
ESG Financing for SMEs and Real Estate: Addressing Risk While Creating Value

SSF Conference

5 September 2024, Lake Side Zurich

„Sustainable Valuation and the Role of Standards“

Agenda

1. SSREI
2. Correlation of sustainability and future building value
3. Regulation, guidelines and standards
4. Valuation Concept
5. Conclusion

1. SSREI

- SSREI stands for Swiss Sustainable Real Estate Index
- Die SSREI AG has two assignments:
 - **Standard Organisation:** Development/regular revision of the standard SSREI (sustainable evaluation of existing buildings)
 - **Verification Body:** Control if SSREI is correctly applied

SSREI AG is **independent** from building owner and his consultant/valuator (Chinese Wall)!

2. Correlation of sustainability and future building value

Common sense in the real estate industry:

Sustainability impacts the long term building value;
Thus, sustainability is part of the risk management.

2. Correlation of sustainability and future building value

What kind of sustainable criteria should be reflected?

Traditional valuation criteria + investments in climate change transformation + new criteria

- **Tangible** criteria: measurable -> part of the *cashflow*
 - **Intangible** criteria -> not measurable, empirical objective evidence required to consider the impact to the long term building value -> part of the *discount factor*
- > Empiric data can be provided by SSREI (Index = anonymous data pool)

	Expenses		Income
	Operating Costs	Investments	
Tangibles	<ul style="list-style-type: none"> ▪ Age ▪ Repairs ▪ Maintenance + Access to technical installations ▪ Disassembly of components ▪ Disposal costs for demolition 	<ul style="list-style-type: none"> ▪ Insulation of the building envelope ▪ Renewable energy sources ▪ Renovation costs: Contaminated land building pollutants ▪ Construction/prevention regarding natural hazards (exposure) ▪ Radiation (radon, electromagnetic smog) 	<ul style="list-style-type: none"> ▪ Property restrictions ▪ Location: Basic services/public transportation connection ▪ Comfort/standard of construction/condition ▪ Feed-in tariff (KEV) ▪ Potential for densification
Intangibles			Priority 1 <ul style="list-style-type: none"> ▪ Barrier-free accessibility ▪ Flexibility of use (-> Risk of vacancies) ▪ Heating costs (-> Operating costs -> Implicit rent increase -> Risk of vacancies) ▪ Outdoor space: Quality of stay + Sealing (overheating) + Biodiversity ▪ Well-being: Indoor air quality, overheating, daylight, noise, radiation, materials ▪ Functionality/usage quality ▪ Mobility: Bicycle parking spaces, electric vehicle charging stations
			Priority 2 <ul style="list-style-type: none"> ▪ Opportunities for interaction indoors ▪ Subjective safety ▪ Waste separation system
			Priority 3 <ul style="list-style-type: none"> ▪ Architectural quality ▪ Access to the parcel

Legend: Criteria of Classic Building Evaluation - New Criteria to be Incorporated into Building Evaluation

3. Regulation, Guidelines and Standards

Comprehensive framework to support this transition process



3. Regulation, Guidelines and Standards

Reporting

- EU: Comprehensive
 - EU Taxonomy (environmental and social aspects)
 - SFRD (Sustainable Finance Reporting Directive)

- CH: Focused on climate change/energy consumption
 - Verordnung zur verbindlichen Klimaberichterstattung
 - AMAS-Richtlinien (binding guideline for AMAS members, quasi-regulatory character)

It is likely that the regulation will be harmonized in the future.

3. Regulation, Guidelines and Standards

Valuation

- 2011: NUWEL: «Nachhaltigkeit und Wertermittlung von Immobilien» - ein Leitfaden
 -> List of some specific aspects to be considered by the valuator (see slide 5)
- 2017: Swiss Valuation Standard (SVS) has been enriched by a chapter about sustainability
 -> reference to NUWEL + certification schemes
- 2022: RICS: Red Book / Sustainability and ESG in commercial property valuation and strategic advice
 -> Limited list specific aspects + reference to all kind of tools which exists in CH

