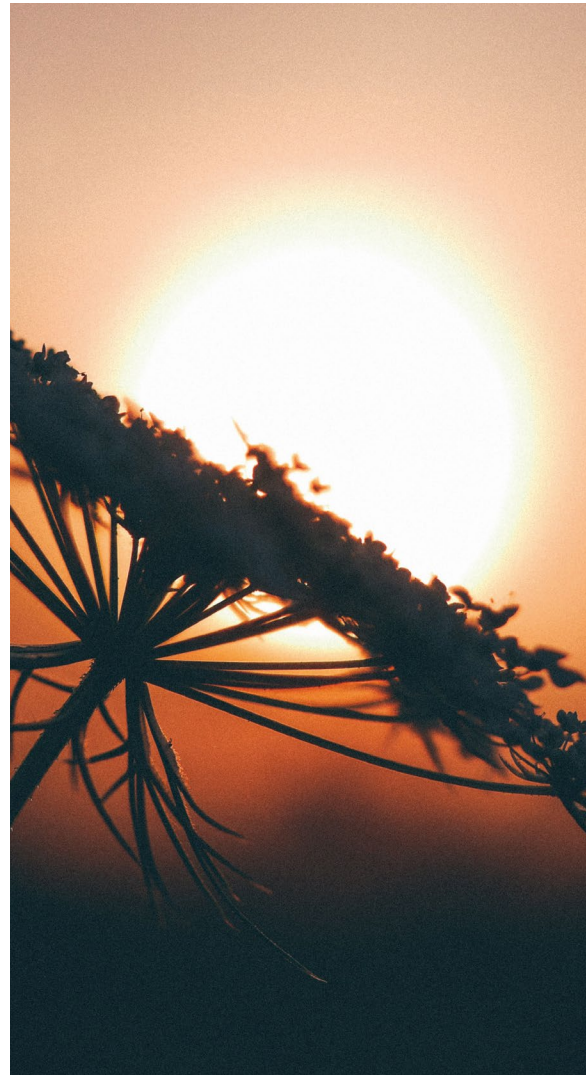
Scope

This study is based on EPRA Sustainability Best Practices Recommendations (sBPR) datasets disclosed by EPRA members and available via the EPRA sBPR database. The EPRA sBPR Guidelines provides a full description of the performance measures with overarching recommendations. They can be found here: [EPRA sBPR Guidelines¹](#).

These EPRA sBPR metrics were created in 2011 and provide EPRA with a 13-year historical date on E indicators and 7 years for the indicators S and G. EPRA members can access and download these data directly by accessing the [EPRA sBPR Database Tool](#).

The study includes 103 European real estate listed companies that were members of EPRA as of 31st March 2023 and comply with the EPRA Sustainability Best Practices Recommendations Guidelines.

For the purposes of this study, the data spans over the period from 2021 to 2023. Companies have been classified and grouped according to the EPRA FTSE Nareit Global Real Estate Index Series classification and associated property sector. The full definition of each sector is available in Appendix 2. Moreover, a company classified in one asset sector may also have other types of assets. The property sector analysis disclosed in this study is therefore based on the classification of the property and not on the classification of the Company.



¹ EPRA published the 4th edition of the Guidelines but it didn't include new KPIs.

Indicators selected for the survey

EPRA indicators have been selected in order to ensure comparability across peers regardless of their portfolio size. For this reason, we chose the following indicators presented by square metres for each company's entire portfolio:



**Energy
intensity**



**Water
intensity**



**GHG: Scope 1
and 2 intensity.
Scope 3 measure.**

These indicators represent the most frequently published performance measures by EPRA members. The definition of each indicator is available in Appendix 2.

Additionally, for the energy and GHG intensity indicators, 'Best-in-class' performances are highlighted. For energy, 'Best-in-class' includes the top 15% of performing companies, brought to the forefront with the EU taxonomy. Regarding GHG intensity, the 'Best-in-class' average reflects the performance of the top 30% of contributing companies.



Data processing

As mentioned before, this year's study will cover 3 years of data, from 2021 to 2023. Performance averages from 2021 and 2022 were already published in the previous study issued last year, in 2023. The 2023 data has been collected as per the same process than previously. This data collection process depends on the contributors and the information disclosed in the companies' publicly available reports.

The number of companies contributing to the average for each indicator can fluctuate annually, affecting the reported indicators. Additionally, the best-in-class companies identified for a specific indicator may change each year due to variations in values or undisclosed data over the three years. Consequently, the analysis of best-in-class indicators over the three years does not indicate a sector trend.

For each indicator, we have detailed the number of companies that submitted performance data by property sector. If less than two companies in each property sector disclosed a specific indicator, we marked it as 'Data not disclosed'.

The data presented for each indicator is based on the calculation of an average of the provided data, i.e., the sum of the data available divided by the number of contributors.

To have comparable data and an understandable trend of the measures, we have excluded from this average the outliers defined from the closest data range and corresponding to these values for each indicator:

Energy
>10MWh/m²/year

Water
>10m³/m²/year

GHG Scope 3
>1Mtons CO₂





The study: market performances

As we have outlined before, the key indicators under analysis remain Energy Intensity, Water Intensity, and GHG Intensity, with detailed definitions provided in Appendix 2. This year, however, we have expanded the scope by incorporating GHG Scope 3 emissions into the analysis. Using the data supplied by the companies, these emissions are reported as gross tons of CO₂ per year, adding a more comprehensive view of their environmental impact.



Energy intensity

Energy intensity is measured in kWh/m²/year. The 'Best in class' encompasses the Top 15% and Top 30% performing companies, brought to the forefront by the EU taxonomy.

The averages obtained by property sector over 3 years allow us to visualise changes in energy consumption. By providing a sectoral view based on real data, the aim of this longitudinal study is to monitor and support the ecological transition in the property market, as well as to highlight trends specific to each sector.

