

Transition Pathways: Real Estate

Blueprints and building blocks: How are property businesses approaching the low-carbon transition?



We asked 300+ real estate developers and investors in 20 markets how they are building towards net zero and what they need to take their transition plans up a level.

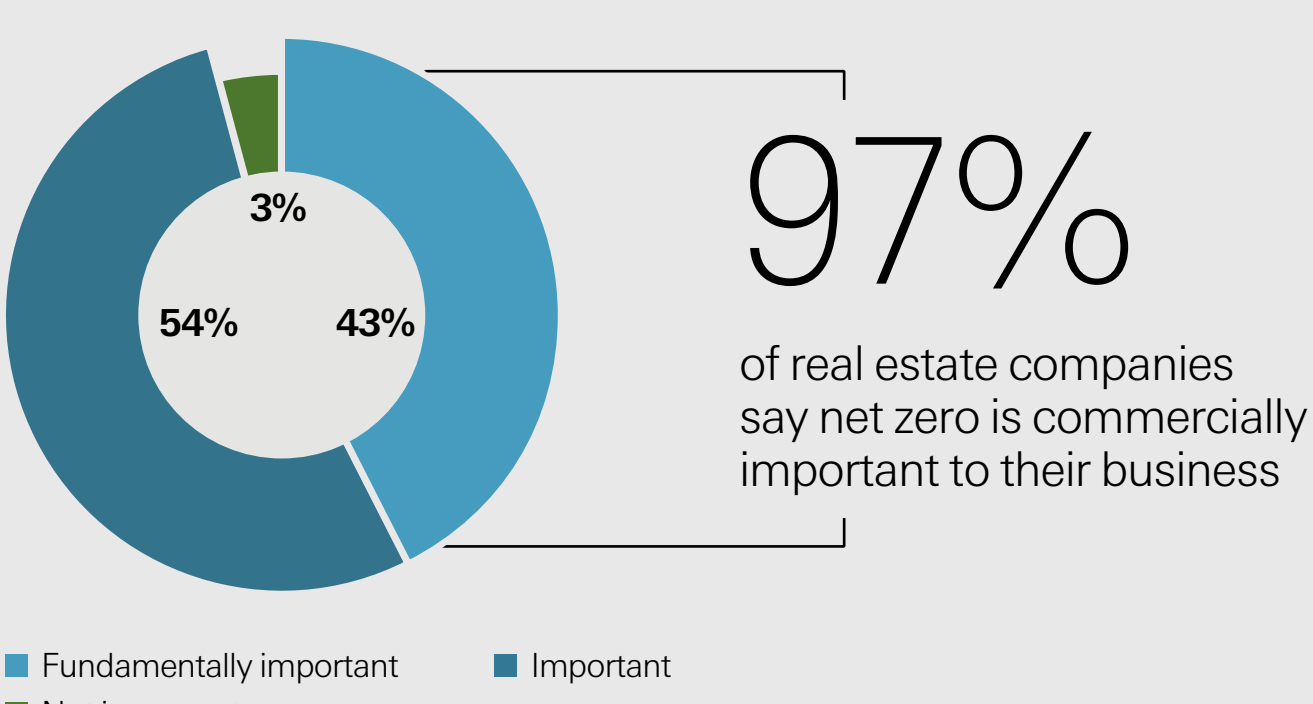
"The property sector is responding to the urgent need to decarbonise both new and existing buildings, and the pace of progress will only accelerate over the coming decades. Access to financing is critical for any real estate business, and we are ready to help the sector meet its ambitious targets."

