

Manage your EPC risk

The upcoming EPC regulation for buildings in the Netherlands

June 2018



Introduction

The launch of the 17 Sustainable Development Goals (SDGs) by the United Nations (UN) in September 2015 and the ratification of the Paris Agreement on climate change in December 2015 have set new milestones in shaping the global sustainability agenda for governments, businesses and society. The Paris Agreement aims to keep global warming below 2 degrees Celsius, the point at which climate scientists expect irreparable damage to our planet, economies and societies. The UN's SDGs are universal and cover all key dimensions of peoples' lives, from food and education, to resilient cities and poverty alleviation. The SDGs are set to be achieved by 2030, with national governments playing an important role in implementing the goals and targets. It is therefore crucial that the private sector cooperates to achieve these goals.

The United Nations Environment Programme estimates that buildings are responsible for more than 40% of the world's energy consumption and one-third of global greenhouse gas emissions. According to the International Energy Agency, energy demand in buildings could increase 50% by 2050 if additional energy efficiency measures are not taken.¹

In the European Union (EU), buildings are responsible for 40% of energy consumption and 36% of carbon dioxide

(CO₂) emissions.² Therefore, the building sector is one of the key sectors to achieve the EU's '20-20-20' targets* by 2020.³

In December 2018, the annual UN Climate Change Conference will gather in Katowice, Poland and we will see what has been achieved since the last conference and what next steps are required to actively address global warming. With the United States (US) withdrawing from the Paris Agreement and European countries' commitments falling short, new climate change-fighting policies need to be crafted.

In order to tackle environmental challenges, EU member countries have taken on binding national targets to reduce the overall volume of greenhouse gas emissions. In the Netherlands, a Dutch court has ordered the state to cut its emissions by at least 25% from 1990 levels by 2020. To stimulate green building measures, such as green certificates, the Dutch government is already providing subsidies such as tax discounts and lower interest rates to building owners.

Furthermore, new energy performance certificate (EPC) regulations in the Netherlands aim to reduce the country's carbon footprint. As of 2023 office buildings will be required to have an energy label of C or better,

meaning that the use of office buildings with a D energy rating or lower will be illegal as of 2023. It is intended that by 2030 office buildings will have to achieve an A label. It is likely that it is only a matter of time before the retail, industrial and hotel sectors will be selected for regulatory changes as well.

Even though it is not certain that the Netherlands will reach its emission reduction goal, with this measure Dutch authorities will certainly open new discussions around the topic of sustainability. As a result, we are seeing significant investment in the renovation and transformation of commercial properties and more and more financial institutions are adapting their real estate financing measures accordingly.

This report aims to provide further insights into the upcoming EPC regulations and their legal implications and tax implications. The data used in this publication was provided by the JLL Research team. AKD was consulted for tax and legal knowledge and data.

Furthermore, we would like to thank Jos Jonkers (ING Real Estate Finance), Claudia Reiner (Platform Duurzame Huisvesting) and Cees Jonker (Vastgoed Belang) for their support.

* 20% increase in energy efficiency, 20% reduction of greenhouse gas emissions compared with 1990 levels and 20% increase in the share of renewable energy in final energy consumption

¹ International Energy Agency. 2016. Energy Technology Perspectives 2016: Towards Sustainable Urban Energy Systems. Paris.

² European Commission. Energy Efficiency, Buildings. <http://ec.europa.eu/energy/en/topics/energy-efficiency/buildings>.

³ European Commission. 2017. Towards reaching the 20% energy efficiency target for 2020, and beyond. Press release. 1 February. http://europa.eu/rapid/press-release_MEMO-17-162_en.htm.

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Energy Performance Certificates (EPCs)

To reach higher energy savings and reduced CO₂ targets as defined by the Paris Agreement, a long-term vision for the EU's building stock is required to be transposed into national law and implemented via national regulations. The Energy Performance of Buildings Directive (EPBD) is one of the EU's main pieces of legislation covering the reduction of energy consumption in buildings. The EPBD sets binding national targets on the energy performance of buildings in EU member states.⁴ To reach its aim of increasing buildings' energy performance, the EPBD introduced the principle of nearly Zero-Energy Buildings (nZEBs). nZEBs are buildings with very high energy performance whose low amount of energy required should mostly come from renewable sources.⁵

With EPCs, the EPBD attempts to increase transparency in the market for building occupiers, investors and tenants. EPCs provide information about buildings' energy performance and efficiency. According to the EPBD, 'the EPC should influence the demand for buildings with excellent energy efficiency performance and a high proportion of energy from renewable sources, increase their market value, and thus influence building owners to renovate their buildings'. (footnote 4, p. 11).

