EVORA

Insights Conference Summary

November 2024

Contents

Introduction

On 7th November 2024, EVORA welcomed a select group of clients to our second annual real estate ESG Insights conference. The objective of the conference, organised under Chatham House rules, was to discuss trends and challenges faced by the industry across wide-ranging topic issues and then to assess implications, possibilities and potential solutions.

The event was opened by a keynote from Alex Edmans, an academic and economist from London Business School, who presented some of the challenges we face but highlighted the role of positive thinking by raising the concept of 'Rational Sustainability'. Philippa Gill and Ed Gabbitas then presented views on market position and polled the audience across a range of topic areas. We then broke into groups for a series of workshops to consider a wide variety of sustainability issues, ranging from social value through to carbon risk.

This document aims to summarise conclusions from the event by setting out discussion points for each of the workshops and then clearly documenting EVORA's opinion and view on each point.

We recognise the need to continue discussions on this matter and as such, in 2025 we will be launching a series of focused engagement sessions with the market – watch this space for more news.

As ever, if you require further information on any of the topics presented in this document, please do not hesitate to contact us: **contactus@evoraglobal.com**

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Headlines from the Conference

The increasingly complex demands of measuring, disclosing and acting on sustainability matters show no sign of slowing down. In fact, in reading through the summaries below, one could easily be forgiven for wanting to stick your head in the sand and hope it will all go away.

However, the impacts of changing weather patterns, legislative frameworks and investor expectations combined demand a new approach to risk management, mitigation and reporting.

Over the last 14 years EVORA has been privileged to collaborate with some of the world's most forward-looking real asset investors and is supporting many of them as they begin to restructure how sustainability – in its broadest sense – is embedded across the whole investment lifecycle. This should not be a surprise to the investment markets, given that the groups working behind the acronyms at IFRS/ISSB, SFDR, CSRD and many more have all cut their financial teeth in global financial markets and understand which levers to create in order to move those same markets.

As we look ahead to the next stages of incorporation of sustainability into investment decision making EVORA believe that the following areas remain a critical toolkit for all investors:

- **Strong and useful data sets**, without getting sidetracked by the fictional goal of 'perfect data'
- **Integration of those data sets into financial models and metrics**, for which the mathematical formulae are still not wholly clear or consistent
- **Tailored frameworks**, which allow the industry to articulate both the macro- and micro-impacts of climate risk & opportunities
- **Constant improvement cycles underpinned by robust frameworks**, which together create accountability and drive action
- **People-based real estate**, since ultimately all buildings on the planet are for people

To manage all of this, we need the following in the near future:

- **Well-structured legislation** to level the playing field (particularly on carbon pricing)
- **A common set of metrics and methodologies**
- **Valuations** which reflect sustainability as part of a set of commonly understood factors

In the meantime, thank you to all our attendees and colleagues who made this year another thought-provoking and engaging day. Below, we set out detail from each of the workshop sessions.

We look forward to welcoming you again soon!

Embedding Social Value

The session on Social Value, discussed simple and effective ways to incorporate social factors into Action Plans. In each of our session write-ups we consider, Trends, Implications, Possibilities and Solutions.

Discussion Points

- Green lease negotiations should emphasise tenant benefits, promoting energy performance standards and moving beyond "green" terminology to increase appeal.
- Health and wellbeing, such as air quality and occupier satisfaction, should be integrated into tenant spaces as a core part of the strategy.
- Community-focused initiatives, including placemaking, free community spaces, and engagement with local schools and charities, help align projects with local needs.
- Social initiatives face challenges, such as obtaining real-time data from third parties and incorporating financial returns into financial models, which highlights the need for clear expectations and structured planning.
- Early and ongoing tenant collaboration is essential, with mechanisms for feedback, tenant involvement from project inception, and considerations for DEI and wages where regional regulations allow.
- Tailoring social value approaches to the unique needs of standing investments versus new developments ensures more effective integration into financial and investment planning.