Many of the property sectors analyzed have been impacted by the Covid period which is impacting 2021 data disclosed in this survey. The ESG regulations and strategies implemented also impact the indicators analysed at different paces depending on the sector and depending on which indicators the companies decided to concentrate their efforts on.

Office



		Number of companies	Average intensity (KWh/m ² /year)
2021	Overall	45	164
	Best in Class Top 15%	7	77
	Best in Class Top 30%	14	90
2022	Overall	38	169
	Best in Class Top 15%	6	65
	Best in Class Top 30%	12	82
2023	Overall	44	141
	Best in Class Top 15%	7	69
	Best in Class Top 30%	13	75

According to the overall 2023 results, one square meter of office space consumes an average of 141 kWh per year. This measure has fallen since 2021, reflecting an acceleration in the energy saving measures implemented in offices. This decreasing trend can be clearly observed on the Best in class Top 30%, decreasing from 90 to 75 KWh/m²/year.

The best practices implemented by the companies that figure in the top performers of energy intensity reduction are the installation of energy management systems and the improvement of the insulation of their buildings. Moreover, they have been committed to using sustainable and durable materials for their renovations and building projects, which contributes significantly to their future of energy reduction. Companies also strive to reduce their energy consumption by reducing fossil fuels dependencies. They are carrying out new ways of increasing their renewable energy sources such as installing solar panels on their properties or purchasing electricity that is 100% renewable.

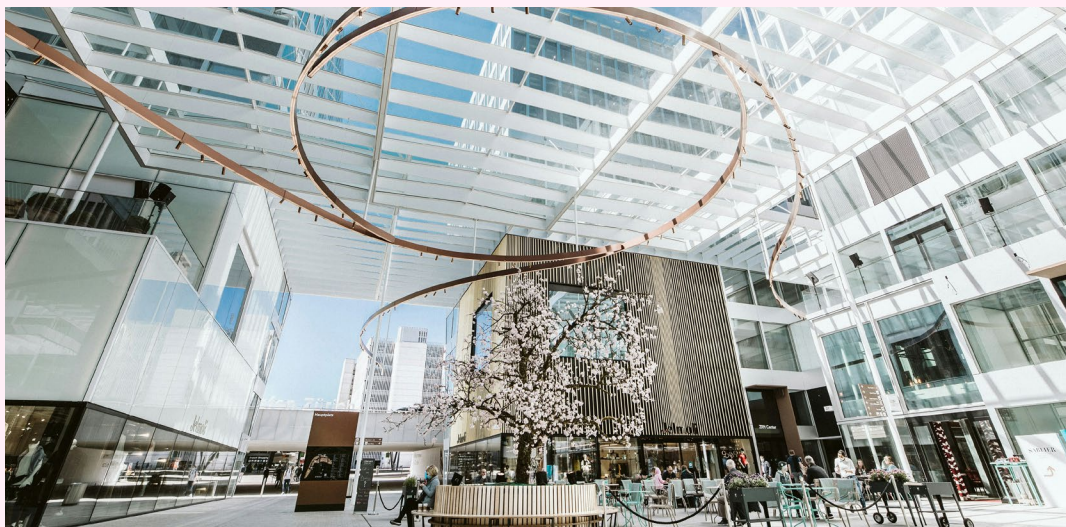


Source: EPRA sBPR Database.

In 2023, one square meter of retail space consumes an average of 124 KWh/year. This measure has decreased since 2021.

The increase of the Top 15% and Top 30% average intensity is mainly explained by a change in the companies included: removal from the 2023 database of a company no longer listed, which has been replaced by a Company with a higher energy intensity.

In our best-in-class analysis, we've identified several best practices that have been implemented and contributed to this energy consumption decline. Companies have modernised their heating and cooling systems to optimize energy usage and have also installed advanced systems to monitor and optimize energy consumption in real time. Moreover, companies in the retail sector are gradually increasing their usage of renewable energy notably by installing solar panels on their properties.



Source: EPRA sBPR Database.

Residential



		Number of companies	Average intensity (KWh/m ² /year)
2021	Overall	15	104
	Best in Class Top 15%	2	4
	Best in Class Top 30%	4	19
2022	Overall	13	95
	Best in Class Top 15%	2	4
	Best in Class Top 30%	4	15
2023	Overall	18	109
	Best in Class Top 15%	3	26
	Best in Class Top 30%	5	40

Source: EPRA sBPR Database.

The residential sector is showing globally a low level of energy intensity reflecting the easily implementable actions. The increase in the Best in class Top 15% and Top 30% in 2023 is mainly explained by a change in the best-in-class companies.

