

Sustainability Developments Roundtable Meeting

Thursday, April 2nd

9:30am – 10:45am

*JW Marriot Desert Ridge Resort & Spa
Phoenix, AZ*

Discussion Leads:

Jeffrey Bedell, VP-Sustainability, Macerich

Jody Clark, VP, Hannon Armstrong Sustainable
Infrastructure Capital, Inc.

Marla Thalheimer, Director-Sustainability, Liberty
Property Trust

NAREIT SUSTAINABILITY ROUNDTABLE AGENDA

JW Marriott Desert Ridge Resort & Spa – Phoenix, AZ

April 2, 2015



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Marla Thalheimer, Director-Sustainability, *Liberty Property Trust*

NAREIT Executive Staff:

Sheldon Groner, EVP, Finance & Operations

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- Investor relations – benchmarks and certification (CDP, GRESB)
- Growing legislation- reporting and disclosures (Energy Star, LEED), what is the future?
- Green bonds, PACE and other financing options



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Green Days Ahead for REITs

07/08/2014 | By Ronald L. Havner

Published [July/August 2014](#)

Sustainability is no longer a buzzword or niche in business. It is becoming a core aspect of corporate social responsibility and is increasingly embraced within the REIT community. For REITs, sustainability started with an initial focus on cutting energy usage. That has developed into a broader view of “going green.”

In practice, that means not only investing in technology and infrastructure, but also embracing sustainability at the highest levels in the organization. REITs that are flourishing under society's green mandate have committed to putting standard operating procedures under the green microscope. These companies are incorporating principles of conservation and efficiency into everything they do.



At Public Storage (NYSE: PSA), we consistently invest in initiatives that cut costs and reduce our consumption of resources while seeking to maintain a top-notch customer experience. Part of that responsibility lies in making investments that reduce the components of our various utility requirements and reducing our contribution to the nation's landfills. Some REITs have even started looking at the financing of their businesses through the lens of sustainability. Earlier this year, shopping center REIT Regency Centers Corp. (NYSE: REG) became the first REIT to issue “green” bonds. The \$250 million generated by the bond sale has been earmarked by Regency Centers specifically to build or buy assets certified under the U.S. Green Building Council's Leadership in Energy & Environmental Design (LEED) program. Vornado Realty Trust (NYSE: VNO) followed suit with a \$450 million green bond offering in June.

NAREIT is also doing its part to promote and facilitate sustainability in real estate. NAREIT hosts an annual working forum for executives tasked with sustainability initiatives to meet with their peers to review recent developments and best

practices. The annual Leader in the Light Awards honor NAREIT corporate member companies that have demonstrated superior and sustained energy use practices and sustainability initiatives.

In 2012, NAREIT integrated the Leader in the Light award program with the international Global Real Estate Sustainability

NAREIT is doing its part to promote and facilitate sustainability in real estate

Benchmark (GRESB). Doing so publicly reinforced the important place of sustainability in our industry. Of equal importance, GRESB offers participating companies and institutional investors a measuring stick by which they can evaluate the impact of sustainability programs. Last year, the nearly 550 property companies and funds that participated in the GRESB survey covered almost half of the FTSE EPRA/NAREIT Global Real Estate Index and accounted for \$6.1 trillion in institutional capital.

Although the marriage of sustainability and business remains fairly new, the rapid evolution of strategies and tactics for companies to enhance their sustainability has shown no signs of slowing. REITs have proved more than capable of keeping up with — and exceeding — industry standards and investors' expectations.



RONALD L. HAVNER, JR.
NAREIT Chair
Chairman, President & CEO
Public Storage

Categories: [Sustainability](#)

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SUSTAINABILITY INVESTMENT ANALYSIS

Sustainability means different things to different people. To help you understand our approach, please read below.

Background

We believe that sound investing practices should include analysis of the environmental benefit of the proposed investment. It is our practice to invest in projects that increase energy efficiency, provide cleaner energy, positively impact the environment, or make more efficient use of natural resources. As such, we apply a clear and transparent set of policies when evaluating the environmental impact of any proposed investment.

What we mean by “sustainability”

We define sustainability as positively impacting the environment while being neutral or reducing greenhouse gas (GHG) emissions. In addition to GHG emissions, projects are screened for other environmental benefits, such as water use reduction. The quantification of environmental benefits is part of our investment screening process.

Measuring the Impact of Hannon Armstrong's Investment

We analyze project specific data, for example the expected reduction in annual energy consumption resulting from the installation of energy efficiency upgrades or the energy produced by a clean energy project, to determine expected environmental benefit associated with such projects. For example, to measure the carbon impact, we calculate the annual metric tons of carbon emissions offset by the project, taking into consideration the fuel mix percentages and carbon intensities of fuel in the state where the project is located.¹ We then evaluate the relative impact of our potential investment by calculating the pounds of carbon emissions reduced annually per dollar invested.

Disclosure Standards

For competitive reasons, it is a general policy of Hannon Armstrong to not disclose specific investment information. However, we plan to release annually the CO2 equivalent impact of each project we finance to provide appropriate transparency of the environmental profile of our portfolio.