Trends

- The Social in ESG will grow in importance, especially as organisations identify social factors as relevant during double materiality assessments linked to schemes like the Corporate Sustainability Disclosure Regulations.
- *"Advancing social sustainability in real estate is crucial for building resilient and inclusive communities. By focusing on the social aspect of ESG, establishing clear measurement criteria, and responding to regulatory and industry pressures, the built environment can contribute positively to society."* RICS, July 2024
- The growing focus on ESG priorities is driving demand for effective placemaking, community engagement, and sustainable retrofitting.
- Green leases are evolving to include broader sustainability metrics, with tenants and communities expecting greater social value and accountability.

Implications

- Delays, cost overruns, and reduced effectiveness occur without early data access, realistic financial modelling, and stakeholder alignment.

- Weak tenant buy-in, inconsistent reviews, and unclear reporting hinder green lease adoption and sustainability progress, while eroding trust and partnerships.

Possibilities

- Rebranding green leases to emphasise tenant benefits and energy performance standards could foster collaboration and adoption.
- Standardised reviews and KPIs, supported by frameworks like the BBP Green Lease Toolkit, can streamline processes and enhance accountability.
- Full incorporation of Social risks and opportunities into ESG strategy

Solutions

Organisations wishing to lead in the 'social' arena, must:

- Align data access, financial modelling, and stakeholder priorities to ensure effective project delivery for placemaking and retrofitting.
- Focus lease discussions on tenant benefits to drive buy-in and effective implementation.
- Implement consistent annual reviews and transparent reporting to maintain momentum, trust, and accountability.

EVORA's Opinion

Embedding social value into action plans is crucial for aligning real estate strategies with both tenant and community needs. Health and wellbeing initiatives, such as ensuring high air quality and occupier satisfaction, should be core elements of tenant space strategies. Integrating these aspects reinforces the importance of creating spaces that support tenant productivity and comfort.

Community-centric initiatives—including placemaking, providing free community spaces, and engaging local schools and charities—are essential to aligning projects with local expectations and fostering a sense of shared investment. However, these social initiatives often face obstacles, such as acquiring real-time data from third parties and effectively modelling financial returns. Addressing these challenges requires clear expectations and structured, transparent planning.

Tenant collaboration from project inception is vital. Early and continuous engagement, with opportunities for feedback, helps build trust and alignment. This approach should incorporate fair wage practices where local regulations permit, ensuring inclusivity and equity.

Tailoring social value strategies to fit both standing investments and new developments enhances their integration into financial planning. Standardised reviews of health initiatives and sustainability commitments help maintain accountability, while clear KPIs can streamline processes and meet regulatory expectations.

Discover EVORA's services in Social Wellbeing.

Sustainable Financing

The Sustainable Financing workshop considered how organisations can create robust debt strategies.

Discussion Points

- Sustainable finance focuses on enhancing value through alternative capital, mitigating valuation risks, and managing reputational risk, especially given the heightened scrutiny of 'green' loans. Integrating risk mitigation into decisions for borrowers and lenders aligns financial outcomes with sustainability goals.

- There is uncertainty around reporting responsibilities; borrowers currently use a broad set of metrics for green/sustainability loans, which could be refined for greater specificity. Incentives and penalties aim to encourage reporting but often feel like a tick-box exercise, relying heavily on EPCs and certifications. Metric maturity is improving but remains insufficient.

- Metrics should drive asset-level value without being overly complex, as excessive complexity could hinder capital deployment and limit comparability across loans. Additionally, the financial benefits of green/sustainability loans can be offset by the time and cost needed to meet reporting criteria, making them less attractive.

- Limited time for thorough analysis in loan agreements leads lenders to aggregate metrics across portfolios, reducing the specificity of sustainable metrics for individual loans. Lenders also face challenges due to limited control over asset-level data, with unclear responsibilities for data verification throughout the loan lifecycle.

- Standardised KPIs could simplify data collection and reporting but risk overlooking important sector- or asset-specific nuances. Increasing interest in asset-linked loans for decarbonisation and energy CAPEX allows some loans to remain tied to an asset even after ownership changes.