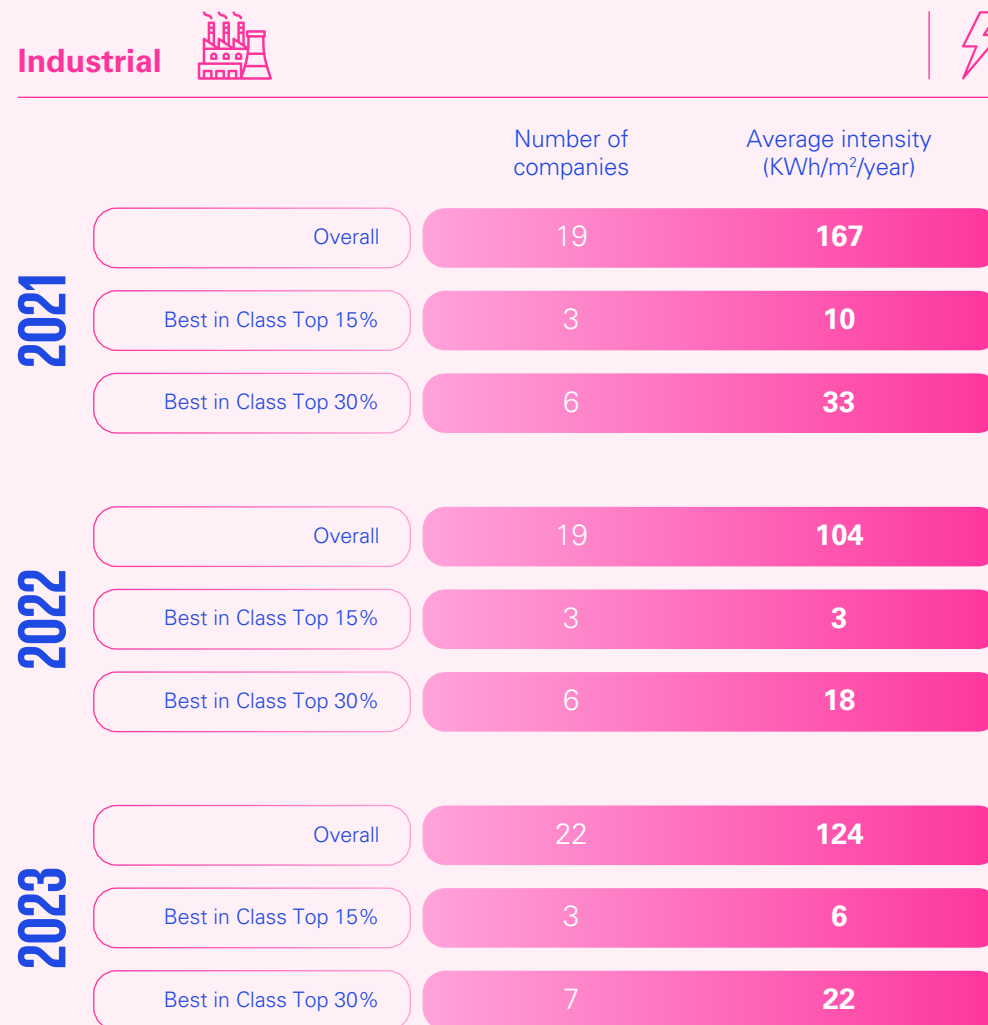
The best practices implemented by the companies that figure in the top performers of energy intensity reduction are similar to those that we have mentioned previously. They have invested in upgrading the energy efficiency of their buildings, including better insulation and more efficient heating and cooling systems. They also strive to increase the use of renewable energy sources by installing solar panels on their properties.

In addition, it is important to consider that there is a heterogeneous residential portfolio, with buildings that are both newly built and renovated.



The industrial sector encompasses industrial warehouse assets and distribution facilities. These properties have become an important component of Europe’s building stock from 2020 and onwards, particularly with changes in consumer habits and the rise of e-commerce. This peak in energy consumption in 2021 is therefore explained by the rise of investment in the development of logistical buildings. This figure has declined considerably in 2022 and 2023 thanks to the measures taken by the companies to reduce their energy usage.

In our best-in-class analysis we have observed that the most common practices, to reduce energy consumption, are reducing fossil fuel consumption across their real estate portfolio. It is also common for companies to embed energy and carbon targets into various teams’ objectives to drive collective efforts towards energy reduction.



Source: EPRA sBPR Database.

Healthcare



		Number of companies	Average intensity (KWh/m ² /year)
2021	Overall	2	291
	Best in Class Top 15%	Data not disclosed	
	Best in Class Top 30%		
2022	Overall	2	126
	Best in Class Top 15%	Data not disclosed	
	Best in Class Top 30%		
2023	Overall	4	129
	Best in Class Top 15%	Data not disclosed	
	Best in Class Top 30%		

Source: EPRA sBPR Database.

Self Storage



		Number of companies	Average intensity (KWh/m ² /year)
2021	Overall	3	15
	Best in Class Top 15%	Data not disclosed	
	Best in Class Top 30%		
2022	Overall	3	20
	Best in Class Top 15%	Data not disclosed	
	Best in Class Top 30%		
2023	Overall	2	17
	Best in Class Top 15%	Data not disclosed	
	Best in Class Top 30%		

Source: EPRA sBPR Database.



Lodging & Resorts



		Number of companies	Average intensity (KWh/m ² /year)
2021	Overall	3	89
	Best in Class Top 15%	Data not disclosed	
	Best in Class Top 30%		
2022	Overall	3	129
	Best in Class Top 15%	Data not disclosed	
	Best in Class Top 30%		
2023	Overall	3	120
	Best in Class Top 15%	Data not disclosed	
	Best in Class Top 30%		

Source: EPRA sBPR Database.

The small number of contributions observed in the healthcare, self-storage and Lodging & Resorts sectors does not allow us to perform an analysis of the Top 15 and Top 30. We can, however, analyze the overall intensity data obtained for these sectors.

Healthcare

Since it requires vast amounts of energy to function, the healthcare sector is vulnerable to increased energy expenditures. The high figures seen in 2021 can be explained by hospitals being overcrowded by COVID-19 cases. However, in the following years these figures have been decreasing considerably to reach 129 kWh/m² in 2023

Self-storage

It should be noted that the overall energy consumption of self-storage facilities has remained relatively stable over the years. Companies performing well in their energy management in this industry strive to continuously implement initiatives to reduce the energy intensity of their operations, including improving the energy efficiency of its facilities and adopting more sustainable technologies.

Lodging & Resorts

The significant increase in energy intensity for hotels that can be seen in 2022 and 2023 compared to 2021 can mainly be explained by the fact that 2021 was a period impacted by COVID-19 pandemic. This does not imply that hotel companies have not made investments to lower energy consumption; rather, it shows that the rise in energy use is a direct result of the tourist industry's economic recovery. The best practices observed to reduce energy intensity in this industry are mainly installations of better heating and cooling systems to optimize energy efficiency and reducing dependencies on gas.

The global trends observed for the Energy intensity measures are disparate and vary from a sector to another one. However we can note a good achievement on the significant efforts made by the office and retail sectors to improve Energy efficiency.





