

INVESTMENTMARKET GREEN BUILDINGS

MARKET FOCUS 2023

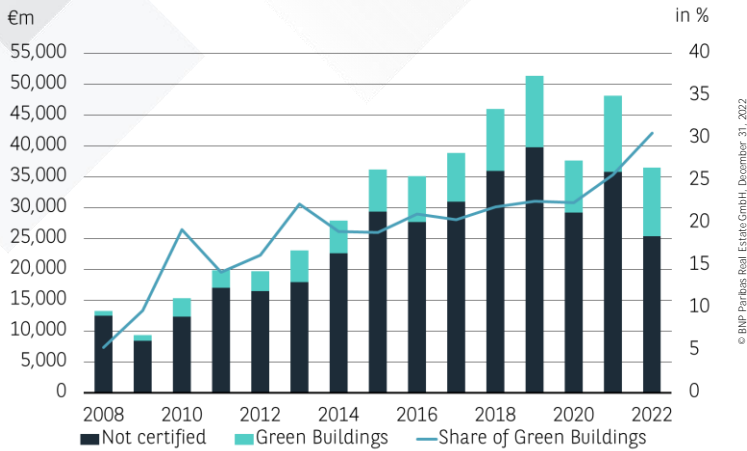


GREEN BUILDINGS REMAIN ON RECORD COURSE

- The investment volume in certified green buildings in Germany in 2022 remained at a very high level of approximately €11.2 billion. Although the volume, like the investment market as a whole, declined slightly in absolute terms compared to the previous year, the relative share of certified assets in the investment market rose to an absolute record level of 30.6%.
- In a confusing and uncertain situation, the certificate is perceived as a reliable signal for ESG and sustainability. ESG criteria have achieved a very high status in asset management and investment decisions in a short period of time with the new regulatory framework of the Taxonomy and Disclosure Regulation of the EU.
- However, these regulations still cause uncertainty rather than clarity for many with regard to ESG requirements to be fulfilled. Some questions were answered with a publication from Brussels in December 2022, but much remains open. For example, the social taxonomy was first brought forward in last year's draft and then put on hold. More than a few market participants are missing a clear framework for the classification and recognition of a mutual fund as an Article 8 or 9 fund.
- Although certificates such as BREEAM, DGNB or LEED are not congruent with the ESG criteria of the taxonomy, they are understood as a significant indication of consideration of ESG criteria.

SUSTAINABILITY IN THE FOCUS OF INVESTORS

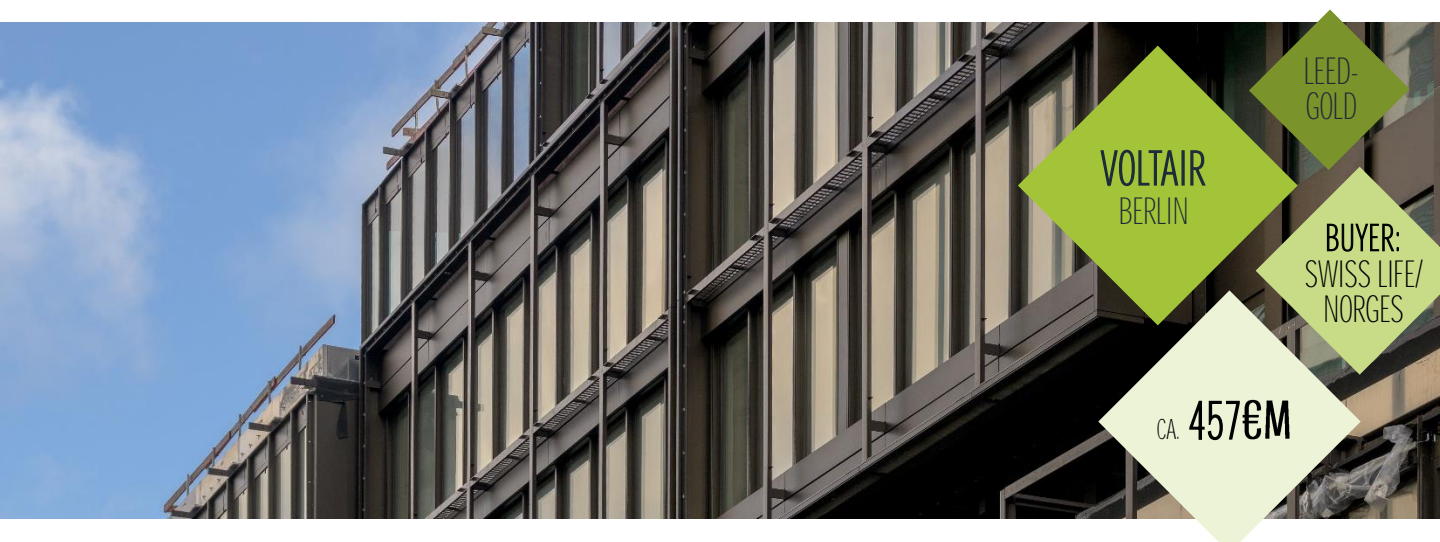
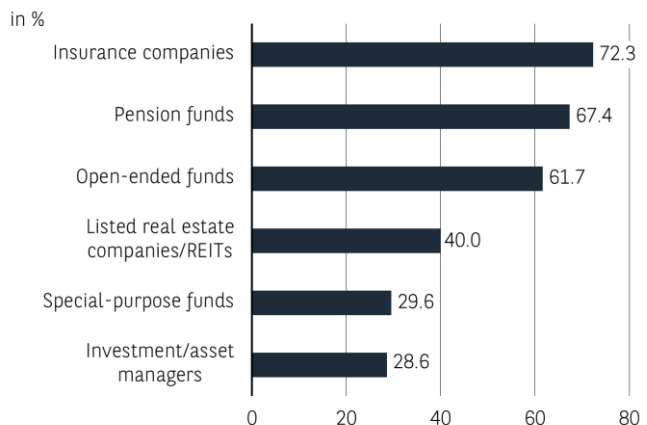
Investment volume of individual deals and share of green buildings