Trends

- Sustainable lending is increasingly focused on simplifying processes to reduce administrative burdens while improving transparency and accountability.

- "*Global sustainable lending volumes in February 2024 ($11.7bn) increased by more than 22% compared with February 2023. Significantly higher activity can be seen in the green loan market, which contributed to c.35% of total sustainable lending.*" NatWest, March 2024

- The demand for clear, comparable, and asset-specific KPIs is growing to enhance green loan assessments and decision-making.

Implications

- Complex data collection and reporting processes increase administrative challenges for lenders and borrowers, reducing the effectiveness of sustainable finance initiatives.

- Lack of clear stakeholder responsibilities and transparency in data sharing weakens the impact and efficiency of green loans.

Possibilities

- Simplified data collection and streamlined reporting can reduce administrative burdens and enhance the appeal of sustainable finance offerings.
- Defining comparable, asset-specific KPIs and providing clear stakeholder guidelines can improve decision-making and accountability.
- Revising incentive structures and creating easier access to financing solutions can attract more participants to green lending programs.

Solutions

To progress, real estate lenders, in collaboration with wider industry groups, like CREFC Europe, should come together to:

- Simplify data collection and enhance data-sharing transparency to maximise the impact of sustainable loans.
- Develop clear, actionable KPIs tailored to specific assets to improve green loan assessments and streamline processes.

Lenders should also focus on 'keeping it simple' by offering straightforward, attractive financing routes with well-structured incentives to drive engagement and adoption.

EVORA's Opinion

The transition of the real estate sector to meet sustainability goals presents an immense challenge but also an unparalleled opportunity for innovative and impactful lending. Recent research, such as JLL's findings, underscores the scale: in the Global North alone, commercial real estate owners will need close to $2 trillion in debt financing over the next two decades to retrofit office properties and address supply deficits.

This staggering figure highlights both the critical work ahead and the potential for lending institutions to play a pivotal role in enabling this transformation. However, borrowers are increasingly demanding more meaningful incentives to offset the additional administrative burden, disclosure requirements, and risk considerations tied to sustainability-linked financing.

Current offerings, typically in the range of 2.5-5 basis points, are viewed as insufficient to drive widespread engagement. To effectively harness this opportunity, lenders must explore more compelling incentive structures, balancing risk management with tangible borrower benefits, such as preferential loan terms, customised support for sustainability initiatives, or tiered performance rewards.

The path forward is clear: lenders who innovate and align their offerings with the scale of the challenge will be uniquely positioned to capture the opportunities presented by the real estate sector's transition. This requires a rethinking of traditional financing models to create mutually beneficial outcomes for both lenders and borrowers.

Discover EVORA's services in Sustainable Finance.

Meeting the Market

This workshop session focused on navigating investors' conflicting demands on ESG.

Discussion Points

- Increased reporting requirements are impacting execution, with many professionals feeling "reporting fatigue" and limited time for actionable improvements.
- In the U.S., Diversity, Equity and Inclusion (DEI) can take priority, while in the EU, mandatory disclosures (e.g., SFDR) are a main focus. Investor requests for ESG data are also becoming more detailed and sophisticated, though many feel overwhelmed by the volume and variance, often driven by investors "following the pack."
- Research from PwC UK stated back in 2022 that:

