Closing the Execution Gap

How energy performance becomes investment performance

Executive summary

Most European real estate investors understand that energy performance matters. Despite growing pressure from energy costs, regulation and lenders, the pace of improvement remains slow.

The ambition is there and the targets are set. The challenge is execution. The Nordic market is ahead of the curve. Energy performance has increasingly become an investment issue, affecting operating income, financing, liquidity and asset values.

Slättö has worked systematically to identify, prioritise and execute energy improvements across its portfolios. This paper shares what we have learned.

While many of the lessons are operational in nature, they have clear implications for institutional investors. As energy performance becomes increasingly material, efficient portfolios will be more resilient, supporting higher returns and lower risk.

"The potential to create value in real estate through energy efficiency is significant, but execution is rarely straightforward. We don't claim to have all the answers. We've simply started the journey, learned a great deal, and felt those lessons were worth sharing.
The cost of inaction is increasing, and investors who build the capability to execute energy improvements today will be better positioned tomorrow.
We hope this paper contributes to the discussion - and we'd welcome the opportunity to continue it."

Annachiara Torciano, Head of ESG and Communication

SLÄTTÖ

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Why energy performance matters

Energy performance is becoming an increasingly important driver of real estate value creation. Yet while the ambition is there and the technologies largely exist, execution remains a challenge.

This report shares Slättö's experience of identifying, prioritising and scaling energy improvements across real estate portfolios, and the lessons learned along the way.



Why energy performance is now part of investment performance

A chain of interlinked forces is reshaping the economics of real estate. Rising climate-related costs, tighter regulation, and higher energy prices are accelerating the need for a transition towards more efficient and resilient assets. What was once primarily a sustainability issue is increasingly becoming an investment issue.

Buildings account for a significant share of Europe's energy consumption and emissions. Structural trends including AI's large energy demand will continue to put upwards pressure on energy prices. As a result, institutional investors, lenders and tenants are placing greater emphasis on energy performance.

For real estate owners, the implications are significant. Energy performance increasingly affects operating costs, NOI, tenant attractiveness, financing conditions, liquidity, exit pricing and portfolio resilience.

Energy efficiency also creates broader benefits, including lower emissions, stronger alignment with investors' climate targets and, at a societal level, reduced energy demand and greater energy independence.

Climate-related costs are rising

€43bn

Climate-related losses in Europe in 2025[1].

Buildings at the centre

40%

Share of EU energy use from buildings[2].

Energy costs increase

+6.2%

Annual real increase in EU gas prices (2020–2025)[3].

Real estate investor surveys show that energy performance, retrofit economics and regulatory requirements are increasingly incorporated into investment decisions. At the same time, many market participants expect a significant share of today's building stock to become increasingly difficult to finance, lease or sell in the coming years.

Capital is already responding

98%

Share of European real estate AUM with climate targets[4].

Sustainability influences investment decisions

76%

of real estate investors say sustainability aspects have influenced investment decisions in the past 12–24 months[5].

Brown assets face increasing pressure

69%

of investors report a value discount for brown real estate assets[5].

Notes:

[1] Research from University of Mannheim and ECB (2025): "Dry-roasted NUTS: early estimates of the regional impact of 2025 extreme weather".

[2] European Commission.

[3] Slättö analysis of real energy price growth in Europe. Sources: Eurostat, UK Government, Statistics Finland, Denmark Forsyningstilsynet, Sweden Energiföretagen, European Commission Market Observatory for Energy.

[4] Slättö analysis of published climate targets of the world's top 100 real estate private markets allocators (the PERE top 100 list). Specific climate targets are numerical, time-bound net zero or emission reduction targets based on annual reports or other public documents from investors.

[5] JLL Investor Survey (2025).

The industry execution gap

The investment case for energy performance is becoming increasingly difficult to ignore. But recognising the opportunity and capturing it are two separate things.

The technologies are largely known and the business case is increasingly understood. Yet the annual EU energy renovation rate remains very low relative to the scale of the energy efficiency needs.

Stranded asset risk is rising

50%

of senior European real estate managers expect 20-40% of their portfolios to become stranded by 2027[2].

Awareness exceeds action

~1%

Annual energy renovation rate in Europe[1].

Five recurring execution barriers

Industry studies, peer discussions and our own experience point to five recurring barriers.

1. Data gaps
Reliable, portfolio-wide energy data is often missing, making it difficult to identify and prioritise opportunities. Even when data exists, it is not easily shared for example between tenants and asset owners. There are also differences in definitions, and common benchmarks are lacking[3]. Initiatives such as CRREM are addressing the benchmark issue, and proptech companies are making it easier to collect data, but progress takes time[4].

2. Lack of industry-wide standards
There is no standardised approach to include energy performance in real estate underwriting and valuations. Sustainability implies actions that seek to protect value into the future. This is in contrast to valuation on a market value basis, which reflects value at a particular date, based on observable market data[5]. Additional challenges are how to separate energy capex from other upgrades and assumptions about yield movements. Work is underway by industry organisations to develop a more consistent approach for evaluating the impact of energy capex on value[6].

3. Split incentives
In many lease structures, owners fund improvements while tenants receive much of the benefit through lower energy costs. This is a real challenge and is very common in commercial segments such as office, logistics and light industrial. It is also an issue in residential across several markets[7].

4. Regulatory uncertainty
Legislation continues to evolve, creating uncertainty around new requirements and timing. Delays in implementation of new rules and divergent requirements across jurisdictions make it difficult for market actors to understand the implications for investment decisions. For example, in several markets the national rules to implement the European Energy Performance of Buildings Directive, adopted in 2023, are not yet in place[8].

