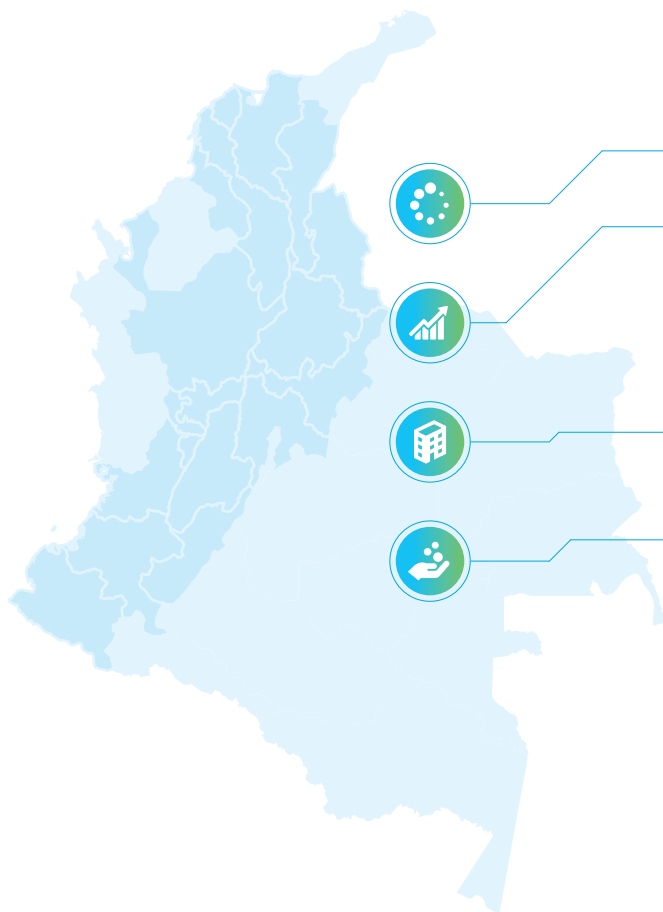


COLOMBIA GREEN BUILDING MARKET SNAPSHOT 2019¹

This Green Building Market Snapshot provides a summary of key market indicators based on IFC's research on policy environment, building construction, and Green Building certification and finance. The year of the snapshot coincides with the launch of the UK-IFC Market Accelerator for Green Construction (MAGC) program in the country. Additionally, most recent Green Building developments in the market are included where available. IFC welcomes readers' comments.

CERTIFIED GREEN BUILDING MARKET STATUS: MODERATELY DEVELOPED

As of 2019, Colombia's Green Building market was moderately developed. The country has been one of the fastest growing certified Green Building markets and the leader among emerging economies with its green building market penetration. While there were a handful of certified buildings in the country in the mid-2010s, the overall market penetration of certified green buildings in Colombia rose to 8% of all formal newly built-in space in 2019.² The Green Building market boom in Colombia can be attributed to its strong green building enabling environment and Green Building finance activities of the financial institutions. Several green bonds have been earmarked to buildings and the majority of the top banks in Colombia are providing preferential financing packages for green loans.



COUNTRY LANDSCAPE

- **Energy Consumption:** 37% of electricity consumption is attributed to buildings in the country.³
- **Construction Market:** The size of the building sector in Colombia has doubled in the last decade. This growth was accompanied by nearly 20% of informal construction. Colombia has an ongoing urbanization process. Big cities have increased their population and dwelling needs, and medium-sized cities are also growing accordingly.
- **Developers:** Among new area built in 2019, large, medium and small developers equally share the residential market (36%, 33%, 31% respectively).
- **Finance:** Mortgage credit experienced a significant expansion during the past decade (from \$16 billion in 2015 to \$25 billion in 2019). However, despite the rapid credit growth, mortgage credit in Colombia is still low and stood at about 5% of GDP. Construction finance is low in the country, at \$1.5 billion as of 2019).⁴

1. GREEN BUILDING POLICIES AND REGULATIONS

Is there a national definition of Green Building?

A sustainable building is one that makes use of energy, water, and materials in sync with the site, and provides comfort and health to its users.

Sustainability is achieved through the design that considers local climate and environment. This applies for both new and existing buildings.⁵

Is Green Building part of the country's Nationally Determined Contributions (NDC)?

