REALPAC/IPD CANADA QUARTERLY GREEN PROPERTY INDEX

Webinar 1Q 2015 release

May 21, 2015
AGENDA

1. INTRODUCTION
   Michael Brooks, CEO, REALpac

2. RESULTS: REALPAC/IPD CANADA QUARTERLY GREEN PROPERTY INDEX
   Simon Fairchild, Executive Director, MSCI

3. GLOBAL KEY SUSTAINABILITY THEMES
   Anthony De Francesco, Executive Director, MSCI
INTRODUCTION

Michael Brooks, *CEO, REALpac*
RESULTS: REALPAC/IPD CANADA QUARTERLY GREEN PROPERTY INDEX – 1Q 2015

Simon Fairchild, Executive Director, MSCI
## REALPAC / IPD Canada Quarterly Green Property Index Database Profile

<table>
<thead>
<tr>
<th>Category</th>
<th>Capital value ($m)</th>
<th>Capital value (% of total)</th>
<th>Number of properties</th>
<th>Number of funds</th>
</tr>
</thead>
<tbody>
<tr>
<td>All Property</td>
<td>127,440.4</td>
<td>100.0%</td>
<td>2,401</td>
<td>48</td>
</tr>
<tr>
<td>Retail</td>
<td>53,154.5</td>
<td>41.7%</td>
<td>400</td>
<td>39</td>
</tr>
<tr>
<td>Office</td>
<td>46,985.9</td>
<td>36.9%</td>
<td>680</td>
<td>35</td>
</tr>
<tr>
<td>Industrial</td>
<td>12,694.8</td>
<td>10.0%</td>
<td>775</td>
<td>28</td>
</tr>
<tr>
<td>All Rated Assets</td>
<td>67,501.7</td>
<td>53.0%</td>
<td>574</td>
<td>26</td>
</tr>
<tr>
<td>All Rated BOMA BESt Assets</td>
<td>64,307.9</td>
<td>50.5%</td>
<td>552</td>
<td>25</td>
</tr>
<tr>
<td>All Rated Retail (BOMA BESt) Assets</td>
<td>30,072.1</td>
<td>23.6%</td>
<td>99</td>
<td>17</td>
</tr>
<tr>
<td>All Rated Office (BOMA BESt) Assets</td>
<td>31,030.3</td>
<td>24.3%</td>
<td>311</td>
<td>23</td>
</tr>
<tr>
<td>All Rated Industrial (BOMA BESt) Assets</td>
<td>2,177.1</td>
<td>1.7%</td>
<td>116</td>
<td>9</td>
</tr>
<tr>
<td>All Rated LEED Assets</td>
<td>3,193.9</td>
<td>2.5%</td>
<td>22</td>
<td>14</td>
</tr>
</tbody>
</table>
Index tracks the financial performance of those properties with a BOMA BESt or LEED rating.

Q3 2014

- Income Return: 9.1%
- Capital Growth: 6.9%
- Total Return: 9.2%

Q1 2015

- Income Return: 6.9%
- Capital Growth: 6.4%
- Total Return: 9.2%
REALPAC/ IPD CANADA QUARTERLY GREEN PROPERTY INDEX

Quarterly Total Returns %

- IPD Universe
- All Assets Rated
INDEX: COMPARISON OF TOTAL RETURNS BY CITY

Annual return to Q1 2015

Annualized three year return to Q1 2015
Downward trend in income yield (net income/capital value) since June 2012
Trend in net income per square foot since June 2012
OFFICES: COMPARISON OF VACANCY RATE %

Better occupancy in green rated offices vs. all offices in main index
GLOBAL KEY SUSTAINABILITY THEMES

Anthony De Francesco, Executive Director, MSCI
OVERVIEW OF IPDS “GREEN” PRODUCT INITIATIVES

**IPD Green Property Index**
- Currently available
- Environmental Data collected, but index yet to be established

**PCA/IPD Australia Quarterly Green Property Index**
- Launch: Feb. 2011
- Sector: Office
- Restricted to: Green Star, NABERS (Energy, Water) Ratings

**PCNZ/IPD New Zealand Quarterly Green Property Index**
- Launch: Nov. 2012
- Sector: Office
- Restricted to: Green Star Ratings

**IPD South Africa Annual Green Property Indicator**
- Launch: Sep. 2014
- Sector: All Property, Retail, Office, Industrial
- Restricted to: Top quartile efficient properties (based on water & electricity usage)

**IPD France Annual Green Property Indicators**
- Austria, Belgium, Denmark, Germany, Italy, Netherlands, Portugal, Spain, Switzerland
- Markets collect: Green Building Label and/or Energy Performance Certificates
- Bespoke analysis provided

