Real Estate

The future of sustainable real estate is smart

How to convert decarbonization and net-zero challenges into new and profitable opportunities

Climate risk is an opportunity for real estate companies to create solutions that enhance operational efficiency, generate new revenue, and improve returns and asset values.

Stakeholder pressure and building costs are increasing

| 1 | Investors are moving swiftly to decarbonize their portfolios |
| 2 | Tenants are demanding healthier and more sustainable spaces |
| 3 | Regulations on buildings and emission codes are tightening |
| 4 | Construction costs and project completion times are rising |

ESG performance is starting to have a measurable impact

The business case for ESG investments is becoming stronger as an improvement in ESG performance is starting to show a positive impact on returns and valuation. Our analysis shows that in 2021, 48% of European real estate companies experienced an increase valuation when their ESG performance rose. The same year, 42% of North American real estate companies saw an increase in returns when their ESG performance rose.

In addition, smart green buildings can provide 11.8% higher lease value, up to 35% higher sales value and 1% to 2.2% incremental internal rate of return.

Recommendations for real estate companies

Design
- Design for reuse
- Zero-carbon building design
- AI-powered generative design

Build
- Building information modelling
- Sustainable & bio-based materials
- Modular construction and 3D-printing

Operate
- Digitalization & data centricity
- New “as-a-service” revenue streams
- Innovative business models based on circular economy

As stakeholders continue to push real estate companies to act on environmental sustainability, companies should realize that it is not just a cost play—there are enough pull factors to help them navigate a profitable and revenue-accretive path across the real estate life cycle of design, build, and operate.

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