

INVESTMENT MARKET GREEN BUILDINGS

MARKET FOCUS 2022

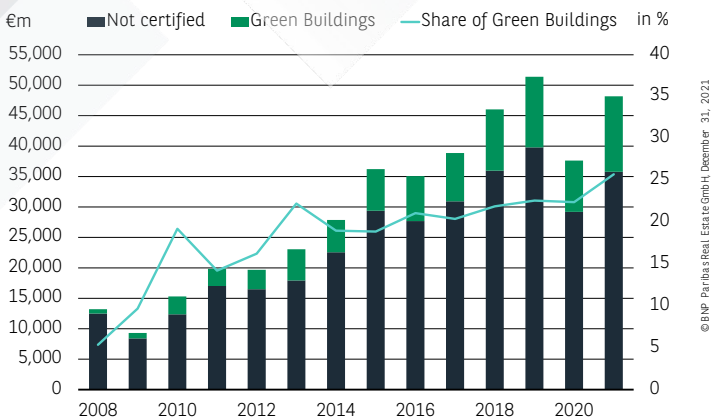


GREEN BUILDINGS ON RECORD COURSE

- In 2021, the investment volume in certified green buildings in Germany reached an absolute record level of approximately €12.4 billion. The relative share of the total volume of single asset deals also broke all records in 2021 with 25.7%. Every fourth euro invested in commercial real estate in Germany last year thus flowed into sustainably certified buildings.
- Sustainable, ESG-compliant buildings have gone from being a trend to a "must-have". The increased environmental awareness in society as a whole is certainly making a contribution here. However, the driver of the development is clearly the EU with the new taxonomy and disclosure regulation (Sustainable Finance Disclosure Regulation, SFDR). For the first time, legal criteria (taxonomy) and categories (SFDR) apply to sustainable investment products. With MIFID II, real estate funds that do not comply with Article 8 or 9 of the SFDR must be designated as unsustainable in investment advice. Accordingly, Article 8- or 9-compliant ESG funds are increasing significantly in Germany and Europe in terms of number and investment volume.
- The number of certified buildings also continues to rise. Despite the new EU guidelines, however, uncertainties remain because the regulations are neither conclusively defined nor are additional ESG criteria currently binding. Furthermore, many transactions suffer from an insufficient ESG database. Certificates are a good tool to better meet investor requirements.

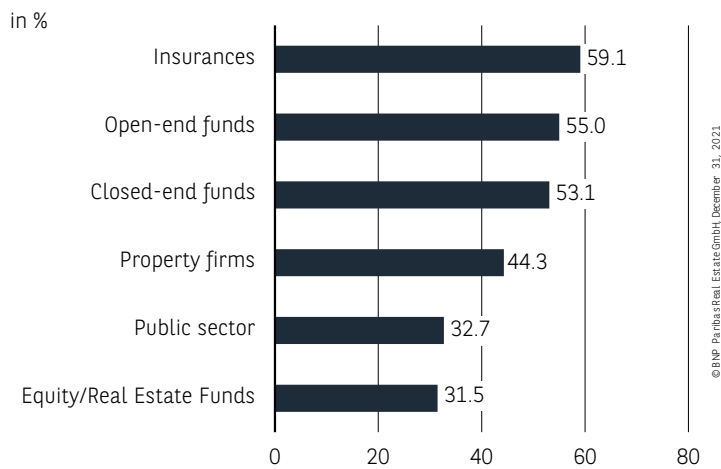
SUSTAINABILITY IN THE FOCUS OF INVESTORS

Investment volume and share of Green Buildings (single deals)

