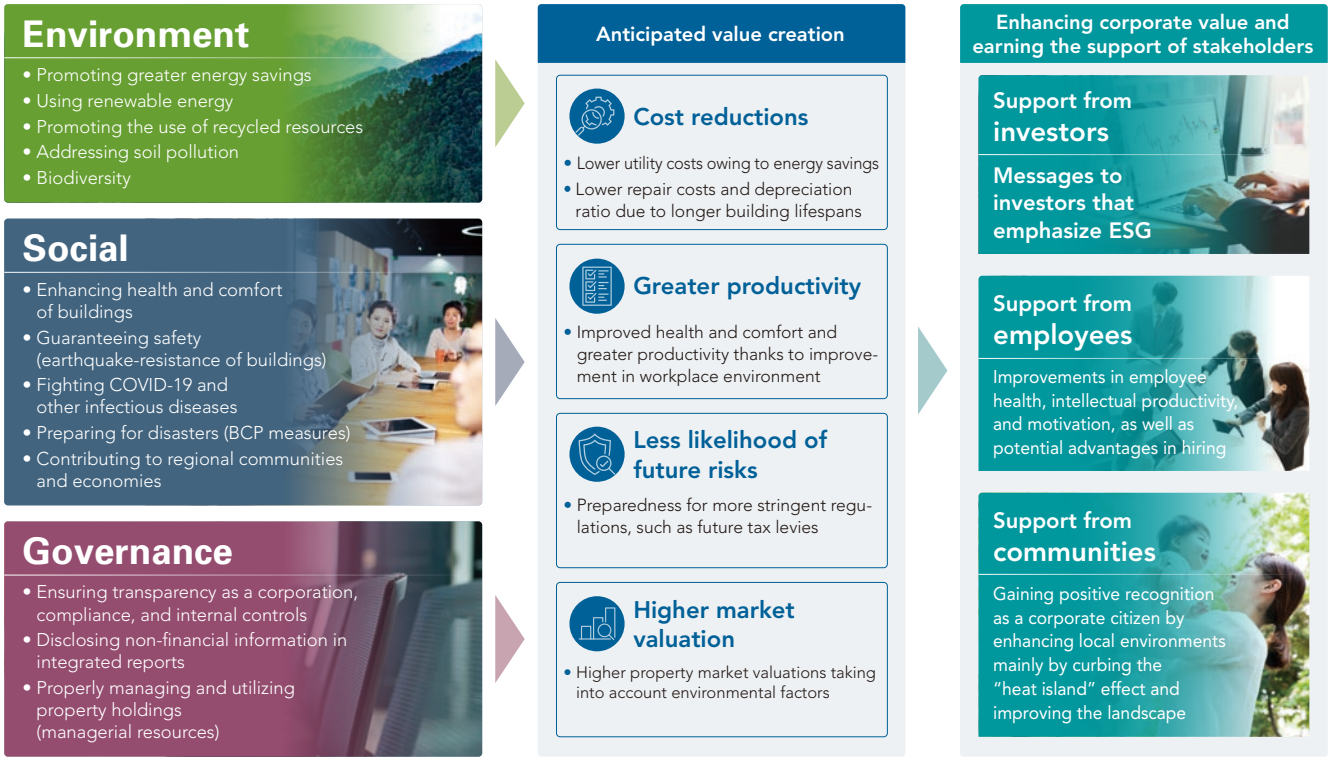
ESG Real Estate

Also refer to ESG Real Estate, a separately published version of this report.
https://www.smth.jp/english/sustainability/report

In light of heightened interest in the Sustainable Development Goals (SDGs) and environmental, social, and governance (ESG) criteria, as well as the government's carbon neutral pledge to achieve net-zero GHG emissions by the year 2050, corporations are also being urged to take more concrete action. The amount of CO_2 emitted from the construction and management of buildings is said to account for approximately 40% of all CO_2 emissions in Japan, including indirect emissions. And given that humans spend a lot of time indoors, indoor environments affect the health and productivity of occupants. Considering that real estate has a significant impact on the environment, society, and the economy, we aim to help achieve the objectives of the SDGs through the proliferation of environmentally friendly properties. The Group aims to further promote energy-efficient and resource-efficient cities and buildings, as well as the uptake of environmentally friendly properties that contribute to improving production efficiency.

ESG initiatives in the real estate sector and expected benefits

Tackling ESG issues in the real estate sector to bring about a sustainable society has the potential to improve corporate value and asset value for clients and solve management issues.



As a Pioneer in Environmentally Friendly Property

As the problem of climate change grows conspicuously worse, the real estate sector too must consider the environment if it is to help bring about a sustainable society. Environmentally friendly property refers to real estate that takes the environment into account and delivers environmental value thanks to exceptional environmental performance and sound management. A high level of environmental quality, minimal impact on the environment, and strong resilience is required if environmental performance is to be enhanced. It is vital that buildings provide comfortable spaces to its users, do not harm the environment, and are resilient enough to ensure business continuity even in the event of a disaster. The Group believes environmentally friendly properties have more added value than conventional properties because their high level of environmental performance reduces risk and boosts earnings.

What is environmentally friendly property?

High level of environmental quality

High levels of comfort and productivity in places where people live or work

Low levels of environmental impact

Reduced burdens on the environment from, for example, global warming, resource exhaustion, heat island phenomenon, ozone layer depletion, air pollution, noises, vibrations, and offensive odors, loss of traditional streetscapes, and loss of biodiversity

Strong resilience

Enough sturdiness for a building to bounce back and recover from a disaster caused by a giant earthquake or abnormal weather event

SuMi TRUST Bank has long proposed many ideas relating to environmental real estate with a focus on showing, in ways that are readily understandable, how environmental performance can create added value. In fact, efforts to raise awareness of this topic go back to a paper we published in 2005 about the added value created by environmentally friendly property. In 2010, SuMi TRUST Bank became the first Japanese financial institution to establish a section within the organization dedicated to environmentally friendly property. In addition to its sophisticated business platform in the real estate business, the Bank has worked to orient its businesses toward promoting environmentally friendly property through pioneering initiatives in environmental real estate. Furthermore, consideration of social and corporate governance aspects has also grown in importance alongside environmental factors. In 2021 we set up a planning and promotion unit that specializes in ESG in real estate with the aim of delivering total solutions to solve the ESG/SDGs challenges of our clients.