In the Netherlands, energy performance standards, which have existed for new buildings since 1995, set minimum energy performance requirements depending on building usage. Furthermore, since 2008, EPCs have been mandatory for the sale, rental or delivery of existing buildings.

Following the National Plan for the advancement of nearly zero-energy buildings in the Netherlands (Nationaal Plan voor het bevorderen van bijna energieneutrale gebouwen - BENG - in Nederland) from 2012, the aim is to achieve an energy performance coefficient* value of close to zero for new government buildings by the end of 2018 and for other new buildings by the end of 2020.⁶ It is foreseen that existing buildings will also have to comply with this regulation by 2050. For both existing and new buildings, the upcoming EPC regulations feed into the national plan to achieve a complete nZEB stock as soon as possible. The governmental goal (Regerakkoord 2017) is a reduction of CO₂ emissions by 49% in 2030, amounting to 3 Megatons of CO₂ reduction for non-residential buildings.

* The energy performance coefficient is an indicator of the energy performance of a building; it is a dimensionless number depending on the use function of the building.

⁴ Concerted Action EPBD. 2015. Implementing the Energy Performance of Buildings Directive. Lisbon. <http://www.epbd-ca.eu/outcomes/2011-2015/CA3-BOOK-2016-A-web.pdf>.

⁵ Buildings Performance Institute Europe. Nearly Zero Energy Buildings Definitions across Europe. http://bpie.eu/uploads/lib/document/attachment/128/BPIE_factsheet_nZEB_definitions_across_Europe.pdf.

⁶ RVO. 2012. Nationaal Plan voor het bevorderen van bijna-energieneutrale gebouwen. <https://www.rijksoverheid.nl/binaries/rijksoverheid/documenten/rapporten/2012/09/28/nationaal-plan-bijna-energieneutrale-gebouwen/nationaal-plan-bijna-energieneutrale-gebouwen.pdf>

Proposed legislation EPCs in the Netherlands

The following regulation will become effective as of 1 October 2018:

- As of the 1st of January 2023, it is mandatory for all office buildings to have an energy label C (equivalent to an energy-index (EI) of 1,3) or better.
- If the payback time to reach a C-label is more than 10 years, the owner is allowed to install only the changes that can be earned back in 10 years - even if that would mean the C-label is not achieved.
- As of 1st of January 2030 an energy label A will be the standard.

Exemptions

- Buildings with an office function < 50%.
- Offices buildings with a total size of <100 m².
- The building is considered a national monument.
- The building is selected for demolition, disownment or planned for transformation within 2 years.
- The costs of upgrading cannot be recouped within ten years.

Non-compliance

- Penalties for non-compliance may include a government order to cease the use of the building.
- Enforcement would be performed by the relevant municipality.

Effects in the Netherlands

According to research conducted by the Economisch Instituut voor de Bouw (Economic Institute for Construction and Housing; EIB) in cooperation with the Energy Research Centre of the Netherlands (ECN) in 2016, approximately 52% of the total office stock in the Netherlands needs to be upgraded from its existing energy label in order to meet the requirements of an energy label C in 2023.

Should improvements be made to a B or A label, an even larger share of the office stock would be affected, with 66% (label B) and 75% (label A) estimated to face improvements. According to the EIB (May 2017) the additional investments for a compulsory label C lie between €867 million and €942 million until 2023.

Of all office buildings registered in the database of the Rijksdienst voor Ondernemend Nederland (Netherlands Enterprise Agency; RVO), approximately 14%* currently have a registered energy label. According to the database, approximately 38%* of all registered office buildings need to be upgraded from their current energy label in order to meet the requirements of an energy label C in 2023 (figure 1).

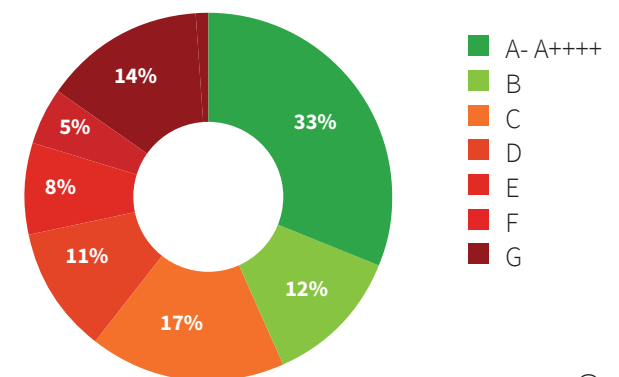
Most of the energy labels are registered in the larger municipalities of the Randstad area, namely Amsterdam, Rotterdam and The Hague (figure 2) with an average energy label of D.

The majority of buildings built in 1999 or earlier are most likely to have an energy label of D or worse and will need to upgrade their energy labels until 2023 to meet the requirements.