**REALpac/IPD Canada Quarterly Green Property Index**
- Launch: Nov. 2013
- Sector: All Property, Retail, Office, Industrial, Residential
- Restricted to: LEED, BOMABEST Ratings

**EcoPAS (Eco-Portfolio Analysis Service)**
- Launch: 2012 in UK, 2014 in France
- Overview: Benchmarking service that identifies and highlights the potential environmental risks in a real estate investment portfolio.
DIFFERENT TYPES OF ENVIRONMENTAL DATA TO CONSTRUCT GREEN INDEXES

Regional market

Property (parent) Index

Environmental Data

Green Indexes

Green Rating Tool Data
(e.g. LEED, BREEAM, Green Star etc)

Consumption Data
(e.g. Energy, Water)

Americas
- REALpac/IPD Canada Quarterly Property Index

Asia Pacific
- PCA/IPD Australia Quarterly Property Index
- PCNZ/IPD New Zealand Quarterly Property Index

Europe, Middle East, Africa
- IPD France Annual Property Index
- IPD South Africa Annual Property Index

- Green Rating Tools (Green Building Certificates & Energy Performance Certificates)
- Asset consumption data
## IPD Green Property Indexes: Database Size and Market Coverage

<table>
<thead>
<tr>
<th>Country</th>
<th>Sector</th>
<th>Capital Value* (local currency, Bn)</th>
<th>Capital Value as percentage of IPD Parent Index</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia</td>
<td>Office</td>
<td>59.9</td>
<td>94%</td>
</tr>
<tr>
<td>Canada</td>
<td>All Prop</td>
<td>67.5</td>
<td>53%</td>
</tr>
<tr>
<td>South Africa</td>
<td>All Prop</td>
<td>111.3</td>
<td>52%</td>
</tr>
<tr>
<td>France</td>
<td>Office</td>
<td>14.7</td>
<td>26%</td>
</tr>
<tr>
<td>New Zealand</td>
<td>Office</td>
<td>1.1</td>
<td>20%</td>
</tr>
</tbody>
</table>

Notes: *Represents the total capital value of the IPD Green Property Index in each market as at Q4-2014 for Australia, Q1-2015 for Canada, Q4-2013 for South Africa and France, and Q1-2014 for New Zealand.
RETURN OUTPERFORMANCE FOUND ACROSS A NUMBER OF OFFICE MARKETS USING ENVIRONMENTAL RATING LABELS

**Green office property returns for selected markets**

annual return as at latest period available*

<table>
<thead>
<tr>
<th>Market</th>
<th>Capital Return</th>
<th>Income Return</th>
<th>Total Return</th>
</tr>
</thead>
<tbody>
<tr>
<td>AUS</td>
<td>12.9%</td>
<td>10.2%</td>
<td>12.2%</td>
</tr>
<tr>
<td>NZ</td>
<td>12.2%</td>
<td>11.6%</td>
<td>11.6%</td>
</tr>
<tr>
<td>JPN</td>
<td>5.6%</td>
<td>5.5%</td>
<td>5.7%</td>
</tr>
<tr>
<td>CAN</td>
<td>5.7%</td>
<td>5.5%</td>
<td>6.2%</td>
</tr>
<tr>
<td>FRA</td>
<td>4.4%</td>
<td>3.6%</td>
<td></td>
</tr>
</tbody>
</table>

* Australia Q1-2015, New Zealand Q1-2014, Japan M7-2014, Canada Q1-2015, France Q4-2013

** Green Offices defined as all office buildings with a third-party green building label: Australia (Green Star), NZ. (Green Star), Japan (DBJ Green Building Certificate, CASBEE), Canada (BOMA BEST, LEED), France (HQE, BREEAM, LEED).
PERFORMANCE OF AUSTRALIAN GREEN OFFICE BUILDINGS

Green office property returns as at March

Trends in return for various green rated offices annualised total return to March 2015

Green Star NABERS: 4-6 star
NABERS: 0-3.5 star All office

Office Green-star NABERS:0-3.5 star NABERS:4-6 star

Capital Return Income Return Total Return

Green Star NABERS: 4-6 star NABERS: 0-3.5 star All office

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CONSISTENT FINDINGS FOR THE AUS AND NZ COMMERCIAL OFFICE PROPERTY MARKETS

NZ: Green Star vs All Office
annualised results for period to Dec 2014

- Capital value in $/sqm: -48%
- Capitalisation Rate: -0.3pts
- Net Income in $/sqm: -9%
- Opex in $/sqm: -1.0pts
- Capex in $/sqm: -43%
- Vacancy Rate: -53%
- WALT in years: 53%