- While in 2021 the relative share of green investments in individual deals was at 25.7%, it rose to 30.6% in 2022.
- So while in 2021 approximately one in four euros was invested in sustainably certified commercial real estate in Germany, in 2022 one in three euros was invested in a sustainable building.

- Once again, institutional core investors in particular were very active in the green building investment market segment in 2022.
- While institutional investors had invested between 50% and 59% of their investment volume in certified green buildings in 2021, this ratio was over 60% in 2022. For insurance companies, the share of green investments even exceeded 72%.

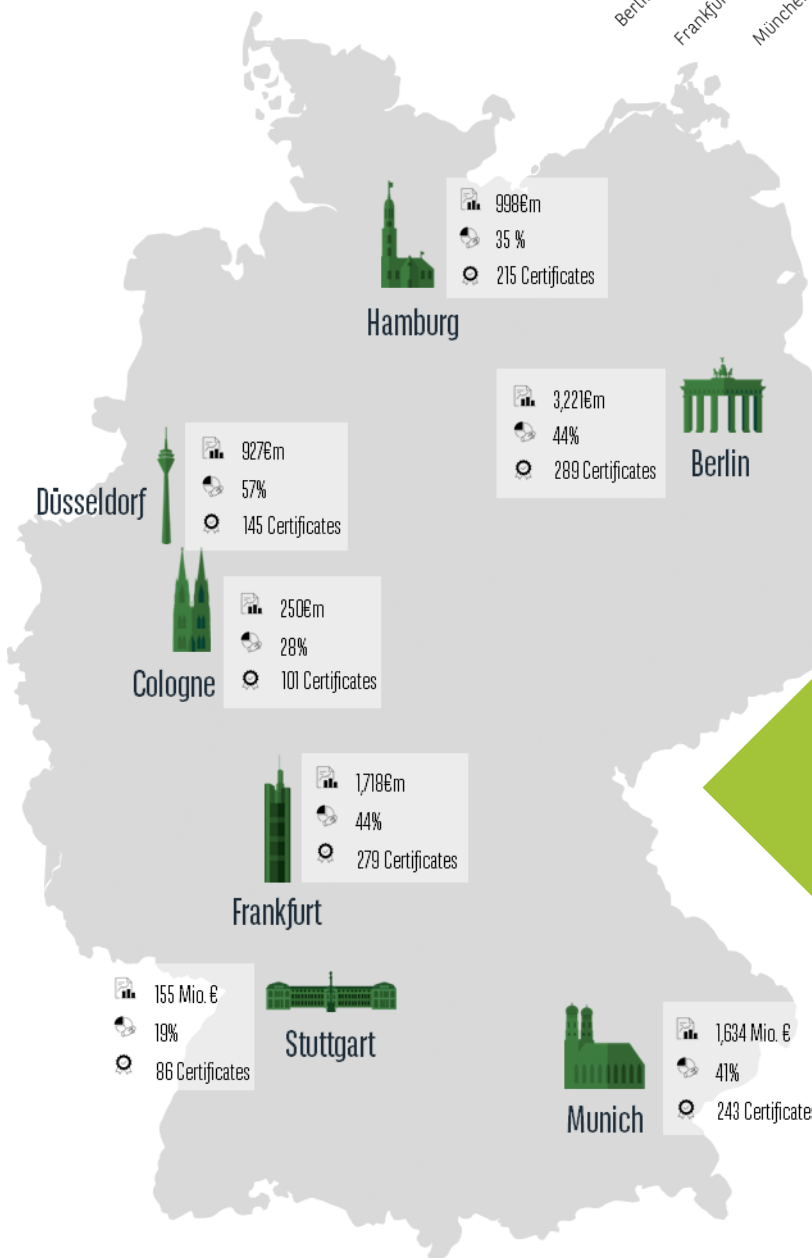
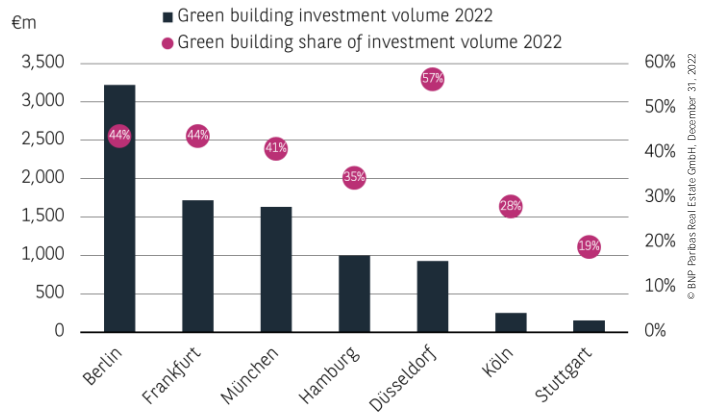
Share of green buildings in total investment volume by buyer group