Water intensity

Water intensity refers to the measurement of water usage efficiency within buildings. Specifically, it is expressed as the amount of water consumed per unit of floor area, typically measured in cubic meters per square meter per year (m³/m²/year).

This metric helps real estate companies track and report their water usage, enabling them to identify areas for improvement and implement water saving measures. By monitoring water intensity, companies can better manage their resources, reduce operational costs, and contribute to environmental sustainability.



		Office 	Retail 	Residential 	Industrial 	Healthcare 	Self Storage 	Lodging Resorts 
2021	Number of companies	41	27	12	17	3	3	3
	Average intensity (m3/m ² /year)	0,27	0,75	1,08	0,17	0,88	0,03	0,38
2022	Number of companies	38	29	10	16	3	3	3
	Average intensity (m3/m ² /year)	0,80	1,01	1,37	0,29	0,71	0,03	0,59
2023	Number of companies	35	33	14	20	4	3	4
	Average intensity (m3/m ² /year)	0,41	0,61	1,01	0,30	0,59	0,03	0,92

Source: EPRA sBPR Database.

As per the water intensity presented, we can observe a similar evolution for the office, retail, and residential sectors which is an intensity increasing between 2021 and 2022 and then decreasing between 2022 and 2023.

This decrease is the result of the measures implemented since 2021 by the companies.

Water usage is directly correlated with water consumption and the presence of users in the building. This is why the residential and Lodging & Resorts are the two sectors with the highest figures for water intensity in 2023. However, sectors such as Self-storage and the industrial sector have the lowest figures.

As part of their sustainability efforts, companies have carried out several measures to reduce water usage. They have introduced smart metering systems to monitor water consumption in real-time, allowing for more accurate tracking and identification of areas where water usage can be reduced. To minimize water wastage in their properties, companies have also installed water-efficient fixtures and fittings. Moreover, it is common for companies in the residential and Lodging & Resorts industries to actively engage with tenants to promote water-saving practices and ensure that both landlord and tenant activities contribute to overall water efficiency.

All in all, these efforts highlight the commitment, throughout all industries, to adopt more sustainable practices regarding water usage.





GHG intensity (scope 1 + scope 2)

Scope 1 emissions refer to the direct emissions from sources that an organization owns or controls. For instance, this includes emissions from burning fuel in company-owned vehicles that are not electric.

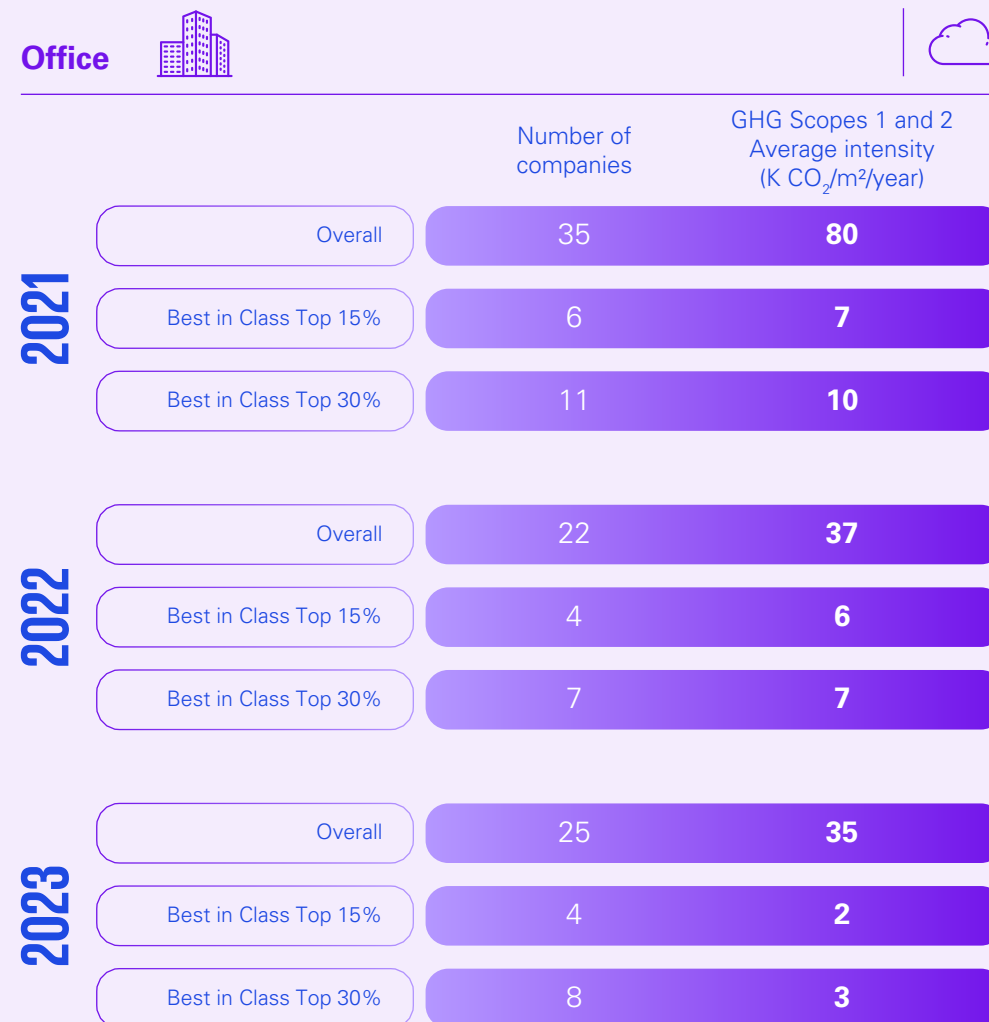
Scope 2 emissions are the indirect emissions resulting from the production of the energy that a company purchases and uses. These emissions occur at the facility where the energy is generated, not at the point of use. An example would be the emissions generated during the production of electricity that powers the company's buildings.

