MEMBERS AND INDUSTRY INSIGHTS

PART TWO, 12 NOVEMBER 2021

SIOR® EUROPEAN REGIONAL CHAPTER

FOREWORD BY EUROPEAN CHAPTER PRESIDENT

We hope that you found part one of our Members and Industry Insights on climate impact informative.

Now we introduce part two, where we look to members and experts across Europe for their market knowledge and their stories on the impact that climate change is already having in the real estate sector across the continent.

We explore the solutions, regional variations and opportunities that could be adopted by other member states and the UK.

Paul Danks, President

European Regional Chapter

SIOR

paul@pauldanks.co.uk; +44 7836 652369

A REMINDER ABOUT THE SIOR EUROPE WEBINAR ON 23 NOVEMBER, 18.00 CET

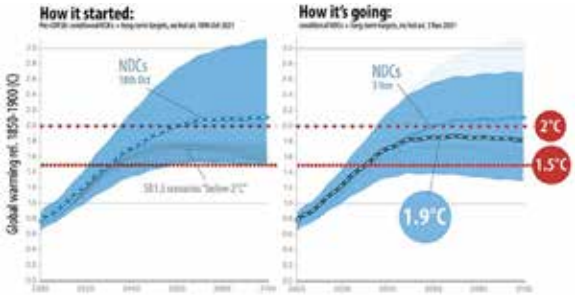
We're bringing together industry leaders for a webinar that will examine the outcomes of COP26 and what real estate does next. Panellists include:

- Chair: Greg Borel, Managing Parter, Climate change and sustainability consultancy Ampersand Partners & CUBE UK
- A major logistics developer
- A leading occupier
- Ann-Marie, Aguilar, Senior Vice President, EMEA Region, the International WELL Building Institute;

Register your free place here.

ROUND UP: COP26 SO FAR

With week two of COP26 now coming to a close. 100 nations have made a commitment to halt and reverse deforestation by 2030, world leaders have pledged to cut methane by 30% and 40 countries have agreed to phase out coal-fired power. In a landmark moment, governments have collectively increased ambition to hold global warming to below the 2C threshold envisioned by the Paris Agreement.



Source: Climate Resource

Pledges will require money. According to the U.N. climate envoy Mark Carney, $100 trillion over three decades. In a game changing move, a COP26 coalition of banks, insurers and investors with $130 trillion at their disposal pledged to put combating climate change at the heart of finance and therefore green investing on a firmer footing.

The first week ended however with a call that all of this wasn't enough – reinforced by mass marches and accusations of 'greenwashing' by Greta Thunberg.

The second week has been about closing the gap between rhetoric and action. Plus, it has been a major week from a real estate perspective with a day dedicated to the built environment, addressing an industry that accounts for more than 40% of all emissions worldwide, 60-70% of those in our cities; and one that needs to reduce CO2 emissions by 36% by 2030 to keep global warming within the UN's Paris accord's 2C threshold.

It is time to decarbonise design, construction, operation and infrastructure in real estate.

