

INNOVATIVE SUSTAINABLE AND GREEN FINANCING IN THE REAL ESTATE SECTOR

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Last October 2019, Amsterdam-based investor, The Student Hotel (“TSH Group”), has subscribed a ground-breaking €82 million green loan to develop and refurbish two hotel projects in France located in Paris and Toulouse, through an environmental, social and governance financing structure made available by Crédit Agricole Corporate and Investment Bank, for which Dechert LLP (Paris) acted as legal advisor.

In the real-estate sector, which is a major source of the CO2 emissions that contribute to global climate change, green finance is playing a role of paramount importance in guiding borrowers toward integrating environmental, social and governance goals when operating their business.

This pioneering financing has coupled the characteristics of a green loan and of a sustainability-linked loan with a structured credit line for the first time in the European real estate investment industry.

Indeed, this term loan is labeled as a green loan as TSH Group will be seeking the international BREEAM (Building Research Establishment Environmental Assessment Method) “very good” rating for both buildings in Paris and Toulouse.

In addition, it provides for an innovative and tailor-made sustainability-linked margin grid based on environmental, social and governance performance indicators that, if achieved, can result in interest rate reductions and financial cost savings for the borrower.

This way, TSH Group which provides for a co-living and co-working hybrid hospitality model, is asserting its ambition to develop green assets and to incorporate environmental, social and governance targets when running its business. Such environmental, social and governance targets are set for half of them at the TSH Group level and for the other half at the Paris and Toulouse assets level and consist of the following:

- improving TSH's overall Global Real Estate Sustainability Benchmark (GRESB) rating score at the Group level;
- improving social diversity in TSH Group's workforce by targeting that 2.5% of the company's workforce at all its locations should comprise people with "a distance to the labour market";
- limiting the buildings' energy consumption, by meeting, or undershooting, the Paris Climate Accord target that buildings should only consume 50 kilowatt-hour per square meter; and



TSH Paris

- reducing food waste and becoming smarter in food management by ensuring food leftovers, that can still serve as a meal, are saved. The company wants to reduce food waste in its restaurants to 10% or less through partnering with initiatives such as *Zero Food Waste*, the automated food waste monitor, and the European initiative *Too Good to Go*.

The interest rate reductions will depend on the achievement of defined thresholds for each of the above key performance indicators; the achieved scores of which will be

regularly assessed by professional and independent sustainability auditors.

The Paris residence will be located in the 19th arrondissement and is due to open in March 2022 and will have an estimated 300 rooms over 11,000 square meters.

The construction of the Toulouse residence in the Compans Caffarelli area began in September 2019 and is due to open in July 2021 and will have estimated 354 rooms over 12,000 square meters and a rooftop with a pool.



TSH Toulouse