* For further information please check the website of the RVO (<https://www.ep-online.nl/ep-online>)

JLL analytics: multiple registrations on one house number were excluded from the analytics and only the latest registered energy label was considered per house number. The addresses from the RVO database were matched with the 'BAG adressen' register. The main function of each address was added from the register 'BAG verblijfsobjecten'. Last, the main function was filtered for office building.

Figure 1.
Registered office buildings with energy labels in the Netherlands



RVO

Figure 2.
Registered energy labels (office buildings)



RVO / BAG adressen

From 2008 to 2017, more than 14.000 energy labels were registered for buildings in the Netherlands with the main function defined as office building (figure 3). Especially in the last three years the number of registrations increased strongly. This trend is in line with the recovery and subsequent boom of the Dutch office market in recent years: since 2015 there has been an increasing demand for office space, especially in the five largest cities of the Netherlands, namely Amsterdam, Rotterdam, The Hague, Utrecht and Eindhoven. Total office take-up and the number of lease and sale transactions have increased as well. Furthermore, office investment volume achieved a new record high in 2016.

Following the latest developments – most notably the relocation of the European Medicines Agency (EMA) to the Netherlands – the office take-up outlook for 2018 remains positive. Due to this trend, as well as the increasing awareness of tenants and the pressure on office occupiers with regards to sustainability, we expect the number of energy label registrations to continue increasing steadily throughout 2018.

Average costs, capital gain and pay back period

The research of the EIB and the ECN also estimated the costs and benefits associated with any improvements required to upgrade the energy labels of existing buildings.

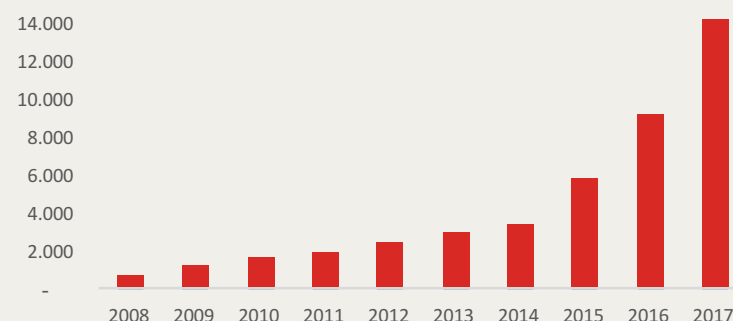
The costs per m² associated with upgrading an existing office building to a C label are fairly limited when upgrading from an F label or better (approximately €15 per m²). However, when upgrading from a G label, costs can vary from €39 per m² to €71 per m², depending on the building conditions. The EIB and ECN also provided insights into the capital gains per m² per year. These gains are mostly a result of the anticipated decrease in energy costs (based on estimated costs for energy in 2023). The most significant gains result from improvements made to buildings that are currently among the least sustainable. The average period to earn back the investment is from 3 to 6.5 years for upgrading to a C label, while upgrading to a B label results in an average period of 3 to 6 years as a payback period for the investment. The most significant time is estimated at 13.5 years for the investment necessary to upgrade from a B label to an A label.

It is foreseen that – if building owners have to renovate their building – most would directly go to an energy label A instead of C first, as the step from a C label to an A label is rather small.

Nevertheless, building owners are already raising the fact that the actual costs to upgrade office buildings are higher than estimated. A recent case study from JLL shows as well that the measures and costs to upgrade a building's energy label are highly dependent on the building's current state and the quality of the building's upgrade, relating to the building's installations. The building considered in JLL's case study is located in a suburban area of the Netherlands, was built in 2002 and has a current energy label F. It is generally unlikely that buildings built after 2000 have an energy label lower than C. The building should be upgraded to an energy label C or higher in line with the upcoming regulations. The significant difference between the actual costs per m² estimated for the energy label upgrade compared to average costs per m² estimated by the EIB show that a case-by-base approach should be applied.

Figure 3.

Registered energy labels in the Netherlands (2008-2017)



JLL case study: from an energy label F to C or higher

- Building located in the suburban area of the Netherlands
- Year of construction: 2002
- Current energy label F
- Planned upgrade to energy label C or higher
- Costs per m² and related measures:



1. From F to C

- Costs: €45 per m²
- Measures: LED lighting and switching



2. From F to B

- Costs: €53 per m²
- Measures: LED lighting and switching, steam humidification and photovoltaics (PV)



3. From F to A+:

- Costs: €56 per m²
- Measures: LED lighting and switching, steam humidification, photovoltaics (PV) and overhaul of air handling units and flow regulation

Property Valuations

The value of sustainable RE investment

A recent study titled 'Decomposing the Value Effects of Sustainable Real Estate Investment: International Evidence' investigated the impact of sustainable investment on the value and performance of real estate investment trusts (REITs) in the United Kingdom (UK) and US.⁷ Whereas in the UK reporting on environmental performance is mandatory, in the US green reporting is not legislated. The study found that US REITs investing in green portfolios (via such certifications as LEED or Energy Star) achieve higher rental income, lower interest expense and increasing cash flow benefiting shareholders. Furthermore, compared to companies with non-green portfolios, lower systematic risk, more informed trading and higher premiums to net asset value are achieved. In the UK on the other hand, the study found a less significant difference in earnings, which could be linked to the regulatory nature in the market. Even though UK firms with greener portfolios experience a positive effect on market valuation outcomes relative to net asset value and on corporate reputation, there is less of a positive effect on systematic risk and liquidity.