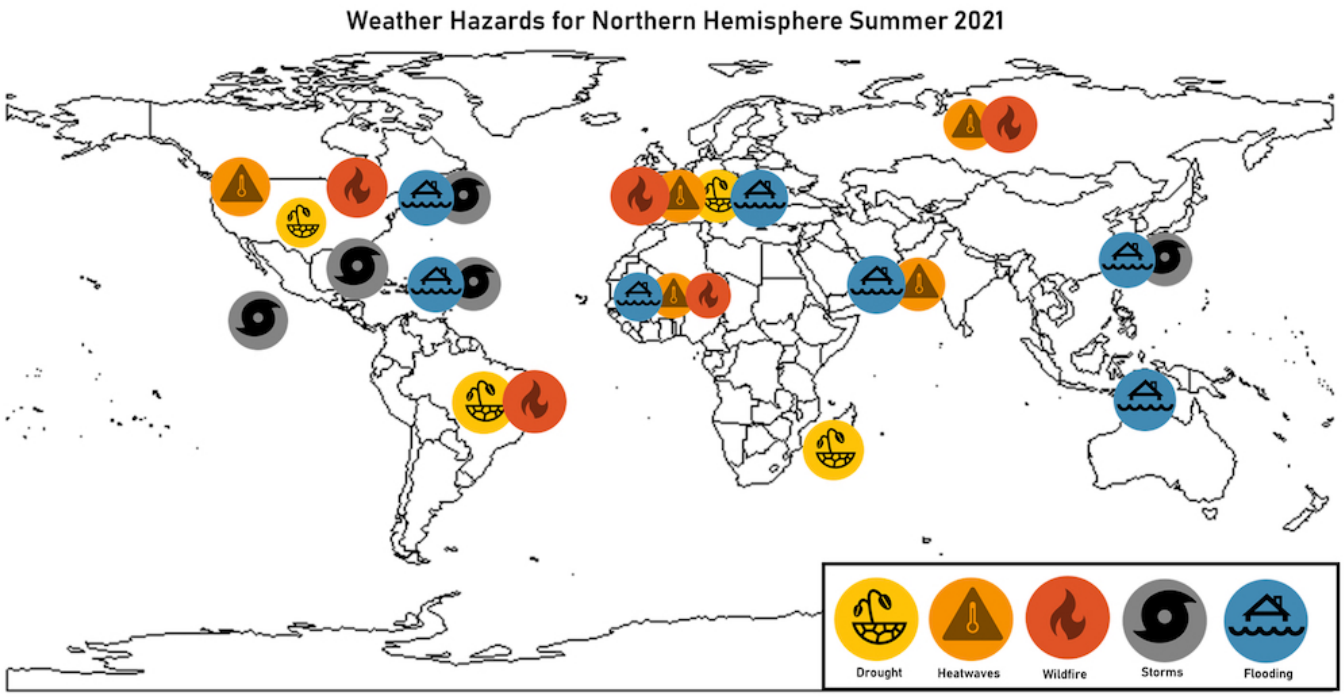
THE CHALLENGE

The Intergovernmental Panel on Climate Change (IPCC) concluded that it is an "established fact" that human-caused warming is increasing the frequency and intensity of extreme weather events around the world.

We have seen this across Europe in 2021. Heavy rainfall and mudslides killed 17 people in Turkey, flash flooding in London caused water to gush into London Underground stations. River flooding in Germany, Belgium and the Netherlands made headline news after resulting in more than 180 deaths, an event made nine times more likely because of human-caused climate change.

Parts of North Africa and Europe were hit by a heatwave. Northern Ireland reached 31.4C and led to the first "extreme heat warning" ever issued in the UK. The UK's Office of National Statistics estimates that the heat resulted in between 400 and 800 excess deaths. Later in summer, a heatwave across the Mediterranean region caused excess deaths in Spain, Italy and Greece, with temperatures as high as 48C.

This disruption of weather patterns leads to unpredictable water availability, exacerbating water scarcity and contaminating water supplies. Today, around 450 million children live in areas of high or extremely high-water vulnerability and over 700 children under five years of age die from diarrhoea linked to inadequate water, sanitation and hygiene. More natural disasters will only exacerbate the problem and, by 2040, it is predicted that almost one in four children will live in areas of extremely high water stress.



Source: Carbon Brief. Reviewing the summer of extreme weather in 2021

HOW EUROPE IS RESPONDING: MEMBER AND INDUSTRY INSIGHTS

Renata Osiecka, SIOR, Managing Partner, AXI Immo Group, Poland:

The trend towards sustainability started directly from the cooperation between tenants and developers. Currently, investors are increasingly ensuring that their projects meet BREEAM or LEED requirements or comply with the latest environmental directives. During the construction process, many investors seek pre-certification, confirming that the project meets the requirements of sustainable building and ecology. The new offer is becoming the standard in the warehouse sector in Poland.

The increased activity of developers in the construction of more sustainable projects is mainly due to the growing pressure from tenants and their expectations to reduce the negative impact on the environment; among others, by more thoughtful planning of investments.

