

# Sustainable real-estate funds

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## Proposals for incorporating sustainability criteria

### Starting-point

Recently investors have shown increasing interest in open real-estate funds: these did very well in 2018 – as in previous years. According to VÖIG (Vereinigung österreichischer Investmentgesellschaften), the total volume of the funds concerned went up by 11.6 % to about 8.3 billion Euro. Net cash inflow was 766.5 million Euro<sup>1</sup>. There are 13 Austrian open real-estate funds in all.

So while these funds are notching up a considerable influx of capital, which confronts the investment companies with the challenge of how best to invest this capital, we find that in recent years people have generally become much more aware about taking sustainability criteria into account in investment funds.

The growing demand for sustainability-oriented funds (often labelled “ESG – ecological – social – governance”) is due both to institutional and to private investors. In Austria employee provision funds are prominent in investing almost entirely in sustainable financial products. This increasing demand for sustainable products also affects real-estate funds – although the range of sustainable real-estate funds is still very restricted.

### Sustainability in real-estate funds

There is considerable debate about what sustainability means or can mean in connexion with real-estate funds. Here we refer the reader to the “Leitfaden für ethisch-nachhaltige Immobilieninvestments” (in German), which provides an overview of criteria and methods of assessment for Germany<sup>2</sup>.

Obviously properties (whether existing or new builds) offer huge energy-saving potential, and can thus contribute significantly to achieving climate protection goals. However, social criteria should not be neglected either.

It is also clear that sustainable real-estate funds are based on energy-efficient buildings (these must be as ecological as possible). Over the years a number of building standards have been developed worldwide, defining various criteria for assessing how sustainable buildings are. One standard of importance for Austria is the klimaaktiv building standard with its on-line assessment system<sup>3</sup>.

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<sup>1</sup> Figures updated in January 2019.

<sup>2</sup> CRIC e. V. and KlimaGut Immobilien AG (Hrsg.), *Leitfaden für ethisch-nachhaltige Immobilieninvestments*, Frankfurt a. M. March 2018.

<sup>3</sup> <https://www.klimaaktiv.at/>, an initiative for active climate protection launched by the Austrian government in 2004.

For sustainable real-estate funds themselves there is one primary standard/guideline to which funds can also be certified: the Austrian seal-of-environmental-approval guideline for sustainable financial products (UZ 49).

## **UZ 49 – Austrian seal-of-environmental-approval guideline for sustainable financial products**

Within the framework of Guideline UZ 49<sup>4</sup> it has become possible, since 2016, to assess real-estate funds by sustainability criteria and to award them a seal of environmental approval. The Guideline lays down that *“Investment policy, selection criteria and the process of surveying, assessing and selecting sustainable properties must be designed to exclude properties (whether new builds or already renovated) from investment if they do not satisfy the basic criteria of the klimaaktiv building standard”*. The following points are particularly important:

- Quality of infrastructure
- Financial transparency
- High energy efficiency
- Use of renewable sources of energy
- Use of ecologically sound construction materials
- Thermal comfort.

In discussions during the course of the SEFIPA project the challenges confronting real-estate investment trusts wishing to receive the Austrian Seal of Environmental Approval for sustainable real-estate funds were clearly identified. Satisfying the klimaaktiv basic criteria is particularly tricky in the case of existing buildings. Accordingly a klimaaktiv guide for real-estate investment trusts has been drawn up as part of SEFIPA.

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<sup>4</sup> Download the Guideline (in German) at: <https://www.umweltzeichen.at/de/produkte/finanzprodukte>

## Assistance for real-estate investment trusts

The guide is intended to provide an overview of which klimaaktiv basic criteria apply to properties (new builds/renovation projects/existing buildings).

It also describes how to treat existing buildings (buildings completed more than five years before the investment takes place, or that have not been comprehensively renovated within the last five years). In this case a renovation schedule must be submitted before a seal of approval can be granted.

The guide also compares the klimaaktiv catalogues of basic criteria for 2014 and 2017, and provides general information about klimaaktiv (links, people to contact).

The [guide](#) can be downloaded from the SEFIPA website.

With this guide we aim to assist real-estate investment trusts with integrating sustainability criteria in such funds, so as to increase demand for sustainable buildings and at the same time provide an attractive range of choice for sustainability-oriented investors.

### The Platform will be glad to provide further information on this subject:

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### Platform / SEFIPA team

Responsibility for the Platform lies with ÖGUT (Austrian Society for Environment and Technology) and Energy Changes Projektentwicklung GmbH, who share the goal of developing pioneering facilities (financial instruments, regulatory measures and information campaigns) together with policymakers, so as to stimulate additional investment in sustainable energy systems in Austria. As part of this project a special crowd-investing platform for sustainable energy systems ([www.crowd4energy.com](http://www.crowd4energy.com)) has been set up.



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