5. Capability constraints
Successful energy investing requires expertise across investment, asset management, operations and engineering. It also needs operational capabilities to operate, upgrade and reposition assets efficiently. Few organisations have fully integrated these capabilities in-house. Often expertise and mandates lie with different actors in the value chain, making it difficult to develop operational excellence. This is especially the case for large real estate allocators investing in vehicles with multiple local asset managers[9].

The result? Many commercially attractive opportunities remain undiscovered or unexecuted. The ambition is there, but relatively few organisations have built the capability to execute at scale. The real estate industry suffers from an execution gap.

Notes:

[1] Eurostat energy balances and EEA Greenhouse Gas Inventory; Energy Performance of Buildings Directive.

[2] Deepki (2024), "European commercial real estate faces stranded asset time bomb".

[3] LOTUF and Systemiq (2024), "Seeing is believing: Unlocking the low-carbon real estate market".

[4] CRREM (2026), "Energy use intensity pathways: Where we are and what's coming".

[5] RICS (2026), "RICS Professional standard: ESG and sustainability in commercial property valuation", 4th edition.

[6] INREV (2025), "First step towards a numbers-driven approach to ESG valuation" and "Integrating environmental considerations in real estate underwriting: Assessing impacts on value and returns"; ULI Europe (2026), "New open-source tool to help real estate investors quantify the financial risks of falling behind in the climate transition".

[7] European Commission (2026), March infringements package: key decisions on energy, announcing infringement procedures to 19 Member States for failing to draw up National Building Renovation Plans under the EPBD.

[8] Urban Land Institute (2022), Addressing the Landlord/Tenant Split Incentive to Drive Building Decarbonization; European Commission's Joint Research Centre Technical Reports (2017), "Overcoming the split incentive barrier in the building sector".

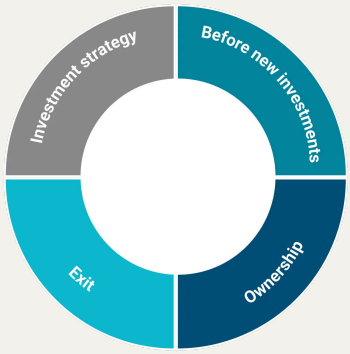
[9] Sustainable Real Estate Forum and RICS (2026), "Paradigm shift in real estate : From reactive reporting to proactive value creation"; "Silent capital, loud consequences: Why rebalancing LP–GP–Asset Manager interaction is now a strategic imperative in real estate".

Slättö's approach

Slättö's objective is simple: identify and execute all commercially attractive sustainability initiatives across the portfolio.

Rather than treating energy performance as a standalone sustainability programme, it is embedded throughout the investment lifecycle — from investment strategy and transaction to asset management and exit planning.

The following section describes three types of sustainability interventions, the tools used to deliver them, and the process Slättö follows to screen and select attractive energy efficiency projects.



Three types of interventions

Slättö focuses on three complementary types of sustainability interventions:

1. **Risk mitigation.** Reducing exposure to climate-related risks.
2. **Building green.** Developing and managing assets with strong environmental performance.
3. **Energy performance uplift.** Improving the energy performance of existing assets through targeted investments and operational improvements.

The first two are increasingly common across the real estate industry. The differentiator lies in the ability to systematically identify, prioritise and execute energy performance improvements at scale.

Risk Management

Key Slättö actions:

- ESG due diligence in transactions
- Physical climate risk screening and adaptation following the EU Taxonomy

Building Green

Key Slättö actions:

- EU Taxonomy, including 10% lower energy use than near-zero energy building
- Top-tier environmental certification
- Limits on embodied carbon
- Requirements set early in construction contracts to minimize cost impact

Energy Efficiency

Key Slättö actions:

- Ventilation upgrades and heat recovery
- Geothermal conversion
- Gas-to-heat-pump conversion
- Rooftop solar
- AI-optimised heating
- Building automation and controls

The differentiator? The technologies themselves are rarely the differentiator. Value is created through understanding where they can be applied most effectively and deploying them systematically across a portfolio.

Energy efficiency investments

Slättö follows a structured process to identify, prioritise and execute commercially attractive energy improvements. This approach is embedded in the investment cycle, starting at transaction.

The approach outlined below reflects Slättö's experience to date. It continues to evolve as new insights are gained and market conditions change.

1. Portfolio screening

- A first asset screening occurs at transaction, where the energy uplift opportunity is assessed and asset plans set.
- For every Slättö fund, asset-level data is consolidated into a single view. Much of data collection and reporting is automated and integrated into our business intelligence system, not a stand-alone platform.

2. Analysis

- In transaction, all assets that fall below the EU Taxonomy threshold are screened for commercially attractive energy investments.
- The impact of each acquisition on the fund's overall share of green assets is also assessed, ensuring portfolio-level optimisation.
- For prioritised assets, an energy audit using internal and external expertise is conducted. All opportunities are evaluated using a standardised investment model.

3. Recommended investments

- Energy projects with attractive commercial returns are recommended for investment.
- The timing of each project is then determined based on factors such as portfolio priorities, asset location and execution capacity.

4. Ongoing projects

- Projects are managed internally by a dedicated project lead and delivered by specialist contractors under fixed-price contracts. In most cases, the contractor responsible for the initial energy audit also executes the project, ensuring continuity and accountability throughout implementation.

5. Forward-looking pipeline

- The portfolio is continuously reviewed to maintain a clear pipeline of projects. This includes investments ready for immediate execution, projects planned for the coming year, and longer-term opportunities.
- For commercial assets with triple-net leases, priority assets are identified in advance to enable discussions with tenants ahead of lease renewals.

6. Follow-up

- Project performance is reviewed at least annually to compare actual energy savings with the original investment case.
- The results are fed back into future investment decisions, helping refine assumptions, improve business cases and strengthen the project pipeline over time.

Evidence from the portfolio

Slättö systematically identifies and executes commercially attractive energy uplifts across the portfolio. This work is embedded in the investment cycle, from transaction to asset management and exit plans.