Seb Henbest
Group Head of Climate Transition

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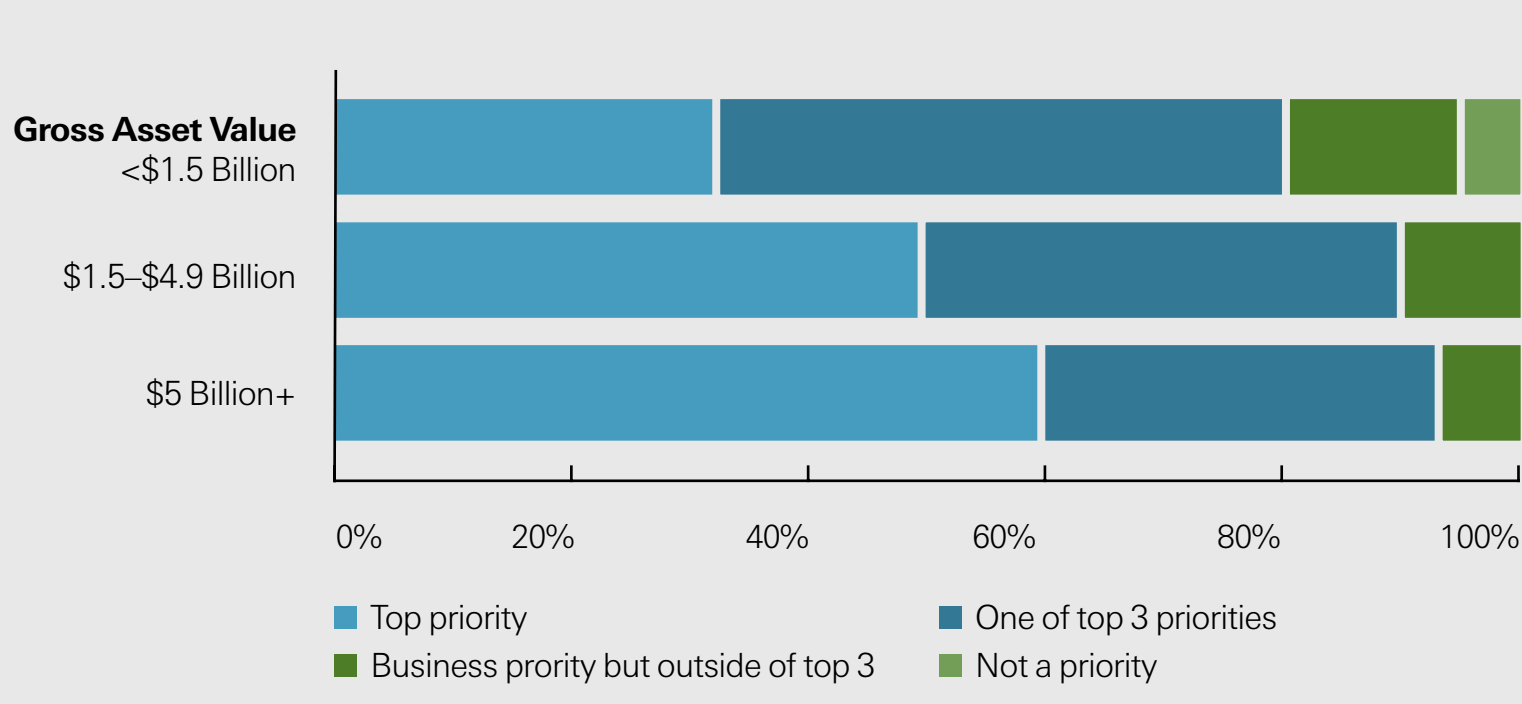
Business sentiment and strategy

Net zero is **commercially important** across the real estate sector.

