



## CEFC and MaxCap Group retrofit for net zero with green real estate finance strategy

7 September 2023

The CEFC will leverage the power of private sector capital to finance sustainable building upgrades, committing up to \$75 million via a new investment mandate. The mandate will target commercial offices, hotels and retail assets to decarbonise a substantial part of the property sector.

The CEFC investment will be managed by leading Australian commercial real estate investment manager, MaxCap Group. Under the mandate, MaxCap will originate, execute and manage a portfolio of real estate loans, aiming to attract further institutional capital to invest in the sustainable refurbishment of commercial buildings.

The mandate will provide senior debt finance for building owners seeking to improve sustainability performance of low rated commercial office, retail and hospitality assets through repositioning and upgrade works that reduce operational emissions by at least 30 per cent.

The first investment from the mandate paves the way for a greener Adelaide CBD, with a \$35 million commitment to refurbish a 26-storey office tower at 30 Pirie Street. For this initial loan, MaxCap is co-investing \$35 million via the MaxCap Investment Trust (MIT).

Building owner and asset developer Quintessential will target a 5 star NABERS Base Building Energy Rating with initiatives that include upgrading building management systems and controls, installation of solar panels and new energy monitoring systems, a comprehensive tuning program, and upgrades of lighting to LED.

CEFC Head of Property Michael Di Russo said: "It is essential that we make our commercial properties fit for a net zero emissions future in the race to decarbonise. Commercial buildings in urban centres, suburbs and regional towns across Australia account for around half of the nation's building stock<sup>1</sup> and many have never undergone energy efficiency upgrades."

"Refurbishments like 30 Pirie Street in Adelaide's CBD demonstrate to commercial property owners that relatively straightforward energy efficiency and renewable energy initiatives can deliver value for building owners and tenants alike and achieve broader scale change that can help meet ambitious sustainability goals across Australia's commercial property sector. It's great to be working with MaxCap to drive change and make our workplaces more sustainable as we work towards our national net zero goals."

MaxCap Group Executive Chairman Wayne Lasky said: "We are delighted to be appointed as fund manager and to invest via our flagship Investment Trust with the CEFC who continue to demonstrate tremendous leadership as we strive for a net zero emissions future. We are

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<sup>1</sup> Ernst and Young, [Mid-tier commercial office buildings in Australia – research into improving energy productivity.](#)



also privileged to work with industry specialists such as Quintessential, who are highly regarded for their track record in regenerating commercial real estate assets.

“The longstanding MaxCap and Quintessential relationship means MaxCap can see the vision Quintessential has for the asset, and the opportunity to work with the CEFC aligns seamlessly with our ESG Strategy. A green strategy can achieve both sustainability and commercial outcomes for investors and MaxCap is committed to this strategy for the long term. We continue to seek additional institutional capital partners to invest in this strategy.”

Noah Warren, Head Assets at Quintessential said: “With a CAPEX budget of \$30 million we will undertake significant works that will enliven and regenerate the building, bringing it back to prime A-grade standard in heart of the Adelaide CBD. The extensive refurbishments will considerably enhance the usability and enjoyability of the building for the current and future tenants.”

Outlining the impending boost to the building's energy and sustainability credentials, Mr Warren continued; “A number of energy efficiency measures will be implemented, and the asset is targeting to achieve a significant reduction in base building energy usage, which will be a massive boost to the ESG offering of the building.”

Renovating existing building stock has been recognised as a key priority for achieving decarbonisation targets, with the International Energy Agency noting that retrofitting 20 per cent of existing building stock by 2030 to net zero levels will require an annual deep renovation rate of over 2 per cent from now to 2030 and beyond.<sup>2</sup>

The built environment is a major consumer of energy, with buildings accounting for around half of Australia's electricity use.<sup>3</sup> A 2021 CEFC investment in the refurbishment of a commercial office building at [200 Creek Street](#) in Brisbane showcased how improving energy efficiency of existing buildings could drive down emissions and lift sustainability.

Research suggests that just 56 per cent of Australian offices have a current NABERS rating,<sup>4</sup> leaving considerable scope for improvement in retrofitting and upgrading to reach net zero targets. Accounting for around half of Australia's overall building stock<sup>5</sup>, many of the existing secondary commercial buildings throughout Australia, from urban centres to the suburbs and across regional towns, have never undergone energy efficiency upgrades, representing a significant opportunity for energy efficient improvements.

The CEFC has made more than \$2.5 billion<sup>6</sup> in lifetime commitments to improve energy efficiency and lift sustainability in Australia's property through its investments across the industrial, commercial, residential sectors.

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<sup>2</sup> IEA, [Technology and Innovation Pathways for Zero-carbon ready buildings by 2030](#), 2022.

<sup>3</sup> GBCA, Property Council of Australia, [Every Building Counts](#), 2023.

<sup>4</sup> JLL, [The Race to Decarbonise Australian Cities](#), 2022.

<sup>5</sup> Ernst and Young, [Mid-tier commercial office buildings in Australia – research into improving energy productivity](#).

<sup>6</sup> CEFC lifetime commitments to 30 June 2022.



## About the CEFC

The CEFC is an experienced specialist investor with a deep sense of purpose: we're Australia's 'green bank', investing in our transition to net zero emissions by 2050. With access to more than \$30 billion from the Australian Government, we're backing economy-wide decarbonisation, from renewable energy and natural capital to energy efficiency, alternative fuels and low carbon materials. In parallel, we're focused on transforming our energy grid, backing sustainable housing and supporting the growth of our climate tech innovators. We collaborate with co-investors, industry and Government, recognising the urgency of the decarbonisation task. We also invest with commercial rigour, aiming to deliver a positive return across our portfolio.

## MaxCap Group

MaxCap Group is a leading Australasian investment manager, specialising in commercial real estate. The company is exceptionally proud of its prudent risk management, delivering exceptional returns for domestic and global investors whilst maintaining a zero loss track record across more than 600 loans and \$17.4 billion of investments since inception in 2007. MaxCap currently has over \$7 billion funds under management and advice. MaxCap's evergreen platform, the MaxCap Investment Trust (MIT) offers wholesale investors ongoing access to Australasian commercial real estate debt investment opportunities.

## Quintessential

Quintessential specialises in property regeneration and development, providing tenants inspirational solutions and giving investors exceptional risk-mitigated returns. Founded in 2010 by Shane Quinn and Harry Rosenberg, it has acquired or sold over 20 properties of approximately 500,000 square meters (including 165,000 sqm of office assets nationally) delivering a 93% tenant retention rate and an aggregate 23% investor net IRR.