

2015 GRESB Report North America Snapshot

Introduction

North America has a rich and dynamic commercial real estate industry. The last years have seen renewed growth with significant demand for new acquisitions and strong prospects for profitability. North American real estate markets are also responding to long-term challenges, including aging populations, new technology, and changing preferences for homes and workplaces. Responses to these issues are intertwined with an increasing focus on environmental, social, and governance (ESG) issues, including energy and water efficiency, and resilience.

The North American real estate market continues to be a very significant consumer of energy, and, consequently, the cost and environmental impacts of energy use have the attention of consumers, regulators, and property owners. Fifteen major municipal governments have adopted energy-labeling policies, including New York City, San Francisco, and Washington, DC. These new policies are injecting new information into competitive markets, while also creating pressure on asset owners and managements to collect, analyze, and effectively communicate new types of performance data.

Long-term threats to water supplies have come to the forefront of public consciousness as severe drought has gripped the western US and British Columbia. Areas from San Diego through Vancouver have faced historically low levels of precipitation and winter snow pack. These trends have drawn attention to the need for more aggressive water conservation in residential and commercial buildings. Fortunately, the North American real estate sector presents significant water savings opportunities, notably through drought tolerant landscaping, efficient plumbing systems, and water reuse.

More broadly, there has been a growing awareness across North America about the importance of resilience as a

strategy to prepare for and adapt to changing conditions. In part fueled by experience with Super Storm Sandy in New York City, the real estate industry across North America has begun to recognize and address risks to property, particularly in low-lying coastal zones and fire-prone areas.

In each of these trends, we find that real estate portfolios represent both a source of challenges and solutions. GRESB's 2015 results provide insights into the ongoing efforts of North American property companies and fund managers to navigate these complex environmental, social, and governance issues, while finding new opportunities to create value and manage short and long-term risks.

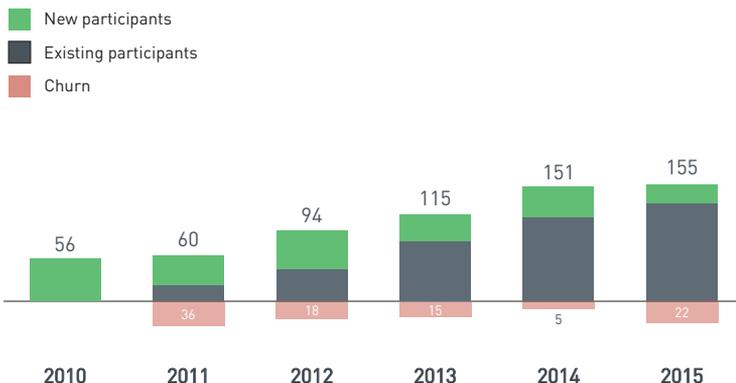
Response Rate

The 2015 GRESB assessment includes 155 North American participants with a combined gross asset value of USD 813 billion, including 41 listed property companies and 114 private funds. North American entities report holding assets across a range of property types including retail, office, industrial, residential, hotels, and healthcare. North American entities represent 42% of GRESB global participation by gross asset value and 34% by floor area. North American private fund participants are distributed across multiple investment strategies: 67% Core, 22% Value-added, and 11% Opportunistic.

The majority of North American participants report having a mixture of standing investments and development. In 2015, there were no development-only North American entities.

- Standing investments only: 72 entities
- Combination of standing investments and development-only: 83 entities

North American response rate development



“Sustainability is an issue of increasing importance for listed REITs and real estate companies, and of growing interest among investors. Over the past several years, these companies, which represent a cross-section of commercial real estate, have measurably increased their sustainability-related activities; and the annual GRESB Report provides useful information and comparative benchmarking data to help measure this progress.”

Sheldon M. Groner, Executive Vice President, Finance & Operations, NAREIT

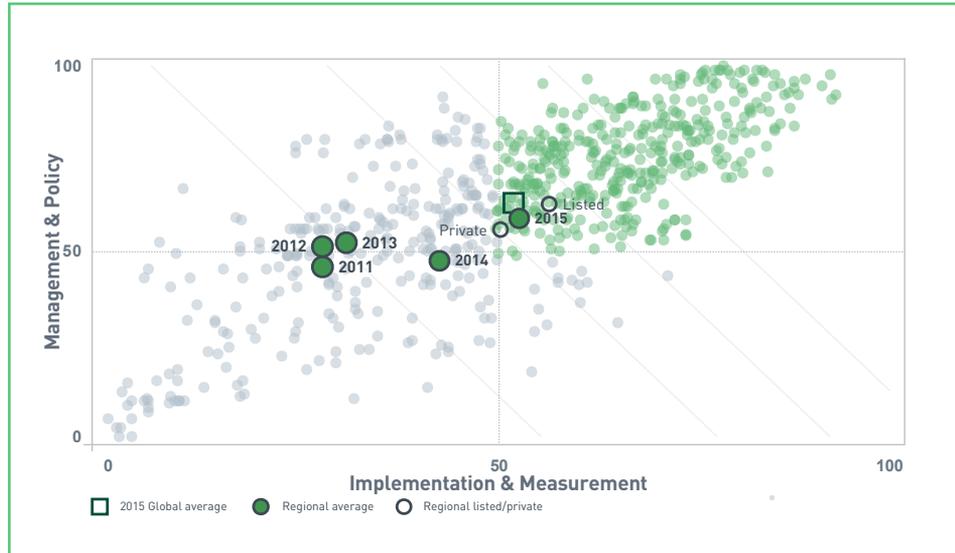
Regional Results

GRESB Scores

Overall, North American participants slightly trailed global GRESB averages in 2015:

- Average GRESB Score for all North American entities: 44 (global: 46)
- Average GRESB Score for listed North American entities: 58 (global: 61)
- Average GRESB Score for private North American entities: 52 (global: 54)

On average, North American participants achieved higher scores on the GRESB Management & Policy dimension (North American average 58, an increase from 48 in 2014) than the Implementation & Measurement dimension (North American average 52, an increase from 42 in 2014).



Quadrant Model

In 2015, North American GRESB participants aligned with the larger global trend, with a significant increase in entities recognized as Green Stars:

- 55% Green Stars (2014: 32%)
- 5% Green Walk (2014: 7%)
- 12% Green Talk (2014: 13%)
- 28% Green Starters (2014: 48%)

Aspects Scores

The GRESB Survey is structured into seven unique sustainable Aspects, plus a separate Aspect for New Construction & Major Renovations. The maximum score for each Aspect is the sum of scores for each question in that particular Aspect. North American entities perform particularly well on issues related to Risks & Opportunities with an Aspect score of 72, trailing only Australia/NZ's score of 86. The Management Aspect presented further opportunities for improvement by North American entities, as they trailed other regions with an average score of 72 compared to Europe 79, Asia, 80, and Australia/NZ 89.

ESG Scores

The GRESB Score is broken down into separate scores for Environmental, Social and Governance (ESG) based on mapping these issues to specific questions. Overall, North American entities matched or modestly trailed global averages. The average score for environmental performance was 49, matching the global average. The social score was 56, trailing the global average by only 2%. Governance, with a score of 63, represents the widest gap, falling nearly 6% below the global average.



“REALpac, as a leadership organization, has been actively engaging with our members and the broader Canadian commercial real estate industry to promote awareness of and best practices in sustainability. The GRESB Results serve as an important management tool for our members and their investors, and GRESB as a whole is a key partnership for REALpac in our mission to support and promote the growth of sustainability at the asset and corporate levels. We have been proud to see Canadian organizations leading in North America and globally in the GRESB rankings in the past few years. REALpac continues to encourage data collection and comparative benchmarking and applauds the Canadian leaders on their accomplishments.”

Sustainability Trends

Energy

The 2015 GRESB data indicate that participants are taking broad-based action to understand and reduce energy-related costs and environmental impacts, including organizational policies and data management infrastructure:

- Energy policies as part of overall sustainability policies: **93%**
- Externally communicated energy consumption targets: **29%**
- Provisions to monitor energy use in data management systems: **100%**

In 2015, **51%** of North American entities took action to implement energy management policies with measures including:

- High efficiency equipment and appliances: **65%**
- Building energy management systems: **34%**
- Building automation: **18%**

The 2015 GRESB data include information about tenant engagement designed to support energy saving goals, including specific provisions of so-called “green leases”:

- Cost-recovery clauses for energy efficiency improvements: **68%**
- Building energy management systems: **34%**
- Energy efficiency requirements for tenant improvements: **60%**

The 2015 GRESB data indicate that these efforts have yielded tangible results. On average, North American GRESB participants report:

- Energy data coverage: **66%** of participants
- Like-for-like reduction in total energy consumption: **-1.44%** from 2014
- On-site renewable energy use: **118,283 Mwh**, an increase from 82,965 in 2014

On-site renewable generation increased **43%** from 2014

Climate Risk & Resilience

North America faces a long-term challenge in preparing for changing climatic conditions, including the prospect of more severe storms and increasingly fragile public infrastructure. This challenge creates the need to understand and manage climate-related risks to individual properties and entire portfolios.

The 2015 GRESB results indicate that North American participants are taking action to understand and address climate risk and resilience. In 2015, **88%** of North American entities reported having sustainability policies and a growing fraction of these policies include specific provisions addressing climate risk and resilience:

- Entities with policies addressing climate change: **36%**
- Entities with policies addressing resilience: **26%**

Water

Severe and prolonged drought across western North America has brought attention to the importance of water conservation and sustainable water supply management. Short-term events such as droughts are superimposed on a long-term decline in the per capita availability of renewable freshwater resources. Consequently, efficient and productive use water is essential to maintaining both economic activity and environmental quality.

