Real estate impact offers real change in Europe and beyond

Growing inequality and environmental issues across global cities underline the need for radical change. In such a climate, real estate impact strategies offer long-term value while tackling critical global issues that address the needs of local communities.

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The shifting environment of socioeconomic needs presents new opportunities within real estate investments. These solutions can provide long-term financial returns while also addressing fundamental issues affecting the global population. Major cities across the globe have shown signs of a widening wealth gap, while unemployment in these locations has also grown, creating an environment in which the majority are facing challenges with job and housing opportunities.

While these common problems occur in many cities, there is no one universal route to tackling them. The unique needs of each of these regions must be fully understood to develop and implement successful solutions. Real estate impact strategies need to identify a region's need for infrastructure, residential or commercial real estate, and use that knowledge to drive financial and social returns.

What is impact investing and why does it matter?

Impact investing aims to deliver specific positive impact along with financial returns. This could be social goals that go above and beyond what would have otherwise happened, or affordable housing or environmental goals targeting net zero carbon or sustainable building practices. It provides an outcome-oriented path to real estate investments in cities, opening up new opportunities for long-term value.

Following COVID-19, both commercial and residential real estate have seen a demonstrable shift in end user needs. Tenants have shown a greater desire for physical and mental wellbeing facilities, while the need for tech-ready properties surged as working from home has normalised.

A growing focus on climate action has also seen companies, consumers and governments push environmentally friendly agendas with greater impetus. The United Nations (UN) has claimed that in order for Europe to reach its target of 35% of energy being sourced from renewables by 2030, around €5 trillion of investment is needed. The target underlines the opportunities for scalability, with demand for capital needing supply from a greater number of institutional investors.

The appetite from tenants for improved real estate, and targets set from the UN, alongside a greater focus on environmental change from owners and tenants, indicate how and where attitudes to real estate evolve. These drivers provide ample opportunities for investors.

These impact investments could provide solutions for matters such as unemployment and inequality, although knowing how to implement this strategy effectively presents an additional challenge.

What are the challenges and how are they overcome?

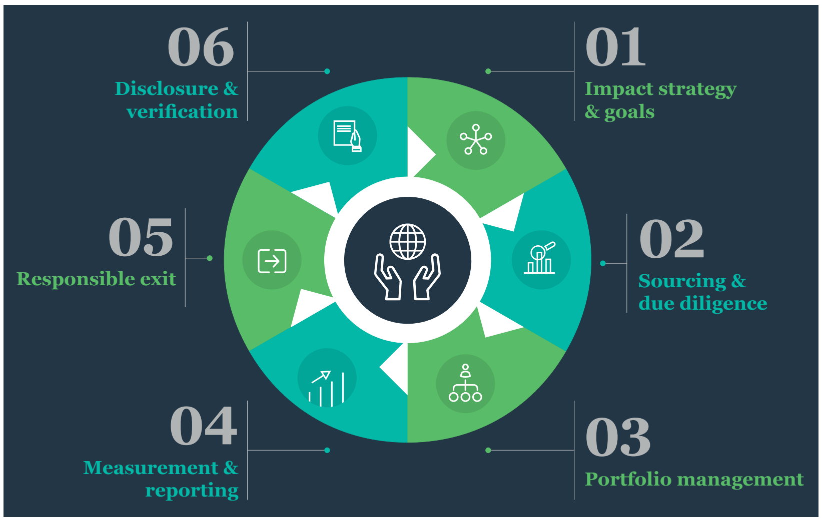
With any impact strategy, the challenge is ensuring that investments are being funnelled to the right opportunities. With ESG-related metrics improving significantly over the last 10 years, gaining an overview of an investment's environmental, social and governance makeup is far more accessible.

Impact investing in real estate requires a focused approach. Understanding the diverse needs of a region, along with the underlying regulatory environment, will be instrumental in ensuring investments are being directed at opportunities that offer real value.

Employing an asset manager who is capable of leveraging local expertise from a global vantage point gives investors access to a breadth of opportunities across different countries. Dedicated strategies for regional opportunities will allow investors to benefit from on-the-ground knowledge and relationships of regional investment teams. This implies that investments will focus on areas delivering both (positive) financial and impact returns.

Nuveen impact management system

Complete integration of impact theory into the investment cycle



Source: Nuveen Real Estate

Impact in action

Nuveen Real Estate employs a six-step approach to impact investing that targets specific, clearly defined and measurable impact goals. As a result, our investment teams have a clear view of what needs to be achieved from both a financial and impact perspective throughout the investment process, from due diligence at the outset to a responsible exit.

We have recently announced plans for impact strategies in Germany, where we have secured residential real estate targeting housing at below-average rent, by as much as a third, and seeking to attract tenants working in specific industries.

Nuveen Real Estate's impact real estate strategy in the U.S. has a larger footprint, demonstrating the long-term impact our approach is having. By the end of 2021, our impact portfolio in the U.S. was made up of 94% residential housing considered deeply affordable, with the majority offering social services, environmentally friendly improvements to legacy real estate, and more than half of the portfolio providing lower-than-average rent.

Nuveen Real Estate's impact strategies, which are country specific and also global, highlight the appetite of institutional investors, though the need and demand for further outcome-driven investments in real estate means a greater supply of capital is needed for social and environmental impact investments. As populations continue to struggle with pay gaps, cost of living issues and employment opportunities, impact investing is part of a wider effort to address the rising concerns of inequality in the modern world.

Working from a global position, we can offer impact strategies that identify the unique challenges of different regions, tapping into the local expertise of our team to provide an active approach to transformational change for a more inclusive and sustainable world.

For more insights into real estate and impact investing, visit nuveen.com/global/insights/real-estate

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