

Institutional investors expect higher long-term returns due to ESG criteria

- Warburg-HIH Invest has surveyed approximately 100 institutional investors on the topic of sustainability.
- Many institutional investors are still implementing ESG criteria
- Increased demand for advice among investors, particularly on ESG reporting

Hamburg, 2 July 2020 – The majority of institutional investors (51 percent) expect higher long-term returns on real estate if ESG criteria are taken into account when making investment decisions. That is the key finding of a survey of approximately 100 respondents conducted by Warburg-HIH Invest Real Estate (Warburg-HIH Invest). Of those surveyed, 11 percent said they would even accept a 0.2 percentage point lower return to meet ESG criteria. Approximately 70 percent said ESG criteria were relevant to their investment decisions or that they wanted to introduce them soon. However, the majority of institutional investors are still implementing such criteria. Around 55 percent plan to introduce them in the medium term, while just 13 percent do not plan to implement any sustainability criteria.

“Institutional investors are intensively engaged with the question of ESG. The survey confirms our impressions from numerous discussions with our customers. Most investors are very open to the topic. They are looking for partners who are implementing long-term ESG criteria in their investment strategies and who can offer them professional advice. That is confirmed by the finding that the majority of survey participants expect higher returns due to ESG criteria,” says Alexander Eggert, Managing Director of Warburg-HIH Invest.

Slightly less than 20 percent of those surveyed are currently using internally defined ESG criteria in investment decisions. A further quarter are currently developing such criteria. Approximately 55 percent of the respondents use external ratings to assess the sustainability of investments.

Reporting on sustainability criteria is closely associated with the use of ESG criteria when making investment decisions. Approximately 40 percent of investors already publish a sustainability report or include one in their annual report. Around 20 percent are planning to introduce a sustainability report. Of those surveyed, 34 percent do not publish a report and are not planning to do so in the medium term.



Increased demand for advice on the part of institutional investors

Slightly less than 70 percent of respondents want advice on the topic of ESG. Institutional investors said that they primarily require external support when reporting on ESG criteria (25 percent) and measuring the sustainability of portfolios/funds (23 percent). The demand for advice will continue to grow due to a greater density of regulations, including the European Union's planned Taxonomy Regulation. Approximately 53 percent of participants are using the available information to prepare for the Taxonomy Regulation, while slightly less than a third are waiting for the legislative process to be completed.

“This survey has given us a good overall picture of the current situation in terms of the implementation of sustainability criteria. We believe there will continue to be considerable demand for advice in this area for as long as there are no uniform standards or new national regulations,” says Alexander Eggert.

A total of 101 institutional investors participated in the survey. Of the participants, 25 percent manage real estate assets in excess of a billion euros.

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**Alexander Eggert, Managing Director
Warburg-HIH Invest**

About Warburg-HIH Invest

Warburg-HIH Invest is one of the leading investment managers for real estate in Germany and Europe. We adopt a future-oriented approach to finding, developing and managing properties in the interests of our clients.

Decades of experience, proximity to the real estate markets and a tight-knit network allow us to identify real estate opportunities and quickly implement them in the right phase of the market.

Around 150 institutional clients have entrusted their investments to Warburg-HIH Invest. Our specialists for structuring, product development, real estate management and market development all work to develop the right investment solutions for them.



Warburg-HIH Invest is represented at eleven locations throughout Europe. As part of the HIH Group, our in-house capacities cover the entire real estate investment value chain.

Early identification of changes in the market, implementation of regulatory requirements and future-oriented digital management are part of our corporate philosophy.

We currently manage assets with a volume of more than EUR 11.3 billion across 71 funds.

More information can be found on the the company's website at: www.warburg-hih.com/en

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