

Reaching net zero

Fisher German's innovative new service for commercial property aims to help property owners improve the energy performance and sustainability of their building stock with the ultimate goal of achieving net zero by 2050.

The clock is ticking towards the UK's commitment to net zero greenhouse gas emissions by 2050 and earlier this year the Government upped the ante by setting a new target of a 78 per cent reduction by 2035. Achieving these targets will require all sectors of the economy to contribute to emission reductions; however, increasing the sustainability of commercial property through toughening regulation is set to be a key focus area.

For owners of commercial property, it isn't necessarily clear how they can best improve their buildings to achieve compliance with tightening minimum energy efficiency standards, which are now a legal requirement for any commercial letting. While 'Energy Performance Certificates' (EPCs) show improvements that can be undertaken, these are theoretical, often basic and take little account of the practicalities associated with commercial lets, including fundamental asset management considerations.

Fisher German has recognised the problem and devised an innovative new service in response. "It is something we have been working on for over 12 months, bringing together key minds in the business. Internally we refer to it as 'Concordia' who was the ancient Roman goddess of harmony or peace and our mantra is: 'Property at harmony with the environment'.

"The service offers a one-stop-shop that enables property owners to understand where their buildings currently are [in terms of sustainability] and provides a clear pathway of measures, which can be implemented to enable the asset to achieve a net zero status (or as close as is possible) by 2050,



or before, if the client so wishes," explains Fisher German partner and head of sustainable energy Darren Edwards.

"One of our USPs is that we see the bigger picture from the client's perspective – we don't simply focus on the measures to improve the building's EPC rating, though obviously those are really important, but in addition we consider other factors. These include the client and tenants' Environmental, Social and Corporate Governance (ESG) commitments, the long-term management plan for the asset and the all-important contractual terms as set out in the lease, which can either help or hinder progress."

The landlord of an industrial estate, for example, will not only receive advice relating to each of the individual properties on the estate, but the Fisher German team will also consider how shared structural elements of a building (like roofs) can be utilised for PV and how best an array might be set up to optimise a return on investment. The team can also consider the creation of social benefits, for example, by introducing green spaces or Electric Vehicle (EV) charging to help achieve wider ESG [sustainable investment] goals.

"Our experience is that some property owners are already setting their own ambitious targets so that they will be significantly ahead of any legal requirements," says Darren. "However, government policy is continuously evolving. For example, we reviewed recent consultations on changes to EPC requirements and a new framework for energy performance of offices larger than 10,000 sq ft. Keeping abreast of policy changes is critical, so that we can build maximum flexibility into how property owners can proactively and cost-effectively manage the necessary changes to the buildings in their portfolios."

The pathway towards sustainable commercial property starts with a high-level desktop review of all of a property owner's assets. "This enables us to prioritise which properties should be dealt with first and where the greatest opportunities for renewable energy exist," says Fisher German surveyor and policy expert Tom Beeley. A more clinical audit follows, during which each property is reviewed in detail, including an on-site visit. Tom notes: "We're not just looking at reducing the owner's impact on the environment, but also at how buildings can be made more attractive to [potential] tenants, which in turn increases capital values. In some cases, occupiers may be willing to undertake and fund improvements because they will result in reduced energy costs."

How the service works

Based on client data, we have created a notional property investment company to illustrate how the service works. Our notional client holds a portfolio of 200 properties, including 72 offices/retail units, 125 warehouses and 600 acres of bare land.

- An initial desktop review of the client's asset portfolio was undertaken to assess the buildings against current and future regulatory compliance and to consider key lease events.
- Our initial review identified six 'high priority' properties that would become non-compliant with regulation. Eighteen more were identified as having lease trigger events within the next two years, presenting opportunities for engagement with tenants and improvement of those buildings. Five buildings were identified as occupied by high energy consumers with potential for green energy investment, while the bare land was reviewed for renewable energy opportunities.
- Individual property reports on the high priority assets identified short- and long-term options for making practical improvements to environmental performance.
- Our experience meant that wider asset management and lease considerations were taken into account, for example, considering simultaneous replacement of roofs where these are shared between assets and how this can be best covered within existing



leases. We also reviewed funding models for roof-mounted PV arrays to determine the best fit for the client and tenant in relation to the building and lease terms.

- Our specialist teams are working with building managers to ensure work is carried out with minimum impact on tenants, while Fisher German's planning team has provided expert guidance on planning requirements for specific energy investment options.
- We proposed new solar PV installations on two buildings and are reviewing two sites for EV charging and land-based renewables.
- The client is, with our assistance, exploring options for offsetting some of the emissions associated with their business, but also considering wider environmental offsetting as part of its ESG commitments.

At the end of the audit, the property owner is presented with a list of practical actions, which take into account existing landlord-tenant relationships as well as long-term objectives for each building. Once the recommendations are clear, design solutions can be explored and all of the proposed works can be costed. At this stage a commercial evaluation can determine the optimum timescales for works to be scheduled on individual buildings. "One of the advantages of our service is that Fisher German has building consultancy and planning teams in-house, so we can provide all of the necessary expertise in a joined-up manner," says Tom.

Finally, the recommendations are implemented, either by a client's own contractors or those managed by Fisher German, working closely with dedicated commercial property managers. Installation of renewable energy technologies can not only reduce a building's carbon footprint but also offer the potential to generate additional income.

However, it is not possible for every building to become carbon neutral, in which case property owners will need to consider offsetting associated emissions by sourcing carbon offsets or green energy projects elsewhere.

Darren says: "Fortunately for property owners, we have just launched The Green Offset (see p.16), which enables them to easily and quickly find parcels of land suitable for offsetting purposes – another advantage of Fisher German's multidisciplinary approach. It highlights what we set out to achieve for property owners: making the complex and potentially expensive pathway to net zero as simple and cost-effective as possible."

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