Nowadays, obtaining a BREEAM or LEED certificate is just the beginning on the way towards sustainable development or activity for the benefit of ecology. However, all players in the market are aiming for zero emissions and a reduced carbon footprint. The range of zero-emission depends primarily on the type and scale of the tenant's activity. The owner or tenant's industry and type of production are important to choose specific eco solutions.

In the coming years, we expect that many investors will be interested in building their portfolios only on properties that meet the ESG / eco strategy standards. Ignoring the aspect of building or upgrading a warehouse following sustainable construction principles will result in underinvested projects being considered less modern and valuable.

Valdis Ligers LLB, SIOR, BREEAM Assessor, Cert. Passive House Con. CEO, Director at NEXTRE Global Group, Senior Sustainable Building Advisor at Baltic Sustainable Building Advisors, Ltd:

There is a vast array of initiatives underway in the Baltics region. With a climate of relatively cold winters and quite warm summers, energy efficiency measures are important. Decarbonisation policies are also welcomed by the major market players.

- There are initiatives related to law – the "almost zero energy building law" is in force in Latvia, defining very strict parameters for every new building
- Major cities such as Vilnius, Riga and Tallinn are directing that every new large building (occupied by 100+ people) must be certified by a major sustainable certification system – BREEAM, LEED, EDGE etc. clearly stating our direction towards energy efficiency as well as wellbeing
- There is a move away from imported to local materials including wood and wood chip based, a trend greatly supported by the legislative bodies
- In 2026-27, Rail Baltica, an EU-funded high-speed rail connection linking all three Baltic states will complete. This will bring commercial opportunities to these regions as well as the businesses that operate there. Already, there are significant logistics, office and infrastructure projects underway. To help clients and fellow SIOR members make the most of the opportunities available, we've established a special vehicle, our Rail Baltica Corridor alliance initiative
- EU Taxonomy principles are being implemented step by step in our economies and investment vehicles
- 17 UN principles, ESG compliance and Sustainability Linked Loans are becoming a key factor for any business in investment, development, construction, management, rental and sale deals etc

Michael Riekert, SIOR, Director Global Corporate Services, NAI Apollo, Germany:

Climate change has a major impact not only on our lives, but also on the quality of construction and the requirements for building materials.

The German government is soon aiming for climate-neutral construction and will push new rentals in Germany via the federal government only for kfw 55 / kfw 40 certified buildings. This is a first step in response to the increasing political pressure for climate neutrality worldwide and especially in Germany.

Furthermore, hybrid heating systems in Germany will be subsidised by up to 30% of the total cost to accelerate the attractiveness of the new heating technologies.

These are only two examples showing that there will be more focus on climate neutrality within the near future. The pressure is on!

Tobias Schultheiß, SIOR, Managing Partner, Blackbird Real Estate, Germany:

Sustainability guidelines of the European Association for Investors in Non-Listed Real Estate Vehicles ("INREV") have been further developed to adhere to investors' needs and increased participation in the 2020 GRESB real estate assessment.

The pandemic has also changed approaches to real estate. Many property owners shifted their focus from acquiring properties to refurbishing their portfolio and making it climate friendly. Also, more and more investors are prepared to buy refurbished properties rather than demolish them and build new properties in order to reduce CO2 consumption.

Digitalisation is seen as an important driver to making properties energy efficient and is becoming an integral part of property development. In general, there is a clear focus on energy efficiency – but not only for sustainability reasons: the more energy efficient a building is, the lower the service charges for the tenants, making it more attractive.

For the future, it is very important to not only talk about "best practice" solutions but also grant free access to them. Climate change isn't new, but the discussion took place only in the recent past and mostly between the big players of the real estate industry.

We need to see smaller owners, such as private investors and local developers, also having resources to support them in dealing with this challenge. I am keen to see a standard, explaining ESG & taxation in terms of (i) what can/must be done, (ii) at what cost and (iii) where to ask for assistance and financial support.

At Blackbird Real Estate, we have created a checklist highlighting possible/necessary ESG & taxation measures for developers and real estate holding companies. We also have experience in applying financial support from KfW (a state-owned bank), but this can be a complex process and might put real estate businesses off applying for state subsidies, in turn resulting in a decision against a climate friendly refurbishment or development.

