NINE IN TEN EUROPEAN COMMERCIAL REAL ESTATE INSTITUTIONAL INVESTORS PLAN TO INCREASE CAPEX ON RETROFITTING, ACCORDING TO NEW REPORT BY DEEPKI

- Nine in ten (87%) respondents also say their company plans to purchase and retrofit poor energy performing buildings as part of strategic investment opportunities
- Pressure from tenants for greener premises represents main driver (66%) in retrofitting revolution
- Only 2% of asset managers believe their in-house retrofitting expertise can be described as "excellent"

Paris, 15th October 2024 – A new report from Deepki, the complete, market-leading ESG platform for real estate, titled "The Retrofitting Research Report: How European commercial real estate managers are preparing for a net zero future", reveals that almost nine in ten (88%) European commercial real estate asset managers are planning to increase their capital expenditure on retrofitting over the next three years, with 9% of those stating their spend will "increase significantly". Twelve percent say they will keep their current spend on retrofitting the same.

Deepki commissioned the independent research with 253 European commercial real estate asset managers[1] working for pension funds, insurance asset managers, fund managers, banks and other institutional investors in the UK, Germany, France, Spain and Italy with an estimated combined AUM of €226.3 billion.

The report reveals that, on average, 42% of commercial real estate assets owned by European financial institutions are currently in need of an upgrade to reach net zero and improve their asset value. In terms of how they plan to deal with buildings with poor energy efficiency, the study finds that retrofitting is the favored approach (cited by 67% of respondents) over other options including demolishing and rebuilding the property (40%).

The need to upgrade a significant proportion of current commercial real estate, combined with the fact that 80% of 2050's building stock already exists today, explains the planned increase in capital expenditure on retrofitting, which offers a solution by changing the systems or structure of an existing building. These modifications improve its energy performance so it complies with contemporary environmental standards, thus making it more attractive for tenants who favor greener premises.

Value creation through retrofitting

The research also reveals that most asset managers see retrofitting as a **means of creating value**, with 87% of institutional investors stating they plan to increase the purchase of poor energy performing buildings with a view to retrofitting them to improve their value. Only 8% of respondents said that the creation of value through retrofitting such buildings was not currently in their business plan.

Retrofitting priorities

Reinforcing **building insulation** to lower energy consumption remains the **number one retrofitting priority** and was cited by almost seven in 10 (68%) companies, who were asked to state the three most important retrofit changes they were implementing to improve their existing carbon footprint. This was followed by a need to optimize the regulation of lighting, heating, ventilation and air conditioning equipment (61%).

Other retrofitting strategies named by companies include replacing existing equipment with more efficient models (e.g. heat pump technologies), which was cited by over half (51%) of respondents. Forty-four percent of businesses plan to use more renewable energies (such as rooftop solar panels), while around one in five (21%) say they are switching from fossil fuel powered equipment to electricity-powered versions.

Top drivers behind commercial real estate decarbonization

The research indicates that the top driver behind the decarbonization of business's real estate assets is a need to meet the **demands of the building's occupiers**, with two in three (66%) respondents citing this reason. Other motivations for curbing greenhouse gas emissions include compliance with new standards that are being rolled out across various European jurisdictions (57%), financial reporting requirements (51%) and meeting net zero targets for 2030 and 2050 set by their governments (43%).

In-house retrofitting expertise

Despite indicating a clear trend in institutional investors actively seeking to purchase buildings that are "ripe for retrofitting" and which present a strategic investment opportunity, the survey finds that businesses admit that they lack the necessary in-house expertise to transform the acquired real estate into modern, energy-efficient structures. Over a third (36%) say their current retrofitting expertise is "average" at best, and only 2% described it as being "excellent".

Commenting on the research findings, Vincent Bryant, CEO and Co-founder of Deepki, said:

"Retrofitting is often complex, with every asset presenting a unique set of issues. The lack of in-house expertise has led companies to seek guidance on ESG strategy from external experts, such as Deepki. Data has given us the power to quickly measure and understand the scale of the challenge at portfolio-level, thanks to virtual retrofit technologies. Now, we must address the entire decarbonization journey if we are to create real impact. From gathering data to ascertain the starting point, to reporting on progress and taking concrete action to improve performance and achieve tangible results, an all-in-one platform is critical in ensuring visibility and eliminating blind spots."

For further information about Deepki's complete ESG platform, visit: www.deepki.com

Notes to editors

[1]Research conducted by Pureprofile in 2024 with 253 director-level/C-suite individuals working for pension funds, insurance asset managers, fund managers, banks and other institutional investors in financial institutions in the UK, France, Germany, Spain and Italy (50 or 51 respondents per market) actively involved in managing the commercial real estate portfolio or the running of a real estate investment fund/portfolio.

About Deepki

Founded in 2014, Deepki has developed a complete ESG platform for real estate that harnesses data to guide companies in their net zero transition, from data collection through to reporting, the definition of ESG (Environmental, Social and Governance) strategies and the implementation of decarbonization pathways. The SaaS solution leverages audit-ready data and virtual retrofitting capabilities to improve assets' ESG performance and maximize asset value, while ensuring compliance and facilitating access to capital.

Deepki operates in over 65 countries, with over 400 team members across offices in Paris, London, Berlin, Milan and Madrid. The company serves clients including Generali Real Estate, SwissLife Asset Managers and the French government, helping to make their real estate assets more sustainable at scale.

In March 2022 Deepki raised €150 million in a Series C funding round. Since then, Deepki has carried out strategic acquisitions including that of its principal UK-based competitor, Fabriq, and embodied carbon SaaS solution, Nooco. In March 2024, Deepki won the Compliancy Award for the best solution that complies with regulations, at the Global ESG Awards. In 2023, Deepki established a global partnership with CBRE, and joined PGIM's unique innovation lab, "Real Assets X". The company recently received the ISAE 3000 type 1 attestation, guaranteeing the credibility and accuracy of its data collection process, making it fully auditable and providing the same high quality standards as financial reporting.

For further information about Deepki's end-to-end ESG solutions, visit deepki.com.

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