The 2015 GRESB results indicate that industry participants are taking a variety of actions to understand and conserve water resources. Specific policies, actions, and monitoring reported for standing assets by North American entities include:

- Provisions to track water consumption in data management systems: **95%**
- Water policies as a specific aspect of overall sustainability policies: **91%**
- Externally communicated water consumption targets: **22%**

In 2015, **86%** of North American entities reported implementing water efficiency improvements for standing investments within the last four years, including:

- High efficiency fixtures: **72%**
- Grey water use: **35%**
- Cooling tower management: **16%**

The 2015 GRESB data indicate that these actions have contributed to significant, positive outcomes. In 2015, North American GRESB participants report:

- Water data coverage: **80%** across all property types
- Like-for-like reduction in total water consumption: **-1.91%**

88% of North American entities reported water efficiency requirements for new construction and major renovations

26% of North American entities incorporate resilience into their sustainability policies

North American entities are acting on their policies with risk assessments for both standing assets and new acquisitions:

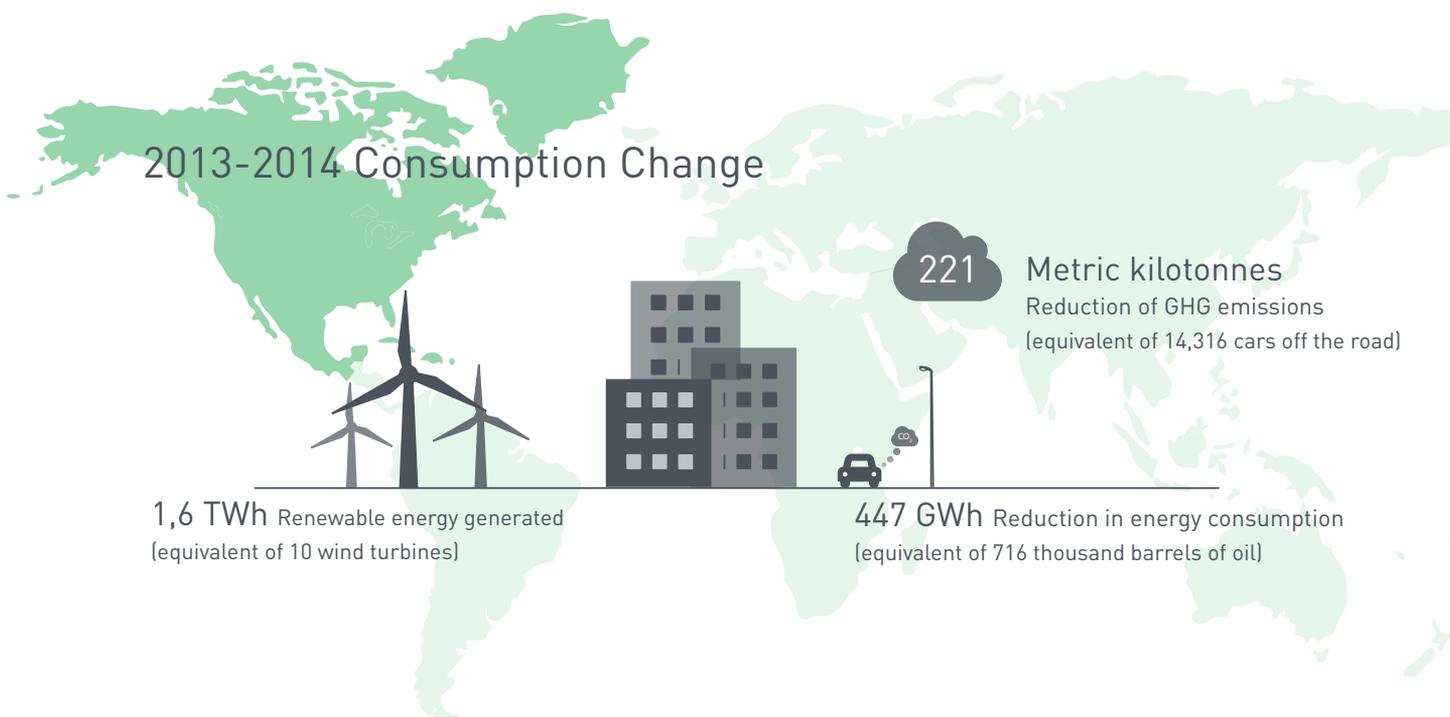
Standing Assets

- Natural hazards: **71%**
- Climate change: **55%**

New Acquisitions

- Natural hazards: **87%**
- Climate change: **43%**

North American entities also include resilience as part of stakeholder engagement. In 2015, **39%** of entities reported that resilience was incorporated into community engagement programs, including provisions for assistance or support in case of emergencies. These efforts were slightly more common among listed companies (**41%**) than private entities (**38%**).



Regional Sector Leaders

Property type	Listed	Listed/Private combined	Private
Diversified		Bentall Kennedy Group (Private)*	
Retail		The Macerich Company (Listed)	
Office	Kilroy Realty Corporation		Government Building Fund - USAA Real Estate Company
Industrial		Lion Industrial Trust - Clarion Partners (Private)	
Residential		Equity Residential (Listed)*	
Hotel		Host Hotels & Resorts, Inc. (Listed)*	
Healthcare		Ventas, Inc. (Listed)*	
Diversified - Retail/Office		Oxford Properties Group (OMERS)	
Diversified - Residential/ Office		Multi-Employer Property Trust/MEPT Edgemoor - Bentall Kennedy Group*	

* Global Sector Leader

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