  "Investors demand greater clarity on ESG data" however, EVORA's experience demonstrates that, at least in real estate, requests from different investors can change significantly.
- Economic pressures, high decarbonisation costs, and complex commitments (e.g., Net Zero) are leading to lower prioritisation of ESG for some, a trend known as "greenstalling." Realising Net Zero remains challenging without clear execution strategies, sufficient capital, and the right technologies.
- Further, investor preference for ESG is often highly linked to their investment time horizon in the current economic environment, with some short-terminist views seeing ESG as a cost rather than value driver.
- Some see ESG as increasingly integrated into standard business practices, which may explain a shift in focus, though ESG complexity remains a concern with numerous frameworks and complex metrics, like GRESB, demanding extra time and resources.
- There is inefficiency due to "double spending" on ESG audits and reporting by investors, property management, and clients, detracting from asset improvements. Concerns also exist overspending too heavily on human capital for ESG, creating further cost inefficiencies.
- The direct impact of the Corporate Sustainability Reporting Directive (CSRD) is currently small, but indirect effects are growing.
- Regulation remains the most realistic lever for ESG progress, though regulatory changes in various regions have introduced uncertainty for investors; tenant demand for ESG action is the preference, however, it is not sufficiently high in all markets to warrant meaningful action.
- Brown discounting risk is seen as a going concern, while green premiums are viewed as less reliable, highlighting the need for tenant, investor, and regulatory alignment to ensure requests are streamlined and material topics are adequately covered.
- Despite concerns about GRESB's viability, complexity and cost, it remains the most relevant benchmark for measuring fund performance across the industry.

Trends

- The drive to demonstrate sustainability risks are understood (particularly when considering net zero) is pushing organisations to adopt strategies and secure funding that translate commitments into measurable progress.
- ESG reporting frameworks are evolving to reduce complexity and focus on streamlined, impactful metrics that demonstrate both environmental and financial value.

Implications

- Without adequate funding and viable strategies, sustainability and net zero commitments in particular risk falling short of delivering measurable progress.
- Complex and duplicative ESG reporting frameworks drain resources, detracting from impactful initiatives and proactive stakeholder engagement.
- Misalignment among governments, investors, managers, tenants, and industry bodies hinders collective progress on shared sustainability goals.

Possibilities

- Streamlining ESG metrics and processes while prioritising metrics that show both environmental and financial value can boost stakeholder buy-in and resource efficiency.
- Greater collaboration among key stakeholders can align efforts, reduce redundancies, and ensure a cohesive approach to net zero and ESG goals.

Solutions

- Real Estate fund managers should work to understand investor expectations and reporting requirements from the outset, during early-stage fund raising.
- Organisations should implement practical strategies that translate sustainability and net zero commitments into actionable progress.
- Simplify and standardise ESG processes to minimise administrative burdens, reduce duplication, and allocate resources to impactful initiatives.
- Foster partnerships and collaboration between governments, investors, managers, tenants, and industry bodies to align goals and outcomes.

EVORA's Opinion

Global investment, characterised by varying levels of investor appetite for ESG integration, must align any ESG actions with financial risk and performance metrics to validate the business case effectively.

Sophisticated managers should adopt a comprehensive approach, mapping ESG impacts across cash flow models to gain a holistic view of outcomes. This includes not only identifying opportunities to enhance value but also mitigating potential risks, such as the avoidance of discounts and penalties.

To address the rapidly growing volume and complexity of investor requests, as well as the increasing level of scrutiny, organisations must establish a robust framework of universally applicable raw data points. This foundation ensures that data can be transformed into any format required by investors while accommodating the nuances of different asset classes and geographical regions.

The development of more robust and stable regulations would help create a level playing field, enabling the market to direct capital towards critical sustainability priorities, such as achieving net zero targets. This requires access to comprehensive performance data, including occupant and tenant behaviour, as part of regulatory compliance.

Progressive managers must remain focused on their long-term goals and strategies to safeguard value and strengthen reputations. Decisions made today—such as setting efficiency goals for refurbishment—will have significant implications that extend into 2040 and beyond. The opportunity to drive meaningful ESG progress is now, and taking decisive action will position managers to lead in a rapidly evolving landscape.

Discover EVORA's services in Reporting and Disclosure.

Building Global ESG Frameworks

This workshop considered how real estate operators can engage on a global platform, whilst ensuring action is taken at a local level.

Discussion Points

- Discussing ESG with investors in global capital markets requires clarity and understanding across diverse regional perspectives.
- Business diversity presents unique challenges for implementing consistent ESG practices across varied operations.
- The language used to discuss ESG, both at the asset and corporate level, may not be universally understood, potentially blocking ESG progress.
- Conducting a double materiality assessment for ESG is crucial, addressing core themes such as climate change, pollution, natural resources, biodiversity, circular economy, workforce conditions, community impact, consumer engagement, and business ethics.
- Building an ESG framework for a global real estate asset management company, operating in North America, Europe, and APAC across sectors like residential and logistics, poses challenges in achieving alignment and consistency. These challenges, must be mapped out and understood.

