

Energy Transition and Brussels Real Estate

A case study on the impact of the PLAGE legislation.

The building sector is the main producer of greenhouse gases and the second biggest emitter of air polluting substances in the Brussels Capital Region (BCR). As result, the BCR created a new instrument to combat climate change in the form of the PLAGE legislation.

WHO'S SUBJECT TO PLAGE?

PLAGE should be interpreted as an obligation on a portfolio level, not on the individual building level. The BCR defined some thresholds to assess if your organization is subject to PLAGE or not. If your company is subjected to PLAGE, each of your buildings in the BCR will be considered, no matter its individual sizes. Yet companies can concentrate the action plan and measures on certain buildings in a real estate portfolio, as long as the total PLAGE target of the company is met.

It should be noted that PLAGE not only applies to building owners but also to tenants. In other words, even if you as an owner are not subjected to PLAGE (e.g. if the building stock of the legal entity is below 100,000m²), your tenants can still be affected (e.g. if the tenant is a public authority where its threshold is lower, or non-governmental tenant with a footprint in BCR of more than 100,000m²) and might have to pay fines because the building does not comply with PLAGE. This will be a driver for public authorities and very large tenants to move to energy efficient buildings and might have a major impact on the commercial value of assets with poor energy efficiencies.

Under its current conditions only the large private organizations are directly impacted by PLAGE. Besides these large private organizations with big office spaces, such as financial institutions, at this stage mostly (semi)public entities will be subject to PLAGE due to the lower threshold. This of course does not guarantee that thresholds cannot change in the future or the parent company won't be considered too in the thresholds in the future.

Still it is important to be aware of PLAGE and consider it already as it could mean an indirect strategic advantage in image and attractiveness for your real estate and for your company. PLAGE-ready buildings will have a competitive advantage to attract organizations who are already subject to PLAGE as a tenant. But is it financially rewarding to invest in full PLAGE compliancy? This case study provides some insights.

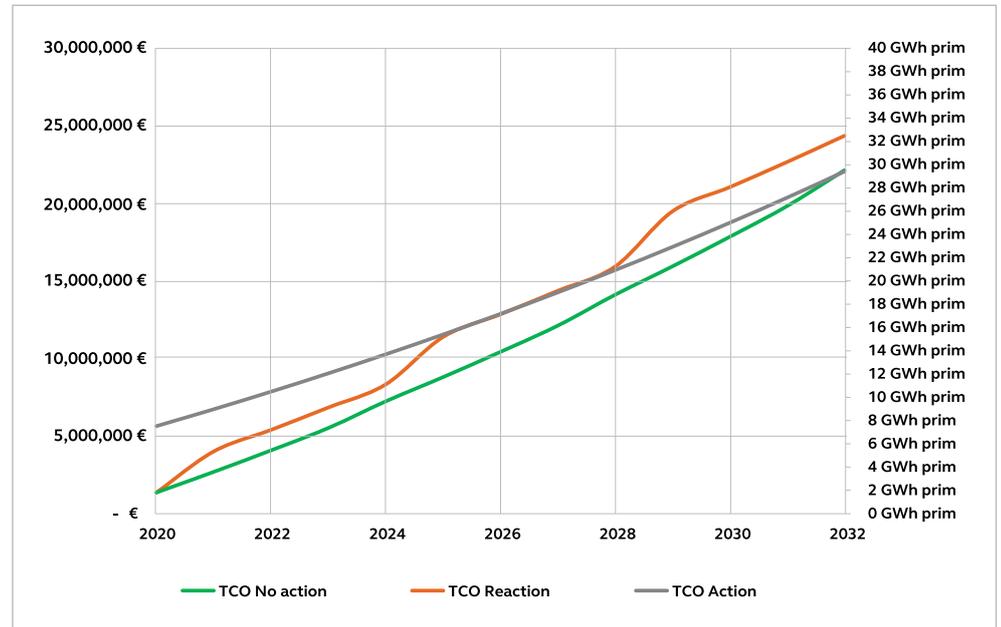


CASE STUDY

We calculated the impact of PLAGE for the Brussels portfolio of one of our clients. This portfolio consists of 3 premium office buildings (79,900m² - 9,500m² - 11,200m²). The primary energy use for this portfolio 257kWhp/m² - 645kWhp/m² - 532kWhp/m²) is well above the final PLAGE target of 153kWhp/m².

WE CONSIDERED 3 POSSIBLE PLAGE SCENARIOS:

- 1. No action:** no energy saving measures - budgeting in the fines,
- 2. Reaction:** take the necessary measures during each PLAGE cycle - no fines
- 3. Action:** pro-active complete energy make-over of the buildings to immediately achieve the final target - no fines



The analysis showed that the difference in total cost of ownership (TCO) of the 3 scenarios is limited after 12 years. Due to the accumulation of fines and a higher Opex the cost of taking no action is on the long-term as high as investing in a complete energy make-over. After 12 years the balance completely shifts in favor of the pro-active approach. In the no-action scenario, a single fine is considered, where only the building owner is subject to PLAGE. If the tenant is also held to PLAGE, both parties have to pay a fine, so the fine impact has to be doubled.

A very important factor that is not integrated in this case study is potential economic loss through vacancy. Tenants subject to PLAGE will potentially be moving to more energy efficient buildings and the asset will stay longer on the market. Rents also might have to be lowered to tackle this effect. This impact on the commercial value of your portfolio was not considered in this figure and works in favor of a pro-active approach.

Read our brochure for in depth practical and technical information about PLAGE or contact our experts.



Edouard Lafon (FR)

Business Development Director
Business Advisory & Program Management
M +32 475 89 08 29
E edouard.lafon@arcadis.com



Oswald Verbergt (NL)

City Executive Brussels
M +32 477 67 92 53
E oswald.verbergt@arcadis.com

Arcadis Belgium NV/SA
Markies/Marquis
Markiesstraat 1 Rue de Marquis
1000 Brussels



www.arcadis.com