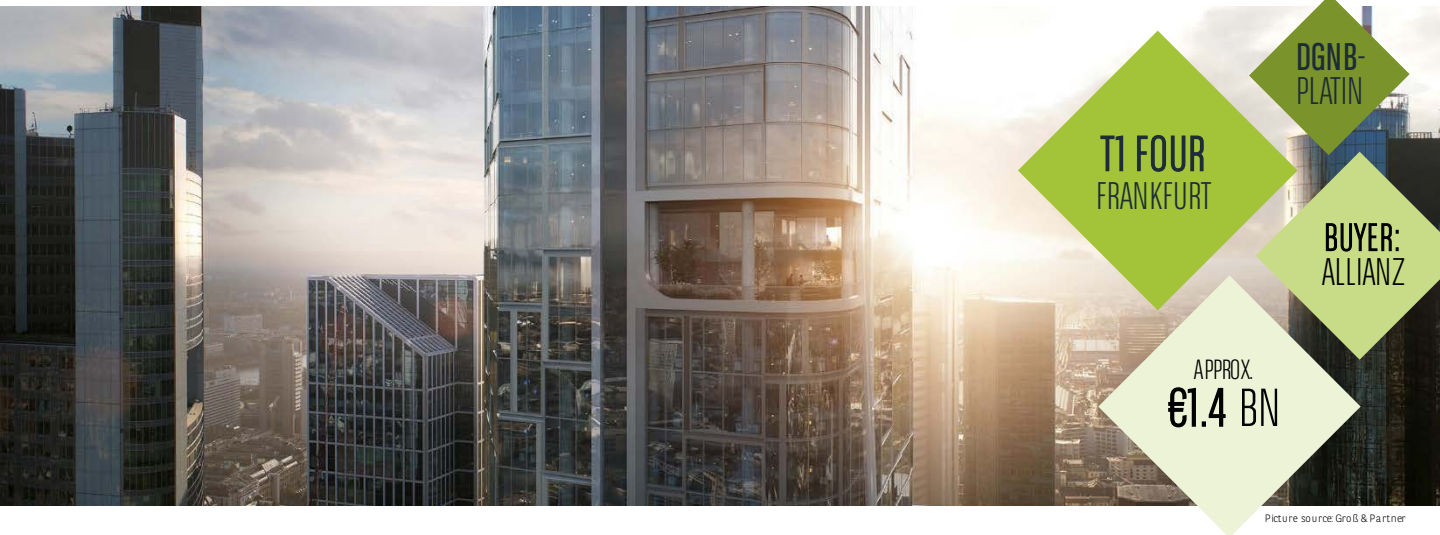


- The transaction volume with certified green buildings reaches a new record of around €12.4 billion in 2021.
- The relative share of certified buildings in individual deals is also at an all-time high of just under 26% in 2021. Compared to the previous year, the investment volume of certified properties can even record a more dynamic development than non-certified buildings.

Green Buildings' share by buyer group



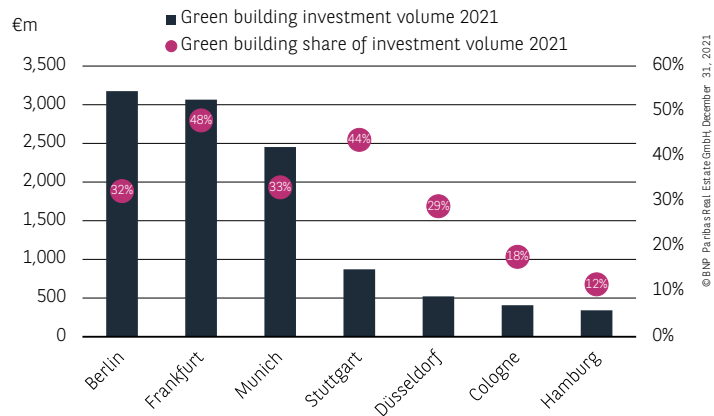
- In particular, institutional core investors were again very active in the market segment of green building investments in 2021.
- With insurance companies (59%), open-end funds (55%) and closed-end funds (53%), three groups of buyers invested more than half of their investment volume in certified green buildings.