AUS: Green Star vs All Office
annualised results for period to Dec 2014

- Capital value in $/sqm: 23%
- Capitalisation Rate: -0.3pts
- Net Income in $/sqm: 9%
- Opex in $/sqm: 9%
- Capex in $/sqm: -4.3pts
- Vacancy Rate: 22%
- WALE in years: 22%
COMBINING MEASURES TO EVALUATE RISK FOR “GREEN” OFFICE PROPERTY PORTFOLIOS

Selected office property markets
values as at Dec 2014

High risk assets with less stable income stream
Low risk assets with highly stable income streams

AUS Green Star
AUS Prime Office
AUS All Office
AUS NABERS Energy 0-3.5 Stars
AUS NABERS Energy 4-6 Stars
NZ Green Star
NZ All Office

CAP RATE (%)
WALE, WALT (years)
RETURN PERFORMANCE FOR JAPANESE GREEN OFFICE BUILDINGS VARIES ACROSS ASSET STRUCTURE
RETURN GREEN PREMIA IN SOUTH AFRICAN PROPERTY MARKET USING ASSET CONSUMPTION DATA

South Africa property market annual returns to Dec 2013

- Top quartile Efficient Properties
  - Income Return: 15.9%
  - Capital Growth: 14.2%
  - Total Return: 16.1%

- Rest of IPD Universe
  - Income Return: 14.2%
  - Capital Growth: 13.8%
  - Total Return: 14.0%

Net Income
(per square meter)

- Measured Buildings - Top Quartile: 82
- Rest of IPD Universe: 70

Vacancy Rate
(percentage)

- Measured Buildings - Top Quartile: 4.8%
- Rest of IPD Universe: 6.7%

Capital Expenditure
(share of Capital Value)

- Measured Buildings - Top Quartile: 1.8%
- Rest of IPD Universe: 3.9%

Capitalization Rate
(percentage)

- Measured Buildings - Top Quartile: 8.0%
- Rest of IPD Universe: 8.5%

Income Return
Capital Growth
Total Return
green offices vs high-end non green offices
relative performance, as at Dec 2013

- Rent passing (€/m²): -1.6%
- Potential rent (€/m²): 7.4%
- Market rental value (€/m²): 13.7%
- Capital value (€/m²): 16.9%
- Initial yield (pts): -0.06

Green offices vs high-end non green offices
performance per occupant, as at Dec 2013

- Final energy (kWh): -17%
- Primary energy (kWh): -11%
- Emissions (kg CO₂): -22%
- Water (litres): -15%
- Waste (kg): -5%
CONSTRUCTING PORTFOLIOS WITH “GREEN” TILTS ENHANCES THE RISK-ADJUSTED RETURN PROFILE

Allocation profiles for CBD office portfolios
portfolios with "green" tilt

Investment performance
sample period: last six years to Dec 2014

<table>
<thead>
<tr>
<th>Portfolio</th>
<th>High energy rated buildings</th>
<th>Low energy rated buildings</th>
</tr>
</thead>
<tbody>
<tr>
<td>P0</td>
<td>100%</td>
<td>0%</td>
</tr>
<tr>
<td>P1</td>
<td>95%</td>
<td>5%</td>
</tr>
<tr>
<td>P2</td>
<td>90%</td>
<td>10%</td>
</tr>
<tr>
<td>P3</td>
<td>80%</td>
<td>20%</td>
</tr>
<tr>
<td>P4</td>
<td>70%</td>
<td>30%</td>
</tr>
<tr>
<td>P5</td>
<td>60%</td>
<td>40%</td>
</tr>
<tr>
<td>P6</td>
<td>50%</td>
<td>50%</td>
</tr>
</tbody>
</table>

Return (annual)

sharpe ratio

Investment performance
sample period: last six years to Dec 2014

Property allocations

Portfolios with "green" tilt

High energy rated buildings
Low energy rated buildings
• Various data sources for evaluating “sustainability” on property performance
  – green building certificates/labels; energy performance certificates; asset consumption data

• Investment performance for new and existing buildings
  – Return premium reflected in capital return component
  – “Green” office buildings have a firmer cap rate
  – Tentative evidence that investing in “green” buildings enhances portfolio risk-adjusted return performance

• Outperformance of “green” buildings evident across various geographical markets

• Outperformance of “green” buildings reflected across different investment performance measures: various space market metrics as well as investment metrics
Q&A WITH PRESENTERS

Michael Brooks, CEO, REALpac
Simon Fairchild, Executive Director, MSCI
Anthony De Francesco, Executive Director, MSCI
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