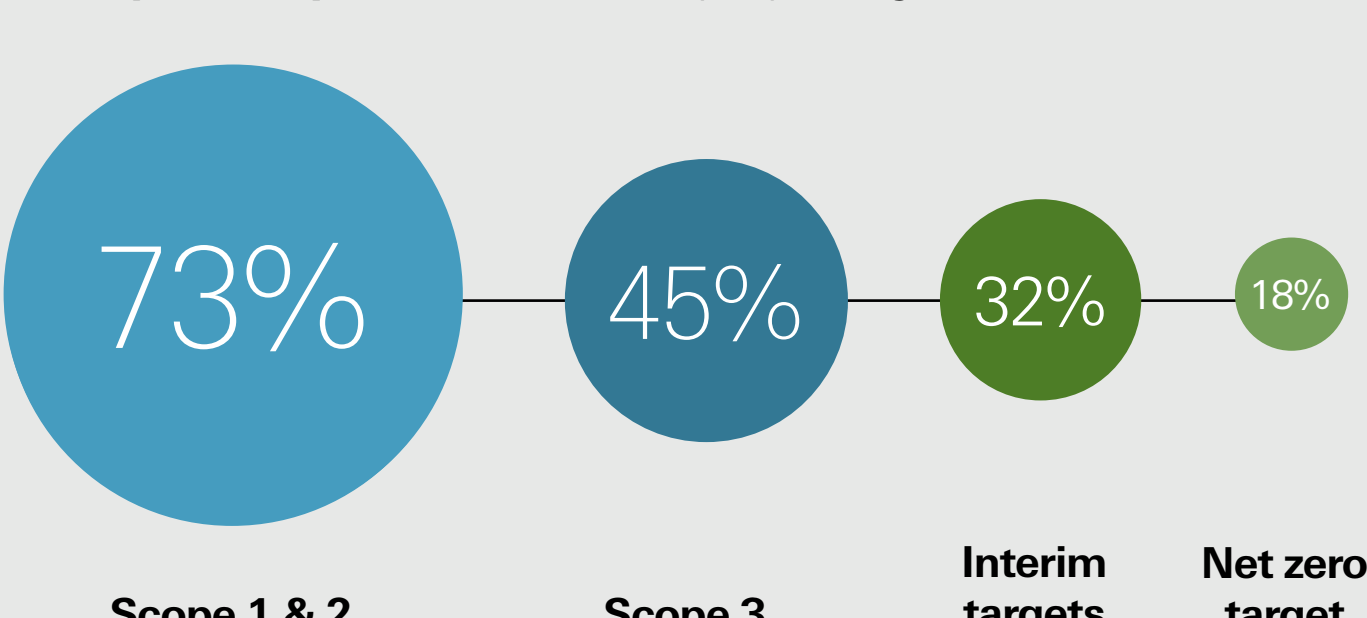


Property developers and investors are increasingly aware of the urgent need to decarbonise their assets.

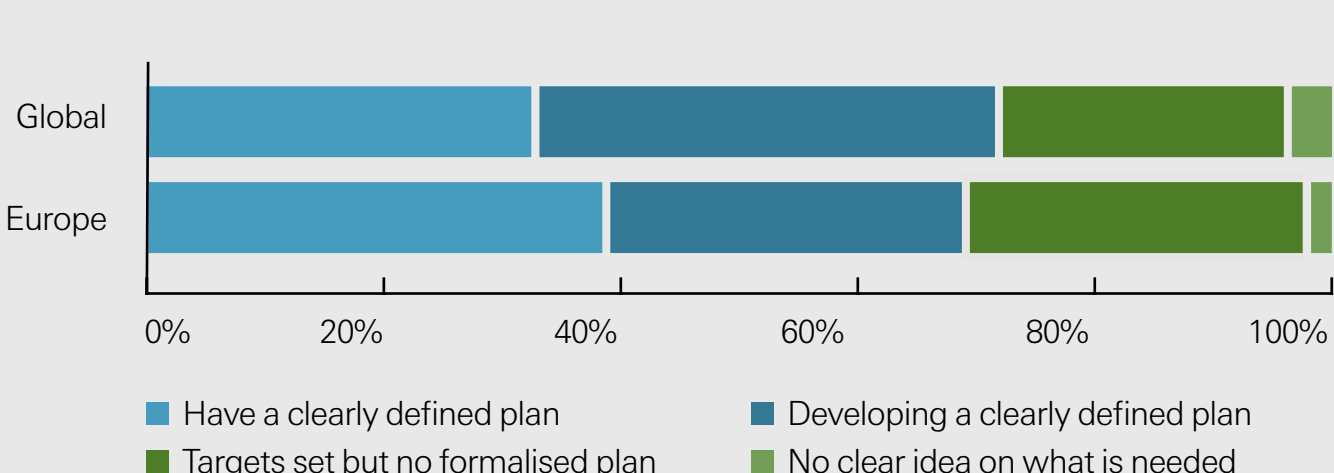
The biggest businesses are prioritising decarbonisation: **59% of the largest real estate companies** say net zero is their top priority.



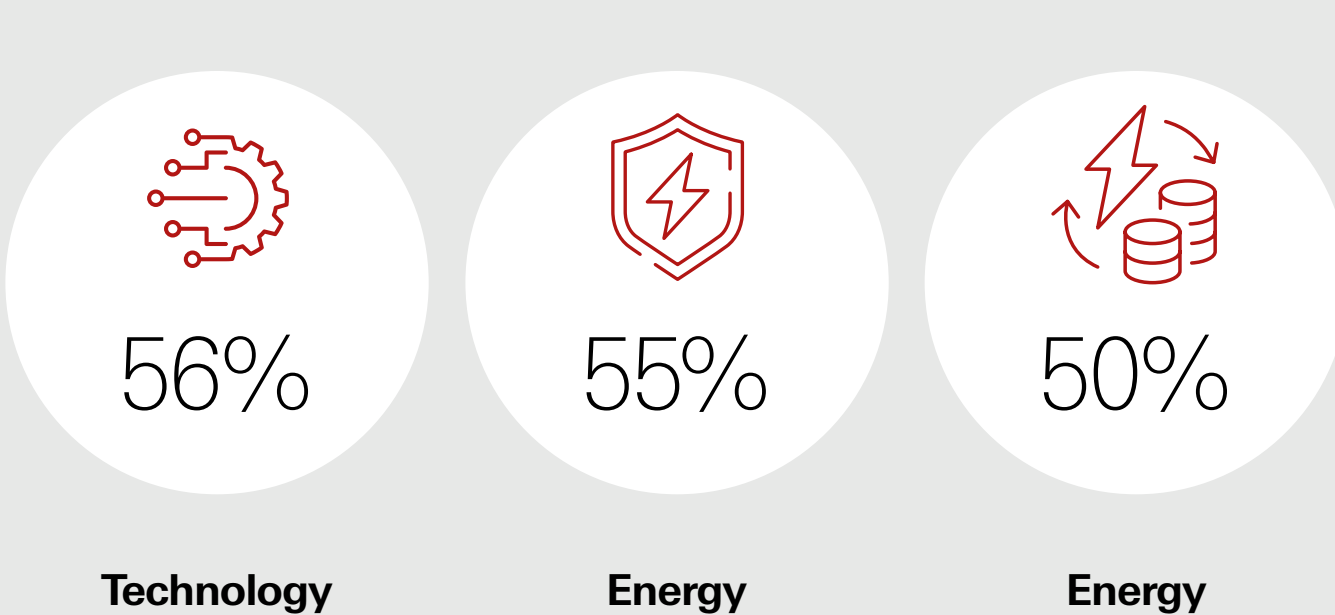
Nearly three quarters are already reporting their emissions