Main initiatives as a pioneer in environmentally friendly property

Inception

A commemorative paper entitled "A Note on Environmental Value Added for Real Estate" for the 10th anniversary of the Tokyo Association of Real Estate Appraisers received a prize for excellence in 2005 (see page 90)

Initiatives related to CASBEE

- Lead organizer of a subcommittee examining CASBEE property appraisal since 2007 and vice chairperson since 2020; launched "CASBEE for Real Estate" certification system in 2013 (see page 76)

Organizing study groups

- Lead organizer of a sustainable real estate study group since 2007; released results of studies in 2009 and 2016
- Lead organizer of a smart city study group in 2013; released results of studies in 2016

Initiatives related to real estate appraisal and evaluation

- Chair of a working group on environmental added value, organized by the Japan Association of Real Estate Appraisers (JAREA), since 2007
- Member of an office building performance evaluation and display manual committee; released a manual on office building performance evaluation and display in 2017
- Released a report on examining assessments concerning ESG considerations in real estate appraisals (MLIT) in 2021

Initiatives linked to UNEP

- Member of a property working group organized as part of the United Nations Environment Programme Finance Initiative (UNEP FI) since 2007; successively released a collection of case studies and a handbook for Responsible Property Investment (RPI)

Initiatives with national and local authorities

- Member of an MLIT-sponsored study committee on the promotion and spread of environmentally friendly property; the committee was established in 2008
- Member of the Tokyo Metropolitan Government's low carbon partnership committee for small and medium-sized buildings; the committee was established in 2012 by the Tokyo Bureau of Environment
- Member of the Smart Wellness Office Research Committee, sponsored by the Japan Sustainable Building Consortium; announced results of a study on economic impact of buildings with CASBEE evaluations in 2015 (see page 91); discussed CASBEE-Wellness Office system, which started offering certifications in 2019 (see page 84)
- Member of an MLIT-sponsored study committee on the promotion of ESG investment for addressing social issues in the real estate sector since 2021

Visualizing environmental performance

Consulting in support of CASBEE for Real Estate certification applications

CASBEE for Real Estate initiatives

CASBEE (Comprehensive Assessment System for Built Environmental Efficiency) is currently gaining traction in Japan as a system for evaluating the overall environmental performance of buildings. It was developed under the auspices of the Ministry of Land, Infrastructure, Transport and Tourism (MLIT) in 2001. Various tools have been released thus far—for example, CASBEE for New Construction, which can assist designers in the environmentally friendly design process or be utilized in reports submitted to local governments, and CASBEE for Real Estate, which is used widely in the property market mainly as a labelling tool. CASBEE for Real Estate was developed in 2012 for the purpose of promoting the broader adoption of environmental performance assessments of buildings (offices, commercial facilities, logistics, apartment complexes) in the property market. The items of assessment in CASBEE for Real Estate have been considerably narrowed down so they remain compatible with environmental performance assessments overseas whilst also remaining consistent with other tools in the CASBEE® family, such as CASBEE-NC (New Construction) and CASBEE-EB (Existing Buildings). Owing to the fact that CASBEE for Real Estate can also be used in GRESB (see page 190) assessments, its use is quickly gaining momentum mainly among REITs and real estate companies that are sensitive to sustainability. It is comprised of assessment items that easily reflect initiatives related to the SDGs or ESG. Since 2021 it has been able to optionally assess the initiatives of buildings with regard to the SDGs.

Table Evaluation items in CASBEE for Real Estate (In the case of office buildings)

Energy/ Greenhouse gases	Target setting and monitoring/energy saving standards/O&M*3 system, usage and emissions intensity (calculated values), usage and emissions intensity (actual values), natural energy forms
Water	Target setting and monitoring/O&M system, water usage volume (calculated values), water usage volume (results)
Use of resources/ Safety	Conforms to new earthquake resistance standards, high earthquake resistance/seismic isolation and vibration damping, etc., usage of recycled materials, service life of structure materials, necessary renewal interval for main equipment functions, higher self-sufficiency ratio (electricity, etc.), operation and maintenance
Biodiversity/ Sustainable site	No use of invasive alien species, enhancement of biodiversity, soil environment quality/regeneration of brownfields, public transportation access, measures in preparation for natural disaster risks
Indoor environment	Attainment of building sanitation and environmental management standards, use of daylight, natural ventilation function, view

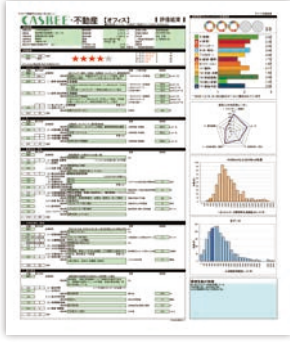
*1 Underlined items are prerequisites (they must be met to pass an evaluation).
*2 Items in red are related to universal metrics the United Nations Environment Programme's Sustainable Buildings and Climate Initiative (UNEP SBCI) is studying.
*3 O&M: operation and maintenance

Consulting to Support Applications for CASBEE for Real Estate Certification

SuMi TRUST Bank engages in consulting services to support applications for the CASBEE for Real Estate certification. CASBEE accredited professionals with the proper qualification support the selection of real estate applying for certification while also evaluating the environmental performance of real estate and supporting the submission of applications for certification to certifying bodies.

Problem Discovery and Proposals for Improvement via CASBEE for Real Estate

SuMi TRUST Bank offers proposals on initiatives that work in concert with CASBEE for Real Estate evaluations to identify problems and suggest improvements aimed at bolstering environmental performance.