Tom Listowski, SIOR, Partner, Head of Industrial and Warehouse Development, Central and Eastern Europe at CRESA:

Looking across Europe and the UK, there are inevitably differences in real estate practices but also opportunities and lessons to be learnt. One interesting variation is the impact of lease length on attitudes to sustainability. In the UK, greater investment makes sense because it can be amortised over a longer lease period. In Central and Eastern Europe, where the average lease terms are three to five years, there is less benefit and incentive. While there is an argument that we all need to invest for the greater good, financial viability is still a factor and it gets more complicated when costs have to be passed on to the customer in order to stack up.

The age of buildings across Europe is also a factor. Central Europe is a newer market and so the stock is higher performing in environmental terms and may offer easier solutions to drive sustainability. In contrast, Germany has much older stock and there are limitations to what can be done to make antiquated buildings more sustainable. What will help both though is technology. There are now funds seeking out technology that is ESG related. NREP's European VC fund 2150, for example, has just announced a final close of $312 million, which it will use to back technologies aimed largely at reducing the carbon footprint of cities.

For new development, the likes of Prologis are R&D testing raw materials to be able to build more sustainably. We're also seeing a major emphasis on wellbeing of employees in industrial and logistics buildings. Here there are lessons from western Europe that can be applied elsewhere, where benefits for the natural environment also bring positives for the workforce. ProLogis in the Netherlands is seeking WELL Certification, driven by tenants who seek to provide much better conditions for their employees, so they can attract and retain talent. This is an interesting trend and starts to see the benefit of linked ESG commitments.

Christophe Wuyts, SIOR, Head of Industrial Agency, CEUSTERS, Belgium:

The Belgian logistics sector is booming, and an estimated 1.2 million sq metres of new-build warehouses will be added in the next 18 months. Belgian prime rents are at an all-time high, driven by the fact that during the pandemic demand for storage space remained very strong, and will increase further due to growing e-commerce. The logistics market is also evolving in new ways, as are the priorities of our clients. The sector has already undergone enormous change in recent years, and even pre-COVID the sustainability agenda was gaining momentum.

Now, sustainability and flexibility are two key considerations, both incredibly important to building a healthy and resilient real estate market for the long term. To that end, there have been developments such as the Energy Performance of Buildings regulations, which mean that any offices constructed pre-2006 are labeled outdated. This in turn draws attention to the steps that are needed to ensure longer and more sustainable life-spans for commercial buildings, such as continued investment into energy efficiency and sustainability, which drive not only benefits for the environment but are also inherently linked to ongoing commercial success.

We have joined the UN Global Compact, the world's largest initiative in the context of corporate SDGs, because we are strong believers that the business world – and real estate within that – needs to join in the search for solutions to the enormous challenges our planet is facing. We want to make an essential contribution to social and ecological objectives.

The goal must be to go beyond purely achieving financial success and more towards how we mitigate risk, create long-term value and earn the trust of all stakeholders. We have a responsibility to embed sustainable development measures into our strategic vision, and see SDGs as crucial to the development of the real estate management of tomorrow. For our clients, these goals translate into placing ESG considerations at the centre of their decision-making.

One example is our work with WDP on a variety of transactions, and the warehouse lease by Rogue in Bornem perfectly illustrates our shared vision on logistics real estate – strategically-located but also energy-efficient. While sustainability used to be a 'nice to have' it is now non-negotiable, especially for larger companies who have a responsibility to lead and demonstrate their commitment to sustainability. That does require investment, and for WDP aspects such as multimodality were important. However, such investments can also have a positive long-term effect on the value of REITs: rents can be higher, as can portfolio valuations. And the stock market follows suit. Which, in the case of WDP, explains the interest of foreign investment funds.

We have also seen the concept of the office being significantly reinvented. The sector is clearly ready for something new and priorities are changing. For instance, CONIX RDBM Architects, who we advised in finding the location for its Antwerp headquarters, wanted to achieve 100% circular sustainability, with nothing going to waste and fully circular management of heating and cooling, including a green digital processing unit, so the office has the power to heat the entire building. Meanwhile, Touring wanted to place sustainability at the heart of its office search, encouraging the use of bicycles as a way to contribute to a new vision of environmentally-friendly mobility for the future, and this priority played a major part in their choice of location.