While previous NDCs did not include buildings as a strategic sector, 2020 NDC includes sustainable construction of commercial and residential buildings as one of the priority sectors to reduce GHG emissions.

Is there a national Green Building strategy/action plan?

Yes. National Policy for Sustainable Buildings CONPES 3919 (2018)

Public Policy and Regulations

National Policies and Regulations:

LEY 1715 (2014) It is the legal framework that gave rise to Res. 463 (now decree 829 of 2020) to exclude VAT for certain eco-technologies and reduce income tax for certified projects.

DECRETO 1285 (2015) Sustainable construction guidelines:

It sets minimum elements to implement measures to save water and energy in buildings, monitored by the Ministry of Housing. It includes incentives from the National Government to municipalities and districts for implementation.

RES. 549 (2015, being updated in 2022)

- ▶ Parameters and guidelines for sustainable construction.
- ▶ Identifies passive and active measures that allow the reduction in water and energy consumption. Establishes the promotion of incentives for buildings that exceed minimum water and energy savings.

RES 1283 (2016)

- ▶ Procedure and requirements for issuing the environmental benefit certification for new investments in non-conventional renewable energy projects and efficient energy management, with which builders can access tax benefits of Law 1715.

RES 585 (2017)

- ▶ Procedure to define energy efficiency projects/efficient energy management that are eligible for tax benefits. Scope of the eligible projects and technical requirements of those materials and designs are established.

RES 463 (2018, Update: replaced by RES.196 in 2020)

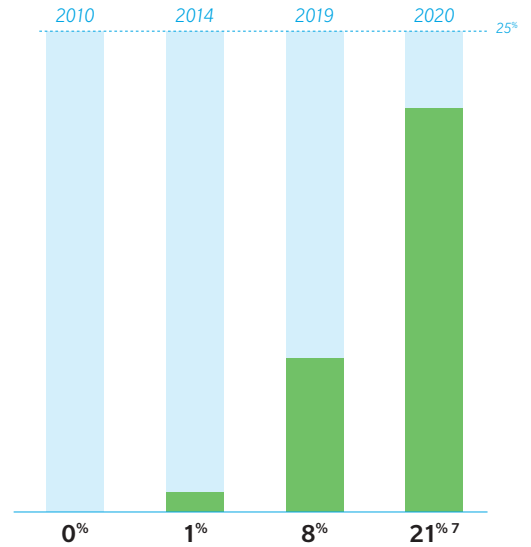
- ▶ Procedure through which the Unidad de Planeación Minero Energética (UPME) evaluates and issues a technical concept on the requests that are presented by those interested in executing energy efficiency projects, or efficient energy management, with the purpose of i) determining if the evaluated projects are framed within the sectoral actions and measures contained in Resolutions MME-MADS-MHCP 1988 of 2017 and MME-MADS-MHCP 0367 of 2018; and ii) quantify its contribution to the energy efficiency goals of the Indicative Action Plan (PAI) 2017-2022.

2. GREEN BUILDING MARKET SIZE

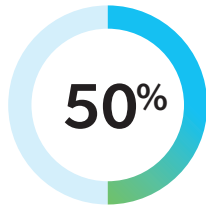
New and existing floor space certified green in 2019: 1.4 million square meters



Share of certified new green buildings among all new developments (based on square meters)



Share of green building developers among major developers⁶



3. CERTIFICATIONS AND STANDARDS

National Green Building Rating Systems

CASA is the sustainable construction certification system for housing adapted to the Colombian context, which focuses on people and their quality of life, creating prosperous and healthy areas for living that respect the environment. The level of sustainability of projects certified with CASA is represented in stars, indicating the performance in the evaluation categories. There is a score associated with the implemented strategies.⁸

- ▶ CASA was established in 2017 and has certified 0.13 million sqm as of 2019

International Green Building Rating Systems

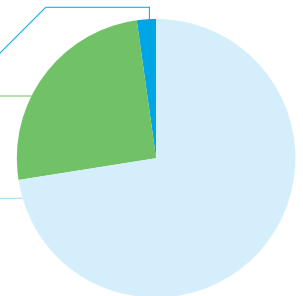
There are 3 Green Building rating systems in Colombia. LEED, EDGE, and CASA:

- ▶ LEED was established in 2010 and has certified 4.3 million sqm as of 2019
- ▶ EDGE was established in 2017 and has certified 1.5 million sqm as of 2019

Voluntary Green Building certification systems' market share by square meters certified (as of 2019).