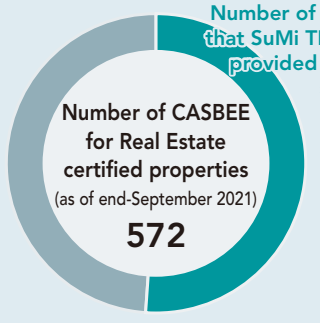


A CASBEE evaluation sheet

To help with corporate initiatives aimed at solving sustainability issues, SuMi TRUST Bank offers consulting to support applications for CASBEE for Real Estate certification.

- Number of CASBEE for Real Estate certified properties (as of end-September 2021): 572

  Of these, the number of properties that SuMi TRUST Bank provided consulting services to: 288 (Including 254 listed real estate investment trusts (J-REITs), 16 private J-REITs, 7 corporations, 7 special purpose companies, etc., a life insurance company and others)



Examples: Consulting to Support Applications for CASBEE for Real Estate Certification

Owners	Property	Rank	Certification date
SCC TMK	Pacific Century Place Marunouchi	S	2021/1/29
Global One Real Estate Investment Corp.	Yokohama Plaza Building	S	2021/3/15
Daiwa House REIT Investment Corporation	DPL Nagareyama I	S	2021/3/31
Japan Metropolitan Fund Investment Corporation	GYRE	S	2021/3/31
Mitsui Fudosan Private REIT Inc.	GATE CITY OHSAKI	S	2021/3/31
ORIX JREIT Inc.	ORIX Ikebukuro Building	S	2021/3/31
Industrial & Infrastructure Fund Investment Corporation	IIF Akishima Logistics Center	S	2021/5/28
Japan Prime Realty Investment Corporation	Shinyokohama 2nd Center Bldg.	S	2021/6/30
Isetan Mitsukoshi Holdings	Isetan Shinjuku Main Store	S	2021/7/9
Mitsui & Co., Private REIT Inc.	Honmoku Front	S	2021/7/30
Japan Metropolitan Fund Investment Corporation	Twin 21	S	2021/8/31
Nippon Prologis REIT, Inc.	Prologis Park Narita 3	S	2021/8/31
Activia Properties Inc.	A-FLAG DAIKANYAMA WEST	S	2021/11/25


Isetan Shinjuku Main Store


Pacific Century Place Marunouchi


Twin 21


ORIX Ikebukuro Building


Prologis Park Narita 3


DPL Nagareyama I


GATE CITY OHSAKI

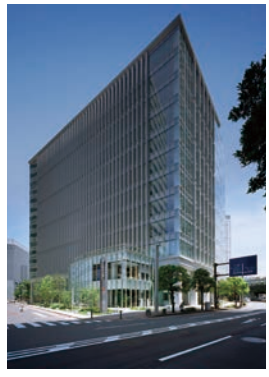

Honmoku Front


A-FLAG DAIKANYAMA WEST


Shinyokohama 2nd Center Bldg.


GYRE


IIF Akishima Logistics Center


Yokohama Plaza Building

Consulting in support of CASBEE-Wellness Office certification applications

What is CASBEE-Wellness Office?

Given the spread of ESG investment in the real estate market and the need for health & productivity management and reforms aimed at improving intellectual productivity, a new office model assessment system was launched in June 2019. This new system focuses on evaluating buildings in terms of health and comfort for office workers. SuMi TRUST Bank was involved in the development of CASBEE-Wellness Office through an MLIT study group tasked with promoting ESG investment and by sitting on its Smart Wellness Office Research Committee. It currently provides consulting services in support of certification applications.

Assessment components under CASBEE-WO

Category		Assessment component
Basic performance	Health, comfort	Space, interior, sound, light, air & ventilation, refreshment, exercise
	User-friendliness	Mobility & communication, telecommunications
	Safety	Disaster readiness, countermeasures for harmful substances, water quality, security
Operational management	Maintenance	Maintenance
	Satisfaction	Satisfaction
Program		Exercise program

Case Study A

Round-Cross Roppongi

Round-Cross Roppongi is an office building owned by ORIX JREIT Inc. The fourth and fifth floors are serviced offices operated by ORIX. For this project, a CASBEE-Wellness Office evaluation was conducted for the entire building's common areas and facilities, along with the sections dedicated to the serviced offices, and was successfully certified. In addition to the wide variety of seating arrangements and meeting spaces to meet the demands of different work situations, the building was recognized for its careful management regarding disinfection and air quality control, which have become increasingly important recently.

Consulting to Support Applications for CASBEE for Urban Development Certification

About CASBEE for Urban Development

Among CASBEE®'s various tools, CASBEE for Urban Development is an environmental performance evaluation for assessing the overall development of housing and commercial areas (urban development). It evaluates environmental quality from the three aspects of the environment, society, and the economy as well as reduction in the environmental footprint. It consists of evaluation items that help show initiatives related to the Sustainable Development Goals (SDGs) and environmental, social, and governance (ESG) issues. SuMi TRUST Bank carries out environmental performance evaluations using CASBEE for Urban Development, and offers support services such as certification application advisory and review handling services.

Case Study B

Suita Sustainable Smart Town

Suita Sustainable Smart Town, a multi-generation residential-type, health-oriented smart town currently being promoted by Suita City in Osaka Prefecture together with 15 partner companies, is the third sustainable smart town project of Panasonic Corporation. In March 2021 the town acquired the highest rank of "S" in the CASBEE for Urban Development evaluation certification. The urban development characteristics of the town—namely, wellness, energy, mobility, security, and community—are also reflected in the CASBEE for Urban Development evaluation result.

Visuals are for illustrative purposes only.

