

# Transforming the built environment

**Alex Titheridge**, Managing Director, D2RE (Guernsey), tells Business Brief how we can take on climate change by making our buildings more environmentally friendly in the wake of the recent UN Cop26 climate summit



## **The built environment was one of the talking points of the Cop26 climate summit. But what do buildings have to do with climate change?**

Buildings are one of the biggest single polluters and contributors of global CO2 emissions. Every house, factory, office, shop or hotel is contributing negatively to climate change and therefore everyone who lives and works in a building has a social responsibility. But even more so major property owners, investors, occupiers, developers and suppliers.

## **How much in terms of emissions is the built environment responsible for? That means construction, the design, use and ongoing management of property?**

Buildings generate nearly 40% of annual global CO2 emissions. Compare this to say transport which is responsible for 24%.

Building emissions are essentially a combination of two things. First is day-to-day energy use - operational emissions - that comes from powering lighting, heating, and cooling buildings. Second is the amount of carbon generated through manufacturing building materials and transporting those materials to construction sites, and indeed the actual construction process itself.

Of the 40%, building operations are responsible for 28% annually, while building materials and construction are responsible for around 12%.

And to meet the goals of the Paris Agreement, made in 2015, all buildings must be net zero carbon by 2050 and not even 1% of buildings are considered net zero carbon today so there is a long way to go.

## **You run the Guernsey office of D2RE, a commercial real estate advisor. What can be done to help fight and mitigate climate change when it comes to commercial offices and buildings?**

This is a massive question and there is no one right answer. But there a few

steps that need to be taken. Firstly, businesses need to calculate a robust carbon footprint across their portfolios to understand emissions and inform targets and a baseline. And this is something we're working on with our landlords which will in turn have a positive impact on occupiers and indeed suppliers but we do need co-operation from businesses.

Some specific examples of what we're doing; we've been benchmarking our managed buildings environmental performance against comparable buildings in the UK using a database of more than 1,000 similar UK properties.

All hard services contracts - that's plumbing, heating, lifts for example - are to industry best standard, using advanced software that ensures maximum efficiency and reduces consumption.

And we have detailed PPM - planned, preventative, maintenance - programmes in place to replace older, inefficient M&E - mechanical and electrical services - and plant and to generally improve a buildings energy efficiency. I believe good property management is essential to prevent physical obsolescence of buildings which not only benefits landlords. But also occupiers who can reap huge operational benefits in terms of cost savings when adopting a sustainability strategy, particularly, in terms of energy. And almost all of the occupiers in our buildings have now got an ESG strategy in place.

We're working on creating zero landfill options for our buildings. And other green agendas include; renewables with solar panels on roofs, electric car charging points, bike racks/cycle facilities/electric bike stands, LED lighting, energy grids - the list goes on.

And remember here in Guernsey we don't have energy performance certificates unlike the UK and indeed BREAAAM ratings - the world's leading sustainability rating for new buildings. Regulation has to be important to ensure standards particularly when it

comes to new builds. And what a chance right now for Governments to use planning applications as an opportunity to vet environmental impacts of construction and impose appropriate standards to meet the targets set out in Paris.

And as to what else can be done, one of the easiest steps should be reducing consumption through energy efficient design on new buildings. Use of low carbon materials, modular or timber construction. Or not building at all and retrofitting older buildings with new and more energy efficient M&E systems to avoid the carbon emissions embedded in the construction process. Particularly as 70% of buildings that will exist in 2050 have already been built today.

Purchasing carbon offsets although viable should be the last option.

## **Is going green also good for the owners of property when it comes to their bottom line?**

There's a massive opportunity for informed investors right now to embrace this net zero movement. And they'll definitely realise enhanced returns and improved bottom line further down the line.

The concept of a 'green premium' in rental and indeed capital value has been established for some time, but there seems to be a disconnect between valuers and investors. The RICS Red Book provides valuers with an option to consider sustainability in their valuation approach, however, it is not interpreted in the value itself. This will hopefully change in time and I know there is plenty of discussion around implementing sustainability into valuation whether by rents, yields, insurability or lending etc.

In the not too distant future, I think we will reach a point where aging inefficient buildings become stranded as wider economies move to net zero. Buildings that fall behind in the race to net zero will face a 'brown discount' with lower rents and higher vacancy periods.



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