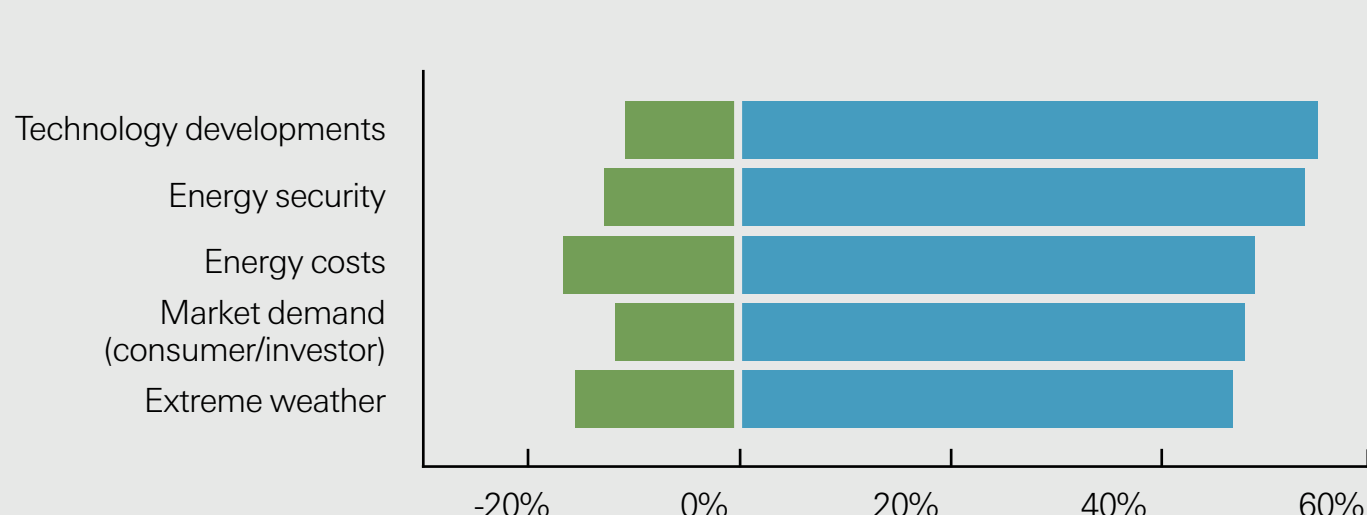
Globally, one-third of companies claim to have a clearly defined plan* to tackle carbon emissions. Companies in Europe are particularly likely to have a formal transition plan.



Top 3 factors accelerating businesses' transition:



Factors affecting businesses' net zero transition, by net acceleration

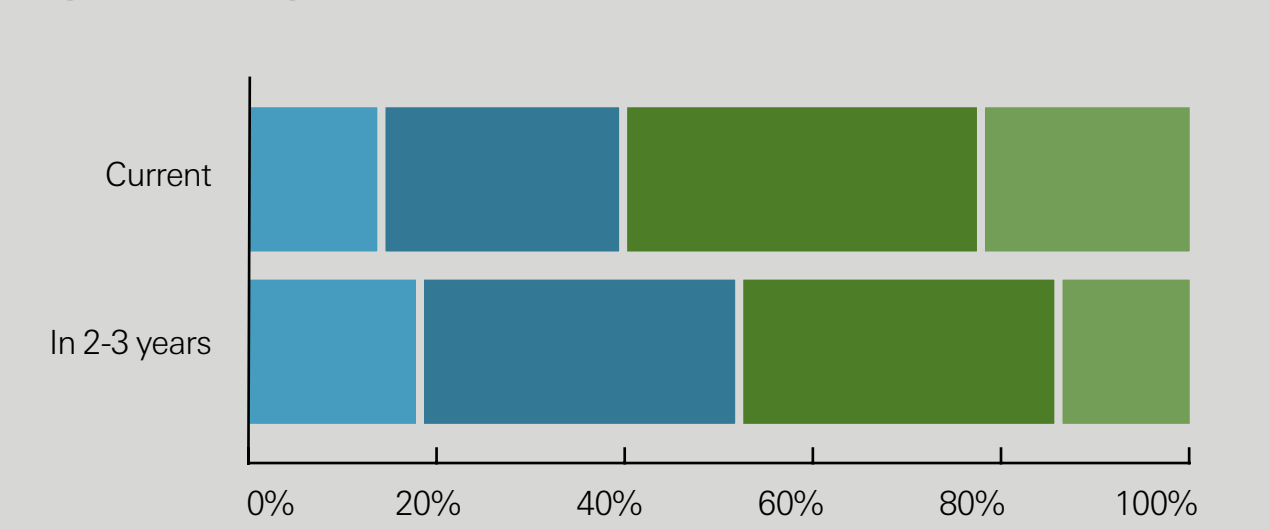


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Actions and investment

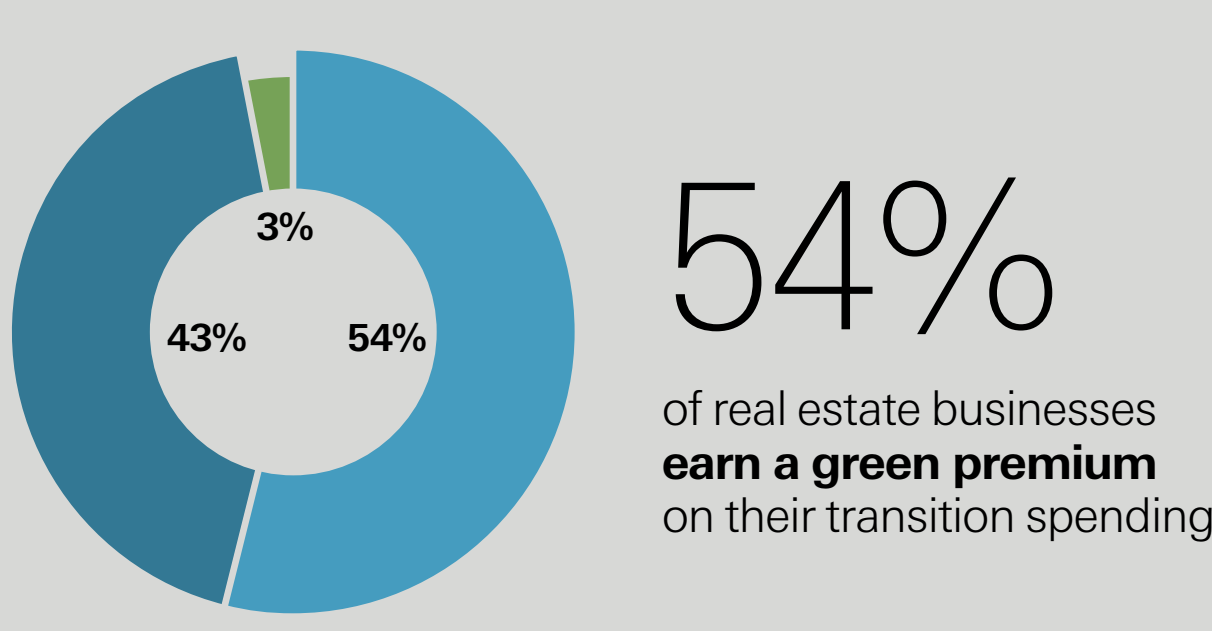
The proportion of businesses projecting that they will spend >10% of their capex budget on net zero increases to more than half in two to three years' time.

