

# **GREEN STRATEGY** KOPASZI GÁT KFT.

26<sup>th</sup> OF JANUARY 2022

#### **1. Introduction**

Climate change and environmental pollution are recognized more and more as the greatest challenge for the future of humanity. There are no industries which can avoid taking actions to prevent or decrease the negative outcomes.

In the European Union, buildings are responsible for the 40% of total energy consumption and the 75% of existing properties are not energy efficient. This causes about 36% of GHG emission in the EU. Therefore, the property development sector can significantly contribute to the combat against climate change. According to the EU Taxonomy, in every new building construction, energy efficiency will need to be 10% lower than net zero energy efficiency standards. This is expected to be a mandatory requirement in the future.

#### 1.1. Hungarian market overview

Hungary faces a substantial challenge in relation to its building portfolio due to its slow renewal rate. In 2014 newly built apartments were only around 1% of the total residential building stock. While there is an increasing tendency of new residential building constructions, the rate of renewal did not reach the necessary level even in 2020.

From 30th of June 2022, only near net zero buildings can be handed over in Hungary. According to the Hungarian regulation, that means equal or higher energy efficiency rating than EPC BB (since 1st of January 2016 there is a new, stricter energy rating scale in force in the country). Based on the certifications issued so far, the new condition can bring a greener and more sustainable direction for the Hungarian property market, where the level of BB or higher ratings are currently low.

Between 2016 and 2021 only the 3,5% of EPC certified buildings reached the level of BB and the near net zero energy level. Around 20,5% of the properties got CC (currently required level) certification, however the rest of 30% were qualified as the level of poor or very poor (HH-JJ) in the dimension of energy efficiency.

## Number of built apartments



Figure 1: Number of built apartments (source: KSH)

# Distribution of certified properties 2016-2021



Figure 2: Distribution of certified properties (source: Lechner Tudásközpont, own research)

## 2. Company and Project Description

## 2.1. Kopaszi Gát Kft.

Kopaszi Gát Kft ("Kopaszi Gát") is a Hungarian real-estate company, which directly and indirectly contains properties to rent and sell. Kopaszi Gát has been established with purpose of owning the BudaPart project and bought the future investment area in Lágymányosi Bay in 2015.

BudaPart is one of the largest real estate developments in the modern history of Budapest, Hungary. It covers an area of about 54 hectares and with plans to develop 15 residential buildings, 12 office buildings and a hotel over a ten-year investment period. The company has contracted Property Market Kft, a subsidiary of Market Group, as developer of the BudaPart project.



### 2.2. BudaPart

The concept of the development was created by Property Market alongside with a Danish design agency, <u>Adept</u>. A 10-year investment plan of 15 residential buildings, 12 office buildings and a hotel with 198 rooms (with maximum 6 development phases) was established. There will be approximately 3000 apartments, 250 000 square meter office area and 15 000 square meter commercial space in the future city quarter at the end of the development phases. BudaPart will offer living and working environment for 25-30 000 people in the future.

By the end of the development, almost half of BudaPart will remain green space (26 hectares), which includes one of the largest public parks in Budapest, the Kopaszi Dam. However, the investment zone is larger than this. As in the public areas, surrounding the new quarter, there are several utilities and transport infrastructure development projects.

Alongside the BudaPart project, there are ongoing, large-scale public transport infrastructure developments in the area. These projects will indirectly support the property developments as well as the well-being of the residents in BudaPart. Particularly including the second phase of the Budai Fonodó tram project (2nd Interconnecting Tramline), the Southern Circular Railway project, and the new Danube-bridge project. Although the BudaPart project and the eligible green projects are not directly connected, the Investor has made lots of effort to the realization of these city developments (e.g.: Complete building permit documentation of Fonodó II was provided and the building permit was obtained by the Investor. The documentation and the building permit have been handed over to the Municipality of Budapest for free of charge. Above all, bus stops for two new bus lines, hundreds of meters of new bicycle lanes have already been created and handed over to the Municipality by Kopaszi Gát Kft.).

The development of BudaPart will result in a unique city quarter which creates a close-to-nature calmness and a 21st century modern, urban feeling for residents, workers and visitors as well.

#### 3. Green Strategy

# 3.1. Main green values of the company

Kopaszi Gát is determined to embrace sustainability and the combat against climate change. Influenced particularly by the Paris Agreement or the UN Sustainable Development Goals (SDGs), the company has established three main green value drivers, that are going to be followed during every current and future development project. These green values serve as principles and instructions for any business operation processes and implementation.