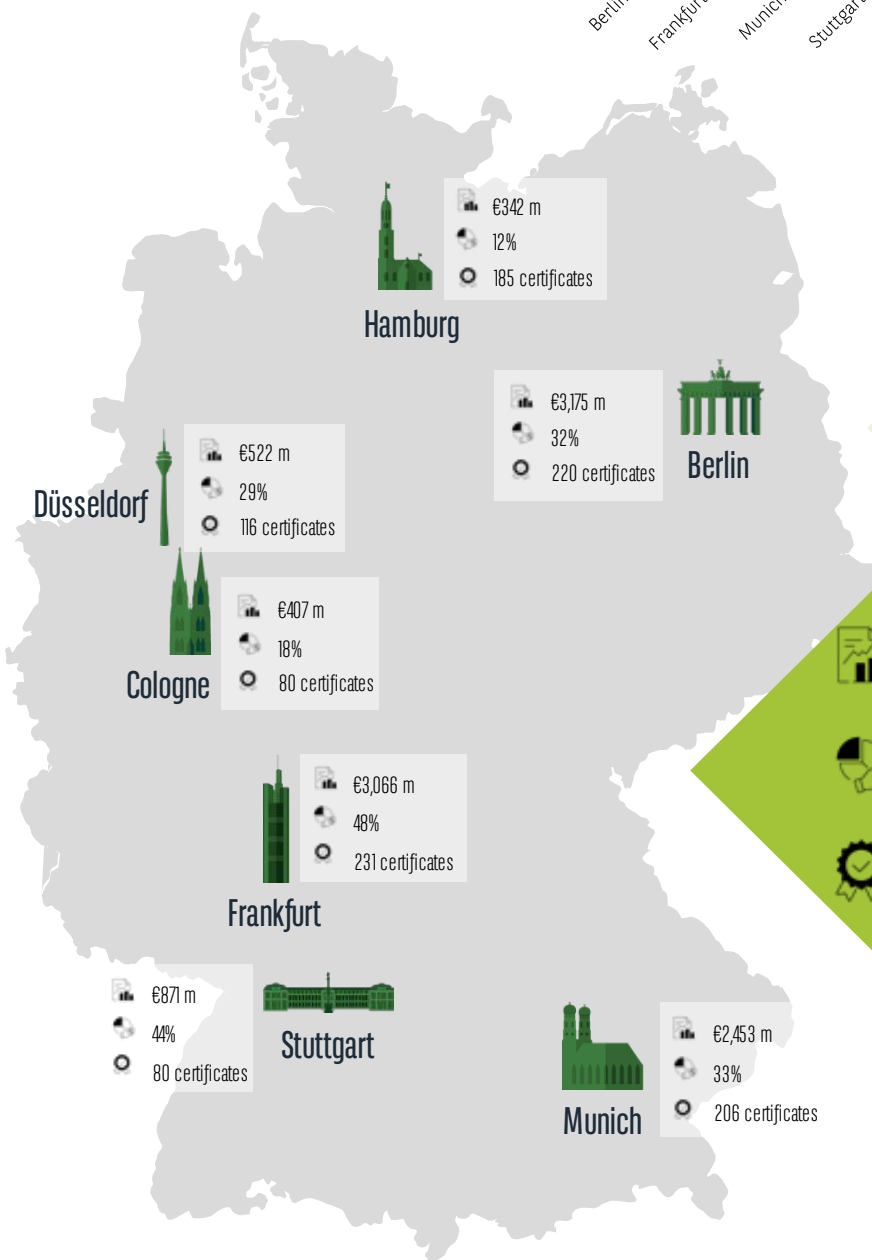
DYNAMIC DEVELOPMENT IN THE A-LOCATIONS

- Around 87% of the investment volume of certified green buildings is accounted for by the A-locations.
- In 2021, Berlin (€3.2 bn), Frankfurt (€3.1 bn) and Munich (€2.5 bn) were particularly in focus of green building investors.

Green Building investment market in the A-locations



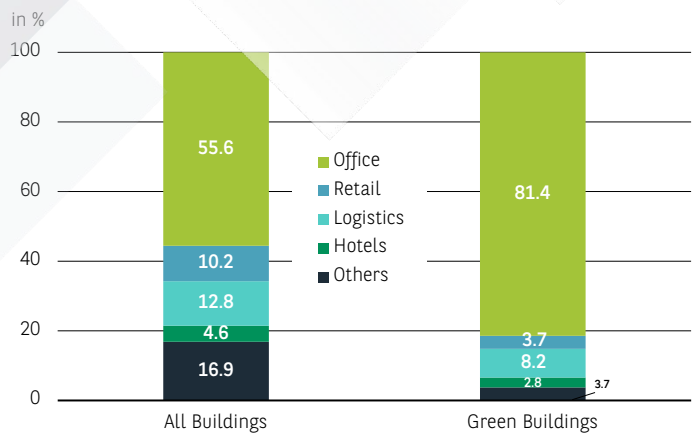
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OFFICE PROPERTIES REMAIN THE DOMINANT ASSET CLASS

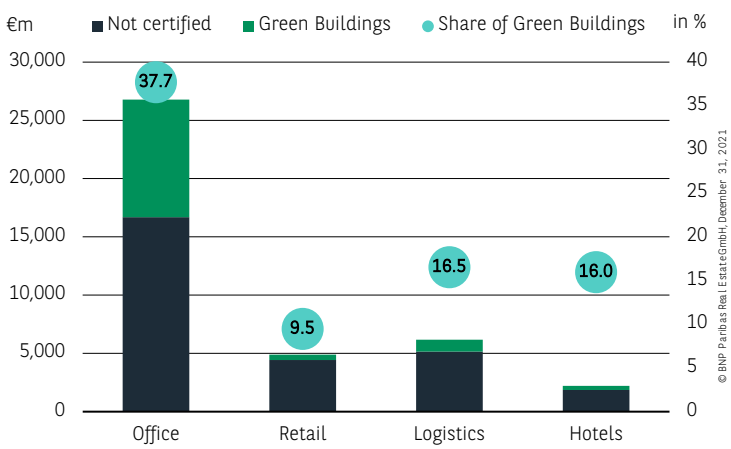
Green Building investments by asset class



