

IKORY Deciphers the Challenge of Energy Transition in Real Estate with Its First Book



The Tertiary Eco-Energy Scheme, Climate and Resilience Law, RE 2020, Sustainable Finance Disclosure Regulation: In France as well as in Europe, real estate is at the heart of energy transition policies due to the significant impact of construction on greenhouse gas emissions. With this inaugural work titled *'Today, the Green Value? Real Estate Markets in the Face of Environmental Challenges,'* **Stéphane Imowicz, CEO of IKORY, and Emmanuel Cordié, CEO of IKORY ASSET MANAGEMENT**, raise the question of the implementation of this regulatory program, which inherently impacts the market, creates value for the most environmentally friendly buildings, and accelerates the obsolescence of energy-inefficient structures. Through insights from key sector actors, three themes are thoroughly examined: the real estate market in light of new regulations, the evolution of evaluation methods, and the role of financing in green investments."

Commercial and Residential Real Estate on the Path to Carbon Neutrality

Today, the energy impact on the real estate environment is an essential consideration. The various measures implemented by successive governments - such as the Grenelle II law in 2010, the Elan law in 2017, and the Climate and Resilience law in 2021 - primarily have two objectives: to reduce greenhouse gas emissions in the environment and to enhance the value of assets.

The commercial real estate sector is the first to embark on the journey of energy transition, driven by property owners and operators aiming to attract investors and increase the value of their real estate portfolios. In this context of awareness, the government has entered the conversation. "The market, which thought it could handle things on its own, now faces a new player revealing the first part of its regulatory framework," explain **Stéphane Imowicz and Emmanuel Cordié**.

As for residential real estate, with the Climate and Resilience law, it must align with the legislative goal of carbon reduction: "And the stakes are high, as the 36 million housing units generate 20% of greenhouse gas emissions and over 28% of energy consumption in France," detail **Stéphane Imowicz and Emmanuel Cordié**. The criterion of a dwelling's energy consumption becomes inevitable before a purchase or even a rental: "We know that institutional investors in residential real estate are highly selective with regard to energy performance," says **Anne-Sophie Grave, CEO of CDC Habitat**. "It is therefore certain that assets considered energy inefficient, which can no longer be rented out, will quickly change in nature to become assets for restructuring rather than investment assets."

Expertise and Financing Adapt to This Evolution

Methods of evaluating real estate assets are now well-established and recognized, relying on established market standards and clear nomenclatures (such as the Charter of Real Estate Valuation Expertise, the European Group of Valuers Association, Red Book, etc.). However, in the context of environmental, energy, and societal transition, new models are emerging. 'The current focal point we are all considering is to ensure that we have data on the environmental situation of buildings,' analyzes **Jean-Philippe Carmarans, President of Cushman & Wakefield Expertise France**. 'Our teams of experts specializing in sustainable development and CSR advisory missions are developing scorecards and analysis frameworks that will increasingly be integrated into our evaluations. Consideration of regional factors, such as air conditioning and heatwave management, for example, is becoming a significant consideration.'

On the other hand, financiers are at the forefront of energy transformation projects. French banking groups have long been supporting the development of operators and, in this capacity, they are privileged witnesses of the real estate production professional ecosystem. 'While we may not be directly involved in energy transition, we do tend to promote operations that have labels that go beyond strict regulations,' states **Olivier Colonna d'Istria, CEO of Socfim**.

So, Green Value or Planned Obsolescence?

The initiatives established to support the energy transition of tertiary buildings and housing have an impact on both yield and the cost of asset maintenance. To date, several indicators suggest that a green value indeed exists: 'The environmental quality of a building is now a decision-making criterion for investors, just like its location or rental status,' states **Guillaume Atten, Director of IKORY Capital Markets**. 'To quantify this, three aspects are particularly scrutinized: certifications and labels, which are more common in the tertiary sector but increasingly present in the residential sector; recoverable charges, which directly impact the asset's value, especially with evolving energy costs. And finally, the work involved in improving energy performance or if the building contains asbestos.' This view is shared by **Joachim Azan, President and Founder of the Novaxia Group**: 'A green project offers a more attractive overall yield because it's not subject to costly factors of obsolescence in the long run.' The implementation of new standards thus contributes to creating artificial obsolescence for buildings and consequently degrades the value of underperforming assets. This is particularly noticeable in the market for new housing properties, where there is a preference for highly performing buildings compared to those that merely meet the current thermal regulations. This preference also facilitates obtaining financial aid: 'A green building has a better risk profile and therefore offers higher future value than another,' explains Olivier Colonna d'Istria. 'We can choose not to finance certain projects that might seem too risky due to obsolescence.'"

The green value is far from being done making headlines.

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About IKORY:

Founded in 2015 and comprised of a team of professionals with backgrounds in top real estate consultancy and investment, IKORY positions itself as a residential sector reference, offering a comprehensive range of services that enable a holistic understanding of projects. With expertise in acquisition, transformation, enhancement, and arbitrage, IKORY operates across all levels of the market, from social or intermediate housing to luxury real estate. Engaging at both the pre-investment stage to guide investors in their strategy, market comprehension, and project structuring, the group also plays a role on the downstream side, including bulk sales, unit sales, and asset management. With a focus on major property owners—encompassing investment funds, institutions, real estate companies, insurance firms, pension funds, mutuals, banks, and foundations—IKORY positions itself as a partner for "Reinvesting in Residential."

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