Proportion of capex allocated to net zero transition

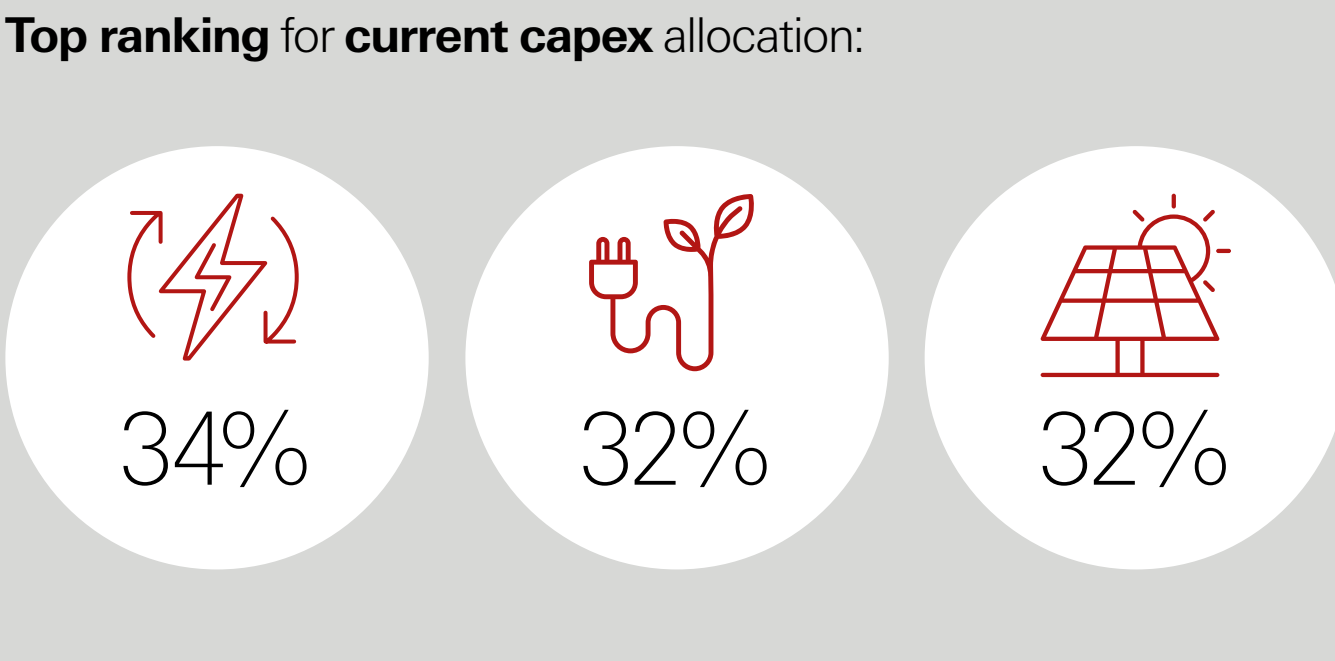


Real estate businesses plan to increase their spending on decarbonisation, with a particular focus on energy efficiency, electrification and switching to renewable power.

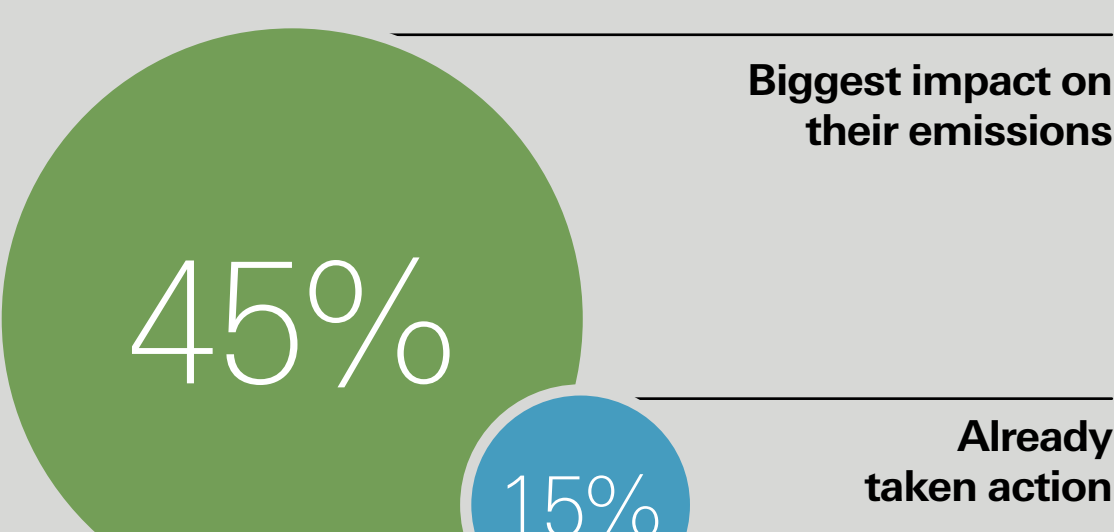
A majority of real estate businesses are confident of earning a higher yield on their net zero-related spend



Top ranking for current capex allocation:



Electrifying building operations is seen as the most important step in the real estate transition, but most of the companies who say this have not yet done so.

