For Immediate Release

Climate risk doesn't have to be catastrophic for real estate: Cushman & Wakefield

SINGAPORE, December 1, 2023 – The business of readying the built environment for increasing temperatures, rising sea levels and more frequent natural disasters had been adopted as standard by many in the real estate industry as fear around climate change slowly morphs into a business-as-usual approach to managing risk, according to experts speaking at a recent event in Singapore.

Speaking to the crowd at the workshop on climate risk and real estate investment, Cushman & Wakefield's **Head of Sustainability and ESG for Asia Pacific, Matthew Clifford**, said rather than undermining its importance, he saw the business-as-usual approach to climate change that had been adopted by the industry as a positive development.

"Often people think of climate risk as catastrophic, and it could be. We are not denying that. But there are also many climate risks that could require only modest changes in operational practices or capital enhancements.

"To give a very simple example, in the case of heat stress, we have air-conditioning. We can run the units for longer, perhaps upgrade the equipment. These things already happen in the real estate sector every single day.

"For many years, even decades now, climate risk has been singled out from other risks and I think that has perhaps kept the level of fear high when the industry is typically quite adept at dealing with capital upgrades and managing risk.

"At its simplest, climate risk is one of many possible reasons a building owner might have to invest in upgrading or making their asset or portfolio more resilient. We want to take this practical, active approach to managing climate risks where we can."

But he acknowledged that physical risks, which can largely be assessed through existing technology, were not as complex as an organisation's ability to adapt its operating practices to the impacts of climate change and some of the as-yet unknown consequences.

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While the industry may have made progress in adapting to moderate climate risks, workshop participants agreed it continued to be buffeted by macroeconomic headwinds, with persistent inflation and highest-in-recent-history interest rates in many markets impacting transaction volumes globally.

APREA chief executive Sigrid Zialcita said while the downturn had tightened capital expenditure across all areas, sustainability was both the first step in adapting to climate risk, and a long-term play:

“Governments worldwide, including in Singapore, are likely to prioritise the implementation of more stringent reporting and disclosure requirements for listed companies in the real estate sector. With capital gains harder to come by in a ‘higher-for-longer’ interest rate environment, asset quality will become even more crucial in sustaining returns and preserving value,” she said.

Clifford said he believed the real estate sector was better placed than many others on carbon reduction journeys.

“It’s commonly said that the built environment accounts for around 40 percent of global emissions, but the good news is that the real estate industry, unlike some other high-emission sectors, has at its disposal tools and technology to greatly reduce its carbon emissions. There is not a magic bullet, but there are a lot of levers that can be pulled to improve building performance before we reach the carbon offset stage.”

The Understanding Climate Risk: A practical view workshop was held in conjunction with APREA at Cushman & Wakefield’s CapitaSpring office. Panelists were Vinamra Srivastava (CapitaLand Investment), Tan Szue Hann (Keppel) and Josephine Yip (Ivanhoé Cambride). The panel was hosted by Cushman & Wakefield’s Head of Sustainability and ESG for Asia Pacific, Matthew Clifford.

Read more here: How to Manage Climate Risk

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