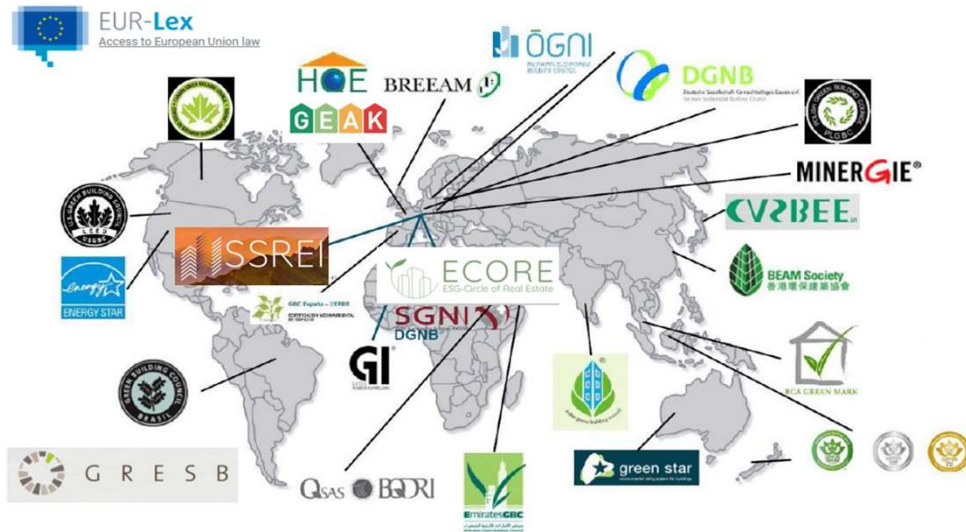


Guidance Documents: Sustainability criteria **should** be reflected in the valuation of a building!

3. Regulation, Guidelines and Standards

Risk/Portfolio Analysis

„Client, assess your building according to one of these standards/tools, and then I can do my work“



- Minergie
- SNBS Hochbau
- BREEAM
- PACTA
- LEED
- SGNI-DGNB
- MQS Betrieb
- GEAK
- SSREI**
- SGNI-DGNB-GiB
- REMMS
- ECORE
- ESI
- BREEAM In-Use**
- GRESB
- REIDA
- LEED O+M

- Selection criteria:
- Building underconstruction – operational building
 - Sustainable Certification Schemes (public standard + independent verification)

3. Regulation, Guidelines and Standards

- **SSREI:** (location quality - automatized open source data + building quality + operational data) x independent verification

	Expenses		Income
	Operating Costs	Investments	+
Tangibles	W1, W2, W3	G12, G13, G15 W5, W6, W7 U2, U4	G3 W4, W8, W10, W11 U10
<u>Intangibles</u>			<u>Priority 1:</u> G2 (Büro), G4, G6, G8, G10, G11, G12, G14 U5, U7, U8, U9
			<u>Priority 2:</u> G5, G7, U6
			<u>Priority 3:</u> G1 W9

- **REMMS:** location quality - automatized open source data + building quality partly + operational data
- **ESI:** Scope close to SSREI, but no automatized open source data / no verification

3. Regulation, Guidelines and Standards

Specific topics

- Energy/CO2 monitoring -> REIDA



- Maintenance costs -> SIA 480
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3. Regulation, Guidelines and Standards

Deep dive into the standard topic



4. Valuation Concept

Depth of the assessment depends on the specific need!

Portfolio evaluation /
transaction



Financing / transaction



Mortgage indication



4. Valuation Concept

Portfolio evaluation / transaction

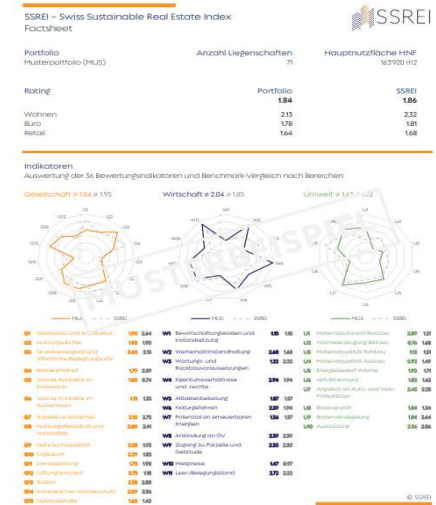
Open source data + building assessment: SSREI *including* verification or any other standard (BREEAM in-Use etc.)

Financing / transaction

Open source data + building assessment: SSREI *excluding* verification or any other standard (BREEAM in-Use etc.)

Mortgage indication

Open source data: Various tools available in the market (IMMOLEDO, REMMS etc.)



REMMS Rating	Ökonomie	Ökologie	Soziales
Makrolage	(30%) 4.0	(10%) 2.7	(33%) 3.5
Risikoindikator: -			
Mikrolage	(50%) 3.8	(20%) 3.3	(33%) 3.5
Risikoindikator: -			
Objekt	(20%) 3.5	(70%) 3.4	(33%)
Risikoindikator: Stranded-Asset-Risiko; energieintensives Gebäude ohne klare Energieperspektiv			
--- Immobilie - Gesamtrating	3.8	3.3	

5. Conclusion

- Regulation / standard framework is defined
- Tools are available

LET`S DO IT!

Questions?



Contact

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