



**UNEP Finance Initiative**  
Innovative financing for sustainability

## **Economic Metrics for Sustainable Property**

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# UNEP FI Property Working Group

## Mission:

*To encourage property investment and management practices that achieve the best possible environmental, social and financial goals, as consistent with fiduciary responsibilities.*



**UNEP SBCI**  
Sustainable Buildings & Construction Initiative



**UNEP Finance Initiative**  
Innovative financing for sustainability

# UNEP FI Property Working Group

- Aviva
- AXA REIM
- bcIMC
- BNP Paribas
- CDC
- CALPERS
- Colonial First State
- Ctbr/BeCitizen
- F&C REIT Asset Management
- Hermes Real Estate
- Infrastructure Leasing & Financial Services
- Innovest (now part of Riskmetrics)
- Investa
- Kennedy Associates
- Mitsubishi UFJ Trust and Banking Corporation
- Mn Services
- PRUPIM
- The Sumitomo Trust & Banking Co., Ltd.
- Sustainable Development Capital LLP
- WestLB AG
- UBS

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# What might econometric metrics look like?

Could be something to do with

- What economic ‘agents’ do with buildings...
- How ‘green’ buildings perform financially...
- ‘Economic measures’ of sustainability...

What could be the way forward for UNEP SBCI?



## What economic 'agents' do with buildings...

- Valuable but only really 'economic' in that it captures what economic agents are doing
- Censuses of the standards to which investors and occupiers are managing their buildings
- Understanding the absolute and relative environmental performance of investors and occupiers property assets and portfolios
- Beginning – but hampered by proliferation and patchiness of standards
- Urge UNEP-SBCI to *co-ordinate* rather than create further labels and frameworks



## How 'green' buildings perform financially?

- Again, very valuable
  - once proven, it becomes a fiduciary duty to manage portfolios in this way.
- But 'sustainability' is not the sole driver of property performance
  - time to lease end, nature of rental growth profile, calibre of tenant covenant, 'prime-ness' of location
  - .....with impact dependent on position in market cycle
- Distillation of the 'sustainability' effect is a monumental work of data-hungry econometrics



## Economic measures of sustainability...

- Suggestion is *US\$/ per sm/ per annum*
- Nice idea – less cost per unit space over a building's lifetime suggests a more sustainable structure.
- Sadly - many problems...



## Economic measures of sustainability...(II)

- We can not know the life span of a building
- Many factors foreshorten or lengthen the life of buildings
- Shouldn't we be more concerned with the period from now to the end of a buildings life, than what has gone before?
- To which stakeholders is the metric relevant since it is shared by many?
- The metric is 'equifinal' – different reasons lead to same outcome
- Is lowest cost per sm per annum always desirable?
- If cost is a sum of the other metrics, is an economic metric subordinate and, if so, do we need one?



## Economic measures of sustainability...(III)

- Might there be other forms of quasi-economic metric?
  - a carbon-based Internal Rate of Return (IRR)?
  - a carbon-based Net Present Value?



## Summary

- UNEP SBCI should support a rationalisation and integration of disclosure frameworks that investors and occupiers can respond to.
  - but should avoid adding to the current ‘mess’
- UNEP SBCI could support research into the investment performance of sustainable buildings
  - but should avoid getting involved directly
- Current ‘economic metric is problematic
  - but are there other ‘quasi-economic’ measures that could be developed?

