

SUMMARY DOCUMENT

In the Real Estate sector, the continuous investment of time, money and effort in sustainability is essential. The continuous improvement in resources efficiency and operational excellence is key to bring strong returns in the long-term and to guarantee an excellent operation of the building.

After more than 25 years investing in best in class sustainability measures, we know this by heart and we also can prove it with the results of this research study.

In recent years, we have carried out several infrastructure investments with the aim of making our properties more sustainable and efficient.

These actions are expected to not only have a positive impact on consumption, but also on our tenants, through the reduction of common charges and in the satisfaction levels of both tenants and visitors.

As a follow up, we decided to launch a study, **seeking statistical evidence of a relation between these investments and reductions in common charges**. We also identified external factors that might impact consumption costs, causing deviation from expected savings, to better understand the investment results.

Finally, we developed a model to forecast how consumption might evolve if no investment was carried out.

This helps us pursue greater efficiency and forecast how landlord income is affected when the goal is to keep the tenant's affordability rate at sustainable levels.

We've considered 20 water and energy efficiency actions implemented across 10 shopping centres in Portugal, Spain and Germany and analysed their

impact in the costs, consumption and common charges.

The main findings of the study show that **investment effectively reduces the consumption costs but is not necessarily passed on to tenants**, there is no statistical evidence of causality between sustainability investments and the reduction of common charges. In only 8 out of 20 cases were charges reduced, despite the investments having an effective impact on consumption (16 out of 20 cases).

Energy represents up to 20% of total service charges varying between 9% to 18%. Assuming that all other costs are fixed, in order to decrease total service charges by 1pp, it is necessary to decrease energy costs between -5.5pp to -11.3pp.

Savings impact satisfaction levels and tend to be absorbed in other technical costs (typically security, maintenance and cleaning), marketing or/and administrative costs (particularly taxes). Combined, these are important services for customers and tenants as they contribute to the shopping centre experience. The correlation between energy and water savings and customer satisfaction is strong (75%).

Landlord rental income will decrease if no investments were made to improve Sustainability performance the research shows that owners can lose about 4% in rents (+1pp considering the value of extra-discounts given in the period under analysis) if the decision was taken to not increase tenants' service charges to maintain the average tenants affordability rate in each shopping centre.

Find the full Sustainability Investment Impact Research Assessment [here](#).