Alberto Iori, SIOR, Guizzo, Italy:

Italy has the second largest stock of industrial properties in Europe after Germany and the highest proportion of industrial properties compared to logistics properties. This is significant. Unlike logistics properties that have created a virtuous circle between users, developers and investors in a whirlwind of new "green" projects, manufacturing properties were built largely between the 1970s and the late 1990s.

Migrating this huge real estate portfolio into a world of new construction is unrealistic. There is a scarcity of finance and investment (it is mainly a world of direct owners and in any case of bank finance only – mortgages or financial leasing). There is also scarcity of land for development because most manufacturing plants undertake activities that have historical ties with their territories and their workforce, making it difficult to relocate.

The opportunity therefore lies in first refurbishing existing buildings. Much has already been done across Italy – almost all of the old roofs have been renovated or replaced with those with high thermal protection and action has been taken to avoid flooding from water bombs, which are becoming more frequent. There are also open discussions about equipping entire industrial areas with shared ESG protocols.

There is significant room for improvement in the heating of industrial buildings. Unlike logistics properties in Italy, they are permanently heated due to the presence of staff and cooling systems are increasingly being installed to combat the torrid summers we are experiencing as a result of climate change.

We cannot deny that there was a great technological evolution in methane gas heating plants, the latest generation having far better levels of thermal performance and atmospheric emissions compared to 30 years ago. However, they run on fossil fuels. Today's challenge is to replace methane gas heating plants with heat pump systems (such as VRV), which can provide both cooling and heating, but are powered by electricity.

If we move the analysis from downstream to upstream, we must ask ourselves where Italy sits in the development of renewable energy? To date, 44 photovoltaic, wind and geothermal plants are on standby, awaiting authorisation from those leading environmental and landscape impact and who report to the Ministry of Cultural and Environmental Heritage, not to the Ministry of Ecological Transition created ad hoc for this historic moment.

The country needs to produce more energy from renewable sources – today about 70% comes from thermoelectric power plants and energy imported from fossil sources, This will give Italy energy independence and the additional electricity supply it needs.

Italy has been granted 191.5 billion euros in pandemic recovery funds. 37% of this has been devoted to expenditure and measures that support climate change. We must spend it quickly and wisely.

Raffaella Cassese, SIOR, Global Corporate Services, NAI Target Real Estate, Italy:

The Italian government has put in place key financial contributions to increase the efficiency of buildings, especially residential:

- 110% of the cost for renewing any façade except historical buildings
- 110% of the cost of adding heat insulation if it delivers an increase in environmental ratings
- 90% of the cost of heat insulation if it delivers an improvement
- 50% for changing windows to improve insulation
- Plus in all cases, you discount the contribution in 10 years from taxes

There are also minimum standards imposed and indeed being demanded by occupiers. For example, new office buildings developed in Milan must be class A, with "zero impact" on the environment and LEED environmental certification. Interestingly, we are seeing increased rents for these higher performing buildings, a trend that is expected to grow in other countries too.

Greg Borel, Managing Partner of Ampersand Partners and CUBE UK:

In the UK, office buildings lose a staggering £60 million in wasted energy every year. New initiatives are emerging to engage landlords and occupiers in efforts to reduce energy usage and carbon emissions.

In a proactive move to help turn ambition into action, we have launched CUBE in the UK.

CUBE is an innovative competition that enables commercial buildings to make a genuine contribution to net zero. Organised by Ampersand Partners alongside founders A4MT, the competition introduces gamification for energy consumption, cutting energy usage and equivalent costs by an average of 12% and up to 55% in a single year.

It was originally developed by leading real estate experts A4MT in France, and has had widespread industry support and made a huge impact over six years - saving the equivalent of £10.5 million in costs and enough energy to power almost 27,500 UK homes for a year. Successful participants include BNP Paribas, Carrefour and Orange, the latter recouping its entire investment in just four months.