- Office properties continued to be the most important asset class in the green building investment market in 2021, which is partly due to the great interest of tenants in certified office space.
- A dynamic development can also be seen in logistics properties, which again contributed the second highest share with 8.2% in 2021.

- The increase in the importance of certified buildings is particularly evident in office properties: almost 38% (2020: 34%) of the office investment volume was spent on green buildings.
- The second-largest share of green buildings is accounted for by the logistics asset class (16.5%), which is due especially to Anglo-Saxon project developers and users who attach particular importance to green building certificates.

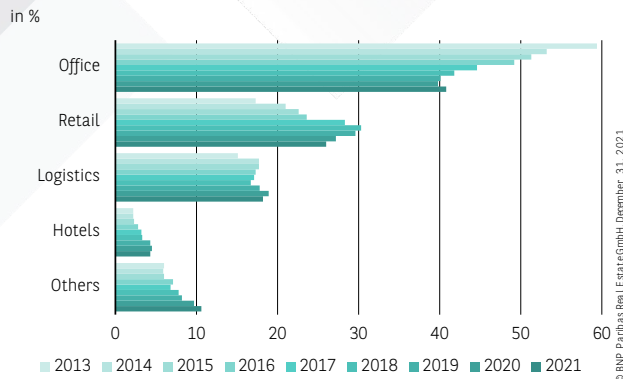
Share of green buildings in investment volume by asset class



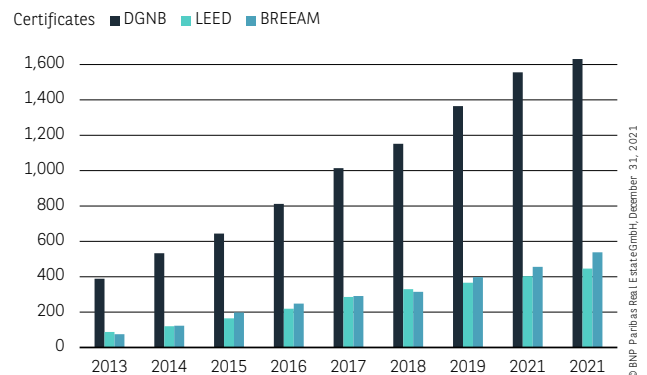
Picture source roommeet@reland

GREEN BUILDING CERTIFICATES ARE GAINING IN IMPORTANCE

Certificates: Green buildings by asset class



Market share of the certification systems



- A significant increase in the number of certifications was again recorded in 2021. Around 2,600 buildings in Germany are now certified. The awarding of green building certificates is developing in line with current market trends, so that the importance of logistics properties in particular has increased, whereas it is declining in the retail sector.
- DGNB remains the clear market leader in the field of green building certificates, ahead of BREEAM and LEED. Since 2019, BREEAM has been able to distance itself somewhat from LEED.

Timber Hybrid: Timber Office

- The Timber Office property in Hamburg is a showcase project in terms of sustainability.
- In addition to the innovative construction method (timber hybrid), the building also has a low-tech strategy for lower energy consumption and an integrated mobility concept for sustainable commuting of employees.



Picture source: AWW Immobilien AG



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PERSPECTIVES

The upswing in investments in green certified real estate and ESG-compliant funds as well as the growth in certifications in existing stock is expected to continue. The uncertainty in the industry, triggered not least by inconsistent ESG requirements and regulations from Brussels that have not yet been finalised (among other things, the social criteria are still being agreed), has contributed to the significant growth in the importance of building certificates. The real estate industry is also striving to meet the increased ESG requirements. This is achieved with the help of new scoring tools such as ECORE, climate tools such as CRREM, as well as in-house analyses, and underlines the enormous efforts being made to establish a sufficient data basis for the vast German real estate stock. It can be hoped that ECORE, as well as other standards and tools, will improve data availability and thus increase the currently still lacking ESG transparency in asset management and transactions. After all, the real estate sector needs a good set of instruments in the form of scores, climate paths and certifications in order to better meet the increasing requirements of legislators, investors and other stakeholders.

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