



## **BROWN DISCOUNTING TO SIGNIFICANTLY DEVALUE EUROPEAN COMMERCIAL REAL ESTATE ASSETS WHICH POSE CLIMATE AND OCCUPANT HEALTH RISK**

- **21-30% wiped off value of pension fund assets in past 12 months due to brown discounts**
- **Key steps to take to improve ESG performance**

**Paris, 13th April 2022** - The majority (79%) of European pension funds expect commercial real estate with good environmental, social and governance (ESG) credentials to provide better returns or 'green value' over the next five years. However, real estate which falls short will suffer significant value depreciation due to brown discounting, according to Deepki, the global ESG data intelligence firm, which surveyed 250 European pension fund managers\* in the UK, Germany, France, Spain and Italy, with a combined AUM of €402 billion.

*"The Deepki European Pension Fund Report: Integrating ESG into commercial real estate investment"*, takes an in-depth look at trends in commercial real estate asset allocation, the value of ESG, and the measures being taken to improve ESG performance.



It highlights the significant impact of 'brown discounting' for commercial property assets which demonstrate poor ESG compliance and deferred maintenance risk that may require additional capital outlay for improvements. The study showed that over the past 12 months, 40% of pension funds said they had seen depreciation of 21%-30% due to brown discounting, and a further 21% have seen assets devalue by 11%-20%. Some 18% had seen dramatic depreciation of 31-40% highlighting the growing focus on climate risk and resilience, carbon emissions and occupant health.

The impact of brown discounting is set to increase significantly over the next three years, according to almost two thirds (62%) of European pension funds. Some 37% expect it to



negatively impact assets by a further 31%-40% and 24% by 21%-30%, severely devaluing poor-performing real estate.

**Commenting on the report, Vincent Bryant, CEO and Co-founder of Deepki, said:**

“The value of European commercial real estate with poor ESG performance is being significantly affected by brown discounting and our research suggests that the resulting devaluation is set to become even more pronounced. As a result, we are seeing rapidly growing demand for our technology as owners and managers take on the net zero challenge to protect their assets.”

**Key steps to improving ESG performance**

Deepki is the only company in the world offering a fully populated ESG data intelligence platform to help commercial real estate investors, owners and managers improve the ESG performance of their real estate assets, and in the process enhance their value. It outlines the key steps for asset owners who want to tackle brown discounting by improving ESG performance:

- The path to managing ESG performance begins with data collection. The Deepki data intelligence platform, *Deepki Ready*, is supported by a team of ESG experts, who work with clients to capture ESG metrics across all assets on one platform.
- The data provides performance analysis at portfolio- and asset-level.
- The gap between assets' current position and where they need to get to is assessed, and the strategy needed to get there is identified. The likelihood of achieving net zero targets is provided through predictive carbon pathways.
- All parties are kept informed of the progress of the ESG action plan through real-time reporting on ESG targets and compliance with complex regulations and commitments.
- Stakeholders must understand what actions they need to take to meet the agreed targets across the whole organization and their real estate portfolio - asset by asset.
- A clear pathway helps increase the value of assets by offering complete control over ESG and regulatory commitments. Collecting and understanding the data gives complete visibility of the pathway and progress to ensure goals are met.
- Improving ESG performance will help reduce your energy consumption and costs.



- Communicate achievements to help build and improve the reputation of the business with investors, shareholders and clients.
- Positively impact society and help protect the planet.

For further information about Deepki's end-to-end solutions, visit: [www.deepki.com](http://www.deepki.com)

### **Notes to editors**

Research conducted by Pureprofile with 250 pension fund managers in the UK, France, Germany, Spain and Italy (50 respondents per market) in February 2022.

### **About Deepki**

Founded in 2014, Deepki has developed a SaaS solution that uses data intelligence to guide real estate players in their net-zero transition. The solution leverages customer data to improve assets' ESG (Environmental, Social and Governance) performance and maximize asset value. Deepki operates in 38+ countries, with 150+ team members across offices in Paris, London, Berlin, Milan and Madrid. The company serves clients including Generali Real Estate, Allianz Real Estate, SwissLife Asset Managers and the French government, helping to make their real estate assets more sustainable at scale.

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