Selected highlights include:

- **10 asset repositioning** through brown-to-green transitions completed to date.
- **2.5x multiple on capital** from expected value creation through energy uplift projects executed so far.
- **49% EU Taxonomy alignment** in Slättö's portfolio, an increase of 15% compared to 2025.
- **4x increase in solar** installed from 2022, reaching 6.7 MW in 2025.



Here are the results from energy investments executed by Slättö in 2024-2026.

Impact

MoC energy projects	Energy capex, EUR m	Relevant portfolio, EUR m	Created value, EUR m
2.5x	7	630	18

The following examples illustrate how these initiatives create value in practice and demonstrate the principles discussed throughout this paper.

The energy improvements described here are return accretive investments, which also lower risk, in assets Slättö knows well. The uplifts are included in the asset plan from transaction, and fit both core plus and value-add strategies.



Old stock residential

A brown-to-green transition

Tuna illustrates how a targeted energy improvement programme can transform an older residential asset from brown to green while creating attractive investment returns.

Intervention

Slättö is implementing a targeted energy capex investment in a senior housing asset in Österåker, in the Greater Stockholm region, with the objective of reducing the primary energy demand of the asset.

Measures include upgrades to ventilation systems and heating substations, as well as the implementation of smart automation and continuous energy optimisation to lower operating costs. In addition, geothermal heating is currently being evaluated as a potential next step to further improve energy performance.

As is typical for residential assets, Slättö bears the heating costs. Therefore, opex savings from lower energy bills translate directly into higher net operating income.

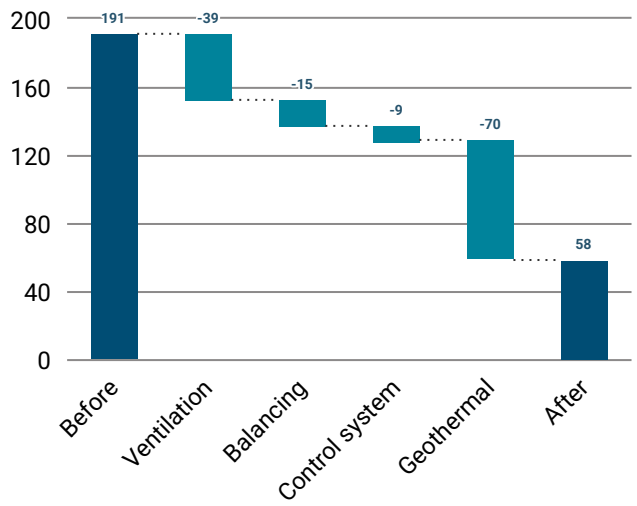
Impact

Old-stock residential: Tuna asset

Key results	
Implemented measures	
Energy capex, EUR	830 k
Net Operating Income, EUR	+63 k
Yield on Cost	8%
EPC improvement	From F to C, Taxonomy aligned
Geothermal	
Energy capex, EUR	840 k
Yield on Cost	8%
Total	
Energy cost	-69%
CO2	-96%

Asset overview	
Location	Greater Stockholm
Asset type	Senior housing
Number of apartments	92
Construction year	1994
Heating source before intervention	District heating

Energy cost before and after, EUR k yearly:



This chart shows how a sequence of measures reduces the building's annual energy costs by 69%, directly translating into lower opex and higher NOI.

- The first three measures already implemented — ventilation upgrade, balancing, and control system — primarily cut the building's energy demand.
- The ventilation upgrade accounts for the largest single drop in demand.
- As a next step, there is a planned conversion from district heating to geothermal. This will have by far the largest effect on energy cost as it removes the reliance on district heating.

Takeaway

Brown-to-green transitions can create substantial improvements in older residential assets. In many cases, ventilation upgrades are one of the most important contributors to energy savings.



New-build residential

Making a new build highly efficient

Although Telegrafen was a newly built residential asset with strong energy performance, due diligence identified commercially attractive opportunities to further reduce operating costs and improve the building's energy class.

Intervention

A detailed energy analysis was carried out during due diligence to identify the most commercially attractive improvements. The energy improvement programme was incorporated into the investment case before acquisition and included:

- Exhaust air heat pump system, recovering heat from the building's ventilation system for hot water and space heating.
- Rooftop solar providing on-site renewable electricity, complemented by energy storage in hot water tanks.
- Advanced building automation and sub-metering to enable tenant debiting and improve cost allocation.

The completed programme improved the building's energy class from C to B. As is typical for residential assets, Slättö bears the heating costs. Therefore, energy savings translate into higher NOI.

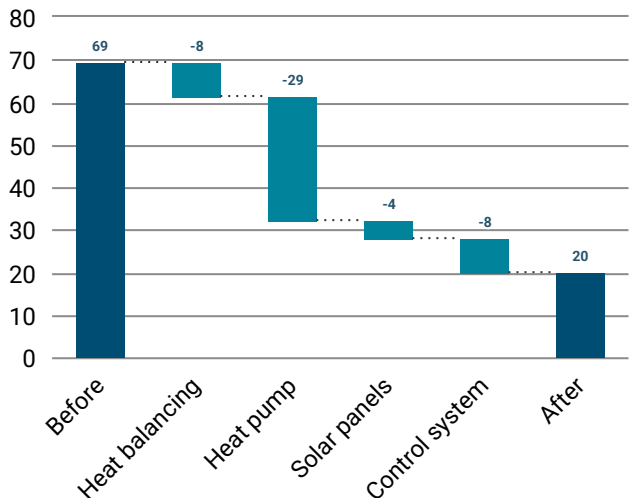
Impact

New-build residential: Telegrafen asset

Key results	
Energy capex, EUR	440 k
Net Operating Income, EUR	+65 k
Energy cost	-71%
Yield on Cost	15%
CO2	-90%
EPC improvement	From C to B