Making the Value of Smart Towns and Cities Visible, Supporting Concept Formulation

Developing smart towns and cities that adopt next-generation "smart community*" social systems at the local level is an important step from the standpoint of regional development. In the past few years, these towns and cities have combined a series of complex reforms from changes to citizen lifestyles and local transportation systems to the introduction of area energy networks, including the recapture of heat and unused energy, to go together with effective use of electricity. To realize smart towns and cities, it is necessary to create economic value added commensurate with higher costs while establishing clear targets from the basic planning stage onward for environmental, social, and governance (ESG) issues for the city or town. SuMi TRUST Bank supports projects for smart towns and cities on many fronts such as devising frameworks that link various initiatives on environmental contributions etc. to economic value added and formulating project concepts. Through our provision of financial functions such as home mortgages, we also help projects get executed.

*See METI's website for details.

Concept Diagram for Making the Value of Smart Towns Visible

Town Goals	Initiatives to Achieve Goals	Creation of Environmentally Friendly Property Value
Environmental goals Reduce energy use (rate) Reduce potable water use (rate) Improve resource reuse (rate) Protect and restore natural resources ⋮ **Safety and soundness goals** No. days with lifeline provisions secured in case of emergencies ⋮	Securing district landscape, sunlight and ventilation Solar power cells, fuel cells High-efficiency facilities, home energy management systems (HEMS) Storage batteries, emergency-use power generators Security (district-wide, individual buildings) ⋮	Reduce utility costs Reduce operation and management costs Create safe, comfortable and healthy living environment Reduce risks from disasters and blackouts Lower interest rates on home mortgages ⋮

Case Study C

Fujisawa Sustainable Smart Town

The Fujisawa Sustainable Smart Town is a project currently being carried out by Panasonic Corporation at the former site of Panasonic's Fujisawa factory. The town's opening ceremony was held in spring of 2014 and 18 partner companies, including Panasonic Corporation, Fujisawa City, and SuMi TRUST Bank are currently furthering its development. SuMi TRUST Bank is participating in various ways, such as designing smart town evaluation indicators (environmentally friendly property value) and creating project-specific product plans for environmentally friendly housing loans. This project has also earned praise for its community-wide comprehensive CO_2 reduction efforts together with town management. It was selected for subsidies under the MLIT-led "leading projects" program for sustainable buildings (formerly known as the 2013 No.1 "leading projects for promoting CO_2 reduction" program for housing and buildings).

Main entrance

SQUARE Center

Central park

Streetscape

Helping clients make environmental considerations during construction

The first bank in Japan to develop a land trust product in the 1980s, SuMi TRUST Bank has been involved in managing and developing many buildings and condominiums, and as such, now leverages its experience from these projects to provide construction consulting services. We offer advice on factoring in environmental considerations, such as the installation of energy-saving systems in buildings according to client requests, ways to take into account landscapes and ecosystems, and extending building lifespans. In recent times, there has been an increase in the number of properties seeking to acquire environmental performance certifications like ZEB* (net-zero energy building), as well as projects that aim to be adopted in MLIT's leading projects program for sustainable buildings or in METI's net-zero energy building proof-of-concept pilot program.

*Buildings that seek to realize a comfortable indoor environment whilst balancing out the amount of primary energy used annually by the building to zero.

Examples: Construction-phase support for environmental considerations

Company Name	Location	New build/ renovation	Use	Number of Floors	Floor Area	CASBEE rank
Toyo Seikan Group Holdings, Ltd.	Tokyo	New build	Office*1	2 basement floors, 21 floors above ground, 1 rooftop floor	Approx. 72,400 m²	S (acquired)
DAIKIN INDUSTRIES, LTD	Osaka Prefecture	New build	Office, R&D facility*1	1 basement floor, 6 floors above ground	Approx. 48,000 m²	S (self-evaluation)
HIROSHIMA MAZDA CO., LTD	Hiroshima Prefecture	Renovation	Office, observation deck, product sales and dining facilities*1	2 basement floors, 14 floors above ground	Approx. 11,500 m²	A (notification)
Chugoku Labour Bank	Hiroshima Prefecture	New build	Office	14 floors above ground	Approx. 9,700 m²	S (acquired)
ANRITSU CORPORATION	Kanagawa Prefecture	New build	Office*2	7 floors above ground	Approx. 28,000 m²	S (self-evaluation)
THE SHIMANE BANK, LTD	Shimane Prefecture	New build	Central branch*1	1 basement floor, 13 floors above ground	Approx. 12,000 m²	S (self-evaluation)

*1 Selected for the MLIT-led "leading projects" program for sustainable buildings.
*2 Selected for the METI-led "net zero energy building" proof-of-concept pilot program.

Case Study D

HIROSHIMA ORIZURU TOWER

(case example of selection in MLIT's leading projects program for promoting CO_2 reduction in housing and buildings)

Situated adjacent to the Atomic Bomb Dome (Hiroshima Peace Memorial), this office building underwent full-scale renovations.

The existing framework was reused and the building enlarged to accommodate a higher level of earthquake resistance. A large canopy, louvers, and a "spiral slope" walking ramp were also built into the newly expanded sections. The building reduces its CO_2 footprint by utilizing various energy-saving features, including solar shading and cross ventilation.

Visitors to the building can access the HIROSHIMA HILL observation deck under the giant canopy on the roof, enjoy numerous activities in ORIZURU Square, and learn about its CO_2 reduction initiatives.

