Housing industry clamours for €5bn green subsidies

Without subsidies for around €5bn per year, energy efficiency refurbishments as demanded by new EU and national regulations, will hardly be profitable, so that set energy savings targets – reaching an almost climate neutral stock by 2050 – are unrealistic, according to German Federal Association for Housing and Real Estate Companies GdW.

"A further tightening of the energy savings ordinance, while at the same time cutting subsidies, cannot encourage investments into sustainable refurbishment," President Axel Gedaschko told German newspaper Handelsblatt. Subsidies for energy savings refurbishment have been steadily decreasing to €936m this year from €1.35bn in 2010 and €2.2bn in 2009, and may be totally discontinued next year. Even with a change in rental law, relaying part of the refurbishment cost to tenants, a lot of investments cannot be realised, as many tenants are simply not capable of sustaining higher costs, according to a study by InWIS.

Natural renewable energy sources are increasingly recognised and harnessed, say construction experts. immobilien-experten have just started construction on Berlin's largest solar collector at Adlershof.

The German Energy Agency Dena recently announced that energy saving refurbishments were profitable for almost all buildings, a claim both GdW and Stuttgart-based Association for Technical Control GTÜ, Germany's largest freelance surveyor organisation, reject. "Energy savings refurbishments do not pay off for everyone," said GTÜ's Paul Lothar Müller "The success of a measure depends on the determination of space to be heated, a consumption comparison before and after modernisation, the building's age and remaining life and financing, including the redemption rate." GdW assumes that Dena neglected to incorporate costs not directly linked to the refurbishment into its figures. ■ **pie**

Capital Park targets LEED Gold for Warsaw

Polish developer Capital Park Group's CP Realty II, the fund investing in its new Eurocentrum office building in Warsaw, is applying for LEED Gold certification for the facility, which will provide 64,000 sq.m. of office space.. The certification process will be completed after its delivery in 2013.

The 15-storey project in the capital's Ochota district, which already has a building permit with the investor currently selecting the general contractor, will also include 2,200 sq.m. retail and services space. The facility will feature energy efficient technologies and other sustainable systems such as rainwater reclamation.

"Grade-A green office buildings are becoming increasingly popular among tenants," said Cushman & Wakefield's Richard Aboo. Capital Park has been operating in the Polish market since 2005 and investing in partnership with international private equity fund Patron Capital Partners in office, retail and residential assets. Within the CP Realty I and CP Realty II funds, Capital Park and Patron Capital have made acquisitions including Neptun Film cinema company, Eurocentrum office buildings and investment grounds in Wilanów, and the site of the former Norblin Factory. ■ **pie**

Vienna to offer €1.25bn housing subsidies

The Austrian capital Vienna has approved €500m subsidies for the realisation of more affordable housing during the next two years, and will call for a consortium of developers and financial service providers within the month for realisation of projects worth up to €1.25bn.

The Austrian Association of Real Estate Trustees, ÖVI, said Vienna expects to realise up to 7,500 apartments with the funds. New constructions have to be ecologically sustainable low energy housing with a public space concept geared to the requirements of children and youths. Housing service Vienna will allocate half of the apartments. ■ **pie**

French asset manager Perial to invest €200m in 2011

French manager Perial plans to invest more than €200m this year for its SCPI and OPCI real estate funds, and will particularly focus on green buildings in top locations, Chairman Eric Cosserat said. Acquisitions totalled €66m in 2010, with €10m of disposals.

Perial expects fragile growth in the French property market this year, with demand from large users likely to lead to a slight increase in rents for core assets. The group last year raised €90m for its funds, with inflows of €76m into its PFO2 SCPI fund, which focuses on 'green' assets. "At a time of low interest rates and stock market uncertainty, savers and institutional investors naturally turned to assets offering regular, durable returns, and real estate once again offered a safe haven," said Cosserat. Perial has ambitious targets for new funds in 2011, particularly for PFO2. Perial was one of the first French firms to offer SCPI open-end property funds in the 1960s and is now active in property management and development, as well as real estate savings products and asset management. ■ **pie**

GUEST COLUMN

Oil price rise, Mid-East unrest, Japan nuclear scare combine to bring rush for renewables

By Andrew Carr, Construction Project and Cost Management, Berlin.

