



## New ESG research publication from Swiss Life Asset Managers shows impact of natural hazards on rents

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The summary of the study shows:

- The risk of natural hazards is reflected in apartment rents.
- Flooding and surface hazard runoff are associated with 1.4% and 3.5%, respectively, lower rents in Switzerland, but only outside urban areas.
- MINERGIE®-certified buildings with medium building standards report higher rents. The average premium for such a property is estimated at 4.1%.
- None of the price discounts for the individual natural hazards (max. 4.1%) exceeds the premium for a MINERGIE-certified building of medium standard (4.1%).

As part of its new research publication “Thematic ESG Research,” Swiss Life Asset Managers in collaboration with the University of Cambridge and Wüest Partner AG examined around 18 000 anonymised data points on net residential rents in Switzerland.

The study focused on the impact of ten natural hazards, including floods, mudflows, landslides, rockfalls, avalanches, hail, storms and heat on rental prices. It also examined the impact of Minergie © ratings on rents. This is one of the most comprehensive studies carried out in the context of the impact of natural hazards on rents, including sustainable building standards and labels.

### Results

Both increased natural hazard risk and the energy efficiency certification of buildings have an impact on the rental prices of residential real estate. The study shows that apartments in Switzerland that are exposed to the risk of slope mudslides or frequent storms have significantly lower rents. Flood and surface runoff risks result in lower rents in Switzerland by 1.4% and 3.5% respectively, however, only outside the urban areas

Within urban areas there is no clear pattern. However, the number of average heat days in an environment is associated with higher rents in Switzerland, which could be partly due to heat island effects<sup>1</sup> and further location effects of urban locations. The results on the impact on rents of avalanches, debris flows, landslides, hail and rockfall are unclear.

Minergie-certified medium-standard buildings are associated with significantly higher rents of 4.1% on average.

“For real estate investors, natural hazards can not only result in potential losses in value due to any physical damage, but also lower rental income. Certification of buildings to environmental standards can help mitigate potential rent losses,” says Ante Busic, ESG Research Studies & Innovation Manager at Swiss Life Asset Managers.

“Directly held real estate comprises physical and tangible assets, and natural hazards can affect cash flows and the value of related investments. International findings show how these risks are assessed. However, there are still gaps in these findings. Our study tries to draw a comprehensive picture of the assessment of natural

<sup>1</sup> An urban heat island (UHI) is created in urban areas where temperatures are higher than in the surrounding rural areas.

hazards and risk mitigation via certification for energy efficiency. The findings underscore the strategic value of these considerations in real estate investment decisions,” says Prof Franz Fuerst, Real Estate & Urban Economics, at the University of Cambridge.

### **About the new research publication**

In its new research publication “Thematic ESG Research”, Swiss Life Asset Managers, in collaboration with research partners, sheds light on current sustainability trends and addresses innovative ESG research issues.

With the launch of its new research series, Swiss Life Asset Managers is underlining the importance of ESG to its corporate strategy. The new series will also enable Swiss Life Asset Managers to assume a key role in the area of sustainability market research and to stay up to date on current trends through its collaboration with universities and research institutes.

The publication is published at regular intervals and is available in English.

## Information

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### **Swiss Life Asset Managers**

Swiss Life Asset Managers has more than 165 years of experience in managing the assets of the Swiss Life Group. This insurance background has exerted a key influence on the investment philosophy of Swiss Life Asset Managers, which is governed by such principles as value preservation, the generation of consistent and sustainable performance and a responsible approach to risks. Swiss Life Asset Managers offers this proven approach to third-party clients in Switzerland, France, Germany, Luxembourg, the UK and the Nordic countries.

As at 31 December 2022 assets under management for third-party clients amount to CHF 105.4 billion. Together with insurance mandates for the Swiss Life Group, total assets under management at Swiss Life Asset Managers stood at CHF 250.1 billion. Swiss Life Asset Managers is a leading real estate manager in Europe<sup>1</sup>. Of the assets totalling CHF 250.1 billion, CHF 88.9 billion is invested in real estate. In addition, Swiss Life Asset Managers, in cooperation with Livit, manages real estate totalling CHF 21.9 billion in value. Total real estate under management and administration at the end of December 2022 thus came to CHF 110.8 billion.

Swiss Life Asset Managers employs more than 2100 people in Europe.

### **Self-determined Life**

Swiss Life enables people to lead a self-determined life and look to the future with confidence. Swiss Life Asset Managers pursues the same goal: We think long-term and act responsibly. We use our knowledge and experience to develop future-oriented investment solutions. This is how we support our customers in achieving their long-term investment objectives, which in turn also take account of their client's needs so they can plan their financial future in a self-determined manner.

<sup>1</sup> INREV Fund Manager Survey 2022 (AuM as of 31.12.2021)