SIEMENS

CRE Review

October 2021

Welcome!

The last 18 months have brought significant change to the world of commercial real estate. And like any market, we know that change creates new opportunities—including an opportunity to have more direct conversations with you, our customer, about this market, what's changing it, and good ideas for bridging gaps and collaborating. We hope you'll enjoy our new, CRE Review.

In this issue, we begin with a closer look at the topic of sustainability and how it affects the commercial real estate market. We'll explore how and why sustainability investments in CRE have taken center stage, and how organizations can realize a return on investment that goes beyond reducing utility bills. This edition will also feature the topic of "Mixed use, mixed needs".

Articles

Return on your sustainability investment

Two years ago, Morgan Stanley published a report on sustainable investments. Among their key takeaways was the fact that **86%** of investors believe that companies embracing environmental, social, and corporate governance (ESG) practices will be more profitable in the long-term. Moreover, 88% of their respondents believe that balancing financial gains with a focus on social and environmental impact is possible.

That was two years ago. As a writer for Forbes recently **argued**, the COVID-19 pandemic has "forc[ed] businesses to be accountable in entirely new ways," including, he wrote, in strategies to optimize the built environment for enhanced societal and environmental benefit, as well as accelerating ESG investments. In fact, over the past year, ESG funds have **outperformed** the S&P 500 over the last year, in some cases by approximately 20%.

How do ESG investments pay off?

Buildings consume 40% of the world's energy and produce 33% of greenhouse gas emissions – which makes them a good target for sustainability improvements. We **know** that investments in energy-saving infrastructure pay off in terms of lower utility bills. But the truth is that the return on these investments goes well beyond reduced energy consumption, and encompasses the higher valuation predicted by Morgan Stanley's respondents.

For example: green properties have higher asset values (**up to 10%**), higher lease rates (**on average 3.7%**), and higher occupancy levels (**up to 4%**). The qualitative benefits are also compelling. Commercial properties that have made sustainability investments can realize improved **health and wellbeing** for building occupants and **more productive** work environments.

In fact, at **Siemens** we have likewise set clear, ambitious priorities for our own ESG investments. Sustainability determines our responsible business practices; our risk management approach; and our technological contributions to climate protection, resource conservation, and product safety.

Mixed use, mixed needs: Is your building smart enough for the future?

The tallest building in Miami, Florida, Panorama Tower is a mixed use high rise that features an array of exclusive amenities, services, and building features—from ocean views and an onsite hotel and pet spa to a gourmet market and a U.S. Post Office. With 85 floors and 2.5 million square feet of residential living and office space, the people who will live and work at Panorama Tower can practically have it all.

The mixed-use nature of this tower means that the people who live, work, shop, and visit the building have mixed needs. For example, people need and want to feel safe when they're inside the building but also want contactless entry. As such, security planning must allow for public access to retail space but tighter (yet still seamless) access controls for residential spaces.

Feeling safe inside a building means something different today than just physical security measures. That is, ventilation and air quality are now highly-visible, important considerations for every commercial building. Taking care, for example, that an apartment resident can control heating and cooling independent of other building residents and guests of the buildings' hotel.

Because today's new buildings are designed to last for a century, rather than 30-40 years, they require significantly more future-proofing. Property owners and managers must be ready for future tenants' and owners' needs, which requires consideration for what can be done today to enable the building to handle any future technological architecture. That is, owners must take into consideration the ability of today's technology to accommodate the needs of tomorrow.

Learn more about CRE

Did you know?

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In 2020 there were 6,500 Energy Star commercial buildings. More than 275,000 buildings, comprising 25% of all commercial building floorspace in the U.S., used EPA's ENERGY STAR Portfolio Manager® tool to measure and track their energy use, water use, and waste and materials.

Source: US EPA