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Dick Gort, a.s.r.

‘The real estate we invest in must have perpetual value’

a.s.r. real estate always felt responsible for delivering long-term returns and now has strong ambitions to expand in impact investment.

By **Nicol Dynes**

Dutch company a.s.r. real estate has a 125-year history of responsible investing and its chief executive, Dick Gort, has been at the helm for nearly 15 years. The group’s real estate platform spans different asset classes, as it consists of one fund per sector – prime retail, core residential, office, science park and farmland – and the group also manages separate mandates for institutional investors.

Real Asset Impact asked Gort about the evolution of the company’s investment strategy, what the main challenges are and what lies ahead.

How has your investment strategy changed and evolved in the years during which you have been chief executive? What are you most proud of?

As it is part of an insurance company, a.s.r. real estate has always felt responsible for delivering long-term returns on invested assets. The money we invest comes from people who entrust it to us to cover their retirement and insurance. That’s why, throughout our history, we have consistently focused on the capital appreciation of land and real estate over the long term. Forward thinking and sustainability are part of our DNA.

We handle our properties with care and set high standards to support our long-term investment objectives. Or, as we like to say: the real estate we invest in must have ‘perpetual value’.

Until 2011, we invested and managed assets exclusively for a.s.r., one of the largest listed insurance companies in the Netherlands. Today, institutional investors from the Netherlands and abroad benefit from our real estate portfolios and expertise. Over the past 10 years we’ve worked with a dedicated in-house team of ESG specialists, an increasingly important aspect of our daily business.

Our real estate platform consists of one fund per sector, namely the ASR Dutch Prime Retail Fund (ASR DPRF), the ASR Dutch Core Residential Fund (ASR DCRF), the ASR Dutch Mobility Office Fund (ASR DMOF), the ASR Dutch Science Park Fund (ASR DSPF) and the ASR Dutch Farmland Fund (ASR DFLF). We also manage separate mandates for institutional investors.

We have a strong ambition to expand in impact investments that accelerate the energy transition, and we therefore also invest in renewables infrastructure projects such as solar and wind farms on behalf of our clients.

All our funds have achieved excellent GRESB scores, and we’re proud that our residential and office funds are in the 20% of best-performing GRESB funds worldwide.

You have long had a commitment to limiting the negative impact of your investments on the environment and society. What would you say are your main achievements on that score?

Over recent years, we’ve managed to reduce the energy consumption of our buildings by applying energy-saving measures and installing 10,000 photovoltaic solar panels on our assets to generate renewable energy.

In 2021, we set up a dedicated approach to eliminating greenhouse gas emissions. We’ve drawn up data-driven Paris Proof road maps for each of our funds, to indicate how we aim to become greenhouse gas-neutral in 2045.

Most measures can’t be taken alone, and we strongly believe that engaging with partners enables us to realise exemplary sustainable renovations, of which the TREF shopping centre in Middelburg is a great example.

What are the largest challenges you’re currently facing, and how do you plan at tackling these?

Adapting to climate change is an urgent and complex challenge.

We see that the process of reducing carbon emissions and the energy transition in the Netherlands are progressing too slowly to help prevent the temperature of the planet from rising by two degrees Celsius. This leads to climate-related incidents, such as floods and the urban heat-island effect, occurring on a more regular basis.

We’ve built a risk estimation model by combining layers of data in a geographic information system (GIS), and are collaborating with multiple partners to translate our findings into concrete steps.

Another huge challenge is the reduction of embodied carbon. In the coming years, we will strive to implement circular and bio-based materials and solutions in our projects.

‘Engaging with partners enables us to realise exemplary sustainable renovations, [such as] the TREF shopping centre in Middelburg.’

Dick Gort, a.s.r.

Let’s look at the real estate sectors you invest in. There is a real shortage of residential accommodation in the Netherlands and prices have shot up. There’s a clear need for more social and affordable housing. What are you doing on that front?
A.s.r. real estate has invested in the residential sector since 1900, and has always focused on middle-income households.

In 2020, ASR DCRF formalised an impact investment strategy aimed at realising a larger number of affordable houses. We engage with our partners to ensure comfortable and attractive dwellings for middle-income households, even during the ongoing housing shortage.