Asset overview	
Location	Stockholm
Asset type	Residential
Number of apartments	23
Construction year	2023
Heating system before intervention	District heating

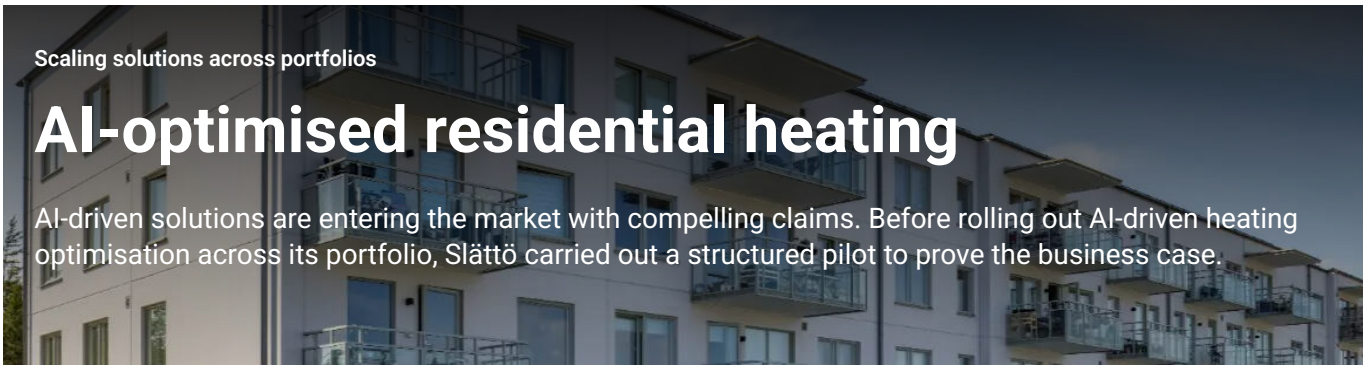
Energy cost before and after, EUR k yearly:



- This chart shows how the measures implemented reduce the building's annual energy cost by 71%.
- The largest single contribution comes from the exhaust air heat pump.
- This is followed by an advanced control system, heat balancing with solar panels with energy storage.
- As a result, the energy use is 55% lower than the regulated new-build standard.

Takeaway

Value-accretive energy improvements are not limited to older assets. Even newly built buildings can often be improved further.



Scaling solutions across portfolios

AI-optimised residential heating

AI-driven solutions are entering the market with compelling claims. Before rolling out AI-driven heating optimisation across its portfolio, Slättö carried out a structured pilot to prove the business case.

Intervention

Following an assessment of several AI providers, Slättö selected Nrlyze for a six-month pilot at a newly built residential asset in Uppsala. Temperature sensors were installed in every apartment, enabling the system to optimise the building's heat curve in real time based on actual indoor conditions.

Throughout the pilot, energy consumption, indoor climate and operational performance were continuously monitored to evaluate both the business case and the potential for wider portfolio deployment.

From pilot to programme

The pilot reduced the average heat curve by up to 9°C while maintaining tenant comfort. Based on these results, AI-driven heating optimisation has become a standard energy improvement measure for Slättö's newly built residential portfolio.

The solution is currently being rolled out across 12 residential assets with a total investment of approximately EUR 250,000, generating expected annual energy cost savings of around EUR 50,000 and an estimated Yield on Cost of 20%.

Impact

AI in residential heating: Uppsala asset

Key results	
Energy capex, EUR	27 k
Net Operating Income, EUR	+10 k
Yield on Cost	37%
Heating energy cost	-13%

Asset overview	
Location	Uppsala
Asset type	Residential
Number of apartments	137 (two buildings)
Construction year	2018
Heating system	District heating

Takeaway

AI can reduce heating energy in residential. If carefully designed, successful pilots can become repeatable programmes rather than isolated projects.



Scaling solutions across portfolios

Geothermal conversion

Rising district heating prices are strengthening the investment case for geothermal energy. The challenge is identifying which assets offer the right technical and commercial conditions for conversion.

Intervention

Slättö converted two older residential apartment buildings in Helsinki from district heating to geothermal energy, significantly reducing energy costs and CO_2 emissions.

The geothermal system was complemented by rooftop solar, providing on-site renewable electricity for the heat pumps and further strengthening the long-term resilience of the assets.

From pilot to programme

Slättö systematically screens its residential portfolio for geothermal opportunities together with a specialist supplier. Assets are evaluated based on technical feasibility, local energy prices and expected returns, creating a pipeline of commercially attractive projects.

When market conditions change, such as rising district heating prices, Slättö can quickly identify and prioritise the assets where geothermal conversion creates the greatest value.

Impact

Conversion to geothermal heating: Helsinki assets

Key results	
Energy capex, EUR	1 m
Net Operating Income, EUR	+120 k
Yield on Cost	12%
CO2	-87%
EPC improvement	From D to C, Taxonomy aligned

Asset overview	
Location	Helsinki
Asset type	Residential
Number of apartments	137 (two buildings)
Construction year	1999 and 2000
Heating system before intervention	District heating

Takeaway

Many energy solutions are applicable across multiple assets, but only a subset of the portfolio will meet the technical and commercial criteria.



Logistics & Light Industrial

A brown-to-green transition

Slättö acquired a logistics asset with clear potential to improve energy performance. The project illustrates how a brown-to-green transition can create value in logistics and light industrial assets.

Intervention

After acquiring this asset, Slättö identified an opportunity to improve energy performance while reducing operating costs. A targeted energy improvement programme combined heating optimisation and ventilation upgrades with an energy-efficient water heater, rooftop solar PV, and LED lighting.