Set up for landlords, building managers and occupiers, CUBE is a community of businesses which understands that achieving net zero starts with reducing energy use in their buildings. It is based on a programme that encourages behavioural change alongside events where participants share ideas, leveraging existing investment in energy savings and pushing each other to do more. For users and employees, it engages everyone in a friendly, fun and collaborative competition to facilitate improved energy performance – one building at a time.

CUBE is about simple interventions that make a big difference. It sets a baseline based on the previous one to three years of energy consumption data, then collects utility bills monthly to assess performance, improvements and highlight successes. With a range of support, tools and ideas from previous competitions, it helps firms identify how to continue to slash energy use. Once the competition is underway, entrants receive a monthly ranking, based on the data. The 10 best results are published on a monthly basis and an annual award ceremony celebrates top overall performers.

The climate crisis needs urgent attention. CUBE mobilises the UK business community to positively contribute to achieving net zero. It's a positive programme that brings landlords and occupiers together with a shared goal, requires no significant financial investment and has enormous potential to reduce energy use through changing our behaviour alone.

It starts in March 2022; there's still time to get involved.

Michael Pain, SIOR, Partner, Head of Tenant Representation Team, Carter Jonas LLP, London UK:

The Impact of Climate Change on Office Occupiers & Investors

The gradual tightening of environmental regulations for commercial property owners and occupiers in the United Kingdom, and increasing public awareness, and concern, regarding climate change are resulting in a series of new trends in the London office market.

Letting activity has picked up well since the beginning of the year but, very significantly, the vast majority of lettings have been confined to new and refitted Grade A space.

The trend towards occupiers trading up in to better quality accommodation is being driven by a series of factors. Employers recognise that if they are to succeed in attracting the workforce back to working from the office they must create a COVID-safe, vibrant, attractive, office environment in a Grade A building.

However, a recent survey undertaken by Carter Jonas also reveals that increasing environmental awareness in the business community is also a significant driver of demand for energy-efficient, low carbon footprint, Grade A office space. Environmental, Social and Governance - "ESG" - is the new "buzzword" on the lips of the more informed senior business managers as they respond to demands from their shareholders, customers and workforce to demonstrate their environmental credentials and do their bit to save the planet.

Landlords of older, poorly specified, energy hungry, office buildings are struggling to lease vacant floor space – leading to a further widening in the disparity between the rent and rent free period letting packages that are being agreed on new and refitted, energy efficient Grade A space and the rest of the market.

Investors, recognising that older, poorly specified, buildings have a higher investment risk profile associated with weaker occupier demand, poor prospects for rental growth and the tightening of environmental legislation that is raising the energy performance threshold, below which it will be illegal to lease accommodation that does not comply, are focusing their purchases on new and refitted Grade A space.

Owners of low-grade buildings will need to invest heavily in a building refit to raise energy performance to secure lettings or consider conversion for alternative uses. Those wishing to sell will need to think carefully about pricing – which will need to reflect the costs associated with making the building environmentally compliant.

The world is changing – and faster than many thought possible. Climate change is an issue that is, rightly, now uppermost in the minds of both investors and occupiers and it is already leading to new trends in the London office market.

Martin Loveridge, SIOR, Director, 3PL Real Estate, UK:

In the UK, the response of the industrial and logistics sector to carbon emissions has evolved significantly in many respects, but as usual the UK market is multi-faceted, so there is no clear consensus or direction.