Breakdown by property sector (K CO₂/m²/year), regarding scopes 1 and 2

According to the results measured in 2023, one square meter of office space emits an average of 35 tons of CO₂ per year. This measure has fallen since 2021 (80 kCO₂/m²/year), reflecting a significant decrease in carbon emissions. These figures are closely linked to those that we have analysed previously in the Energy Intensity analysis. Companies in this industry have implemented great measures to continually reduce their carbon emissions. The best practices observed to reduce GHG emissions in the office industry are the following:

- reducing energy consumption by improving energy efficiency and reducing fossil fuels dependencies. Companies are finding new ways of increasing their renewable energy sources such as installing solar panels on their properties or purchasing electricity that is 100% renewable;
- carrying out sustainable mobility options by encouraging the use of carpooling, reducing business travel, using electric vehicles, and subsidizing public transportation fees to employees or bicycles;
- improving waste management programs to reduce, reuse, recycle construction and operational materials.

All in all, the companies that are performing the best in class reducing GHG emissions are all working to attain a carbon neutrality goal within the next 5-10 years.



Source: EPRA sBPR Database.

Retail



		Number of companies	GHG Scopes 1 and 2 Average intensity (K CO ₂ /m ² /year)
2021	Overall	25	35
	Best in Class Top 15%	4	2
	Best in Class Top 30%	8	6
2022	Overall	17	28
	Best in Class Top 15%	3	7
	Best in Class Top 30%	5	9
2023	Overall	22	34
	Best in Class Top 15%	4	1
	Best in Class Top 30%	7	2

The retail sector, together with the self-storage sector, appears to be one of the industries with the lowest carbon emissions. The metrics have been stable in the past three years. The average GHG emission in 2023 is 34 tons of CO₂/m². Our Best-in-class analysis has revealed that the best practices implemented by key players in this sector are the following:

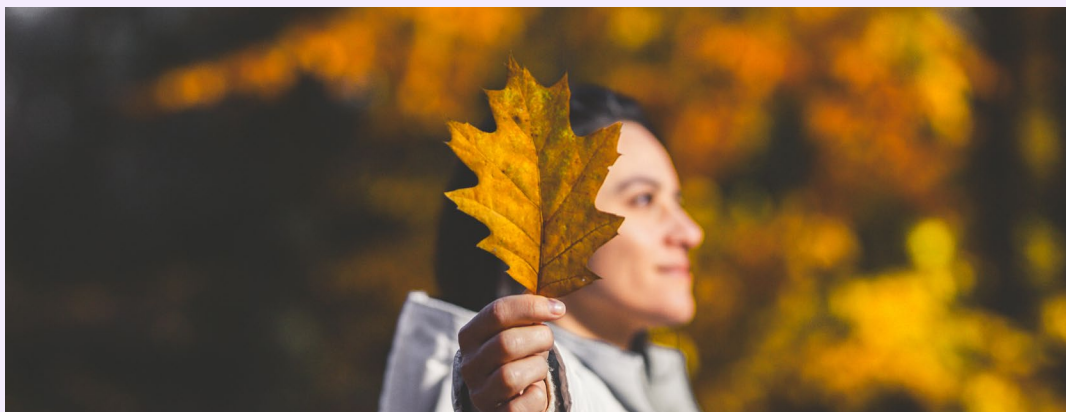
- sustainable renovation/construction projects: Companies use sustainable materials and eco-friendly construction techniques to improve the energy efficiency of their properties. Most buildings are certified according to recognized environmental standards such as BREEAM and LEED. These certifications ensure that the buildings meet strict sustainability criteria which in turn help reduce GHG emissions;
- renewable energy: The companies are increasing the use of renewable energy sources, such as solar panels, to reduce their dependence on fossil fuels and decrease their CO₂ emissions;
- data collection and sustainability report: Companies regularly publish sustainability reports following EPRA standards, detailing their progress in sustainability and emission reduction. The companies are committed to complying with environmental regulations and being transparent in their reporting on environmental impact.

Source: EPRA sBPR Database.



The residential sector appears to have the highest GHG intensity figures out of the asset classes presented in this analysis. However, it is important to consider that there is a heterogeneous residential portfolio. Hence explaining the wide disparity in our sample. Lastly, the non linear variation over the 3 years is mainly explained by the inclusion of different contributors from one year to the next in the database.

The best practices carried out to reduce GHG emissions throughout the residential industry are mainly related to improving the efficiency of heating/cooling systems and isolation. The implementation of up-to-date technologies and materials also contributes to reduce energy consumptions and associated emissions. This can include replacing common gas boilers at the end of their life cycle with lower-carbon alternatives. The residential sector is also following the general trend of reducing carbon emissions to become carbon neutral.



Source: EPRA sBPR Database.

Industrial



		Number of companies	GHG Scopes 1 and 2 Average intensity (K CO ₂ /m ² /year)
2021	Overall	13	63
	Best in Class Top 15%	2	1
	Best in Class Top 30%	4	2
2022	Overall	10	38
	Best in Class Top 15%	2	1
	Best in Class Top 30%	3	1
2023	Overall	14	10
	Best in Class Top 15%	3	0,33
	Best in Class Top 30%	4	1

Source: EPRA sBPR Database.

The industrial sector includes warehouse assets and distribution centres. These properties have become a significant part of Europe’s building inventory, especially with shifts in consumer behaviour and the growth of e-commerce. The variation in average intensity also highlights a diverse portfolio, featuring new, renovated, and non-renovated properties. Thus, explaining the discrepancies that we found in the data.

However, we have carried out a best-in-class analysis to find the best practices used by key players in this industry to reduce GHG emissions. The results are the following:

- waste management programs that aim to reduce, reuse and recycle construction and operational materials. Which in turn, reduces the energy used to conceive these materials and emissions associated;
- reducing the ecological footprints of their operations. During renovations, the best-in-class companies use sustainable materials and eco-friendly construction techniques to improve the energy efficiency of their properties.