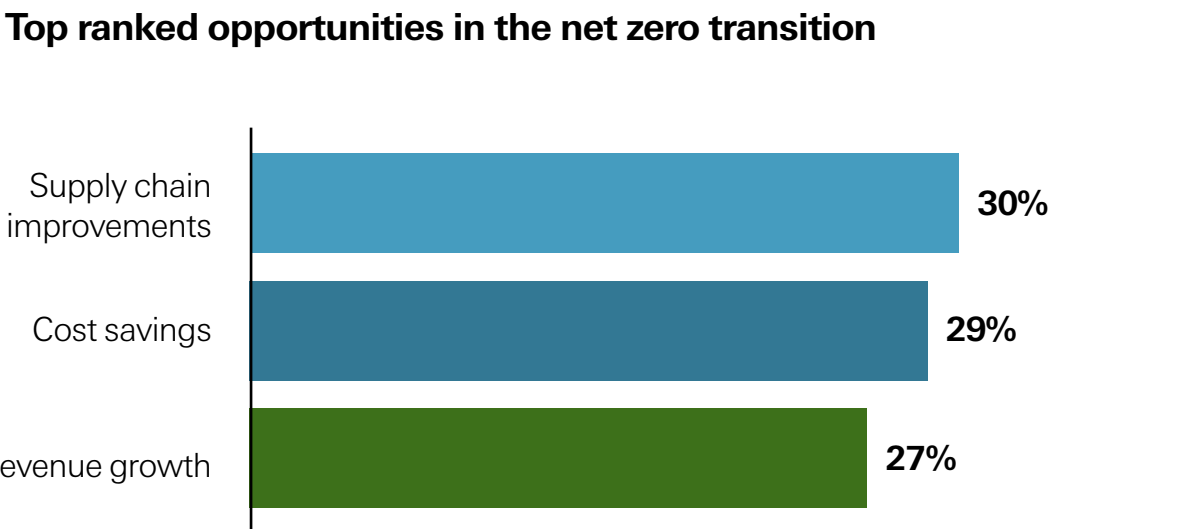


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Drivers and opportunities

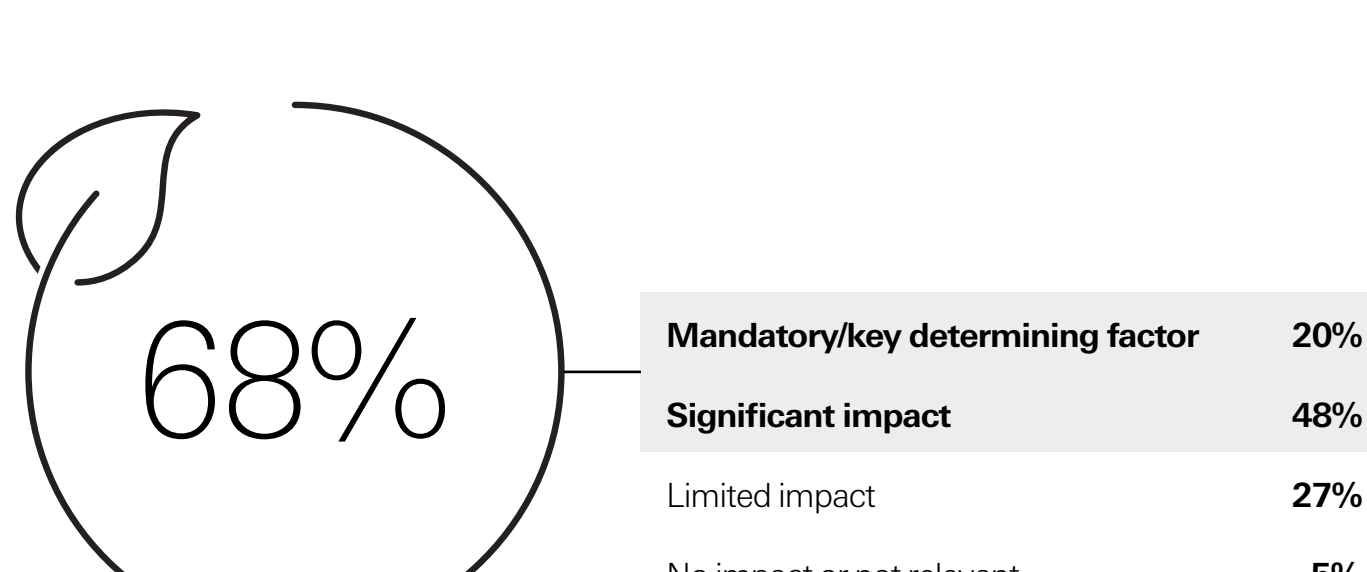
Supply chain improvements and cost savings rank ahead of increased valuations and revenues as key business opportunities.

