

Highwoods Properties



Highwoods has a high carbon intensity of 144 which is higher than most US Office REITs while Highwood's Office portfolio is relatively young of age (average build year 1995).

Engagement rationale

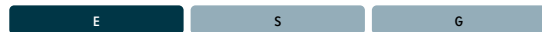
Highwoods Properties (HIW) is a US Office REIT focussed on leasing office space to corporates mostly in the Sunbelt markets of the US (Auston, Atlanta etc.).

The gross asset value of the portfolio is 7bn USD.

HIW has a relatively high CO2 intensity versus peers in the US Office cluster despite having one of the youngest build years. We engaged for factchecking first. The Southpole data is based on modelled data and the company started publishing Scope 1-2 emission data (bulk of emissions in their full-service office buildings) in 2022.

Theme for engagement

Environmental



Engagement objectives

Engagement for awareness on the quality of the (modelled) CO2 data.

Development

Positive

Milestone



Engagement results

- The company explained scope 1-2 is the target for now (-20% by 2026) and that is also the bulk of emissions as these are full-service buildings and Highwoods purchases from the grid (Duke). That is still brown energy while Duke has committed to net zero by 2050. To purchase green energy, Highwood would see its electricity bill increase 25%-50% (USD 10-20 mln extra on a USD 40 mln bill) which is too much to stomach right now for Highwoods.
- Offsets are not considered which is good. On-site solar power is not effective due to small rooftops only producing 5% of energy usage.
- All in all, the company is making conscious decisions where to spend the capex in order to be Paris aligned. The level of short-term ambition is low in our opinion. Long term, of the grid greens at Duke, and given the large scope 2 emissions under control of Highwoods, the decarbonization plan is clear enough.

Next steps

We close this engagement at this point as there is no further short-term upside



Company

Highwoods Properties

Country of domicile is US

Sector

Listed Real Estate - US Offices

Market Cap

Market cap USD 7 billion

Fund

Kempen Global Property Fund

Materiality

Not much in terms of operational financial materiality for the environmental part of the engagement. However, ESG as part of the company valuation is getting more and more important.

MSCI ESG Research

UN Global Compact: Pass
ESG Rating: AA (MSCI ESG)

Engagement Initiated

Q3 2022

Latest update

Q3 2023