

How greening your property credentials makes good investment sense

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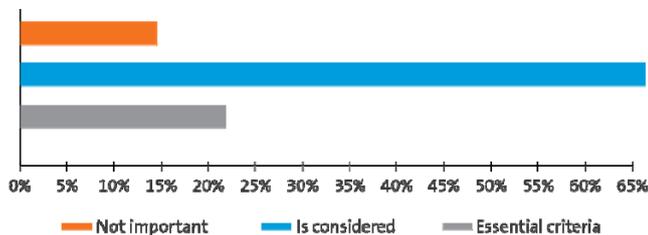
A lot of businesses talk about their green credentials and how they think it's important, but beyond the feel good factor, what does it really mean for investors? How does being 'green' actually make a difference to your investment?

What's the market value of being 'green'?

The market value of being 'green' can best be illustrated by applying a practical commitment to sustainable property management. Focusing on the effective management of energy and water consumption and minimising waste going to landfill can help 'future proof' a property investment.

Research conducted by AMP Capital demonstrates that tenants are most attracted to property assets with strong sustainability credentials. Coupled with reduced operating costs achieved through sustainable property management, this also helps improve investor returns through higher rental incomes.

Tenant appetite for sustainable office space



Source: Survey is conducted bi-annually with AMP Capital tenants. Results shown are for 2009.

So it follows that if you can meet the market's expectations by providing sustainable properties, you reduce the need to offer prospective tenants with rental incentives that potentially impact profitability.

In addition, shopping centres and office buildings with proven 'green' credentials can also provide our tenants with a brand strengthening proposition in their marketing to their own customers, clients or staff.

Investing in environmentally responsible and sustainable property can therefore provide investors with multiple benefits.

Increasing the value of your investment

When you consider the increasing cost of energy and water, strategies to reduce usage become business imperatives rather than optional extras. The control of operating expenses allows greater opportunity to maximise rental income and improved investment performance.

AMP Capital's internal research indicates that although no single standard factor is yet to be applied by property valuers to assess a building's sustainability credentials, the established valuation method does take into account vacancy risk which our research suggests is reduced by the perceived sustainability of the building. This makes it important not only from an environmental viewpoint but from an economic sense that we continue to sustainably evolve our assets in order to ensure our portfolio maintains its attractiveness to the market.

What makes a property 'green'?

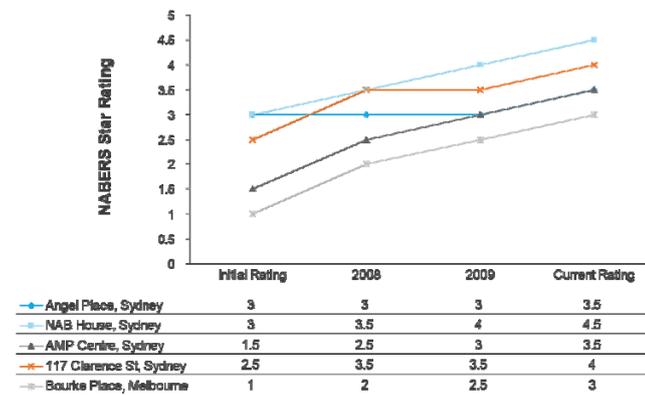
In Australia, the leading index for rating the sustainable performance of an existing property is the National Australian Built Environment Rating System or NABERS index. The index applies a performance-based rating system for existing buildings and looks at the actual operational impacts a building has on its environment, rather than its modelled design performance.

The index is based on a 0-5 star rating scale and is tailored to local performance, with the average rating based on market benchmarks.

The rating system has had an impact on property markets and vacancy rates with many government departments and large corporate tenants setting minimum acceptable NABERS ratings as a key requirement for their leased premises.

AMP Capital's strategic focus is to steadily increase the NABERS ratings of our entire property stock in order to maintain the profitability of our properties.

Ratings performance for key AMP properties



Source: Ratings available at www.nabers.com.au

International collaboration

Interest in improved sustainable building practices is not limited to Australia, with the push towards greener buildings clearly a global phenomenon. At the forefront of this push is the Clinton Climate Initiative (CCI), launched by former US President Bill Clinton in 2006 with the mission of applying a business-oriented approach to the fight against climate change.

The CCI seeks to realise its commitment to the environment by working with a variety of cities, partners and property investment groups across the world, including AMP Capital. Through our partnership with CCI, we leverage a world of knowledge and experience to ensure that the evolution of our investors' property assets is achieved to a global standard.

Evolving for sustainable performance

With an established portfolio of assets in prime CBD locations, we are committed to evolving our clients' property assets for long-term sustainable performance, ensuring our portfolio maintains its appeal and relevance for future generations, climates and markets.

In a practical sense, this means carrying out environmental upgrades and refurbishments on buildings in our portfolio, including works such as the replacement of chillers, building system controls and changing to more energy efficient lighting. With almost 50 years experience in developing and managing commercial property, we know where the invested dollar delivers the greater environmental impact.

This is demonstrated (in the table below) through the considerable savings achieved over the previous four years across our portfolio.

AMP Capital's sustainability scorecard

Energy type	Reduction in total office portfolio consumption/emission for 2010 against 2006 (same portfolio)
	13.6% less greenhouse gas emissions
	30.6% less water consumed
	59% of our waste diverted from landfill in 2010.
	12.4% less electricity consumed

Source: AMP Capital Property team internal data, June 2011

Summary

The drive for environmental sustainability in property investment therefore is so much more than an optional extra. Sustainable building operations increase the attractiveness of the asset to tenants while also leading to measurable reductions in the cost of managing a property. Proving that being 'green' in property is a vital element to delivering superior investment performance well into the future.

Contact us

If you would like to know more about how AMP Capital can help you, please visit www.ampcapital.com.au, or contact one of the following:

Financial Planners

AMP Capital's Client Service Team on 1300 139 267

Personal Investors

Adviser or Financial Planner

Wholesale Investors

AMP Capital's Client Service Team on 1800 658 404

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