Case Study E

Global head office of Anritsu

(case example of selection in METI's net-zero energy building proof-of-concept pilot program)

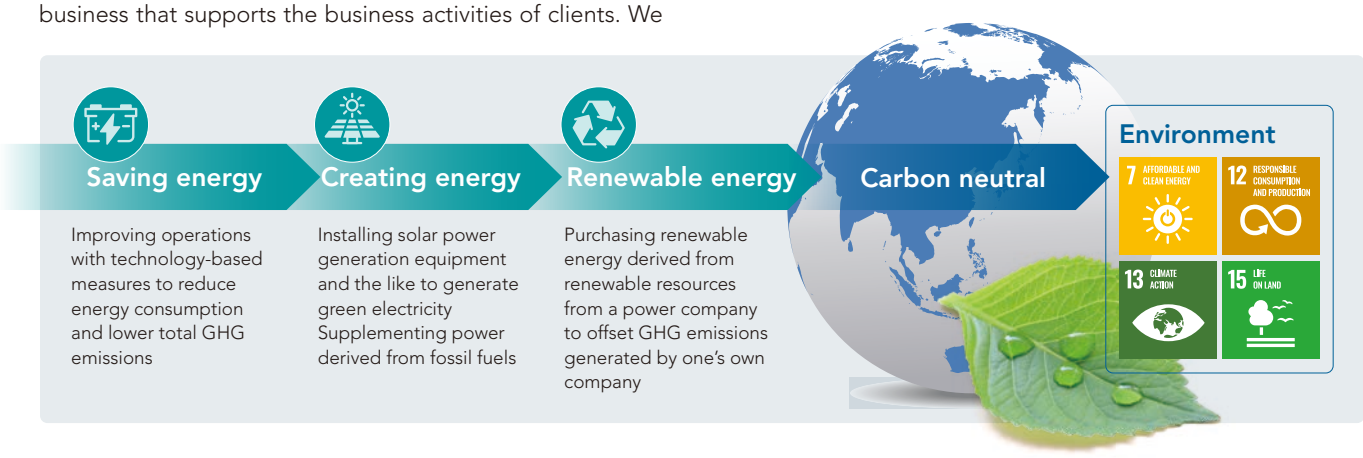
With the aim of contributing to global decarbonization and the creation of a sustainable society, the Anritsu Group has plans to turn its head office and R&D site into a net-zero energy building (ZEB).

By improving heat insulation efficiency of exterior walls and windows, combined with the use of natural energy, such as natural lighting and ventilation, and the installation of highly efficient lighting fixtures and air-conditioners, Anritsu is endeavoring to achieve ZEB status by reducing energy consumption and generating its own energy with solar power.

In addition, the adoption of energy that can be visualized is also helping foster an awareness of energy-saving among its users (employees).

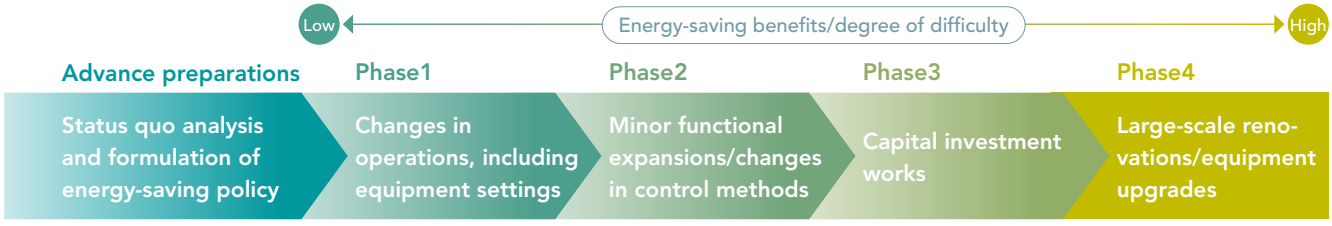
Using less energy in existing buildings

With the number of companies seeking to achieve carbon neutrality by 2050 continuing to increase, SuMi TRUST Bank is now offering an energy-saving consulting service that entails the planning of measures designed to lower GHG emissions from buildings as part of its property administration business that supports the business activities of clients. We aim to strike the right balance between higher profitability stemming from revised capex plans with reductions in total GHG emissions, lower utility costs, and limiting deterioration in equipment by achieving greater energy savings in existing buildings.



Energy-saving initiatives start with an analysis of the status quo, or basically a building health check. After obtaining the emissions intensity for the client's building from the amount of energy it consumes, we compare and analyze it against benchmarks based on publicly available data that match the building's characteristics, such as figures published by the Tokyo Metropolitan Government's Bureau of Environment. We then gain an understanding of the building's current energy performance, which is used to establish reduction targets for GHG emissions and fuel, lighting, and water usage, and to formulate an energy-saving policy. The extent of energy-saving benefits is more or less proportional to the degree of difficulty (investment costs, time, degree of impact on tenants, etc.). That is why it is important to undertake examinations beforehand when devising a plan.

Conceptual image of formulating and implementing an energy-saving policy

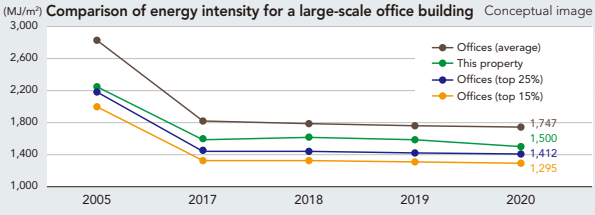


Advance preparations

Example of a comparison with benchmarks for an office building

After obtaining the emissions intensity for the client's building from the amount of energy it consumes, we compare and analyze it against benchmarks that match the building's characteristics, such as figures published by the Tokyo Metropolitan Government's Bureau of Environment. Measuring the building's energy-saving performance gives a rough idea of its energy-saving potential.