Endless fuel price hikes, Middle East oil shocks, a nuclear scare in Japan… No wonder there is an intense renewed focus on renewable energy. Green electricity providers in Germany, such as Tchibo, Lichtblick and Green Peace Energy have reported a rush for renewables in the wake of the Japan crisis. The incorporation of renewable energy into building design was also one of the major topics at MIPIM 2011 last month. Property investors are recognising renewable energy as essential for development - and a critical factor in the initial technical due diligence (TDD) start phase. It also illustrates the need to obtain specialist advice from professional property surveyors (MRICS) incorporating life cycle costing (LCC). Natural renewable energy sources – wind, solar and geothermal - are increasingly recognised and harnessed. TDD renewable energy design specialists help incorporate modern construction technology to capture, save and re-use this natural energy. Cost modelling can then demonstrate which is the most efficient solution for the investor. This assessment depends on varying factors: power, heating requirements, and location. The construction of every element in a building must be considered since renewable energy directly all components, and in particular the external envelope, namely the floor, walls and roof. High performance specifications are required for exterior elements, such as natural insulation, and TDD considers all LCC aspects. For example, the cost for triple as opposed to double-glazing is relatively small and cost effective - if external walls have an even higher insulation value. If not, problems occur due to condensation on the walls as opposed to windows, causing long-term damage to the main structure.

The US Green Building Council recently financed a $722,000 live construction project, which found that new materials used in 'green'buildings cost no more than traditional materials. And, starting last month, the German government is leading Europe by subsidising Energy Saving projects with loans at a reduced 1.7% interest rate. The criteria for grants include approval by a recognised professional property surveyor. Developers and tenants favour investors who regard environmental building as their responsibility. Chartered quantity surveyors have the specialist knowledge to develop the optimum, specific requirements via environmental due diligence and life cycle costing. Quantity surveyors, also known as construction cost engineers, increasingly assess materials for their environmental impact, including elements such as locally available natural resources and recycled materials, natural light maximisation and natural ventilation via the central core of larger buildings. Architects and mechanical engineers complement and procure the optimised environmental TDD via modern, renewable CO2-reduced design processes. In Norman Foster's reconstruction of the Reichstag in Berlin, for example, warm air rises naturally to the central atrium, and cooler air is naturally supplied below via a circulation module. A typical TDD method used by surveyors is to calculate the construction costs versus the rental or sale value for a minimum of three project options to help owners maximise investment yields. A detailed budget is then made and cost-modelled for the optimal green building solution, cutting LCC substantially over the property life span. In practice, updated renewable systems pay for themselves within the first 10 years of a 25-year building life.

Whilst wind and solar power are now household names, geothermal renewable energy has expanded very little in Europe even if several are already operating successfully. Unterhaching in Bavaria - a town of 60,000 citizens - has, for example, sucessfully converted to renewable energy in this manner. Apart from providing this town with 100% domestic electricity and a local district heating system, the citizens now also boast 100% CO2-free, renewable energy. The process Construction Project and Cost Management has pioneered similar developments elsewhere in Germany and central Europe. The income received in Germany for geothermal generated electricity is subsidised at €0.15 per KW/hour. The federal government also guarantees connection to the national grid at no extra cost. At cpcm, we have calculated total costs for such developments, including bored piling, power plant turbines, facility management, etc. and found that a typical 10MW power station with a life cycle of 25 years can fully pay for itself within just nine years. Renewable geothermal energy can also be designed on a micro scale to power a single house or apartment block. Depending on the location, bores around 200m deep and equipped with warm water pumping and catalyst conversion are now achieving totally independent heating and electricity systems immune from revolutions, dwindling hydro-carbon stocks or natural disasters. This solution, of course, will also not harm our planet. ■ **ac**

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