Finally, the study found that green buildings have higher operating costs due to the implementation of sophisticated technologies in new green buildings and higher consumption in electricity to achieve greater ambient control. The increase in operating costs is however compensated by rental revenue premiums, resulting in stable net operating income. The same findings are shown in an overview published by the VastgoedLAB, an open platform at the TIAS

7 A. Devine and E. Yönder. 2017. Decomposing the Value Effects of Sustainable Real Estate Investment: International Evidence. <http://www.ipf.org.uk/resourceLibrary/decomposing-the-value-effects-of-sustainable-real-estate-investment---international-evidence-2017-nick-tyrrell-research-prize.html>.

School for Business and Society. The VastgoedLAB has collected the most relevant findings on sustainable real estate from 10 years of international literature. According to the findings, energy efficient office buildings (A or B label) lead to a 15.2% increase in green price premiums, a 9.3% increase in rental income (compared to D label office buildings) and a 3.5% reduction in vacancy.

Effects on landlords & investors

The upcoming EPC regulations will have a drastic effect on the commercial property market. Energy labels influence a property's valuation and therefore its market value. While the effect will be rather minimal for large investors, many smaller landlords in the Netherlands will not be able to finance their building's transformation or demolition to comply with the upcoming EPC regulations, and they will not be able to regain their investments.

Many institutional investors have already achieved a minimum rating of C or will account for the changing legislation by adjusting their capital expenditure (CAPEX) budgets. The real risk, however, lies with smaller, non-institutional investors who are largely situated in suburban instead areas and have invested in low-grade properties.

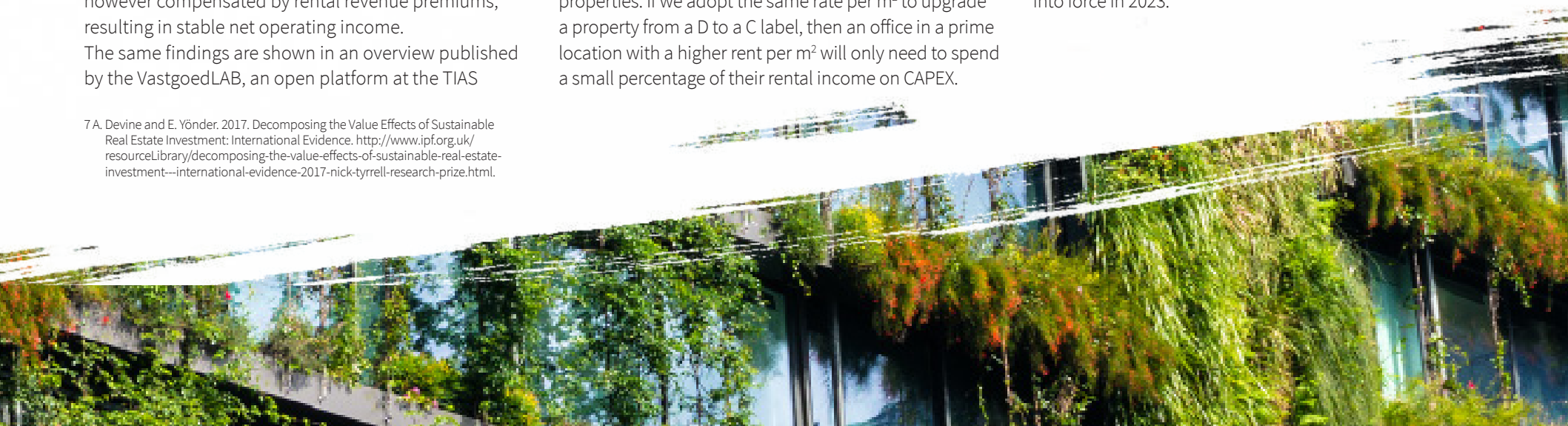
The direct effects of the EPC regulations will largely depend on the location and quality of individual properties. If we adopt the same rate per m² to upgrade a property from a D to a C label, then an office in a prime location with a higher rent per m² will only need to spend a small percentage of their rental income on CAPEX.