Trends

- Companies are focusing on materiality to establish a strong ESG foundation and identify relevant sustainability priorities.
- Regional variations in ESG terminology and stakeholder preferences are influencing how ESG topics are communicated and prioritised.

Implications

- Without identifying material ESG issues through assessments like double materiality (that consider asset impacts on the environment, and environmental impacts on the asset), companies risk a misaligned focus, weakening their sustainability strategy.
- Ineffective communication of ESG frameworks, both across governance levels and to stakeholders, undermines the implementation and impact of ESG initiatives.

Possibilities

- Conducting double materiality assessments can clarify material issues, integrating both top-down and bottom-up ESG perspectives. This process should not be rushed.

- Tailoring ESG messaging to regional and stakeholder-specific priorities, such as framing "Net Zero Carbon" as "energy efficiency," can increase resonance and impact. Conversely, getting messaging wrong can have a disturbingly negative impact.

- Simplifying ESG terminology and frameworks while maintaining clarity can improve stakeholder engagement and drive sustainable change.

Solutions

Organisations should seek to:

- Build a strong ESG foundation by clearly defining materiality and aligning it across governance levels, from investors to end users.

- Use double materiality assessments to identify universally material topics, like climate-related risks, while addressing region-specific needs and preferences.

- Ensure clear, adaptable communication of ESG frameworks to convey complexities effectively and support meaningful, flexible implementation.

EVORA's Opinion

While each company's strategic framework must be tailored to its specific business model—ideally through a double materiality assessment process—a robust methodology exists that we have found to be effective across all investment strategies and regions.

A successful strategic framework should be developed both from the top down and the bottom up. This dual approach ensures that the framework is not only aligned with overarching organisational goals but also rooted in actionable steps, driving continuous progress against the firm's chosen metrics and KPIs.

Once the core structure of the framework is established, a summary overview should be designed to be simple and clear. This summary serves as a powerful communication tool for engaging all stakeholders, while remaining embedded in tangible, reportable operating principles and measurement frameworks that reinforce accountability and transparency.

Discover EVORA's services in Strategic Consulting.

Data-Driven ESG

This workshop focused on preparation for the next generation of disclosure and performance management.

Discussion Points

- GRESB, though investor-driven, plays an important role in driving industry change. Newer participants see more value in GRESB than long-term users, with some viewing benchmarking as lacking transparency; however, data collection remains valuable regardless.
- Investor engagement with GRESB is limited; most real estate managers participate due to investor requirements, but many see it more as a capital-raising tool than a strategic measure.
- Real estate is slower to evolve compared to faster-moving sectors like retail and hospitality. Increased collaboration could help drive ESG progress within the industry.
- The value of Scope 3 emissions reporting varies based on asset type and position within the value chain. Landlords can often influence but not fully control Scope 3, raising questions about accountability.
- Some investors lack a deep understanding of Scope 3 complexities, and the absence of strong financial incentives reduces urgency around Scope 3 engagement.
- Net Zero commitments require a whole-building approach that includes Scope 3 emissions. Frameworks like NABERS have proven effective in driving efficiency, as seen in Australian office buildings.
- Companies face challenges quantifying social sustainability impact, but double materiality risk assessment approaches could drive greater standardisation in social data reporting.
- Certain asset classes within real estate lack sufficient data, limiting managers' ability to effectively communicate risks to investors.

Trends

- *"[European Central Bank research has] found too many lenders struggling to collect information about Environmental, Social and Governance factors affecting corporate real estate asset".* New Private Markets Publication, August 2024.
- GRESB remains a key ESG framework but is becoming less impactful for long-term users, prompting interest in supplementary or alternative approaches.
- Real estate is exploring collaborative practices and whole-building approaches to address challenges like Scope 3 reporting and Net Zero commitments.
- Double materiality is driving efforts to standardise social data collection and reporting across the industry.