Healthcare



		Number of companies	GHG Scopes 1 and 2 Average intensity (K CO ₂ /m ² /year)
2021	Overall	1	35
	Best in Class Top 15%	Data not disclosed	
	Best in Class Top 30%		
2022	Overall	1	34
	Best in Class Top 15%	Data not disclosed	
	Best in Class Top 30%		
2023	Overall	0	-
	Best in Class Top 15%	Data not disclosed	
	Best in Class Top 30%		

Source: EPRA sBPR Database.

Self Storage



		Number of companies	GHG Scopes 1 and 2 Average intensity (K CO ₂ /m ² /year)
2021	Overall	3	5
	Best in Class Top 15%	Data not disclosed	
	Best in Class Top 30%		
2022	Overall	3	4
	Best in Class Top 15%	Data not disclosed	
	Best in Class Top 30%		
2023	Overall	3	3
	Best in Class Top 15%	Data not disclosed	
	Best in Class Top 30%		

Source: EPRA sBPR Database.



Lodging & Resorts



	Number of companies	GHG Scopes 1 and 2 Average intensity (K CO ₂ /m ² /year)
2021	Overall	Data not disclosed
	Best in Class Top 15%	
	Best in Class Top 30%	
2022	Overall	Data not disclosed
	Best in Class Top 15%	
	Best in Class Top 30%	
2023	Overall	Data not disclosed
	Best in Class Top 15%	
	Best in Class Top 30%	

Source: EPRA sBPR Database.

As regards to our conclusions on the Scope 1 & 2 GHG intensity of these 3 industries (healthcare, self-storage and Lodging & Resorts), the limited contributions from these sectors prevent us from conducting a comprehensive analysis.

The best practices carried out to reduce GHG emissions in these industries are like those we have seen previously. The main trend is to reduce fossil fuel dependencies by increasing the ratio of renewable energy usage and to ensure that construction and renovation projects have been carried out to improve the energy efficiency of the facilities. For example, achieving EPC A and BREEAM Very Good certifications and including a rooftop solar installation.





GHG intensity (scope 3)

Scope 3 emissions refer to all indirect greenhouse gas (GHG) emissions that occur in the value chain of a company, both upstream and downstream. These emissions are not directly produced by the company itself, nor are they the result of activities from assets owned or controlled by the company. Instead, they are the result of activities from sources that the company does not own or control, such as:

- **transportation and distribution (upstream and downstream);**
- **processing of sold products;**
- **use of sold products;**
- **employee commuting;**
- **waste disposal and end-of life treatment;**
- **franchises;**
- **investments.**

Scope 3 emissions often represent the largest portion of a company's total GHG emissions, making them crucial for comprehensive carbon accounting and reduction strategies.



Measuring Scope 3 emissions can be complex due to the wide range of activities involved. Here are the general steps companies follow to measure their Scope 3 emissions^{1,2}.

Identify Relevant Categories

Companies start by identifying which of the 15 categories of Scope 3 emissions are relevant to their operations. These categories include for example purchased goods and services, business travel, and waste generated in operations.

Data Collection

Companies gather data from various sources within their value chain. This can include supplier data, transportation records, and information on the use of sold products. Data collection can be challenging and often requires collaboration with suppliers and other stakeholders.

Emission Factors

Companies use emission factors to convert activity data (like kilometres traveled or units of the product purchased) into GHG emissions. Emission factors are typically sourced from databases such as the GHG Protocol or national inventories.

Calculation Methods









There are different methods for calculating emissions, including:

- **Spend-based method**
Uses financial data to estimate emissions based on the amount spent on goods and services.
- **Activity-based method**
Uses specific activity data (e.g., liters of fuel consumed) to calculate emissions.
- **Hybrid method**
Combines elements of both spend-based and activity-based methods for more accurate results.

Verification and Reporting

To ensure accuracy, companies may have their emissions data verified by third-party auditors. They then report their Scope 3 emissions in sustainability reports or through frameworks like the Carbon Disclosure Project (CDP).

The data presented below for 2023 on Scope 3 GHG emissions should be treated with caution. Although research is still in its early stages, the introduction of the CSRD should enable progress to be made over the next few years.

Scope 3	Field	Unit	Indicator						
	Total Scope 3	t CO ₂	Indirect						
	Office 		Retail 	Residential 	Industrial 	Healthcare 	Self Storage 	Lodging Resorts 	Other
2023	28 569	79 969	85 664	47 130	10 074	2 185	4 776	5 273	
Total	28 569	79 969	85 664	47 130	10 074	2 185	4 776	5 273	

1 [Scope 3 inventory Guidance](#)

2 [EPRA Sustainability Best Practices Recommendations Guidelines](#)





Main sBPR metrics disclosures in the Annual Reports

Drawing from the annual reports of leading companies, we have pinpointed the key disclosures detailing the environmental initiatives aimed at improving energy, water, and GHG efficiency. Our analysis of these disclosures is categorized into three main themes: Strategy & Governance, Reduction & Optimization, and Stakeholder Engagement.

Strategy and Governance

Our previous surveys indicated that ESG was becoming a priority for Boards, leading to the establishment of dedicated ESG committees. The 2023 Annual Reports reveal that Boards have further intensified their focus on this area, particularly with the initial implementation of the EU Taxonomy and preparations for the CSRD. Boards are increasingly prioritizing ESG aspects, enhancing the skills and knowledge of their members through training. ESG criteria are also being integrated more frequently into the variable compensation of executives.

With the Corporate Sustainability Reporting Directive, Audit Committees must ensure that internal control processes for sustainability reporting are robust and effective. Data quality is a critical aspect of this. Leading companies have developed data identification processes that enhance data quality and reliability. These processes are more automated which allows real-time data aggregation and collection. This data is then effectively used as a management tool for both preventive and corrective actions.