Office building owners can make use of the existing subsidy schemes such as the Energy Investment Deduction scheme (Energieinvesteringsaftrek; EIA), the Investment Subsidy for renewable energy for solar water heaters, heat pumps and biomass boilers (Investeringssubsidie duurzame energie; ISDE) and the Stimulation sustainable energy production (Stimulerend duurzame energieproductie; SDE+).

A smaller, non-institutional investor in a suburban area, however, will be faced with uneconomically high costs that may cause them to sell or hold the vacant investment until the necessary funds are acquired.

In regard to value, offices with an energy label of D or lower are also faced with a situation where rents cannot be assumed in perpetuity without the necessary adjustments. Therefore, from a valuer's perspective, the upgrades will need to be included in cash flows, consequently reducing their market worth. On the contrary, increases may be seen once properties are upgraded, but these increases will likely rely on outgoing savings.

Therefore, it is crucial that occupiers, owners and investors understand the effect of these new EPC regulations on their real estate portfolios and implement strategies to be prepared when the new regulations come into force in 2023.



Effects on tenants

According to the research conducted by the EIB and ECN, the upgrade of a building's energy label to C or better will impact the rent by approximately €7 to €10 per m² per year. As stated in the previous section, the overall effect on the price per m² per year will be rather low for prime locations, whereas the effect will be higher for suburban areas.

Regarding lease agreements that are concluded or extended for a period beyond 2023 or 2030 (including options), landlords and tenants will have to negotiate which party will bear the costs of the investment needed to achieve an energy label of C or higher. If that issue is not addressed specifically in the lease agreement, the terms and conditions of the Raad voor Onroerende Zaken (Dutch Real Estate Council; ROZ) will play an important role in deciding whether the landlord or tenant will have to pay the costs. The exact nature of the investment is also relevant here. To achieve a C label, it is likely that some or all of a building's installations have to be replaced and that an upgrade to LED lighting is required. However, the renewal of installations is for the account of the landlord, while the renewal of lighting (including fixtures) is for the account of the tenant (in both the 2003 and the 2015 ROZ terms and conditions). There is no case law on comparable matters.

The requirement to provide an EPC is already addressed in the terms and conditions of the ROZ 2015 agreement (clause 1.5). However, that standard clause does not address what happens if the EPC does not meet the minimal requirement (energy label C) that is to be introduced. Therefore, it is important to highlight the upcoming EPC regulations as a critical feature to tenants and landlords and to include them as part of requests for

proposals and lease negotiations. To avoid any potential risks regarding the leased property, tenants should ensure that they request the current energy label from the landlord and that the landlord guarantees an energy label of C or higher will be reached by 1 January 2023.

Consequently, the upcoming EPC regulations will influence relocation decision-making. Tenants will more consciously investigate a building's energy label and its effect on energy savings, rental levels and service charges, ultimately influencing their overall portfolio strategy.

In this context, it is important to point out that a review of the method for calculating the energy performance has been announced. The new method is expected to reflect the energy consumption of a building in kilowatt-hours per m². Even though the government aims to develop this new method in such a way that the building's energy label does not change, it remains to be seen if that goal can be achieved for each individual building.

Green leases

As a higher energy label does not automatically predict lower energy costs, the sustainability potential of buildings can be increased by the intelligent use of buildings. With the energy label regulations coming into force, the discussion about green leases is more alive than ever. However, green leases are not yet common in the Dutch real estate market.

Green leases are lease contracts that target a sustainable outcome and may include terms regulating the use and consumption of a building's energy, water and waste. Overall, a green lease reflects how a landlord and tenant aim to improve the sustainability and use of a building. It enables both parties to come to an agreement with regard

to the sharing of potential benefits of a more sustainable building, as well as the sharing of costs related to improving the building's sustainability. Furthermore, it may help both occupiers and investors achieve ambitions with regard to their corporate sustainability goals.

The main items that should be included as part of a green lease are as follows:

- Agreements covering the occupancy and operation of a building and how to measure these agreements
- Both parties included in the agreement must be held responsible and accountable for the efficient use of resources and materials, which should result in lower costs for both parties (a fine for not meeting the agreed is optional)
- Agreements with regard to the joint responsibility of the landlord and occupier with respect to meeting measures that need to be made to improve the energy efficiency and sustainability of the building
- Agreements with regard to the costs and benefits of sustainable measures

Even though green leases can play an important part towards reaching an adequate energy label, the contents of a green lease will not be taken into consideration when the energy label is to be determined. Only the state of the actual building itself will be considered.



Financing

Real estate investment remains a sector that relies on external financing. With real estate investments accounting for over €10 billion in the previous 3 years in the Netherlands, financing has been especially important.