(MJ/m²) **Comparison of energy intensity for a large-scale office building** Conceptual image



Case example of a client proposal

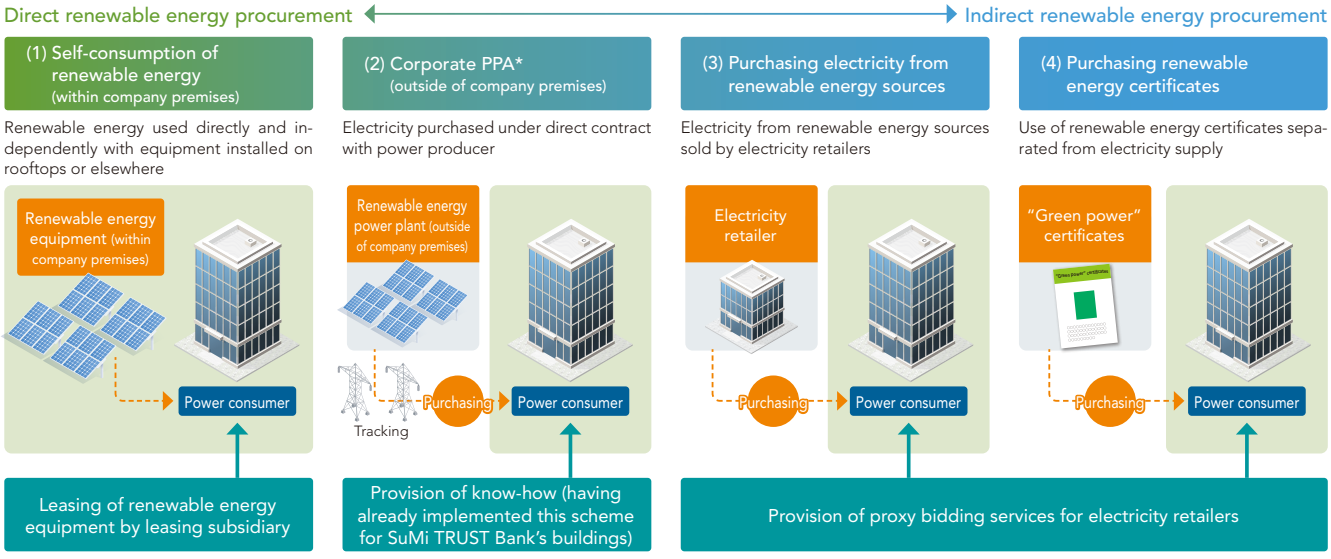
Energy-saving proposal for a production plant in the manufacturing industry

We analyzed the details of annual and daily fluctuations in the amount of energy consumed by equipment (excluding manufacturing equipment) incidental to production equipment at a client's production plant and proposed energy-saving operational approaches without the need for additional capital investment.

We also examined the impact it would have on production lines, the amount of reduced energy use if such measures were to be taken, and the possibility of cost reductions in an effort to help the client make a decision on whether or not they adopt our proposal.

Introduction of renewable energy sources

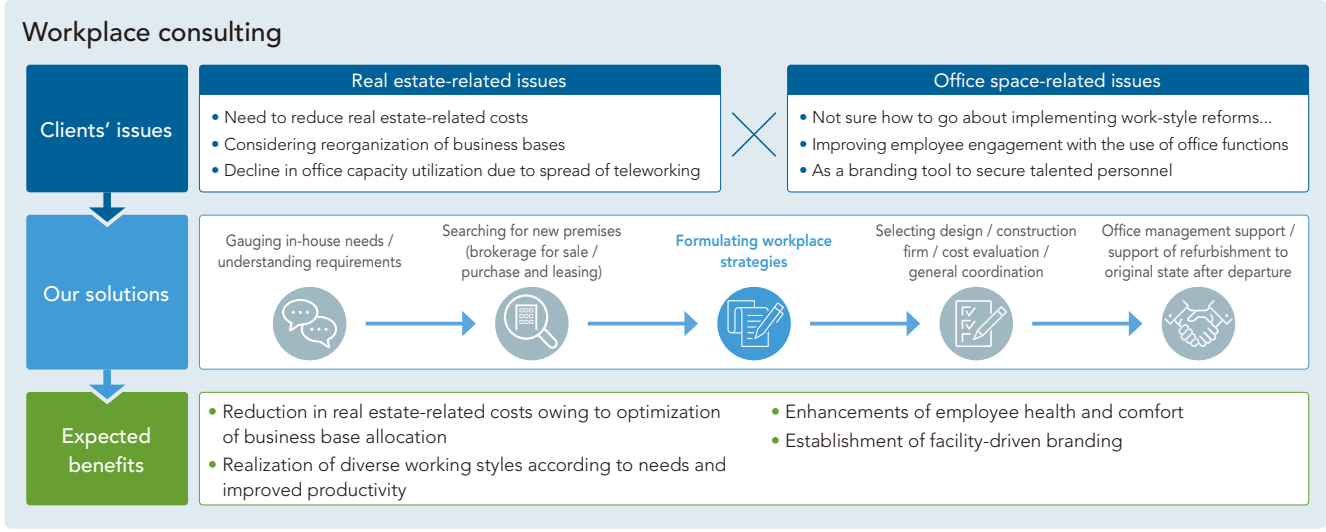
More and more clients are proactively considering the introduction of renewable energy in an effort to decarbonize their buildings. SuMi TRUST Bank appropriately grasps decarbonization strategies of its clients (power consumers) and helps them select procurement methods that balance environmental and economic performances. In addition to collecting electricity retailers' bidding to clients, the Bank supports the long-term, stable procurement of renewable energy by participating in more direct renewable energy creation models, such as self-consumption-type transactions and corporate PPA* transactions.



*PPA: Power Purchase Agreement

Creating workplaces best suited to new-era working styles

Promoting the health of their employees is one key management issue in terms of the "social" component of ESG. In particular, companies are focusing on developments of the environment and functioning of offices where employees spend a great deal of time. These investments lead to greater corporate value as they have a positive impact on boosting the activity and productivity of organizations seeking to achieve well-being, as well as enhancing talent acquisition/retention and boosting employee engagement. Recently, the role of offices has changed dramatically, especially with online meetings becoming popular due to spread of teleworking. Offices are now required to play roles that only offices can, enrich face-to-face communication, and serve as a hub of innovation. SuMi TRUST Bank helps its clients improve the quality of their working styles and places of work by providing comprehensive support, from the formulation of strategies for developing office space environments and functions, right through to the practical business of moving office.