- ▶ LEED is 72% of cumulative GB
*LEED residential 1%, non-residential or mixed-use 99%*⁹
- ▶ EDGE is 25% of cumulative GB
EDGE residential 65%, non-residential 35%
- ▶ CASA is 2% of cumulative GB
CASA 100% residential

Numbers may not add up to 100% due to rounding.



4. GREEN BUILDING FINANCE

Financial Institutions offering Green Building finance (by public/private) and their products as of 2019

- ▶ Bancolombia (has financed 1,880,938 sqm. (Number of homes: 7,813).¹⁰ Energy efficiency loans (Linea Verde)¹¹ and Green Bonds.
- ▶ Davivienda (has financed 796,985 sqm (Number of homes: 8,837).¹² Green Building Finance products include: Green credit line for building projects with recognized sustainable construction certification - Davivienda¹³, Green mortgages - Davivienda¹⁴. Green homes leasing - Davivienda¹⁵
- ▶ SURA insurance company offers discounts on construction and leasing policies¹⁶ for EDGE certified projects
- ▶ Bancoldex – issued a Green Bond with proceeds that could be used to design and construct buildings that fulfill sustainable construction parameters in 2017.
- ▶ (2020 Update): BBVA (launched the green finance line in October 2020¹⁷) Green Building finance products include green mortgages¹⁸ and green homes leasing.¹⁹
- ▶ (2021 Update): Banco Caja Social de Ahorros launched a green line of credit including buildings.

Green bonds or other capital market instruments earmarked for Green Building finance between 2015 and 2019.

- ▶ Bancóldex issued a \$66 million Green Bond that included \$13.3 million use of proceeds for Green Buildings (2017)²⁰
- ▶ Davivienda issued a \$150 million Green Bond²¹, that included \$74.6 million use of proceeds for Green Buildings (2017)
- ▶ Bancolombia issued two Green Bonds for \$115 million in 2016²², and \$104 million in 2018²³ that included \$92 million use of proceeds for Green Buildings²⁴
- ▶ (2020 Update): Banco de Bogotá issued a \$80.2 million Green Bond. Use of proceeds is expected to include Green Buildings.²⁵

Financial institution lending to Green Buildings as a % of total lending to building sector (Climate financing as a % of total bank credit)

- ▶ (2021 Update): As of 2021, IFC's estimate of the amount of Green Building lending by financial institutions is about US \$350 million, which is about 4% of total loans to the country's construction sector.²⁶

Financial Incentives

Bancolombia Green Line for Construction:²⁷

- ▶ Bancolombia provides preferential interest rates for financing projects that contribute to sustainability. The rate is subject to compliance with minimum conditions and to verifications.
- ▶ Bancolombia offers technical assistance in the identification of projects for energy efficiency, renewable energy, cleaner production, and sustainable construction that can be financed by this special line. The technical assistance is provided subject to compliance with minimal conditions and product verifications.

Davivienda Construction Loan:²⁸

Supports clients of the Construction Credit to carry out their projects in a sustainable way and be certified with (EDGE, LEED, BREEAM, DGNB or CASA). Interested clients can process the sustainable certifications through the technical assistance of the Construction Executive. Benefits include:

- ▶ Step down of up to 100 basis points in the spread over the current rate in local currency construction loans.
- ▶ Step down of up to 25 basis points in the spread of the Libor rate for loans in dollars.

4. GREEN BUILDING FINANCE, *Continued*

Financial Incentives

2020 Update: BBVA Housing Mortgage²⁹

- ▶ Preferential Interest rates available only for new home loans, certified as sustainable.