Implications

- Over-reliance on extensive reporting rather than action may limit focus on direct asset improvements and long-term sustainability impact.
- Challenges with Scope 3 reporting, particularly around influence versus control, complicate efforts to achieve Net Zero goals.
- Inconsistent social data practices hinder the ability to fully integrate ESG metrics into decision-making and industry progress.

Possibilities

- Integrating collaborative practices from agile sectors could enhance progress and innovation in real estate ESG strategies.
- Streamlining reporting requirements and standardising social data collection could free up resources for impactful asset improvements and sustainability efforts.
- Adopting whole-building approaches to Scope 3 reporting can align stakeholders and improve Net Zero progress.

Solutions

To successfully develop purpose-based data strategies organisations must:

- Explore and integrate alternative or supplementary frameworks to complement GRESB and address gaps for long-term users.
- Standardise reporting practices, particularly for social data, to enhance clarity, reduce administrative burdens, and focus resources on impactful initiatives.
- Promote whole-building collaboration to address Scope 3 challenges, align influence and control, and accelerate Net Zero progress.

EVORA's Opinion

Sustainability in real estate is transitioning from a moral imperative to an integrated component of financial and operational viability. This shift requires a systemic overhaul in data practices, regulatory compliance, and professional roles to meet evolving demands effectively. There is a pressing need for robust, reliable and transparent data for disclosures, meaningful analytics, and to support decision-making especially with regard to taking action, whatever that may entail. At present, sustainability data often exists in disconnected systems, documents and spreadsheets, making integration and real-time analysis challenging. Furthermore, historical inaccuracies, "gap-filling," and lack of provenance and transparency in the data can often undermine trust and further impede decision-making.

Sustainability data in the not-too-distant future must be integrated with financial accounting systems to reflect its true impact on asset value and operational costs. This transition will require a whole new strategy around data that focuses on data quality and transparency which also combines climate and investment metrics. While AI has a big role to play both in the curation of data and data analytics, there remain risks associated with the quality of input data, security risks (associated with the sharing and processing of data) and the simple risk of an over-reliance on a technology which can often be a "black box".

As was discussed at some length during our workshops, despite some strong feelings, frameworks such as GRESB do have an important role to play, especially for new entrants wishing to put a performance marker down and understand where to focus future effort. Whilst it can be easy to point to flaws in the plethora of frameworks out there, rather than waiting for perfect solutions, the industry should align on "good enough" standards to facilitate progress.

So, what can be done about it? In short, the real estate industry needs to transition its data practices away from being largely a fragmented, compliance-driven exercise to a foundational component of financial and operational decision-making, meeting both regulatory requirements and broader climate action goals. To do so we must:

- **Standardise data practices** - Establishing clear rules for data collection, validation, and reporting.

- **Invest in technology** - Migrate to integrated, tech-enabled platforms that centralise data collection, processing, and reporting.

- **Have strong data governance and transparency** - Ensure that all data has documented origins, methodologies, and quality checks to build confidence among stakeholders.

- **Rethink professional roles** - Reorganise sustainability responsibilities across asset management, finance, and operations to reduce role fragmentation and align expertise with evolving needs.

One final point to make, but one that rang out loud and clear during our discussions – the industry is bad at collaborating. In order to meet the challenge, we must innovate together as an industry, share best practice and engage with the policymakers to help better shape and align the regulatory landscape.

Discover EVORA's services in Data.

Decarbonisation in Practice

This workshop focused on making the financial case for implementation of sustainable decarbonisation strategies.

