Defining Sustainable Property Investments

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Sustainable Development and the true cost of buildings

Globally, according to the Social Investment Forum, the value of ethically screened funds has grown rapidly, rising 18% between 2005 and 2007 for a record $2,700bn. But we don't have easy access to data regarding ethical investments into property, because there is no broadly accepted standard yet in the industry allowing to precisely define "Sustainable Property Investment" as well as "Responsible Property Investment".

Therefore, the first challenge would be to define the concept and try to visualize what it means. Then and only then would it be possible to set a course of action and determine performance objectives, hence allowing arguing about being a great sustainable property investor.

Defining Sustainable Property Investment

When considering sustainable property investment, the first thing that comes to mind is: "*well, there is more to it than it looks like.*" And indeed, the issue is a lot more complex than anticipated. A few main areas are carved out:

- Establishing good practice in relation to the impact of our operations upon the environment and the people involved.
- Developing state-of-the-art management information systems allowing close monitoring of property portfolios.
- Stating a clear strategy embedding sustainable issues into core investment processes, both within the company and among our stakeholders, ultimately among tenants.
- Providing our teams with a clear set of guidelines they can refer to in their daily

operations, and making sustainability assessments mandatory.

- Compliance is also a major issue, but at the same time a great factor of achievement and an opportunity to stand out. Regulations set a framework for our activities, but this framework is bound to change; complying with these regulations is mandatory, but outperforming them in areas such as energy efficiency or waste management can only bring value to our investments. Furthermore, doing more today means being much better positioned in the future when regulations become more stringent.

Well-informed investors have shifted their focus from “sustainability investments are costly” to “sustainability brings value to investments”. For long-term investors, what’s the point in developing a property according to minimum standards today with the knowledge it will be technically obsolete and turned down by would-be tenants or buyers in as little as 10 years from now? The needed cost of structural refit will then expose investors to great strain mainly because of the costs of the works themselves, but also the loss of income during the works. Sustainable property investment is for the wise investor with a long-term commitment in order to achieve long-term growth.

The true cost of building

As a reminder of the urge to develop sustainable property investments, let’s have a short look at the true environmental cost of a building.

We have long assumed that the hazards caused by the built environment are limited to those that occur at a building site and during the life of a building. In reality, hazards begin with the acquisition of resources and extend through their processing, transport, and installation, not to mention dismantlement and disposal when it has to be replaced. The hazards also include any waste and pollution generated during construction, and the environmental impacts of a building’s operation, maintenance, repair, and remodel.

We can see that they extend far into the future, and far beyond the life of a building. As a consequence, with the added downfall of sometimes poor external design, real estate companies and developers are often considered major spoilers of the environment.

And this is where Poune Asset Management makes a stand.

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