For instance, Green Leases facilitate improved energy data capture, while Water Meters enable the collection of more precise water data, helping in analysis and reduction efforts.



Reduction and optimization

With advancements in technology, the measures outlined in the Annual Reports of the analysed companies show a significant shift compared to the 2020 reports. Notable improvements include increased use of solar energy through photovoltaic panels, new roofing materials, efficient energy materials, upgraded Heating, Ventilation, and Air-Conditioning systems, reduced reliance on fossil fuels, and better insulation.

Electric vehicle charging stations are also becoming more widespread among the analysed companies, covering various asset types such as offices and retail spaces.

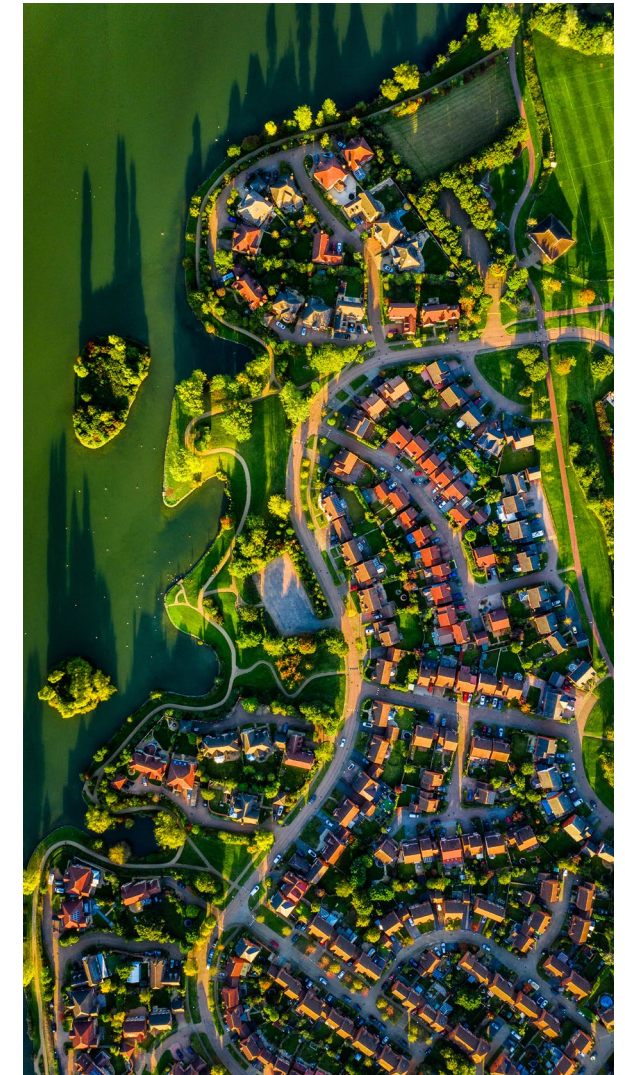
For offices, green lease clauses now require tenants to meet higher EPC standards during their fit-out works. Leading companies highlight the following actions to manage their energy consumption:

- transitioning to higher efficiency systems to reduce fossil fuel-based heating plants;
- forming strategic partnerships with certified gas and electricity suppliers;
- committing to switch all electricity to Power Purchase Agreement (PPA) certified renewable sources like wind, hydroelectric, and solar photovoltaic.

In residential properties, various measures are implemented within apartments, common areas, and communal gardens:

- installing master switches by the door in each apartment, allowing residents to turn off all lights when leaving. Properties are connected to a remote monitoring system for energy and water consumption, enabling quick responses and repairs in case of leaks;
- upgrading lighting in common areas with lighting controls, fabric upgrades, window replacements, and roof insulation. Installing PV panels on roofs to supply energy and upgrading to all-electric heating and hot water systems;
- implementing rainwater recycling in communal gardens.

For retail spaces, leading companies report a shift towards electricity from renewable sources and the development of on-site renewable energy production. They also emphasize the integration of circular economy principles at various stages of the asset lifecycle.





Involvement of key stakeholders

Alongside improving assets and their energy efficiency, another crucial area of improvement is encouraging users to reduce their energy consumption.

This is particularly relevant given the ESG objectives set by users and the rising cost of energy. Energy efficiencies ultimately benefit occupants of offices, retail spaces, and residential properties. It is in the mutual interest of both users and owners to jointly reduce energy costs.

For residential properties, please refer to Case Study 3.2: Towards Energy Restoration of the Residential Park.

Compared to the previous study, some leading companies also mentioned collaborating with their providers to encourage energy consumption monitoring through contractual limits.

In conclusion, the best-in-class ESG strategy is driven by the net-zero carbon objectives defined by the companies and the current and upcoming regulations. In the real estate sector, this necessitates a clear strategy for asset renovation, investment criteria that include ESG considerations, and a divestment policy.

KEY TAKEAWAYS

This study analysed the sustainability performance of 103 European real estate companies from 2021 to 2023, using EPRA sBPR data. Key indicators include Energy Intensity, Water Intensity, and GHG Intensity, with GHG Scope 3 emissions added for a comprehensive view.

Key Insights

Energy Intensity

Companies are improving energy efficiency through measures like installing renewable energy sources, upgrading HVAC systems, and enhancing building insulation.

Water Intensity

Efforts to reduce water usage include smart metering, water-efficient fixtures, and tenant engagement in water-saving practices.

GHG Intensity (Scope 1 + 2)

Significant reductions in carbon emissions are achieved through energy efficiency improvements, renewable energy adoption, sustainable mobility, and waste management.

GHG Intensity (Scope 3)

Scope 3 emissions, covering indirect emissions in the value chain, are crucial for comprehensive carbon accounting and reduction strategies.

Environmental Measures

Strategy and Governance

Boards are prioritising ESG, integrating ESG criteria into executive compensation, and improving data quality for sustainability reporting.