Discussion Points

- Moving from decarbonisation strategy to implementation requires navigating constrained capital environments and prioritising high-impact investments.
- Ensuring buy-in for decarbonisation depends on demonstrating return on investment, carbon reduction impacts, and value at risk to stakeholders.
- Risk of future valuations and stranded assets drives the need for decarbonisation; falling behind poses significant financial and reputational risks.
- Barriers to achieving Net Zero Carbon (NZC) include data inconsistencies, fragmented tenant permissions, and the absence of standardised carbon metrics.
- Decision-makers struggle with understanding sustainability metrics like CRREM analysis, underlining the need for clearer data and education.
- EPCs, while flawed, are key regulatory drivers that serve as a starting point for NZC strategies and readiness at the point of exit.
- Internal mechanisms like shadow carbon pricing can help organisations focus decision-making and prepare for external regulations, though wider adoption will require standardised frameworks and education.
- Tenant engagement is critical but time-intensive, with resource constraints limiting proactive conversations. Demonstrating energy reduction value post-acquisition can encourage collaboration.
- Addressing split incentives requires defining tenant roles in decarbonisation efforts, particularly where benefits are shared.
- Boards are becoming more knowledgeable about sustainability, adopting risk-based approaches to decision-making even with imperfect data.
- Success hinges on timing; revisiting capital expenditure decisions after they are set is challenging, reinforcing the importance of early integration of decarbonisation strategies.

Trends

- Investment committees (ICs) are increasingly driven by risk, valuation impacts, and evidence-based trajectories in decision-making. Much has been written about this topic, both inside and outside of the real estate sector. Boston Consulting Group in their 2023 survey on how investors should incorporate carbon into decision making, highlight that Most leadership respondents expect to earn a premium from portfolio companies that prioritise decarbonisation.

- EPCs, 'brown' discounts, and regulatory drivers are prompting earlier action on risk adjustments and decarbonisation readiness.
- Carbon pricing and tenant collaboration are emerging as key motivators for emissions reduction and broader decarbonisation strategies.

Implications

- Without clear valuation metrics and evidence of impact, ICs may struggle to prioritise decarbonisation investments.
- EPC regulations and brown discounts are putting pressure on asset managers to accelerate risk adjustments and prepare assets for exit.
- Tenant engagement, while essential for decarbonisation, is resource-intensive and often unsupported, limiting broader strategy integration.

Possibilities

- Standardising metrics like energy use intensity (EUI) can enhance valuations, drive decarbonisation action, and future-proof assets.
- Feasibility studies for EPC improvements can initiate deeper discussions on Net Zero Carbon (NZC) pathways and comprehensive decarbonisation plans.
- Phased carbon pricing strategies, such as shadow pricing, can help organisations adapt to stricter regulations.

Solutions

To develop decarbonisation strategies organisations must:

- Highlight valuation impacts and risk trajectories to influence IC decision-making and align investment with sustainability goals.
- Support tenant collaboration efforts by integrating engagement into decarbonisation strategies with appropriate resources and frameworks.
- Promote standardised metrics and phased carbon pricing approaches to align regulatory compliance with long-term sustainability and asset value goals.

EVORA's Opinion

Increasingly the challenge is around the delivery of net zero or decarbonisation strategies as opposed to the planning of them. Finding capital and implementation capacity will become the challenge over the next 20 years as the first round of net zero targets mature in 2030. The approach needs to be looked at differently – whether that is through different business models or by using other tools such as carbon pricing or renewable energy purchasing more intelligently – those who need to decarbonise have to find different ways to do so. IC's and decision makers simply looking at compliance related measures will not meet decarbonisation targets, opening themselves up to reputational and technological transition risk. To do this the whole sector must integrate more stress testing and scenario analysis into its decarbonisation and climate de-risking decision making, otherwise we will see little meaningful reduction in carbon before 2050.

Discover EVORA's services in Climate Resilience and Net Zero.

Take Action with EVORA

As the sustainability landscape grows more complex, the need for proactive and innovative strategies has never been greater. EVORA invites you to partner with us in shaping a more resilient and sustainable real estate future. Whether it's advancing decarbonisation, leveraging data-driven ESG practices, or embedding social value, we're here to provide tailored solutions that drive measurable impact.

Let's move from insight to action. Contact us today to explore how we can support your ESG goals and create lasting value together.

EVORA

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