As is typical for logistics and light industrial assets, tenants bear the energy costs. To align incentives, the energy investments were integrated into broader tenant and asset initiatives. The lower operating costs created by the improvements supported a rent increase, allowing both owner and tenant to benefit from the investment. This is how we addressed the "split incentive" problem in triple-net leases, where the asset owner bears the cost of the energy capex and the tenant benefits from the lower opex.

Impact

Logistics: Halmstad asset

Key results	
Energy capex, EUR	240 k
Net Operating Income, EUR	+24 k
Yield on Cost	10%
EPC improvement	From E to A
Energy use	-25%
Tenant satisfaction with work environment	+ 8%

Asset overview	
Location	Halmstad
Asset type	Light industrial
Lettable area, sqm	8,815
Construction year	2014

Takeaway

Split incentives can be overcome by integrating energy improvements into broader asset management and tenant initiatives, timing the energy investments with lease cycles.

Notes:

- Assumed exchange rate of EUR/SEK 10.0 SEK throughout this report.

Tuna case

- The project is implemented except for the geothermal installation. Savings are estimated, as actual results will not be available until after one year of operation.
- Swedish Energy Performance Certificate ratings are stricter than in the EU. A Swedish C is equivalent to a Dutch A.

Telegrafen case

- The project is fully implemented. Savings are estimated, as actual results will not be available until after one year of operation.

AI case

- The Uppsala pilot is fully implemented, and savings show actual results.

Geothermal case

- In Finland, where district heating has high carbon intensity, geothermal conversion can also deliver substantial reductions in CO_2 emissions, as illustrated by this case.
- The project is fully implemented. Savings are estimated, as actual results will not be available until after one year of operation.

Logistics and light industrial case

- Results show actual reduction in energy use after one year of operation.

Lessons learned

The following lessons are drawn from Slättö's implementation of energy improvement projects across residential, logistics and light industrial assets.

Although the examples are specific to Slättö, many of the observations are broadly applicable to capital allocators, investment managers and real estate companies facing similar challenges.



Lesson #1

Conviction comes first

Slättö's conviction, based on evidence and market trends, is that sustainability investments can create value in three ways:

- **Income returns** through lower operating costs and higher net operating income, capitalised in higher asset value.
- **Risk mitigation** through reduced liquidity risk.
- **Capital returns** through more attractive assets, supporting potentially tighter exit yield.

In segments where the asset owner typically bears the energy costs, lower opex translates directly into higher net operating income; in segments where the tenants bear the energy costs, lower tenant opex can support rent increases.

This conviction has shaped Slättö's capabilities, processes and determination to capture the opportunity. The starting point was a simple question: Which energy efficiency improvements create sufficient commercial value?

To answer it, Slättö:

1. Gathered evidence on the commercial potential of different energy improvement projects.
2. Established a profitability framework, requiring energy projects to deliver a Yield on Cost comfortably above the asset yield.
3. Committed to systematically identifying and executing projects that met those investment criteria.

How we do it

Evidence and considerations in energy capex cases

The investment case for energy improvements is assessed from three perspectives.

Income returns

Higher NOI, higher asset value

Evidence

Through energy projects at attractive Yield on Cost, Slättö has:

- Reduced opex in residential, where Slättö pays heating costs.
- Enabled rent uplift in logistics and light industrial, where tenants pay all energy costs.

Risk mitigation

More resilient, liquid assets

Evidence

- Difficult to finance assets with the lowest energy rating.
- International investor surveys suggest yield expansion and lower interest for brown assets at transaction.[1]

Capital returns

Potentially trade at tighter yields

Evidence

- A valuation study in Sweden shows premium in price per sqm for properties with EPC rating A-C compared to F-G.[2]

Notes:

[1] JLL Investor Survey: 69% of investors noted a dip in value (0-100 bps) for brown assets; 35% decided not to bid based on sustainability

[2] Newsec 2025: Premium up to 15% in price / sqm in Swedish Residential and office, after controlling for key asset type differences

Lesson #2

Develop capability internally

External advisors and contractors play an important role, but ownership of the analysis and investment decisions must remain internal. Energy capex is very small compared to asset value - on average, 0.9% in Slättö's portfolio - and the ability to execute efficiently is key.

To integrate energy performance into investment decisions, asset management and capital allocation, specialist expertise needs to exist within the organisation. Building internal capability – with dedicated sustainability and energy expertise – has been critical.

However, capability is about more than headcount. It requires continuous engagement with peers, industry experts and technology providers to understand which solutions work in practice. Energy efficiency technologies, from heat pumps, geothermal, solar and AI, to name a few, are evolving.

Also, capability is about efficiency and simplification. Investing in a high number of small energy capex projects risks increasing transaction costs. The advantage lies in executing energy capex cost efficiently, in assets where it most improves risk-adjusted returns.

Energy capex projects are typically small, requiring an efficient process

Typical energy capex projects from Slättö's portfolio, EUR m per asset:

AI & optimisation	Residential brown-to-green	Residential geothermal	Logistics & light industrial
0.02	0.8	0.5	0.3

How we do it

In-house expertise

- Internal energy and sustainability experts are an integral part of the team, from transaction screening to asset management.
- Proactive sourcing of energy projects, often at transaction.
- Simplified processes for approval – all energy projects above certain Yield on Cost get done.

Delivery model

- Internal team leads larger energy efficiency projects.
- Smaller projects are delegated to external, technical asset managers.
- Preferred sub-contractors who deliver quality at fixed project cost.

Tracking and learning

- Continuous review of the evidence from energy efficiency projects, to learn.
- Proactive dialogue with peers and value chain to learn about existing and upcoming solutions.
- Cooperation with university researchers in the energy field.

Lesson #3

A selective approach is essential

Not every technically feasible energy project represents an attractive investment. Returns depend not only on the technology itself, but also on factors such as asset type, location, lease structure and timing.