Life sciences are a hugely important and fast-growing sector. You have a dedicated science park fund. What is its contribution to your ESG goals?
The ASR DSPF manages a highly sustainable portfolio, which was greenhouse gas neutral in 2021. The positive impact of the fund goes beyond energy and greenhouse gas efficiency; more than 70% of the portfolio has a positive and measurable impact on the ecosystems of the science parks and beyond, creating the right environment for companies that make positive contributions to the UN Sustainable Development Goals.

What about your agricultural land fund? What is your focus there?
In order to make the agricultural sector more sustainable, a.s.r. aims to improve soil health and promote biodiversity. We have set up a ‘climate-smart agriculture’ strategy, which consists of three pillars:
1. Sustainable productivity and sustainable farmer’s income;
2. Reducing greenhouse gas emissions;
3. Adapting and building resilience to climate change.

Redevelopment of the convenience shopping centre TREF in Middelburg resulted in around a 60% decrease in energy consumption, from 345 kWh to 138 kWh per sq m, which is enough energy to power 300 homes every year

As part of this strategy, a.s.r. rewards farmers who are committed to sustainable business operations.

Farmers who use agricultural land owned by a.s.r. can receive a discount of 5%-10% on the lease if they manage their land sustainably.

This initiative was launched at the end of 2021. It gained a lot of media attention in the Netherlands and has already convinced over 150 clients to reach out to us.

The office sector is undergoing massive change due to proptech but, above all, because of the pandemic and the new focus on health and well-being. What are your predictions for the sector and how are you adapting your office investments?
In our forecasts, increased vacancy rates in 2021 had been taken into account, but these expectations did not materialise.

ASR DMOF invests in offices near the largest public transport hubs in the five largest cities in the Netherlands. This fits the sustainability requirements of our largest group of future users: millennials. Accessibility by public transport can be used to quantify greenhouse gas reduction as a result of the travel behaviour of office workers. Additional facilities, such as charging points [for electric vehicles] and shared cars, mean more office workers will use sustainable means of transportation to commute to and from work.

The fund also pursues a higher standard with regard to the well-being of its tenants and users of its buildings. It will start working with the WELL standard – a vehicle for buildings and organisations to deliver more thoughtful spaces that enhance human health and well-being.

You invest in retail, which has not been everyone’s darling recently. What is your outlook for the sector and what contribution can it make to your ESG goals?
ASR DPRF focuses on investments in a mix of high-street retail in the top-15 cities, dominant district shopping centres and supermarkets. Covid-19 accelerated the retail transition, and we expect increased polarisation between attractive and less-attractive retail real estate. There’s pressure on most retail segments to a varying extent, but district shopping centres and supermarkets have actually performed relatively well during the pandemic.

We’re optimistic about our ESG goals. We collaborate with retailers for a Paris Proof portfolio by 2045; utilise roofs by making them ‘green’ or installing photovoltaic solar panels; and educate the users of our assets by providing booklets with sustainability tips and tricks.

Beyond your own company’s contribution to ESG, how do you see the rest of the Dutch sector performing? Is it finally moving at speed? Do you look at any other countries or companies for inspiration?
We see that the markets in which we are active are definitely feeling a sense of urgency.

We also learn a lot from our highly ambitious Dutch peers that operate in the same field and are facing the same direct challenges. Over the course of the past few years, we’ve learned a lot from managers abroad, especially those that showed courage to set up the earliest impact funds.

For me personally, there was a distinct moment in time: a lecture by Reinier van den Berg [a Dutch meteorologist] in 2017. His message was that if everyone focuses on limiting their negative environmental impact within their sphere of influence, we’ll be able to move forward.

In our case this concerns a large real estate portfolio, which we have enriched with accredited impact strategies in our residential and science park fund.

We also function as a cornerstone investor in the BNP Paribas European Impact Property Fund.

Regulations are getting tighter, both at a national and EU level. How difficult is it for a company to stay fully compliant, or even ahead of the game?
Even though we’ve managed to be ahead of new legislations, staying compliant is increasingly time-consuming. This definitely puts pressure on us. We realise we’re in a good position because of the large scale and structure of our company. Due to these developments, amongst others, I think clustering of smaller parties will be inevitable.

The transition to more sustainable business practices also offers potential: we’ve seen a larger number of meaningful partnerships with peers facing the same challenges, and knowledge is exchanged between sectors.

And so far, there have been interesting opportunities for our company to keep building on our platform and broaden our activities.

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