



Global Real Estate Conference: Insights

Philosophy of Edge Technologies

Presenters:

Coen van Oostrom, Founder & CEO, EDGE
Sander Grunewald, Partner, KPMG Netherlands

Sander Grunewald (SG):

The theme of this online session is Smart Buildings, Smart Future. And in particular the philosophy of Edge. Edge is a well-known leading brand all of the world, and also well known within our KPMG practices and we're extremely pleased to have you, Coen, as speaker to start off this conference day. For those who don't know yet, Coen is the CEO of Edge, the leading tech sustainable building developer based out of the Netherlands but with significant global practice. Yes, just use the time to understand your journey and story. Coen, could you explain to us what drives you as a person in your professional journey towards smart and sustainable developments?

Coen van Oostrom (CVO):

I guess I've always been an entrepreneur. When I was in university I started to buy real estate and rented it out to the fellow students. And from the entrepreneurship, I always liked to do new things. I was lucky to meet Al Gore who was in Amsterdam in 2007 to promote his book, and I got excited about the topic of sustainability. I also think that as a modern entrepreneur you should not only try to build a fortune for yourself, that's also okay. But even more importantly it's nice to do that in a context where you give something back to society, give back to sustainability, and leave a world that's a little bit better than the one you started with.

And I think also it's a lot of fun, because if you work in sustainability, you work in innovation and you need new talent. You need things and people that think out of the box and don't go from the particular bricks and mortar part of real estate, but today we have psychologists, we have data scientists. There are so many new fields coming into the real estate equation that are making the business so much more interesting.

SG:

Thank you, thank you. You shared with me that Edge is currently in the process of realigning its own strategy, yes? What will be key and leading in that strategy? Is it about sustainability of the real estate footprint? Is it focused on high tech, smart buildings and data? Or is it the focus on satisfaction? Can you disclose a bit of that strategy project going through and the direction you're taking there?

CVO:

So all these things that you have said, sustainability, technology, they are super relevant to what we are doing. They are the building blocks on which we are building this whole process that we have. But the big thing that is sort of the one thing that we haven't solved yet is the scalability. How can we go from ... today we, as a company, make five or ten billion a year. How can we multiply that? How can we go to 500 or 5,000 buildings a year? You can't do that by just being the same developer that we were 10 years ago, because I think we would be the biggest company in the world.

But you have to find the leverage, maybe by getting your technology shared with all the developers in the world, or maybe by working together, with big owners of real estate and helping them to develop their own models based on the information that we give them. And trying to find out how that scalability can work in a world that is so fragmented. Berlin having a very different building code than New York, and if you want to be active in both cities, you have to realize the differences. Those elements are keeping me awake at night and trying to, you know, if I set out the strategy for the next 10 years, I think today coming out of the crisis, is a good moment to define a new strategy. But then it's very much about that scalability for us.

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SG:

Clear. And if you talk about scalability Coen, is it mainly about new developments or do you also strategize with the focus on the old stock, actually the miles of buildings out there?

CVO:

I think for us it's more about the existing stock than the new builds. But also the new builds a lot is happening. But existing stock is where the solution for the climate crisis is to be found. And we think that with the green deals that are now coming up, big one in Europe, another one coming up in Joe Biden's administration at the moment. Huge upside there for entrepreneurs to really go with the tsunami of new work that is coming to the market.

But also there, the scalability is an issue. Every building is different. Every country has a different legislative process. If you want to get a subsidy in one country it's very different from the other country. Energy laws are different in the different countries. And so to find a way to sort of bring your technology, these different markets, doing that in certain speeds, and bringing that scalability to market, that's the big question that we have to solve.

SG:

Okay. And you already mentioned, of course, the pandemic we're in at this moment. We hear a lot of noises around the impact it will have on office buildings, less office space. What's your view? And what do you hear from your clients, the impact of COVID, the developments we're thinking? Is it moving even more towards healthy buildings, or what is the takeaway you have?

CVO:

We believe that for this year, for 2021, it is very much going to be about health and going back to the office in a safe way. But at the same time, the longer term, major driver for change in office buildings is going to be the sustainability. And so in the short term very much health related topics. On the longer term it's everybody shining up to ESG targets and basically trying to make their buildings carbon neutral. Interesting thing is that if you look at the modern package of technology in an office building it will do both. If you have a connection to the BMS, the building management system in the building, if you had certain sensors in the facades, certain sensors that can look at the efficiency of what people are working in the building, and what is the air quality in different parts of the building, many BMS's don't do that yet. If you can bring all that information together, you can suddenly see what happens on a Sunday afternoon when one person enters the building. In most buildings in the world, everything starts right away. The temperature goes up, and it's interesting to see that it's so easy to reduce the amount of energy that a building is using, while at the same time improving the air quality in the spaces. But just having the right information with the right person.

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SG:

How important is data for Edge as part of the business model? And how does Edge organize this data ownership with also tenant privacy, taking into account laws and regulations towards data. Can you elaborate a little on that?

CVO:

What we have done is we have recognized that a real estate company is quite different from a company that is dealing with a lot of data. And what we have done is we have split our company in two. We have the real estate developer that has as a mission to make always when a building is done, it has to be the best building in town, best building defined by sustainability, by health, by interaction with the tenants, by the technology. And the data company is all about what can we do mostly with all our own as a real estate, in existing buildings. Can we go in, connect to the BMS, can we bring in sensors, can we do that fast, can we do that relatively cheap and make sure that there's efficiency there.