For example, in commercial assets with triple-net leases, tenants typically capture most of the immediate financial benefit from lower energy costs. Rather than implementing energy improvements immediately, Slättö has found that greater value can be created by aligning investments with upcoming lease negotiations, when lower tenant operating costs can support higher rents and stronger commercial outcomes.

Attractive projects must be identified through a systematic process of portfolio screening, business case evaluation, and investment prioritisation.

How we do it

What Slättö looks for in transactions

During due diligence, Slättö assesses where energy improvements are most likely to create commercial value.

Residential

- Assets with geothermal conversion potential in areas with high district heating prices.
- Larger 1960s–1980s properties with ventilation systems suitable for modernisation.
- Assets with inefficient or malfunctioning energy systems.

Logistics & Light Industrial

- Assets with shorter lease durations and opportunities to improve rental levels through lower tenant operating costs.
- Assets where energy investments can support broader asset repositioning.

Hotels

- Existing hotels with deferred investment needs.
- Conversion opportunities where energy investments are incorporated into the redevelopment programme.

Lesson #4

Scaling creates value

Individual energy projects can appear modest in isolation. The real value emerges when improvements are applied systematically across a portfolio. The challenge is identifying which solutions can be standardised and scaled.

Slättö's total energy capex investments executed so far have an expected multiple on capital of 2.5x. Individual projects span a range of returns. The objective is not for every investment to achieve the same return, but to maintain a pipeline of commercially attractive projects that, when deployed systematically across the portfolio, continue to create meaningful value.

How we do it

Solutions that are scaled across several assets

Not every energy solution is suitable for every building. Slättö focuses on identifying repeatable measures that can be deployed efficiently across multiple assets where the technical and commercial conditions are right.

AI & digitalization

Digital solutions can often be deployed across large portfolios with relatively low installation costs and limited operational complexity.

Following a successful pilot, AI-driven heating optimisation is now being rolled out across Slättö's newly built residential portfolio.

Geothermal conversion

A scalable solution for suitable assets. By replacing district heating, geothermal reduces operating costs and exposure to future district heating price increases. Slättö systematically screens the portfolio to identify commercially attractive candidates.

Residential "always-do"

For older residential assets, a number of energy improvements consistently deliver attractive returns and are therefore considered standard measures where applicable. These include water-saving fixtures and attic insulation, for example.

Scaling energy efficiency in a portfolio

Apart from repeating individual energy improvements, scaling is also about changing the overall risk and quality profile of a portfolio.

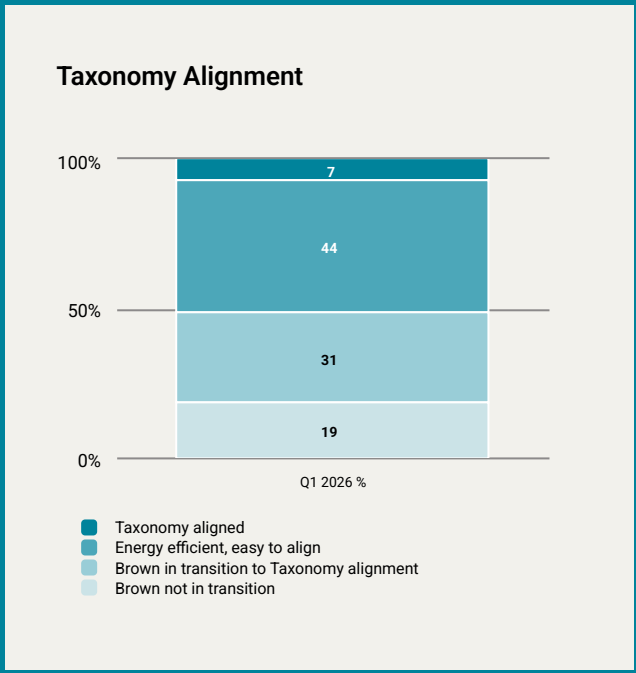
Slättö measures the combined impact of risk mitigation, energy uplift and build green at fund level, tracking how the share of Taxonomy-aligned assets increases as the strategy is executed. This provides a clear view of how systematic execution can both create value and reduce portfolio risk.

How we do it

Impact at fund level

One example is Slättö's value add strategy, which includes acquiring assets with improvement potential and enhancing their energy performance during the holding period. By exit, approximately 80% of the portfolio is expected to qualify as green assets under the EU Taxonomy.

This creates value in multiple ways: improved operating performance, reduced liquidity risk, and establishing a broader pool of potential buyers at exit.



- This chart shows the pro-forma Taxonomy alignment of a Slättö value add fund.
- Taxonomy is the EU standard for green assets and is a measure both of energy efficiency and climate risk management.
- Ths aim is to reach Taxonomy alignment for as much as possible of the fund's portfolio.
- Taxonomy alignment is included in the asset plans at transaction, based on due diligence.
- For assets under management, the share of green assets and assets in transition is monitored regularly.

Lesson #5

Measure value creation

Successful energy projects create the foundation for future sustainability investments.

Measuring outcomes is therefore just as important as identifying opportunities. Tracking results enables consistent evaluation of investments, improves future decision-making and strengthens confidence in energy performance as a value creation strategy.

How we do it

Portfolio-wide value creation tracking

To evaluate energy investments with the same discipline as other investments, Slättö tracks value creation outcomes across the portfolio. The objective is not only to measure energy savings, but to understand how energy improvements translate into higher income, increased asset value and lower risk.

Energy Value Creation Tracker	
Total asset value before energy capex, EUR	630 m
Energy capex, EUR	7.2 m
Increase in NOI as result of energy capex, EUR	0.9 m
Increase in asset value through higher NOI, EUR	18.2 m
Multiple on Capital from energy capex	2.5x

- The tracker helps us monitor outcomes and continuously improve Slättö's approach to energy investments.
- It measures direct value creation: the net operating income effect of energy uplifts, capitalized in higher asset value. Additional value, not included in the calculation, is lower risk and potential for tighter yields at trade.
- Not all energy capex is invested at 2.5x MoC - some investments have a lower return profile but are still value accretive and reduce risk.
- Only stand-alone energy projects are included in this analysis, not the energy uplifts that are part of a broader asset repositioning. Therefore the value creation tracked is a conservative assessment.