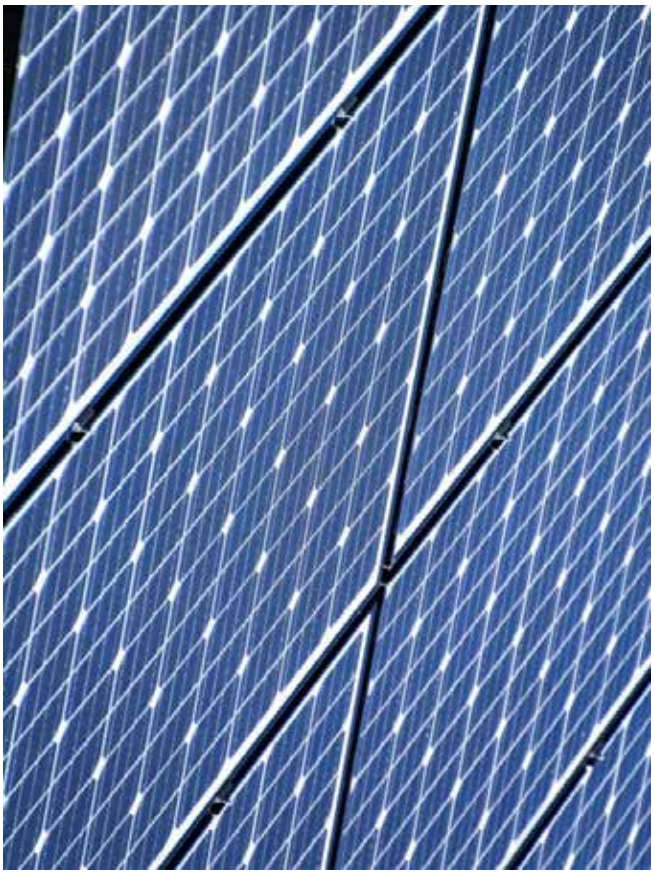
For several years, most substantial developers have been on a path of building more and more energy efficient buildings, with most now constructing to achieve BREEAM excellent, with EPC's of A++ in terms of operational use. Buildings are constructed to accommodate PV arrays across all roof areas, rather than just a token area, they incorporate sophisticated building management systems and LED lighting is standard. This is a great step forward in terms of life cycle energy use and for occupiers, more cost effective to operate and better for their ESG/CSR credentials.

In addition, developers are looking very hard at embedded carbon in the construction process, with concrete and steel production being two of the major emitters. They are looking at sustainability across all elements of their supply chain to make the construction process as close to carbon neutral as possible. They continue to strive to improve.

From an occupier point of view, many have also significantly changed their policy from merely paying lip service to carbon emissions, only really considering initiatives where the payback is economically viable, to actively demanding that new buildings meet their ESG agenda. One global parcel distribution company's new policy, for instance, is that all new locations should be capable of taking a full PV array and incorporate a number of other minimum carbon standards. This too can only be a good thing.

What this means for most new buildings is that they are fit-for-purpose and reasonably future proof, but this is only a tiny proportion of the UK total stock. Most is older and energy inefficient. Under the UK Minimum Energy Efficiency Standards, (MEES) it is illegal to sell or let a building with an EPC rating of F or G. As part of its policy, central Government is looking to gradually increase the hurdle so that ultimately buildings with an EPC rating of B or higher can transact. This means that there will be a need to significantly improve the energy efficiency of a huge part of the overall stock at a yet unquantified but inevitably huge cost.

Landlords are just starting to come to terms with this, as much of the cost is likely to fall to them, (although landlords may try to impose some of the costs on to occupiers, perhaps by incorporating 'green clauses' in to lease renewals). In order to effect the change that's needed it's critical that they start to factor this into their forecasting or portfolio valuations now and, where possible, to start making improvements in advance of any tighter restrictions.



Andy Smith, SIOR, Partner, Carter Jonas, UK:

I have watched the industrial market transition and green up significantly over my career, from dirty but functional to shinier, logistics-driven, high tech and cleaner.

Buildings in particular have become more efficient. EPCs have evolved from being a mandatory tick list to becoming aspirational, with most reputable developers aspiring to Grade A EPCs, with Grade B as a minimum. Older stock is also being refurbished to meet the EPC B minimum requirement by 2030. That's not to say that the EPC system is perfect but at least it is giving a degree of benchmarking. When doing rent reviews, market valuations and analysing buildings, ratings will increasingly be part of negotiations. At some point, we should expect them to have a material impact on rents and yields.

The transformation of the industry, not least defined by online trends and the importance of sheds in our economy, has attracted sophisticated, wealthy investors who also have a green agenda. Investors like Blackrock are seeing better returns on sustainable projects that prepare better for the future. This convergence of not just capital but also conscience is I believe working, i.e. the conscious capitalism equation.