DYNAMIC DEVELOPMENT IN THE A-LOCATIONS

- In 2022, around 80% of the investment volume of certified green buildings was accounted for by the A-locations.
- In the three largest investment locations, Berlin, Frankfurt and Munich, the share of sustainable buildings in commercial transactions was over 40% in each case.

Green Building investment market in the A-locations



- Green Building-Investmentvolumen 2022
- Share of Green Buildings from total Investmentvolumen 2022
- Certificates total (Incl. 2022 certified)

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OFFICE PROPERTY REMAINS THE DOMINANT ASSET CLASS

Green building investments by type of use

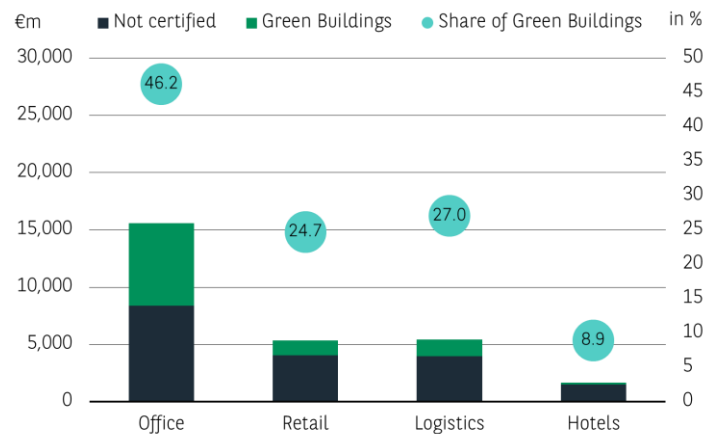


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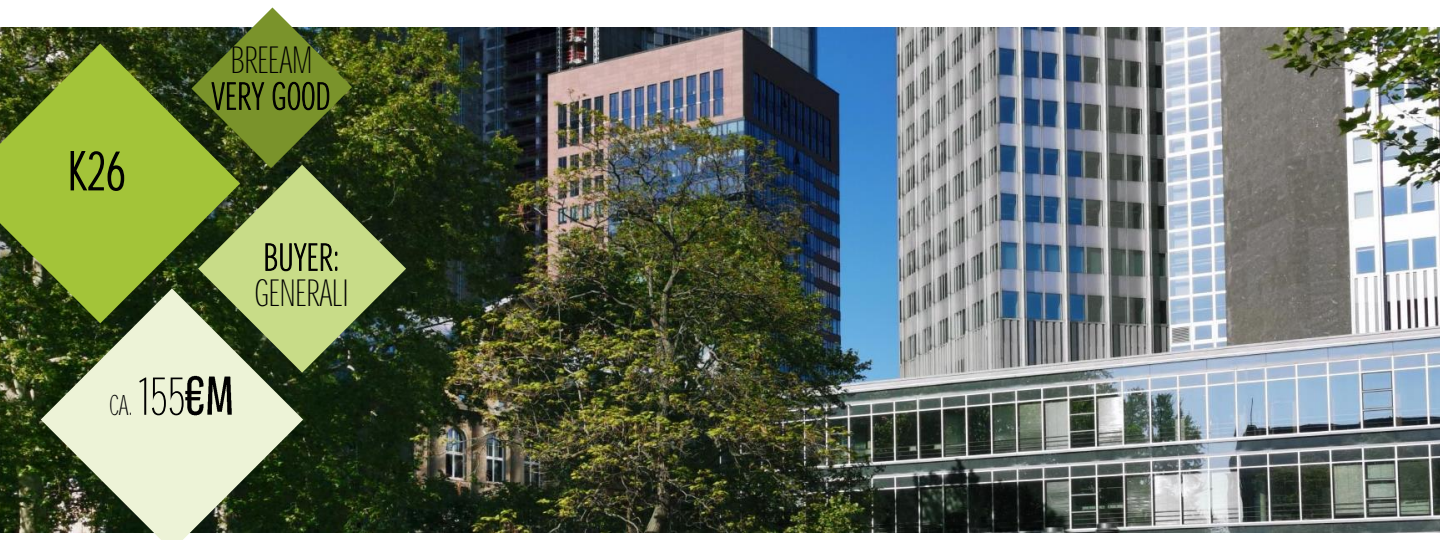
- As in previous years, office properties were again the most important asset class on the green building investment market. The drivers continue to be international corporates, which prefer certified buildings.
