

# SUSTAINABLE BUILDINGS – THE NEW NECESSITY

THE PROCESS OF OBTAINING CERTIFICATION IS LARGELY VOLUNTARY, HOWEVER, MARKET CONDITIONS ARE ACCELERATING ITS IMPLEMENTATION.

To tackle climate change and its negative impacts, world leaders reached a breakthrough consensus in 2015-16 (Paris Agreement) and more recently, the May 2024 EU Energy Performance of Buildings Directive (EPBD) reviewed the climate target plan for 2030: reduction of buildings' greenhouse gas emissions by 60%, final energy consumption by 14% and energy for heating and cooling by 18%. The long-term goal is to reach a climate neutral economy by 2050.

Meanwhile, according to a March 2023 directive, and insofar as the application of Energy Performance Certificates in transactions (sales and leases) is concerned, commercial & public buildings must attain no less than grade E by 2027 while residential, commercial & public property needs to attain at least grade D by 2030.

The built environment accounts for about 40% of global carbon emissions (12% relating to actual construction and materials & 28% to operations, e.g., heating, cooling and lighting), which means that the real estate industry can play a significant role in bringing about a sustainable future.

All real estate players, i.e. urban planners, developers, engineers, consultants, investors, landlords and occupiers, can – and have already started to – play a decisive role in promoting clean energy strategies and solutions. Indeed, compliance with sustainable practices has been spearheaded in Greece by institutional investors such as REICs & EBRD, which swiftly cottoned on to the obvious advantages of green buildings and processes that pave the way for better and longer-lasting property performance, address evolving tenant requirements, and finally, help achieve higher rents.

As a result, such investors have embarked on both upgrades of their existing building stock as well as brand new sustainable developments, with benefits vastly outweighing disadvantages, such as the cost of transition.

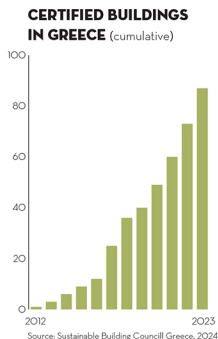
Lenders followed suit soon afterwards, with an increasing number of banks seen applying green criteria to loan agreements. Indeed, as per JLL's Responsible Real Estate framework, a holistic



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LIKE IN ALL ENVIRONMENTAL PROCEDURES THAT CREATE EXTERNALITIES THE PRIVATE BENEFIT IS FAR SMALLER THAN THE SOCIAL BENEFIT



systemic review of thinking and practices at every level is called for.

A basic component of such processes is the application of sustainability certifications for buildings, namely

- ▶ LEED for new construction & major renovation,
- ▶ LEED for existing buildings, operation & maintenance,
- ▶ BREEAM for new construction/ refurbishment and
- ▶ BREEAM in-use.

LEED originates from the US and boasts broad international impact while BREEAM originates from the UK, where it is mandatory for public buildings, and is better suited to buildings-in-use. To date, more than 90 buildings have obtained sustainability certification in Greece, mostly offices (60%). Post-certification regular monitoring and assessment are carried out by other entities such as EPRA & GRESB.

Certificates can attain a variety of grades, such as Silver, Gold & Platinum, and relate to both technical specifications, such as electromechanical installations, shell, frames, as well as quality, e.g., orientation & natural lighting, which upgrade the daily life of employees. The process of obtaining certification is largely voluntary, however, market conditions are accelerating its implementation. Moreover, the recent covid-19 pandemic has emphasized the need for 'healthy buildings', designed with equipment that promotes good health, as well as the mental well-being of workers and residents – the WELL certificate is a case in point.

Upgrades for environmental purposes are a much greater challenge for residential property, however, due to both cost and domestically specific features, such as fragmented ownership. It is therefore evident that a large proportion of the population will struggle to meet the target for cost reasons. In our view, such challenges are rightfully, albeit not adequately, supported by state aid, not least because the private benefit is far smaller than the social benefit, like in all environmental procedures that create externalities.

In conclusion, and notwithstanding the need to comply with EU directives, the timely adaptation of real estate to climate change is indeed a prerequisite for maintaining and enhancing value.