I have seen design and build examples where developers are going beyond base regulations. Companies like Segro have been quite experimental and brave with some of their design features and are looking to stretch how they can provide more sustainable buildings that are also economically viable. Similarly, energy infrastructure is becoming a key consideration. On a recent pre-let, as well as EV charging points for cars now standard in a lot of developments, there was also discussion about building in EV charging infrastructure for HGVs in preparation for what is likely to become a mandatory, electric fleet of vehicles.

There are other emerging trends, such as vertical construction or multi-storey units; a great way to improve the density and maximise the use of space. Conversely, open storage options where users don't need the standard 50%+ site density and could take an open storage site and add pre-fabricated, cost-efficient, sustainable buildings.

I believe the UK is setting a good example and can I hope share its learnings and best practice with other countries.

The key now is for governments to strike a delicate balance between what they can enforce in the post-Covid recovery and what is affordable, as companies and end consumers will ultimately pick up the bill.

Mike Tustin, Forestry Investment Specialist, Tustins

Last week, the pledge from a hundred nations to reverse deforestation by 2030 was heralded as a breakthrough. Many had apparently forgotten this is a promise they had already made.

We have all been given the message that we will all need to become carbon neutral. In the meantime it appears to be acceptable to offset carbon emissions and planting trees is a way to do this. Investment in forestry is already a very highly sought after "green" investment. Trees in the woods and forests grow each year so there is additional carbon sequestration with each year of growth. Overlooked by many is the fact you can only offset carbon in the first rotation of planting (about 50 years for a conifer and 100 for broadleaves) so only new planting qualifies. The UK has a planting target but is achieving only a small percentage of this total. While the various UK governments promote forestry, their various agencies are unable to tell the many potential investors within an acceptable time scale (for purchasing land) where they can plant trees. Bureaucracy is actually preventing investors planting trees in meaningful numbers.; Not all land is suitable for planting, 90% of available land is too expensive, important for nature conservation or better serving another purpose such as food production. The land that is now available costs at least double compared to only 10 years ago.

Investors should be aware that whilst planting trees is great you have to look after them to ensure successful establishment and continued growth (and carbon sequestration). Offsetting is one aspect of investment but the primary driving force should be the creation of a strong timber asset. This means growing trees for timber. Quality timber can be sold for construction at high prices and the carbon locked away. Poor quality trees have limited uses. They produce little worthwhile timber and considerably less biodiversity than a fully grown mature tree. Much of this low grade produce currently goes for uses such as firewood or wood chip meaning carbon is released back into the atmosphere. Investors should consider the benefit of broadleaved planting in the UK whilst the gray squirrel effectively rules out the growing of worthwhile trees in terms of timber production and carbon sequestration.

The UK needs commercial timber production. Only 20-30% of our timber requirement is currently grown in the UK. The remainder is imported with the UK being the one of the largest importers of timber products in the world. Countries such as France and Germany are far more self-sufficient. World timber supplies are contracting and will continue to do so as forests worldwide receive more protection. As such, the price of timber is highly likely to rise. As the wish appears to be to use more timber in construction where is it all going to come from and at what price?

Timber markets rely on certainty and stability, not least because it can take 50 years (for conifers) before you can harvest. Fads and fashions can be catastrophic and biodiversity is essential. Beech used to be popular and now you can only use it for firewood; 20 years ago nobody would mill Western Hemlock despite its favourable qualities, now it is accepted. Disease strikes too – our Ash is dying out and so is Larch, very popular for cladding. The property and construction sector needs to factor this into their decision making and strike a balance between timber, including different varieties, and steel. There is not only one answer.

The point will eventually come when we can't offset. By then we need to be carbon neutral, so my summary is simple:

- Forestry is a great investment and should continue to grow at a rate above inflation. We should be encouraging it
- Timber that is home-grown is cheaper and more sustainable.
- Timber takes us a big step closer to net zero.
- Forestry businesses make a positive contribution. They are part of the answer to achieve net zero and should be valued
- We must address the labour shortage and make this industry attractive to work in.
- Years of underinvestment in our forestry services, tree nursery businesses and education have taken a toll on the availability of expertise and products.