

# Transcript:

## Pathways to a more sustainable future

**Julie Manning:** Real estate investors have a meaningful opportunity as the world transitions to a more decarbonized economy. Energy-related performance and investment returns are becoming increasingly correlated, and we aim to stay ahead of the curve and capitalize on this long-term trend by decarbonizing the built environment as a means of delivering accretive outperformance.

**Guy Grainger:** Climate is changing the real estate sector in a couple of ways. Firstly, the actual climate events the storms, the droughts, they're creating real physical damage which is costing billions of dollars and secondly, the need to transition buildings from energy-hungry buildings linked to fossil fuels to efficient, electric buildings linked to clean energy. To address these successfully, we are finding new ways to adapt and build resilience.

**Julie:** Countries, local jurisdictions, investors and occupiers are all driving the decarbonization transition, and we have an opportunity to satisfy this demand by managing the transition risks that result from this change. By thoughtfully decarbonizing our buildings we can improve energy efficiency, avoid potential fines and satisfy occupier demands, all while driving investment performance and contributing to the global goal of reducing carbon emissions.

**Ryunosuke (Ryu) Konishi:** At LaSalle, we work to manage physical and transition risks because they affect the bottom line. Property valuations are generally enhanced, and liquidity is maintained for being compliant with the latest sustainability-related regulations. Importantly, our research shows that proactively managing these risks positively affects property-level income, meaning we can enhance our investors risk-adjusted returns.

**Julie:** Our research shows that energy-related performance is increasingly correlated with investment returns. So decarbonizing our assets is just one more way we aim to deliver outperformance. As we outlined in our value of green report, each market – in its own time – should eventually value the presence of various green characteristics in buildings. That incremental value, however, may decline over time as those characteristics become market standard.

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**Julie:** We believe that by being aware of these market trends, as we thoughtfully work to decarbonize our buildings, we are in a prime position to deliver more value for our investors.

**Ryu:** There are ten principles to Net Zero Carbon: six principles involve reducing operational carbon, three involve reducing embodied carbon and one involves dealing with residual carbon footprints, or carbon offsets. By adopting these principles early and outpacing the market we have an opportunity to reduce our assets operating expenses, increase rents and operating income and maintain liquidity and value at sale.

Early adoption also allows us to avoid much of the operational carbon pricing and penalties enacted into law in markets across the globe. The first effects of these carbon penalties, with their inevitable negative impacts on real estate values, will start being witnessed this year.

**Guy:** LaSalle and JLL are combining our expertise to focus on retrofitting existing buildings from brown to green and, where appropriate, to build green from the ground up. Retrofitting is key because according to the World Economic Forum, 80% of the buildings that are here today will still be here in 2050. Two factors are colliding: tightening regulation and pressure from occupiers and employees, which means that landlords and asset managers like LaSalle need to quickly reduce the carbon footprint of buildings. And it's not just about cutting emissions from buildings in operation; embodied carbon, which is all those emissions incurred during construction such as concrete and steel, is becoming more of a focus. So we're also looking to minimize waste and reuse existing building materials as part of a more sustainable future. All of this is possible but has to be done by design. That's why we're changing the way we work to develop and adapt real estate properties, so they'll be commercially resilient for the long term. By acting now, we're responding to changing market dynamics and not only making our buildings ready for incoming regulations and growing climate risks, but also creating economic value due to the huge demand and low supply of low carbon buildings.

**Julie:** At LaSalle, we are implementing decarbonization initiatives around the globe and across sectors throughout our business.

**Ryu:** We also have a visible pipeline of decarbonization opportunities, positioning us as an early mover in this technically challenging and rigorous data management process. The decarbonization pathways that we aim to execute will integrate elements of JLL's inherent capabilities advising and assisting along the way.

**Mark Gabbay:** At LaSalle, we believe there's a clear market opportunity for assets whose decarbonization plans align with the Paris Agreement targets to limit global warming to 1.5° Celsius. Our global approach, coupled with local execution expertise and a demonstrated track record over 40 years, will enable LaSalle to manage climate mitigation and adaptation risks and source opportunities in order to potentially deliver enhanced risk-adjusted returns for our investors. Come with us on this climate journey.



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