With the EPC regulations coming into force, a variety of financial institutions have announced they will stop financing non-sustainable office buildings in the short term. Among others, ING and ABN AMRO, the two leading financial institutions in the Netherlands when it comes to sustainability, have both indicated they will stop financing office buildings with a D label or worse. Additionally, ING Real Estate Finance announced in 2016 that it is not refinancing clients lacking a plan to get at least a C energy label for their office as of 2018. The introduction of these measures in the short term will prevent both institutions from financing office properties that – after 2023 – will no longer be allowed for the use of office space. This thus limits these banks' risk exposure to assets that will potentially be vacant in 2023. Besides financial arguments, both institutions also argue that improving the energy label of commercial properties will also have a positive impact on climate change, which is one of the main challenges for the planet.

Nevertheless, the institutions are aware that an EPC does not necessarily mean that a building uses less energy, as the energy consumption is highly dependent on how building occupiers use the buildings. Nevertheless, it is perceived as a good start.

The role of energy labels in financing

Even though energy labels are not yet common for all office buildings in the Netherlands, the regulations coming into force have led to a rise in the number of investors and owner-occupiers asking for more detailed information about buildings' energy performance. Both ING and ABN AMRO have indicated that they are willing to help where necessary financing is required to improve a building's energy label up to 100% of the investment.

However, improving a building's energy label may not be the most economically viable option. Some vacant offices may not attract occupants in the future despite investments in sustainability. For such properties it will be more difficult to find financing for sustainability improvements, and a variety of stakeholders in the country have indicated that demolishing such buildings or converting these buildings to different occupancy types may be the best solution.



Taxation, incentives and regulations

Taxation and incentives

The upgrades required to upgrade a building's energy label to C may raise several tax-related issues that should be given due consideration.

Careful planning is required to maximize tax relief for landlords. The following factors should be taken into account:

- It is important whether the investment is considered for tax purposes as maintenance or an improvement. The cost of maintenance will go through the profit and loss accounts, while an improvement will have to be written off. In practice it may not always be easy to make the distinction between maintenance and investment.
- The total amount of the investment will be subject to value-added tax (VAT). If the building is rented using a VAT taxable lease, the VAT is deductible. However, if a lessee is not able to opt for a VAT taxable lease – in other words, the building is used for VAT exempt purposes – the landlord will not be able to deduct the VAT related to the investment. This will increase the landlord's upgrading costs. When planning to upgrade a building's energy label to C, landlords should ensure that lessees can opt for a VAT taxable lease, or that lessees pay compensation for the non-deductible VAT on the investment.
- Up to 55% (in 2017) of investments in energy efficiency improvements may be deducted from taxable profit provided that the type of investment is included on the list of improvements published by the Ministry of Economic Affairs and Climate Policy.⁸ This list is updated annually.

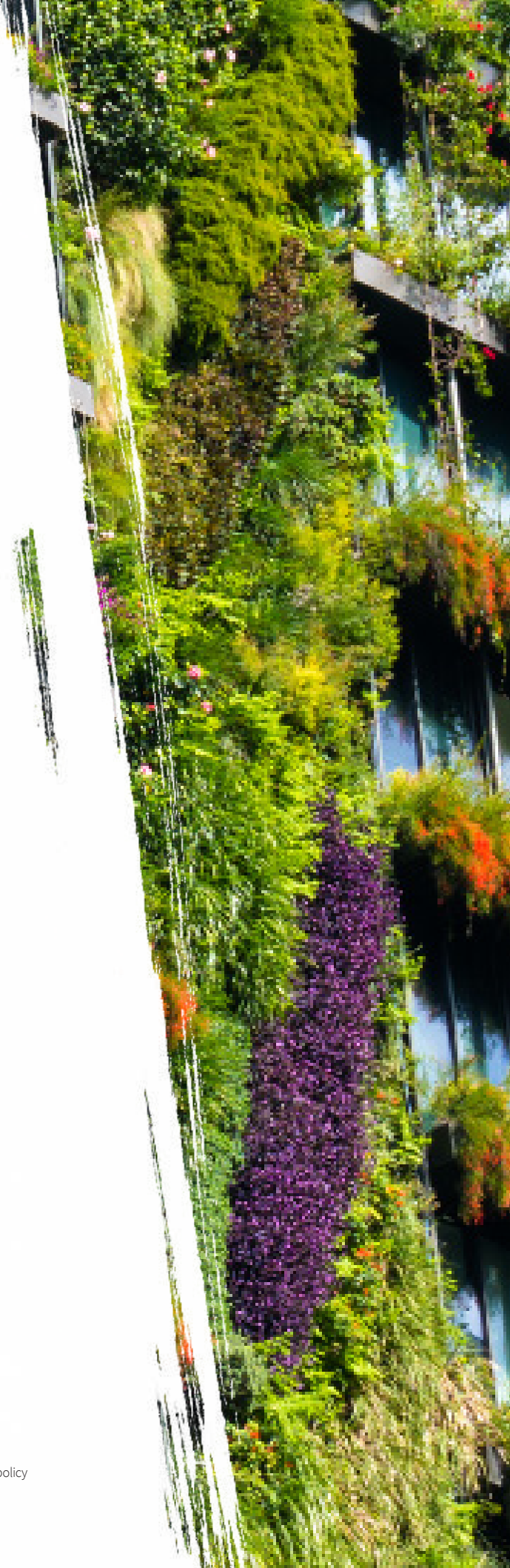
- Landlords may want to install electricity-generating capacity (such as photovoltaic panels). Subsidies and tax exemptions may be available, provided that the operation of the electricity-generating capacity meets certain prescribed conditions.
- The Dutch government issues 'green statements', which allow lenders to pass on discounts on loan interest rates.
- Tax breaks can apply if the building meets a threshold GPR score*.