What this means for investors

Many of the lessons in this paper are operational. For investors, the key question is straightforward: do you have the capability – directly or through your managers – to systematically turn energy performance into value creation?

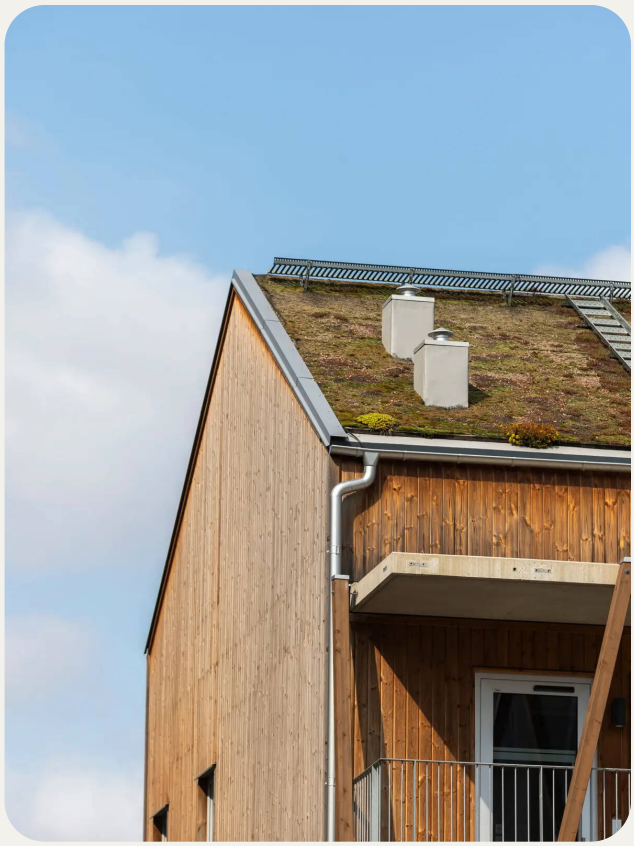
Three practical steps to get started

1. **Understand your portfolio**
   Create a portfolio-wide view of energy performance. Identify which assets perform well and which lag behind.

2. **Measure value creation**
   Assess the outcomes of energy projects. Which initiatives improve NOI, support liquidity and reduce risk? Which created limited value?

3. **Identify the next opportunity**
   Focus on where future value creation potential is greatest. Which markets, portfolio segments and assets offer the most attractive opportunities to improve returns and reduce risk through energy uplifts?

The opportunity still exists because many owners and managers have not yet built this capability. The question is no longer whether energy performance matters. The question is who is best positioned to capture the opportunity.





Additional Slättö case studies

In addition to the case studies presented in more detail in this report, the examples below highlight a selection of energy efficiency initiatives being implemented across Slättö's portfolio.

In the residential cases below, Slättö bears the heating costs, so opex savings from lower energy bills flow directly into higher net operating income. In logistics and light industrial, tenants bear the energy costs, and the lower opex was linked to a rent increase. In the hotel segment, the energy upgrades formed part of a broader renovation and repositioning strategy.

It is important to note that Swedish EPC ratings are stricter than in the EU. A Swedish C is equivalent to a Dutch A. Swedish energy ratings will be rescaled to align to other EU countries.

Residential

Old-stock residential "always-do" improvements

Slättö has carried out a portfolio-wide implementation of energy improvements across its old residential stock in the regional city of Kalmar to reduce opex costs and improve energy ratings.

The measures include:

- Attic insulation upgrades to reduce heat loss and improve overall energy efficiency.
- Installation of water-saving fixtures to lower water consumption and operating costs.
- Deployment of drying cabinets as an energy-efficient alternative to traditional tumble dryers.

Key results	
Energy capex, EUR	123 k
NOI, EUR	+50 k
Yield on Cost	40%
EPC improvement	To be measured after a year in operation



Residential, Kalmar - Klippudden

Smart energy optimisation in Stockholm

Slättö is implementing targeted energy capex in an older residential asset in Stockholm. As is often the case with Slättö's investment approach, the opportunity to improve energy efficiency was identified at transaction.

Measures include the implementation of smart automation, metering and continuous energy optimisation to reduce operating costs, as well as the refurbishment of existing solar thermal panels and the heat pump system to improve efficiency and reliability.

Key expected results	
Energy capex, EUR	470 k
NOI, EUR	+53 k
Yield on Cost	11.3%
EPC improvement	From F to D, target Taxonomy alignment



Residential, Greater Stockholm - Byholmen

Geothermal heating in Greater Stockholm

Slättö plans to install geothermal heating in this newly built residential asset. By replacing district heating with a geothermal system using solar-powered, high-efficiency heat pumps, the property will eliminate district heating costs entirely.

The project results from a portfolio-wide analysis in which Slättö identified assets with strong potential to transition from district heating to geothermal energy, particularly in areas such as Vallentuna where district heating prices have risen significantly.

Key expected results	
Energy capex, EUR	500 k
NOI, EUR	+48 k
Yield on Cost	9.6%
EPC improvement	From B, to B or A



Residential, Greater Stockholm - Vallentuna-Rickeby

Brown-to-green conversion in Stockholm

Slättö plans to carry out a brown-to-green conversion of this old-stock residential asset through a series of targeted energy efficiency upgrades. The measures include ventilation upgrades, heat optimisation, smart automation and attic insulation to reduce heat loss.

The project will lower the property's energy consumption and reach Taxonomy alignment post investment.