- A dynamic development can also be seen in logistics properties, which were able to significantly increase their relative share to 13.2% compared to the previous year.

- The share of certified office buildings in the total investment of the office asset class reached a new high of 46.2% in 2022 (2021: 38% and 2020: 34%). Almost every second euro in this asset class was placed in a certified building.
- An impressive increase in market share was also registered for green logistics buildings. 27% of the logistics investment volume went into certified properties in 2022. In the previous year, it was only 16.5%.

Share of green buildings in investment volume by use

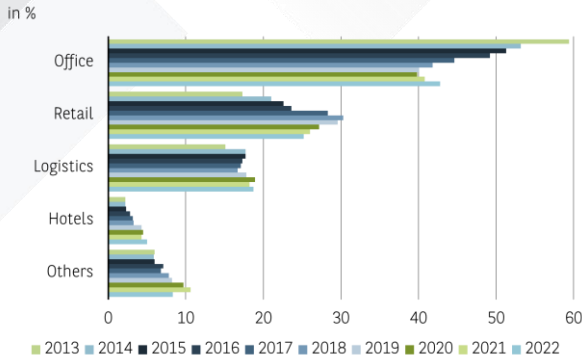


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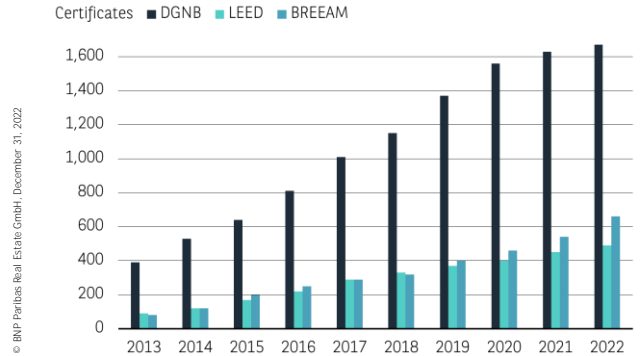


