Invest in property ethically

By Paul McNamara - 3rd January 2007

It is trivial to note that properties accommodate most human activity. However, through this, it should be equally obvious that they are also the conduits through which a significant proportion of CO2 emissions are generated.

Some estimate this proportion at nearly 50% of the total. As such, any coherent strategy towards constraining and reducing CO₂ emissions must have the environmental impacts of existing properties at heart.

Important work is already underway to identify practical ways and policy measures to ensure that new buildings are built and operated in environmentally sustainable ways. However, new buildings typically replace only up to 3% of existing stock each year and, if so, to concentrate effort solely on new buildings would take a long time to make a material impact.

There is a need for concerted action to be taken on finding ways to reduce the continuing environmental impacts of the existing built stock.

The UNEP FI’s recently launched Property Working Group (PWG) will make this one of its central challenges.

The other challenge is to demonstrate the financial case for responsible property investment to fund managers and other key property decision-makers. The emerging interest in, and policy and regulatory changes being generated by, climate change will materially impact the context within which property investment decisions are made. For example, the speed at which property assets obsolesce and the lettability and liquidity of property assets are likely to be affected.

Fund managers have a fiduciary duty to understand these issues. More than this, they have the chance to invest to positively position their assets to outperform others, by conducting works to reduce the environmental impacts of their investments.

The PWG is beginning a research process to bring together examples of responsible property investment that improve investment returns. Examples will be gathered from the founding property investors involved in the group which include PRUPIM, F&C, Morley and HERMES from UK, Caisse des Depots and Axa from France, with Investa and Lend Lease from Australia, and CalPERS and Calvert from the USA, acting as observers on the group.

Over and above the carrying out and dissemination of these work findings, the PWG is also seeking to grow its membership and contribute to other UNEP FI research and training work.

Property investors interested in getting involved with the project or providing case study material for the research should contact Natalie Ryan at property@unep.ch or co-chairs Paul McNamara at paul.mcnamara@prupim.com, Jean-Pierre Sicard at jean-pierre.sicard@caissedesdepots.fr