Key expected results	
Energy capex, EUR	900 k
NOI, EUR	+70 k
Yield on Cost	7.8%
EPC improvement	Target Taxonomy alignment



Residential, Greater Stockholm - Sveaborg

Logistics and light industrial

Energy performance uplift in Gothenburg

Slättö acquired this old-stock light industrial asset with a plan to improve energy performance. Gas boilers were replaced with air-to-water heat pumps, alongside the installation of a heat recovery ventilation system and rooftop solar. The EPC rating improved from G to C, reaching Taxonomy alignment.

The measures supported a rent increase. An independent survey also showed an 8% increase in tenant satisfaction related to indoor climate.

Key results	
Energy capex, EUR	340 k
NOI, EUR	+34 k
Yield on Cost	10%
EPC improvement	From G to C, Taxonomy aligned



Light industrial, Gothenburg - Tingstadsvassen

Energy performance uplift in Norrköping

Slättö has carried out a structured energy capex plan prioritised to improve the asset's energy rating. The property has been upgraded with high-efficiency fans, delivering approximately 50% energy savings, and insulated heating pipes, resulting in improved energy performance and lower operating costs.

Deferred capex in the asset was also reduced.

Key results	
Energy capex, EUR	350 k
NOI, EUR	+35 k
Yield on Cost	10%
EPC improvement	From G to D



Light industrial, Norrköping - Beryllen

Energy and operational upgrade in Greater Gothenburg

Slättö acquired this older logistics asset with a clear plan to improve energy efficiency and operational performance.

The asset has since undergone a ventilation upgrade, installation of LED lighting, implementation of a new heating system, and the addition of new loading ports. These measures enhance energy efficiency, reduce operating costs, and strengthen the property's functionality for modern logistics tenants.

Key results	
Energy capex, EUR	350 k
NOI, EUR	+35 k
Yield on Cost	10%
EPC improvement	From E, new EPC to be measured after a year in operation



Logistics, Gothenburg - Partille Mellby (4:72)

Brown-to-green transition in Greater Stockholm

Slättö acquired this logistics asset with a plan to reposition the property.

A redevelopment has now been completed, and the property has been upgraded to newly built technical standards and now holds an Energy Class B rating. The repositioning enhances long-term income resilience and exit liquidity.

Key results	
Energy capex, EUR	350 k
NOI, EUR	+35 k
Yield on Cost	10%
EPC improvement	From E to B, Taxonomy aligned



Logistics, Greater Stockholm - Upplands Väsby Odenslunda

Energy performance uplift in Greater Stockholm

This old-stock asset has been repositioned through a targeted energy upgrade plan, including new ports, enhanced insulation, heat recovery ventilation, LED lighting, and the implementation of a supervisory control system.

These measures have improved energy efficiency, operational control, and cost performance.

Key results	
Energy capex, EUR	140 k
NOI, EUR	+14 k
Yield on Cost	10%
EPC improvement	From E, new EPC to be measured after a year in operation



Logistics, Greater Stockholm - Upplands-Bro Bro-skällsta

Brown-to-green transition in Greater Malmö

The assets are currently undergoing a brown-to-green transition focused on reducing fossil energy dependency and improving operational efficiency.

Key measures include replacing gas boilers with district heating or heat pumps, installing rooftop solar, and upgrading the ventilation system with potential heat recovery from tenant processes.

Key expected results	
Energy capex, EUR	870 k
NOI, EUR	+76 k
Yield on Cost	9%
EPC improvement	From G to C/B, Taxonomy aligned



Light industrial, Malmö - Burlöv Sunnanå

Energy performance upgrade in Greater Gothenburg

When Slättö acquired this old-stock asset, an energy performance uplift was part of the asset plan at transaction.

A targeted capex plan is being executed, including ventilation upgrades and the installation of LED lighting, aimed at structurally reducing energy consumption and operating costs.

Key results	
Energy capex, EUR	140 k
NOI, EUR	+14 k
Yield on Cost	10%
EPC improvement	New EPC to be measured after a year in operation



Logistics, Gothenburg - Partille Mellby (4:92)

Energy performance upgrade in Helsinki

Following Slättö's acquisition of the asset, an assessment of its current energy performance was conducted. Dialogue was subsequently initiated with the tenant to explore investments in energy-efficient installations and on-site renewable energy solutions.

Key measures implemented include LED lighting, solar panels, and a new, more efficient building automation system, resulting in the asset's energy class improving from E to A.

Key results	
Energy capex, EUR	200 k
NOI, EUR	+20 k
Yield on Cost	10%
EPC improvement	From E to A



Logistics, Helsinki - Tattariharjuntie

Hotels

Office-to-hotel conversion in central Helsinki

Slättö acquired this property in 2023 with a clear strategy to convert it from office to hotel and reposition it through a brown-to-green refurbishment. The 1970s building has undergone a deep renovation, delivering energy performance upgrades and resulting in LEED Gold certification. Energy efficiency improvements included window and roof renovation, HVAC-system upgrades and rooftop solar.

Key results	
EPC improvement	From E/C to B



Hotel, Helsinki - Lönnrotinkatu 20

Hotel repositioning in central Helsinki

Slättö acquired this asset in 2023. Since then, the 1980s building has undergone a full refurbishment to modern standards, improving energy performance and achieving LEED Gold certification.

This asset was recognized as a finalist in the GRI Awards Europe 2024 in the category of best hospitality project.

Key results	
EPC improvement	From unrated to C



Hotel, Helsinki - Kasarmikatu 40

Office-to-hotel conversion in central Copenhagen

Slättö acquired this asset in 2025 with a clear strategy to reposition it through a change of use and brown-to-green conversion. The redevelopment will transform the former office property, targeting DGNB Gold certification.

Key results	
EPC improvement	From G to B



Hotel, Copenhagen - Police House on Halmtorvet Square