Other relevant upcoming requirements

Landlords should bear in mind that the C label requirement may not be the only requirement they will have to consider. The EU EPBD Guidelines are being updated. The currently discussed draft will require landlords to install at least one charging point for electric vehicles in a building's parking area if this area is part of a building that is being renovated substantially, and to make preparations to make one in three parking spaces suited for electrical charging.

* GPR stands for "Gemeentelijke Praktijk Richtlijn", a guideline describing methods to assess the sustainability of buildings.

⁸ Please visit the website of the Ministry of Economic Affairs and Climate Policy for further information: <https://www.government.nl/ministries/ministry-of-economic-affairs-and-climate-policy>



Energy labels in practice

The majority of people involved in sustainability in the Netherlands feel that the energy label is only the first step in the right direction. Given their relative ease of use and critical mass, energy labels are currently the only reliable benchmark for regulators to use to make policies and for banks to use to consider financing requests related to sustainable buildings. Furthermore, compared to green building labels such as BREEAM and LEED, energy labels are relatively inexpensive. In general, sustainability certifications increase transparency regarding properties' environmental performance and therefore reduce the risk of uninformed trading (footnote 7).

The majority of stakeholders interviewed for this publication confirm that energy labels do not necessarily provide sufficient insights into the actual energy use of buildings and thus additional steps are required for the real estate sector as a whole. The overall sense is there is momentum in the market, including support from major financial institutions, to take these additional steps. Some investors are already anticipating future developments, but the market is moving slowly and, as a result, legislation may be necessary to catalyse the next necessary steps.

An example from the UK

The Netherlands is not the first European country in which energy labels are a mandatory requirement for the sale and letting of office buildings. For example, in England and Wales it is unlawful for properties with F- or G-rated EPCs to be let as of April 2018.

Even though energy labels have thus far been widely accepted as an indicator to reflect the energy performance of buildings, a study from JLL UK and Better Buildings Partnership (BBP), analysing the actual energy use of more than 200 properties, demonstrates that there is little or no correlation between EPC ratings and actual energy performance.⁹

EPC ratings only assess theoretical performance or design intent and do not measure actual energy consumption. The EPC gives an indication of the primary energy demand

as designed; however, the actual demand is also largely dependent on the actual built situation, maintenance and operation, and occupant behaviour.

In the joint JLL-BBP study, JLL compared the efficiency of energy labels between two office buildings in London: one building had an EPC rating of B while the other building had an EPC rating of E.

Surprisingly, the office with an E label was 66% more efficient in terms of energy consumption than the office with a B label. Similar findings were found in a number of buildings across London. Across more than 2 million m² of floor space assessed (in 2011–2012), the average energy

consumption of a building was remarkably similar whether the building had an EPC rating of C, D or E.

This highlights the shortcomings of relying on EPCs alone, showing that actual energy performance, as opposed to theoretical, should be the real focus for commercial property owners and occupiers. After all, it is only reductions in operational energy use that will enable us to meet CO₂ emissions reduction targets at the asset, portfolio and national levels.

⁹ Avis Devine and Erkan Yonder EIB (2017), Decomposing the Value Effects of Sustainable Real Estate Investment: International Evidence, Guelph.

Question: Which is more energy efficient?

