

Green Bonds: Drees & Sommer Advises LBBW Bank on the Valuation of Real Estate

Drees & Sommer has developed a new method of assessing the energy and carbon-efficiency of buildings for the first *green bond* issued by Landesbank Baden-Württemberg (LBBW). It is now possible, using specified criteria, to identify which buildings in a real estate portfolio are among the top 15 percent in Germany in terms of energy-efficiency, meaning that they comply with the standards of the Climate Bonds Initiative.

In the past few years, green bonds have become increasingly popular: between 2013 and 2016 their share of newly issued securities rose more than sevenfold to USD 95.1 billion, and in 2017 to USD 156.7 billion. Issuers of green bonds undertake to use the issue proceeds to finance environmental and climate protection projects. These are increasingly projects in the area of building and production efficiency.

Benchmark for green bonds in Germany

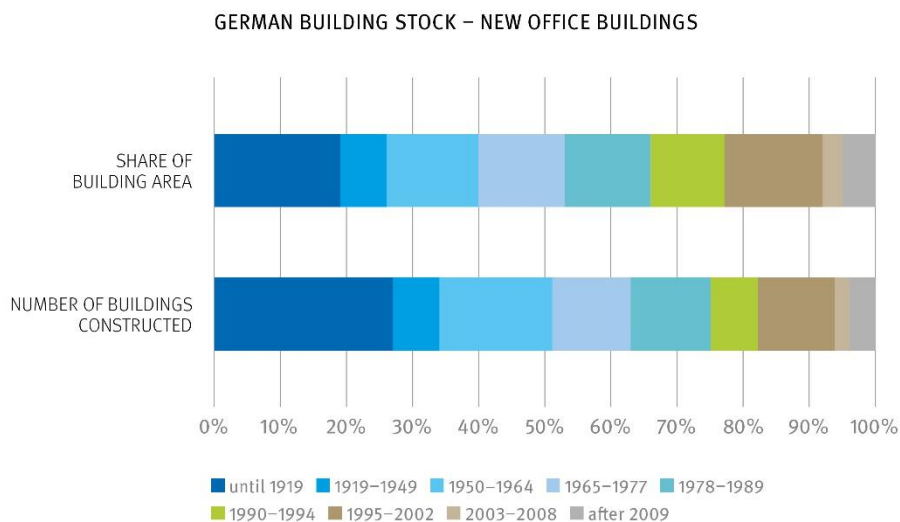
Germany has also seen growing interest in green bonds. However, there is no standard system for evaluating buildings for green bonds in this country yet. The only guidelines are international ones, including the Climate Bonds Initiative. A non-profit organization, the CBI mainly focuses on investors, its main aim being to promote sustainable investment. To meet the criteria of the CBI, the commercial properties in the portfolio must be among the top 15 percent of the German building stock in terms of their carbon efficiency.

As a basis for the analysis on behalf of LBBW, Drees & Sommer's experts used official data from the German Energy Agency (*Deutsche Energie-Agentur, dena*) and the German Energy-Saving Ordinance (*Energieeinsparverordnung, EnEV*). They established a clear connection between building age and energy efficiency, and were able to develop a method based on this finding.

Green bonds also ready for launching in Germany

The experts from Drees & Sommer are certain that green bonds will now also experience accelerated growth in Germany. Now that the methodology is established, other banks and insurance companies are likely also to start issuing green bonds in 2018.

Johannes Hopf, an energy design and sustainability consulting expert at Drees & Sommer, commented: 'Our long experience with real estate projects and green building certification helps us to develop a suitable methodology and draw reliable conclusions about energy efficiency, even when the information on the specific buildings is limited.'



Caption:

Own representation based on dena study (2017)

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For over 45 years, Drees & Sommer has been supporting private and public sector principals and investors in all aspects of real estate and infrastructure. The Group is managed by its partners and has a workforce of around 2,400 employees at 43 offices worldwide. Its headquarters are in Stuttgart, Germany.

Economy, quality and ecology are the basic values of Dress & Sommer's services. The Group calls this holistic and sustainable approach 'the blue way'.

Drees & Sommer and EPEA Internationale Umweltforschung (Environmental Research) in Hamburg, Germany, are jointly committed to the Cradle to Cradle® principle in the building industry, bringing principals, investors, architects and manufacturers together to promote the approach.

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