GREEN BUILDING CERTIFICATES ARE GAINING IN IMPORTANCE

Certificates: Green Buildings by property type at the end of the year



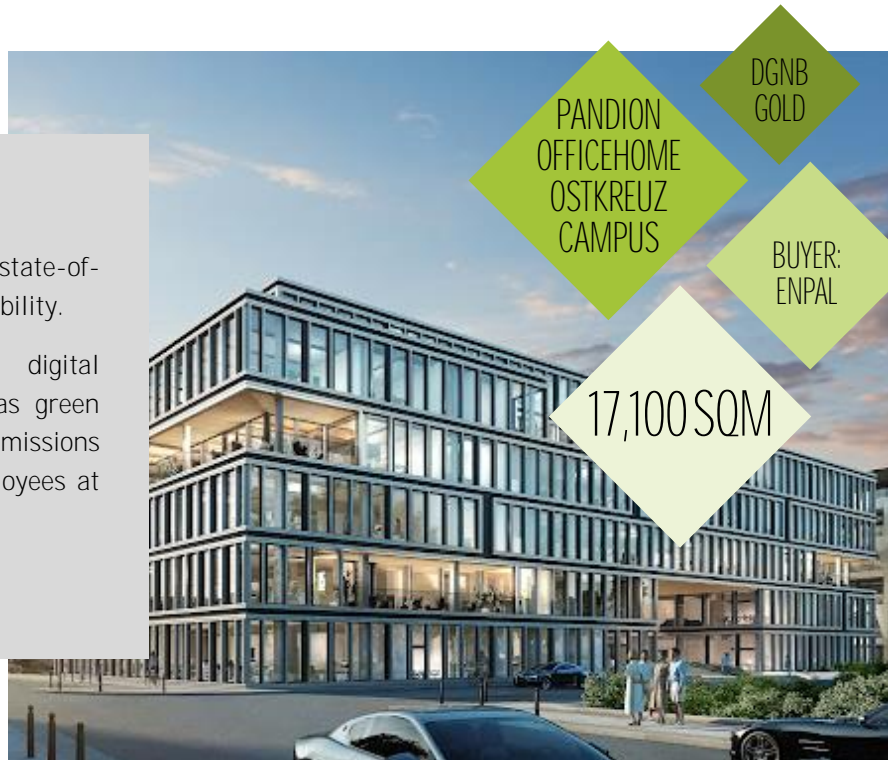
Market share of the certification systems



- As in previous years, a significant increase in the number of certifications in Germany was again recorded in 2022. There are now over 2,800 certified buildings in Germany. The analysis of certifications by asset class impressively shows that the relative share of retail in the nationwide certified buildings has declined for several years in a row, while logistics recently made relative gains.
- DGNB (1,670) remains the market leader for green building certificates, ahead of BREEAM (660) and LEED (490). BREEAM was able to extend the gap to LEED through the existing building certification.

PANDION OFFICEHOME Ostkreuz Campus A

- The Ostkreuz Campus in Berlin is a state-of-the-art property in terms of sustainability.
- In addition to an excellent digital infrastructure, the building also has green outdoor areas that ensure lower emissions and sustainable relaxation for employees at the Ostkreuz Campus.



Fotoquelle: Pandion AG



Hermann Horster
Phone: +49 (0)40-348 48-104
hermann.horster@bnpparibas.com

PERSPECTIVES

While the industry is discussing taxonomy conformity, the classification in Article 8 or 9 of the Disclosure Regulation is becoming the essential criterion, and purchase and divestment decisions are being made based on this, the good old green building certificate is maturing into a hidden champion. The fact that over 70% of the investment volume of institutional investors flows into certified real estate proves: A green building certificate is now a must-have. However, it is nothing more and nothing less than a resilient indication that ESG issues are being taken seriously, as the legal framework continues to be a major hurdle. The aforementioned regulations are only the tip of the iceberg. Since 01.01.2023, the CO2 tax also applies to commercial uses in Germany, and an emissions trading system for buildings is in preparation in Brussels (probably from 2027). Berlin, on the other hand, wants to tighten the Building Energy Act (Gebäudeenergiegesetz, GEG), and an Energy Efficiency Enhancement Act (Gesetz zur Steigerung der Energieeffizienz, ENEFG) with, among other things, a refurbishment of the least energy-efficient buildings, is available as a draft bill. The EU is planning something similar with the EPBD (EU Energy Performance of Buildings Directive): Buildings in the deep red range of the energy performance certificate are to be renovated to a more energy-efficient level. The increase in importance of ESG and sustainability in the real estate industry will most likely be even more dynamic in the future than it has been so far.

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