Two offices, two different EPC ratings



Ropemaker Place
LONDON EC2Y 9LY

HM Government

Energy Performance Certificate

B

46



10 Exchange square
LONDON EC2A 2BR

HM Government

Energy Performance Certificate

E

109

Manage your EPC risk

We offer the following services to support you with the assessment and uprating of your energy label:

Risk assessment

Status-quo assessment

- Assess risk in your real estate portfolio
- Assess quality of EPCs and supporting data
- Organize provision of missing EPCs and EPC upratings
- Assess tax implications
- Support with risk management decisions in line with business strategies

Acquisitions, disposals or valuations

- Understand the impact of the EPC on the capital value of your asset
- Assess and consider EPC labels as part of lease negotiations

Legal / Tax

- Address permitting issues
- Obtain tax incentives
- Assess and optimize tax implications of a fit-out or refurbishment
- Assess the legal risks related to existing lease agreements

Property management

Sustainability building survey

- Survey the building to establish the overall condition and organise the EPC rating
- Assess costs and most cost effective measures
- Support with potential cost reductions by integrating the EPC improvements into a wider fit-out or building refurbishment

OPTION 1:

Integration with planned maintenance projects

- Coordination of maintenance works and annual service charge budgets in line with EPC assessments and related works

OPTION 2:

Integration with planned fit-out and refurbishment projects

- Guidance during fit-out and refurbishment projects to upgrade the EPC rating

OPTION 3:

Seperate label upgrade projects

- Fit-out and refurbishment guidance considering the potential impacts on the EPC rating

EPC upgrade

EPC upgrade

- Our project managers help with your EPC rating (e.g. project brief, contract awarding, management of improvement works, etc.).
- Market conformity & regulatory compliance

About JLL

JLL is a financial and professional services firm specializing in commercial real estate services and investment management. We create value for companies and institutions that invest in and use real estate. With more than 80,000 employees across 300 corporate offices worldwide, we serve the local, regional and global real estate needs of corporates and investors in more than 80 countries. Our integrated services offering is grounded in expertise in all property types, a deep understanding of real estate markets and capital markets, and is coordinated and consistent across geographies.

Building a Better Tomorrow – JLL’s sustainability agenda

The world’s financial, social, and environmental challenges demand a response from businesses around the globe. This is why we’re committed to new ways of partnering with you that help achieve our shared ambitions for a sustainable future.

From serving our clients and engaging our people, to respecting natural resources in our workplaces and building community relationships, we’re focused on what is good for business and for a sustainable future. This progressive approach leads to responsible investment decisions with healthier, safer, more engaged people and increased value for all of our stakeholders. We are Building a Better Tomorrow everywhere we can. Our vision is to make JLL a world-leading, sustainable professional services firm by creating spaces, buildings, and cities where everyone can thrive.

We will achieve this vision through four pillars (Clients, People, Workplaces and Communities) of Building a Better Tomorrow, our sustainability leadership framework. We’ve already achieved much to be proud of. Through our collaboration with external organizations, we contribute to new thinking and thought leadership on sustainability topics. Our Energy and Sustainability Services bring latest best practice to the market to improve the environmental, social and financial aspects of our clients’ investor and occupier real estate portfolios. Walking the talk, we are applying new, sustainable workplace concepts to our own offices. And we try to enhance our peoples’ lives through JLL’s diversity policies and provide support to communities through company contributions and local employee volunteering.

About AKD

With over 250 lawyers, civil-law notaries and tax advisers, AKD provides independent and internationally-focused legal and tax advice to clients in the Benelux. AKD combines expertise in a wide range of legal practice areas with sector knowledge and understanding of its clients’ business, both nationally and internationally. Outside the Benelux, AKD partners with an extensive network of highly reputable law firms to form fully integrated, experienced and multidisciplinary teams. With this collaborative approach, AKD can comprehensively assist its clients in doing business around the globe. AKD has offices in the Netherlands, Belgium and Luxembourg.

AKD has one of the largest real estate practice groups in the Netherlands, with eighty specialists. AKD is top tier ranked in the field of Construction and Real Estate in leading legal directories such as The Legal 500. AKD advises institutional investors, property developers, corporate users and governmental entities and offers high-quality legal, notarial and tax services on all aspects and types of real estate.

AKD is fully committed to help its clients achieve their sustainability goals. Signaling the importance of energy-efficient buildings, AKD’s Amsterdam office moved into the iconic The Edge office building in 2014, at that time the most sustainable office building in the world.

Corporate Social Responsibility

AKD believes it is essential to take responsibility for its actions both here and now, and in the future. AKD’s corporate social responsibility policy is based on the following core principles:

- Society: AKD is committed to sharing its knowledge with charitable causes. We are the legal partner of the Make-A-Wish organisation and support other good causes, such as the Aids Fund;
- Effect on the environment: the reduction of energy and paper consumption, the reduction of CO2 emissions and the purchasing of environmentally-friendly products;
- Integrity and corporate culture: the creation of a corporate culture in which colleagues respect each other and remind each other of AKD’s policy and standards with respect to how we work with each other, with our clients and with other business contacts, as well as in relation to our integrity and corporate social responsibility;
- Our lawyers are encouraged to use their legal skill set to help with pro bono work.

The transition to a more sustainable economy will be a vital task facing the global community in the coming decades. AKD is fully prepared to play its part in that transition.

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