

Future-Proofing and Holistic Sustainability: Driving Value Creation in Real Estate



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The real estate industry faces a dual challenge: the escalating urgency of climate change and the imperative to deliver long-term value. Investors, regulators, and tenants are demanding concrete action, presenting both a challenge and an opportunity for real estate owners and managers. At Redevco, we believe that future-proofing—proactively addressing climate-related risks—is not merely an ethical responsibility, but a fundamental driver of long-term value creation, necessitating a holistic approach to sustainability that encompasses climate change mitigation through energy efficiency and decarbonisation, biodiversity, social value, and community wellbeing.

The imperative of future-proofing: a paradigm shift

The increasing frequency and severity of extreme weather events highlight the vulnerability of real estate assets. Beyond direct physical damage, these events disrupt operations, increase insurance costs, and erode investor confidence. At the same time, evolving regulatory landscapes, such as stricter energy efficiency standards and carbon emissions targets, are reshaping market dynamics, while tenant preferences shift towards sustainable, resilient properties.

This convergence compels the real estate sector to adopt a holistic, long-term vision integrating robust future-proofing measures. Ignoring these factors threatens the enduring viability and profitability of real estate assets. The industry is experiencing a paradigm shift, where resilience and sustainability are becoming as important as financial performance. This shift is reflected in the evolution of sustainability reporting, which has moved from a general company focus on balancing people, planet, and profit to a more sophisticated, detailed examination of asset-level performance.

A holistic approach: beyond carbon

Redevco's sustainability approach has evolved significantly, moving beyond a primary focus on environmental performance to a comprehensive impact framework. While reducing emissions remains a key priority, we recognise that true sustainability requires an integrated approach as ecosystems and the built environment are interconnected. Redevco actively enhances biodiversity in its projects, involving green roofs, gardens and planting trees to facilitate shading and water absorption, making sites more attractive and resilient, while also helping with air pollution. We collect data on existing green areas and roofs, track water use, and measure waste generated during construction to inform our strategies.

We believe that sustainable real estate must also contribute to the wellbeing of its occupiers and the surrounding communities by creating spaces that promote health, productivity, and social interaction.

This already starts at construction when we focus on reducing the carbon footprint of materials, taking an embodied carbon approach that challenges our teams to be deliberate in material choices to reduce environmental impact. This involves incentivising the use of lower-carbon, recycled, and bio-based materials.

In 2024, we introduced an internal carbon price of €120 per tonne CO₂ as part of our project evaluations—an initiative explained in our latest Responsible Investment Report, aligned with IEA's Net Zero Emissions 2050 Pathway.

A dual approach to climate risk mitigation: physical and transition risks

Effective future-proofing requires a dual approach, addressing both physical and transition risks. Mitigating physical climate risks involves assessing the direct impact of climate change, such as floods, droughts, and heatwaves, and implementing tailored adaptation solutions. For example, at Parque Corridor Shopping Centre in Madrid, we erected flood barriers to protect the property from rainwater runoff, demonstrating a proactive measure to minimise potential losses and enhance portfolio resilience. This example is one of 64 climate resilience initiatives planned for the coming period as part of our annual asset business planning cycle.



Future rooftop garden as part of Redevco's James Street (London) redevelopment increases office space attractiveness and commercial appeal

Addressing transition risks, arising from the shift towards a low-carbon economy, requires evaluating and mitigating factors such as changes in regulation, technological advancements, market shifts, and reputational damage. Evaluating and mitigating these risks is crucial for ensuring that assets remain competitive and attractive to both tenants and investors.

Strategies for enduring value: integrating future-proofing into core strategy

Future-proofing is not a separate add-on; it must be integrated into the business strategy for long-term value creation. This requires a multifaceted approach. A clear commitment to aligning with international climate goals, such as limiting global warming to 1.5°C, provides a framework for decision-making and investment. Integrating climate risk and resilience into annual asset business planning ensures that these

considerations are embedded into core operations.

To enhance property resilience and adaptability, we not only upgrade properties to withstand future climate impacts, ensuring their long-term viability and appeal, we also entirely regenerate urban assets. In these projects, our aim is to contribute to the vitality of cities by creating adaptive, mixed-use spaces that combine residential, commercial, and leisure elements, that meet evolving urban needs.

This forward-thinking approach ensures that properties remain relevant and valuable as urban landscapes evolve.

The investment case for sustainability

Explicitly linking sustainability to value is often a challenge. While the business case varies by asset type and location, evidence suggests that sustainable practices offer tangible benefits.

For instance, investments in biodiversity can promote occupier health and wellbeing, leading to improved productivity and reduced absenteeism. In our James Street redevelopment in London, a rooftop garden is expected to make the office space more attractive and enhance commercial appeal.

Moreover, sustainable practices enhance asset resilience, maintain value, and foster customer loyalty. While the impact on rents may not always be immediate, the long-term benefits of creating attractive and resilient spaces are undeniable.

Technological innovation: a key enabler

The James Street site is also a showcase for PropTech integration, with smart meters and waste-tracking technology deployed to improve transparency and sustainability outcomes, as highlighted in our 2024 Responsible Investment Report.

Data-driven insights, derived from smart sensors and meters that track energy consumption, inform effective action plans for reducing consumption. Furthermore, we expect incremental energy efficiency improvements will be possible through advanced building management systems and artificial intelligence algorithms.

Lastly, technology can enhance tenant engagement and experience. At James Street, an integrated app will facilitate interaction and engagement among tenants, fostering a greater sense of community. We're continuously evolving our approach, learning from each asset to refine and enhance the tenant experience.

Looking ahead: a resilient and sustainable future

The real estate industry is on a path towards a more resilient and sustainable future. By proactively addressing climate risk, enhancing biodiversity, and prioritising social value, we are not only safeguarding our investments but also creating long-term value for our investors, and contributing to a more sustainable and resilient future for all.