Strengthening governance by improving real estate management systems

Real estate is one key part of a management foundation that underpins the business activities of a corporation. Upholding corporate ethics, ensuring transparency in decision-making and execution processes, and undertaking fair and honest transactions are also important topics in terms of strengthening the "governance" component of ESG. SuMi TRUST Bank provides facility management services with an extensive lineup of corporate real estate (CRE)-related systems and menus to meet its clients' needs.

Facility management services

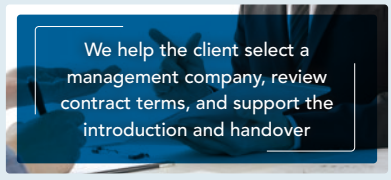
We offer our clients a wide range of services, such as the visualization of real estate information, support on real estate management systems, and help desks. We help clients formulate and execute measures to enhance governance of their real estate management system in accordance with their issues.

Visualization of real estate information

Examples of client issues
- Property information is interspersed
- Data is old and obsolete
- Formulation of CRE strategy

Supporting management system development

Examples of client issues
- Lack of in-house resources
- Concerns about decision-making processes related to external contractors



Help desk

Examples of client issues
- Not enough know-how and resources to solve problems about real estate

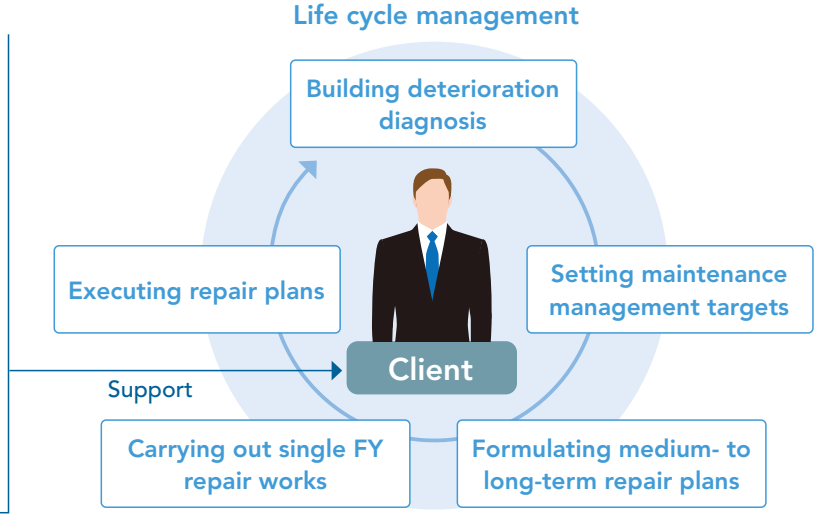
Building maintenance support/aiding longer lifespans

Real estate risk management is also a key management issue. Companies are required to adequately manage real estates to prevent such trouble as fires or malfunctions caused by building deterioration, and also maintain building safety and develop business continuity plans. Preventive maintenance is not only a key factor to keep lower repair costs and extend the lifespan of a building, but also effective in lowering the building's carbon footprint. At the same time, properly carrying out maintenance over the life cycle of a building is quite burdensome on the owner, despite being very important. SuMi TRUST Bank offers support to clients concerns related to all kinds of building maintenance.

SuMi TRUST Bank offers support to clients worried about issues related to building upkeep and maintenance.

Examples:

- Support on diagnosing building deterioration
- Evaluation of building degradation with the use of quantitative evaluation indicators
- Formulation of medium- to long-term repair plans
- For repair works:
  - Selection of construction contractor
  - Cost evaluation
  - Management



Delivering value

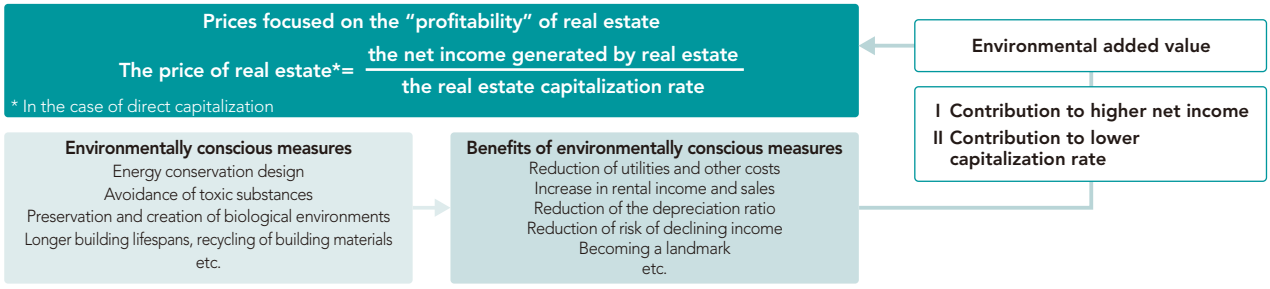
Added Value of Environmentally Friendly Property 1

Added Value Derives from Property Profitability

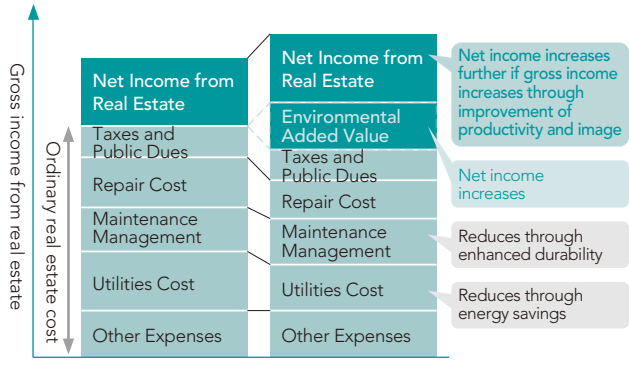
It is often said environmental friendly property "costs more than usual and is difficult to invest in," but price theory in real estate investment suggests such buildings are able to generate added value equal to or greater than their additional cost. From the perspective of profitability (how much and how long do properties generate steady profits), a property's price derives from net income (revenue minus costs) divided by the real estate capitalization rate. The greater gross income including rents is, and the lower the costs of utilities, maintenance, and building management are, the higher net income is, and so the higher the valuation of a property. In addition, stable properties with less income fluctuation risk are awarded higher valuations as investors require a lower yield from them. Environmentally friendly property can earn higher net income by reducing utility expenses via energy savings and maintenance and operating expenses via the enhanced durability of parts and materials. Furthermore, such buildings can also generate higher gross income on higher rents stemming from higher productivity enabled by their enhanced office environments and the cachet boost from their environmental credentials. Furthermore, environmentally friendly property is less exposed to future environment-related tax hikes or tougher regulations, so the capitalization rate for such buildings factors in less environmental risk. A lower depreciation rate resulting from a longer life span as well as enhanced appeal as environmentally friendly can also lower the capitalization rate.