- 1. consciously taking responsibility for contributing to climate goals,
- 2. commitment to sustainability and social awareness and
- 3. commitment to reduce carbon-footprint

During the planning phase of BudaPart project, the foundation of the concept was a new generation, environmentally conscious city quarter with full of services, where it is great to live and work. The long-lasting quality, sustainable development and the demand of the modern days were crucial aspects of BudaPart's buildings' design. Besides, BudaPart, along with these important elements, also wants to be an inspiring working and living environment.

Based on these goals and concept of BudaPart project, incorporating the company's green value drivers, Kopaszi Gát has formed three main green guidelines: applying an environmentally conscious business model; being environmentally and socially responsible; consumer centrality and awareness of well-being.

## 3.2. Green guidelines of BudaPart

## 3.2.1. Applying an environmentally conscious business model

In connection with environmentally conscious business model, there are three specific areas which are dominant in the BudaPart project. Kopaszi Gát pays great attention to apply recycled materials and decrease the pollution from transportation. They are ambitious for reaching great international building certificates. Furthermore, they are committed to cover their expenses from green sources as far as possible.

Kopaszi Gát encourages its contractor to use materials with high recycled content (especially in the case of large construction items such as reinforced steel, curtain walls and insulation) and to prepare as much of the construction waste for reuse or recycling as possible. As a positive example, one of the completed office buildings was constructed with reinforcing steel which was 97.9% recycled and aluminum structures that were 73% recycled. To reduce the emission of GHGs and the transportation distance, they have installed a concrete plant and soil depot within the project area. The company expects to reach around 20 tons avoided CO2 per annum by the end of Phase V.



Figure 3: Avoided CO2 emission between Phase II. and Phase VI.

Kopaszi Gát sets a high standard in energy efficiency to reduce the environmental impact of BudaPart properties. The company aims to achieve at least LEED Gold certification for all office buildings and at least BB rating for all residential buildings (based on Hungarian energy efficiency rating system).



Figure 4: BudaPart Gate and BudaPart City office buildings – both have reached LEED Gold certification

Kopaszi Gát is convinced that green finance instruments are an effective tool for channeling investments to projects that have environmental benefits and thereby contribute to achievement of the SDGs and the Paris Agreement.

The company decided to issue green bond in an appr. nominal value of 32 billion HUF. In the future, Kopaszi Gát is intended to use other green financial instruments (like green project or development loans). According to its rated Green Financing Framework, the company can participate in future qualified green loan issuance.

## 3.2.2. Being environmentally and socially responsible

One of the main targets of Kopaszi Gát is to create an easily accessible city quarter where using a private vehicle is not mandatory. In the future, the area of BudaPart project will be available by public transport comfortably. Currently, there are six operating bus stops in the territory. Furthermore, '2nd Interconnecting Tramline' will offer extended opportunities for the residents and workers. The tramline expected completion time is in 2024.

Nonetheless, not only the public transport will provide an alternative green and environmentally responsible option. Micromobility, as an alternative for private vehicles, can be also great for heath quality. The company plans to install around 1400 bicycle and electric scooter racks, and new bicycle lanes. They will establish around 400 EV charging stations.

Moreover, during the development of BudaPart, the company has established a flood control system to strengthen the climate resilience of the project. The implementation of the system is aligned with the national and EU regulation. The installed dams are constructed in a 50-year timeframe, and the company has reformed the existing sewage and drainage system and built a flood basin.





# PUBLIC PARKS AND OTHER OUTDOOR ACTIVITIES

# 3.2.3. Consumer centrality and awareness of well-being

Kopaszi Gát aims to create a modern, 21st century city quarter for their residents, workers and visitors, where everything can be reached within a walking distance. Therefore, there will be several commercial and service units in the BudaPart area.



Figure 5: Human infrastructure at BudaPart

There will be new nurseries, kindergartens, and family doctor offices, which can result a more effortless everyday life. Stores like groceries, drugstores, bakeries and pharmacies will be available at BudaPart, just like a dental clinic, a beauty salon or a bike shop.

Furthermore, BudaPart will offer a plenty of other recreational opportunities. Coffee shops and restaurants can provide great escape from weekdays. One of Budapest most prestigious club and lounge – the Dürer Garden – has moved in BudaPart. Soon, SHO Buda will open their restaurant, and a Skybar will broaden social opportunities of the region.



Figure 6: Public parks and other outdoor activities at BudaPart

BudaPart can also offer possibilities for active recreation. New parks or dog parks, running track, fitness points can be great options for enthusiasts of outdoor activities. The new MOL Bubi stations allow to participate in bike sharing solutions.

# 4. Contribution to SDGs

Kopaszi Gát has carefully examined the connection between the UN 2030 Sustainable Development Goals (SDGs) and their operation or green strategy targets. The company intends to reduce the climate impact, analyze, and reduce the harmful environmental impacts. They found that they can primary contribute to reach five of the SDGs and effect on the future of our planet.