Now you asked a very relevant question. How is that organized around the privacy of people? Luckily in Europe we have a very strong law around GDPR and so there's a lot of things we cannot do. One example is the server that contains all the information of all the data points has to be in the European Union when the building is also in the European Union. That's sometimes difficult because we might work with sensors that are from Israel, sensors that are from China, or sensors that are from the United States. And then you really have to make sure that everything that comes out of that sensor is stored within Europe, in a European data environment, and not somewhere else. It's a whole new topic.

Five years ago we didn't even know that we'd be going in this direction. But today I spend more time with let's say lawyers and data scientists in this topic than I do with architects to figure out what the new building is going to look like that we're making. So a very interesting time for us.

SG:

Yes, thank you. So you mentioned the two parts of the company. The more traditional one and then the data one. So it sounds like the data one is giving you a bigger headache actually than the traditional development company.

CVO:

I think that the reality is that also in the real estate company it's still the case that if you want to work in Berlin you need a building permit. It's still painful to get a building permit in Berlin. Just because the infrastructure of a city like that has not been made for the fast growth that they're experiencing. If you then want to do buildings that are not connected to the grid, for example, that gives whole new headaches around how to organize that and how to do that. And yes, we sort of need the overhaul of the building code. It would be great for a company like mine, it would be great if the building code would be the same between Berlin and Munich. It is not today. And also if then Munich would be the same as Amsterdam, and Amsterdam would be the same as London. There's a lot of work to be done there.

SG:

Thank you. Two last questions and then the time is up unfortunately. We see a lot of green deals, regulation towards ESG, sustainability, a lot of our clients have to deal with the SFDR as investors. On the other hand, also maybe accelerated by the pandemic, there is a human intrinsic motivation to provide a better world. What do you see as key driver within your clients? Is it regulatory driven? Or is it really from an intrinsic way of changing the world?

CVO:

I see at the moment that the legislation is coming, but it's not enforced, let's say, in a tough enough way for the average CFO to now wake up. But what we see, is that, for example, in platforms like the (Inaudible) tech(?) forum, or real estate companies in the ULI, that everybody signs up to a promise of a better world, a promise of ESG. And when that then gets sort of chalked(?) up in parts, it does mean that your building has to be carbon neutral. And then suddenly the head of real estate gets a phone call and there are very clear examples.

I'm talking about Microsoft, I'm talking about big polluters like Amazon, where suddenly the head of real estate gets a phone call and where somebody says, "Can you make your building carbon neutral in the next five years?" And these people are looking around them like "Wow, where do we start?" So this is not legislation yet. It will. But there's a huge push from the top down in these companies to do something. The good thing is that both in the United States and in Europe there's also a lot of subsidies available. There's a lot of new technology available, with (Inaudible) Protech(?), a company like mine, that can help them. But it takes a little bit of a headache to reorient yourself, to build a new strategy that is sustainable, and to roll that out. The companies are big, the portfolios are big, complex. There's a lot of people working there that were not trained to do this. And so it needs a little bit of a revolution to make it happen. But all the ingredients are there, and I'm quite optimistic that it will start happening now.

SG:

Thank you, thank you Coen. There are a lot of global partners from our global firm geographies in this session as well, both(?) as clients. It might be an idea at certain locations where you think there's a lot of subsidy(?) that we can find each other to help our clients and make best use of this, yes? And that's I think my last question for this interview. (Audio Dropout) the KPMG professionals and (Audio Dropout)

listening to this. What would be your advice to us, to them, to further grow and strengthen the market for smart, sustainable buildings? What would you want us to take away? The key advice?

CVO:

I would (Audio Glitch). The first thing would be to look at your own buildings and making sure that you, yourself, become an example of let's say the good parts of the example and not the bad part. That's one. And two, what I see is that a lot of companies would love to do this, but they don't really know where to start. Subsidies are complex, there are city subsidies, there are state, there are country subsidies, there's European subsidies, and nobody really understands how to do it.

If you want to do something with an investment that will reduce the energy, you will need some sort of financing for that. But there are companies out there that make packages that include all of these elements, and that will get you a different lighting system or a different facade. And it will all be sponsored(?), it might be all circular. And I think that KPMG can have an amazing role in translating that promise of a high ESG level on the CEO level, and transforming that in a package where a facility manager just has to sign off and say okay, now with that signature I know for sure that in the next two years I'm going to have a change in my real estate portfolio and it's not going to cost me too much money. I know exactly what I'm getting. And it's all facilitated by KPMG. I think there's a huge market there, because there's a lot of information, asymmetry in the markets, and I think KPMG can be there to solve that.

SG:

Thank you Coen. I think it's a very valuable conversation. A lot of great input, inspirational, and also well both for our clients and our KPMG colleagues around the world, well a starting point, we know also where to find and how to find Edge.

So thank you very much Coen for your participation. Normally we would give you a big applause. Well, and I'm really hoping that what we discussed, the next physical global conference with KPMG, you will be invited to join and shake hands with our colleagues and talk about developments all over the world.

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