Reduction and Optimization

Increased use of renewable energy, building efficiency improvements, and installation of EV charging stations are key measures.

Stakeholder Engagement

Encouraging users to reduce energy consumption is essential alongside improving asset efficiency.

Annual fluctuations and data variations challenge trend identification, but the study highlights significant sustainability efforts and provides a foundation for future improvements.



APPENDIX 1

DEFINITIONS OF THE DIFFERENT METRICS (EPRA DEFINITIONS)¹

Energy-Int Building energy intensity - kWh/person/year or MWh/m²/year or kWh/revenue/year

Definition

Energy-Int refers to the total amount of direct and indirect energy used by renewable and non-renewable sources in a building over a full reporting year, normalised by an appropriate denominator.

Issue

Intensity indicators are widely used to report performance. However, the variety of approaches used by companies to calculate intensity indicators represents a challenge for stakeholders when understanding how to interpret data provided by reporters.

Rationale

Building energy intensity is one of the most effective measures of a building's overall energy efficiency during the occupation and operational phase of the building's lifecycle and enables analysis of performance over time without the need to exclude acquired or sold properties.

This performance measure can be used for the energy intensity for both those buildings occupied by the reporter and those held in investment portfolios. Building energy intensity is primarily intended to track changes over time for the reporter's' assets.

Water-Int Building water intensity - (litres or m³)/person/day; or m³/m²/year; or (litres or m³)/revenue/year

Definition

Water-Int refers to the total amount of water consumption within a building over a full reporting year, normalised by an appropriate denominator.

Issue

Intensity indicators have become widespread measures of performance (alongside the absolute consumption and like-for-like indicators). However, the variety of approaches used by companies to calculate intensity indicators represents a challenge for stakeholders when understanding how to interpret these indicators.

Rationale

Water-Int is one of the most effective measures of a building's overall water efficiency during the occupation and operational phase of the building lifecycle and allows analysis of performance over time without the need to exclude acquired or sold properties. This performance measure provides reporters with the opportunity to disclose water intensity for both those buildings occupied by the reporter and those held in investment portfolios. Water intensity is primarily intended to track changes over time for the reporters' assets.

GHG-Int Greenhouse gas (GHG) emissions intensity from building energy consumption - kg CO₂e/m²/year; kg CO₂e/person/year; kg CO₂e/revenue/year

Definition

GHG-Int refers to the total amount of direct and indirect GHG emissions generated from energy consumption in a building over a full reporting year, normalised by an appropriate denominator.

Issue

Intensity indicators have become widespread measures of performance (alongside the absolute consumption and like-for-like indicators). However, the variety of approaches used by companies to calculate intensity indicators represents a challenge for stakeholders when understanding how to interpret these indicators.

Rationale

GHG-Int is an effective measure of efficiency during the occupation and operational phase of the building lifecycle and allows analysis of performance over time without the need to exclude acquired or sold properties. This performance measure provides reporters with the opportunity to disclose GHG intensity for both those buildings occupied by the reporter and investment properties. GHG intensity from building energy is primarily intended to track changes over time for the reporters' assets.

¹ EPRA sBPR Guidelines 2024.



APPENDIX 2

DEFINITIONS OF THE EPRA FTSE NAREIT GLOBAL REAL ESTATE INDEX SERIES CLASSIFICATION USED IN THE STUDY

a) The underlying universe for the Property Sector Index Series is the EPRA FTSE Nareit Global Real Estate Index Series classification. The idea behind the Property Sectors Index Series is to distinguish the cohorts of listed real estate equities by separating the existing constituents into distinct Property Sectors based on gross invested book assets. The purpose is to provide investors with a mechanism to manage their exposure to different risk-reward profiles in relation to the different aspects of the real estate business, including office buildings, retail centres, industrial facilities, lodging/resorts, residential buildings and other types of properties.

b) The classification by Property Sector is based on the gross invested book assets as disclosed in the latest published financial statement. Each constituent of the EPRA FTSE Nareit Global Real Estate Index Series classification will be classified in one of the Property Sectors listed below.

c) Under index roles, companies are classified according to the following Property Sectors (only sectors that are presented in the study are listed below).

Health Care

Real estate investment trusts or corporations (REITs) or listed property trusts (LPTs) where 75% or more of their gross invested book assets are invested in health care properties.

Self-Storage

Real estate investment trusts or corporations (REITs) or listed property trusts (LPTs) where 75% or more of their gross invested book assets are invested in self-storage properties.

Industrial

Real estate investment trusts or corporations (REITs) or listed property trusts (LPTs) where 75% or more of their gross invested book assets are invested in industrial warehouses and distribution facilities.

Office

Real estate investment trusts or corporations (REITs) or listed property trusts (LPTs) where 75% or more of their gross invested book assets are invested in offices.

Industrial/Office Mixed

Real estate investment trusts or corporations (REITs) or listed property trusts (LPTs) that are not members of property sectors Industrial (N741) or Office (N742) but have a combined total of 75% or more of their gross invested book assets invested in industrial warehouses, distribution facilities and offices.

Residential

Real estate investment trusts or corporations (REITs) or listed property trusts (LPTs) where 75% or more of their gross invested book assets are invested in residential home properties. That includes apartment buildings and residential communities.

Retail

Real estate investment trusts or corporations (REITs) or listed property trusts (LPTs) where 75% or more of their gross invested book assets are invested in retail properties. That includes malls, neighbourhood and community shopping centres and factory outlets.

Lodging & Resorts

Real estate investment trusts or corporations (REITs) or listed property trusts (LPTs) where 75% or more of their gross invested book assets are invested in lodging & resort properties.

Diversified

Real estate investment trusts or corporations (REITs) or listed property trusts (LPTs) which own, manage and lease substantial assets across two or more property sectors where none meet the 75% gross invested book assets threshold for any single property sector.



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