5. COST OF UTILITIES

Share of cost of utilities (Electricity and Water) for an average income: 6%³⁰



6. EDUCATION AND SKILLS

Number of Universities offering Green Building programs

- ▶ EAFIT in Medellin³¹
- ▶ University Javeriana Bogota
- ▶ Santo Tomas University Bogota

ENDNOTES

1. If not footnoted, the source of the information is a report prepared by the Camara Colombiana de la Construcción (CAMACOL) commissioned by IFC.
2. IFC's calculations consider the formal construction sector. The rate covers EDGE post-design and LEED certified floor area divided by estimated new build for the formal sector, for calendar year 2019. There may be a delay between certification and completion of the building. Annual CASA certification numbers were not available. LEED numbers were retrieved from USGBC website (<https://www.usgbc.org/projects>) on October 19, 2021. EDGE numbers were retrieved from EDGE App data as of September 30, 2021. Green certification numbers do not differentiate buildings certified with more than one certification system or product (that is, each certification is counted as unique) and may include certifications for existing buildings. Estimated new build is from DANE CENSO EDIFICACIONES - CEED Annex D..
3. <https://www.iea.org/fuels-and-technologies/electricity>
4. IMF. 2017. Working Paper (17/190): Housing Finance and Real Estate Markets in Colombia.
5. Translated into English from the National Green Building Strategy: CONPES 3919 (2018) Page 32.
6. Calculated based on the number of developers that have EDGE certified Buildings out of the top 10 developers in Colombia
7. In 2020, new build dropped by 24% compared with 2019.
8. <https://www.cccs.org.co/wp/casa-colombia>
9. IFC's estimate based on LEED publicly available data.
10. Bancolombia provided this data for the 2021 EDGE Champions event for Latin America. Additional information about the "builder credit line" can be found at: <https://www.grupobancolombia.com/wps/portal/acerca-de/informacion-corporativa/sostenibilidad/negocios-sostenibles/soluciones-servicios/credito-constructor-sostenible>
11. <https://www.grupobancolombia.com/wps/portal/acerca-de/informacion-corporativa/sostenibilidad/negocios-sostenibles/soluciones-servicios/credito-constructor-sostenible>
12. Davivienda provided this data for the 2021 EDGE Champions event for Latin America. Additional information about "línea verde" can be found at: <https://comunicaciones.davivienda.com/linea-verde>
13. <https://sostenibilidad.davivienda.com/gestion-sostenible/>
14. *ibid.*
15. *ibid.*
16. <https://www.sura.com/mails/clientes/empresariales/edge/certificado.html>
17. <https://www.bbva.com.co/personas/productos/prestamos/vivienda/hipotecario-sostenible.html>
18. *ibid.*
19. *ibid.*
20. https://www.bancoldex.com/sites/default/files/bancoldex_-_reporte_de_bonos_verdes_2020.pdf
21. <https://pressroom.ifc.org/all/pages/PressDetail.aspx?ID=24917>
22. <https://www.grupobancolombia.com/wps/portal/acerca-de/sala-prensa/noticias/responsabilidad-social-ambiental/bancolombia-culmino-con-exito-primera-emision-bonos-verdes-la-ifc-la-adquirio-en-su-totalidad>
23. <https://www.grupobancolombia.com/wps/portal/acerca-de/sala-prensa/noticias/responsabilidad-social-ambiental/bancolombia-emite-300000-millones-en-bonos-verdes>
24. IFC, Climate Bonds Initiative
25. www.climatebonds.net/resources/press-releases/2020/10/banco-de-bogot%C3%A1-debuts-green-bond-market-cop-300-billion-issuance
26. IFC's internal research "Streamlining_AIMM_Assessments_FIG_Climate_Finance_Pilot_Final 2021"
27. Translated from Spanish from Bancolombia's website Line Verde: <https://www.grupobancolombia.com/wps/portal/negocios/productos-financieros/linea-verde>
28. Translated from Spanish from Davivienda's website <https://comunicaciones.davivienda.com/linea-verde>
29. Translated from Spanish from BBVA's website <https://www.bbva.com.co/personas/productos/prestamos/vivienda/hipotecario-sostenible.html>
30. Calculated based on the Economist Intelligence Unit Database for country utility data in major cities (year) and the World Bank GNI per capita 2019.
31. These universities are receiving collaborating with IFC to offer the Design for Greater Efficiencies Course (DfGE).

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UK Government

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