For the reasons above, SuMi TRUST Bank believes that environmentally friendly property will realize added value.

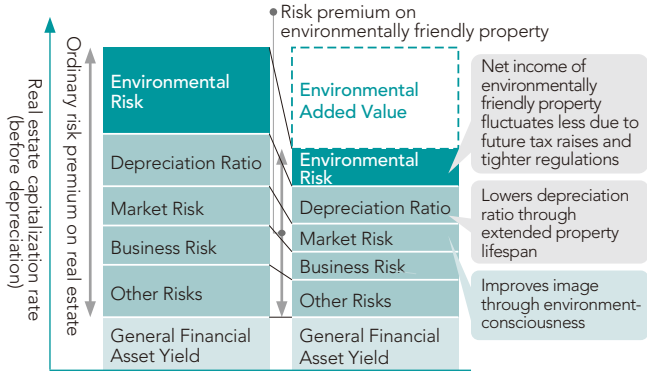
Conceptual diagram of environmental added value (1) Prices focused on the "profitability" of real estate



Conceptual diagram of environmental added value (2) Reflection in net income



Conceptual diagram of environmental added value (3) Reflection in capitalization rate



Source: Partial revision of "A Note on Environmental Value Added for Real Estate," a commemorative paper written by Masato Ito in 2005 for the 10th anniversary of Tokyo Association of Real Estate Appraisers

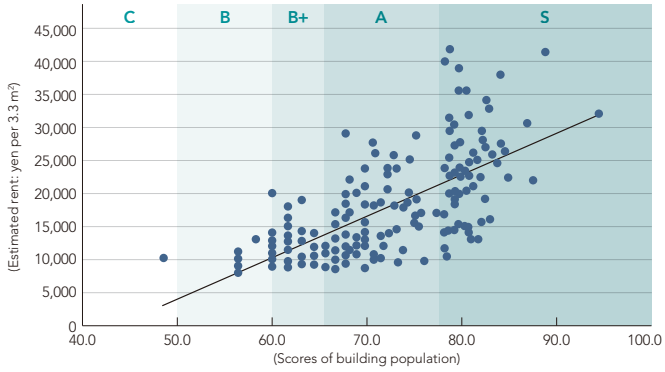
Added Value of Environmentally Friendly Property 2

Helping to Make Added Value Visible

Study on Economic Impact of Buildings with CASBEE Evaluations

Given the paucity of research in Japan showing a correlation between the environmental performance of buildings and economic benefits, SuMi TRUST Bank implemented a study into the economic impact of buildings with CASBEE® evaluations as the leader of a working group examining economic benefits under the aegis of the Japan Sustainable Building Consortium's Smart Wellness Office Research Committee. The study analyzed buildings with CASBEE® certification and non-evaluated buildings and found average market rents in buildings with CASBEE® certifications or applications were about 3.6% higher. This suggests each point in the CASBEE scoring system (adjusted so 100 points is the maximum score) equates to a market rent 0.5% higher than the average. These results were announced at symposiums, the Architecture Institute of Japan convention, and other events.

Correlation between CASBEE Score and Market Rents (Single regression analysis)



Source: Data is from a fiscal year 2014 report issued by Japan Sustainable Building Consortium's Smart Wellness Office Research Committee.

Amount of rent increase for every point in the CASBEE scoring system

CASBEE for New Construction/Real Estate

¥342 per month per tsubo (roughly 3.3m²)

A multiple regression analysis was performed on 90 office buildings that had acquired either CASBEE for New Construction or CASBEE for Real Estate certification, with the main explanatory variables being the CASBEE score, total floor space, number of minutes (on foot) from the nearest station, and building age. The response variable was rent. The results of the analysis confirmed that rent tends to increase by ¥342 per month per tsubo for every one point increase in the assessment score (indexed to 100) for CASBEE.

CASBEE for Wellness Office

¥234 per month per tsubo

A multiple regression analysis was performed with the main explanatory variables being the CASBEE for Wellness Office score, total floor space, and number of minutes (on foot) from the nearest station. The response variable was rent. The results of the analysis confirmed that the higher the CASBEE for Wellness Office score, the higher the rent.

Source: FY2020 report issued by the Japan Sustainable Building Consortium's SDG/Smart Wellness Office Research Committee

Reflecting environmental performance in property appraisals

Economic value of environmentally friendly property

According to a 2021 report on examining assessments concerning ESG considerations in property appraisals by the Ministry of Land, Infrastructure, Transport and Tourism (MLIT), results of analyses have shown that properties accredited with a CASBEE certification have a cap rate approximately 0.12% lower than the standard cap rate (assumption of 5%).

Society now demands property appraisals that take ESG into account

We have started incorporating ESG-related factors into our appraisals. Factors include natural disaster risks, demand for energy-efficient buildings, BCP readiness, ventilation and other infection control measures, and work style reforms. In autumn 2021 we issued our first-ever appraisal report that takes ESG factors into account.

The report recognizes that even though a property might be located beyond walking distance from the nearest train station, if the entire area is an excellent place to live from an ESG perspective, the property should garner strong demand even when compared to alternative or rival properties in the same supply-demand area.