In summary, we believe that our investments have and will continue to have significant environmental benefits. Our promise to be on the right side of the climate change issue will continue to be a defining principle of the Company, and we are committed to disclosing the environmental impact of our financed projects to all interested parties.

¹ Data Source: U.S. Environmental Association's eGRID 2012



Regency Centers Sells \$250 Million of 10-Year 'Green Bonds'

05/16/2014 | By Sarah Borchersen-Keto

Shopping center REIT [Regency Centers Corp.](#) (NYSE: REG) has completed the sale of \$250 million of 10-year "green bonds," the first time a U.S. REIT has issued bonds that exclusively target investment in environmental [sustainability](#) projects.



Lisa Palmer, Regency Centers' CFO, said market reaction to the bonds was "extremely positive."

"There is a growing market of environmentally conscious investors, and we found it was a good way to connect our commitment to [sustainability](#) with the socially responsible investing community while maintaining our overall goals and strategy," she explained.

Regency Centers noted that this is also only the second issuance of green bonds by a U.S. corporate entity. Until recently, green bond issuers were predominantly international finance organizations such as the World Bank and European Investment Bank. Earlier this year, Unibail-Rodamco SE (EuroNext: UL), a listed real estate company headquartered in Paris, announced that it had placed the first green bond issuance for a real estate company in the European market.

Regency Centers Seeking to be at Forefront of Socially Responsible Business Practices

Palmer said the decision to issue green bonds was "a natural evolution of where

our [sustainability](#) efforts have been going." Part of Regency Centers' strategy, she noted, is to be at the forefront of innovative and creative ways to implement socially responsible business practices.

Regency Centers made the decision to invest in [sustainability](#) more than seven years ago, according to Palmer. She pointed out that since 2009, approximately two-thirds of the company's developments and redevelopments have received certification from the U.S. Green Building Council's Leadership in Energy and Environmental Design ([LEED](#)) program, "with more to follow." Net proceeds from the new bonds will be used to finance Regency Centers' existing properties and properties under development where the company is seeking or has already been awarded [LEED](#) certification.

Steven Marks, managing director at Fitch Ratings, noted that the bond issuance "could be a significant development in that it might broaden the bond investor universe" for Regency Centers. In addition, it may also encourage other REITs to focus more on [sustainability](#) and to develop green or [LEED](#)-certified projects, he added.

Deloitte Report Shows Investors Placing Greater Value on [Green Buildings](#)

Separately, a new report from accounting firm Deloitte & Touche LLP shows that commercial real estate investors are placing greater value on [green buildings](#) as tenant demand for environmentally sophisticated properties grows.

"We think investors are looking at green real estate in a different way," said Bob O'Brien, partner and U.S. and global real estate services leader at Deloitte.



Investors recognize the growing level of tenant demand for [green buildings](#) and that there is more income potential in those properties, he said. At the same time, investors are cognizant of the risk that properties without [LEED](#) certification will face "functional obsolescence," O'Brien added.

"Increasingly we're finding tenants that will only move into [LEED](#)-certified buildings as part of their own green strategies," O'Brien said. Meanwhile, "investors increasingly tout some of the green-type investments that are within their portfolios, and pointing to REITs who have developed [sustainability](#) strategies is one way to do that," he added.

Categories: Capital Markets, Retail, Sustainability

Vornado Prices Notes to Fund Eligible Green Projects - Analyst Blog

By [Zacks.com](#), June 10, 2014, 11:10:00 AM EDT

Vornado Realty Trust ([VNO](#)) disclosed the pricing of 2.50% senior unsecured notes worth \$450 million. In particular, the company's operating arm, Vornado Realty L.P., priced the 5-year senior notes at 99.619% of their face amount, with a yield of 2.581%. The offering is expected to close on Jun 16, upon fulfillment of customary closing conditions.

Beginning Dec 30, 2014, the interest on these notes are payable semiannually on Jun 30 and Dec 30 of every year. The company will use the reaped amount of around \$445 million to invest in its Eligible Green Projects.

Eligible Green Projects refers to all the new or existing assets developments that have achieved or are expected to get any LEED certification level (Certified, Silver, Gold or Platinum). Also, it includes all the company's tenant improvement projects and capital projects, which are likely to get this energy efficiency label.

Several renowned financial institutions assisted Vornado in this public offering. Deutsche Bank Securities Inc. of **Deutsche Bank AG** ([DB](#)), Wells Fargo Securities, LLC of **Wells Fargo & Company** ([WFC](#)) and RBS Securities Inc. of **The Royal Bank of Scotland Group plc** ([RBS](#)) are among those who acted as joint book-running managers.

The aforementioned notes offering is a strategic fit for Vornado, as this will increase its financial flexibility and enable the company to pursue its portfolio enhancement activity. This will go a long way in boosting its top line.

As of Mar 31, 2014, Vornado had \$1.2 billion of cash and cash equivalents, up from \$583.3 million as of Dec 31, 2013. In addition, the company's FFO payout ratio (based on FFO as adjusted for comparability) in the quarter was 60.8%, lower than 64.6% in the year-ago quarter.

Vornado currently carries a Zacks Rank #3 (Hold).

Note: FFO, a widely used metric to gauge the performance of REITs, is obtained after adding depreciation and amortization and other non-cash expenses to net income.

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