Top ranked opportunities in the net zero transition

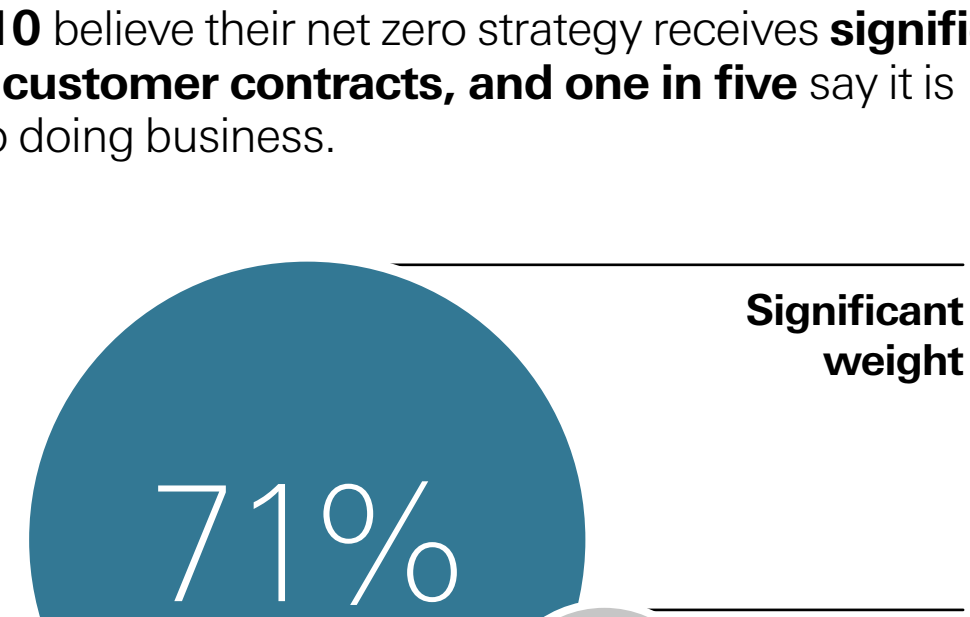


Property companies have a commercial incentive to transition, with supply chain transparency and cost savings seen as the biggest business opportunities.

Some two thirds of businesses say ESG credentials have a significant impact on their M&A activities, with the figure higher among big companies.

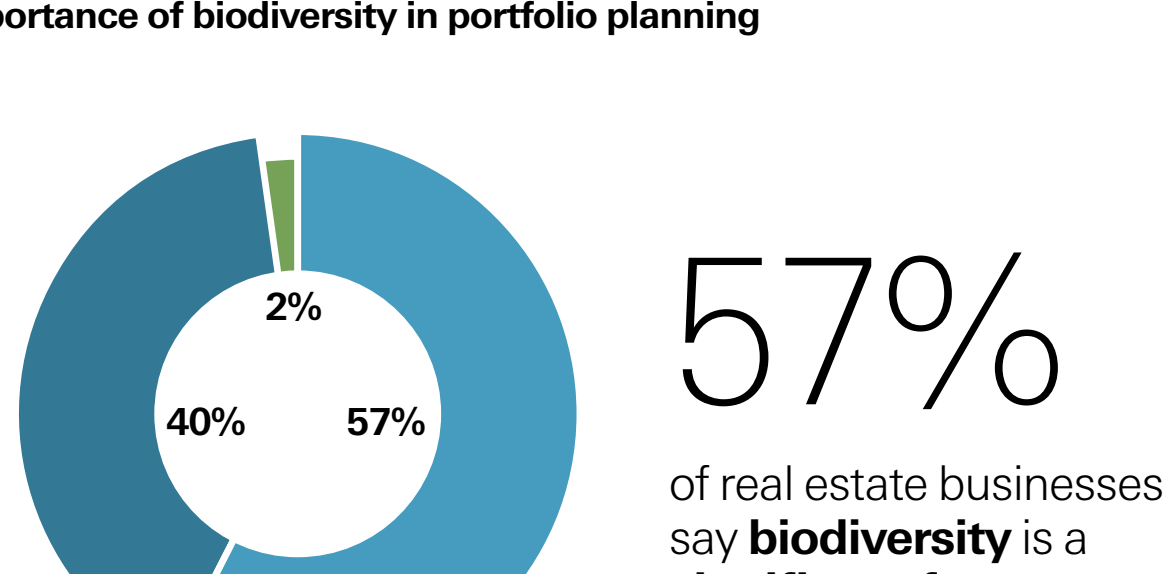


Seven in 10 believe their net zero strategy receives significant weight in customer contracts, and one in five say it is essential to doing business.



Virtually all businesses take biodiversity considerations into account.

Importance of biodiversity in portfolio planning



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The importance of finance

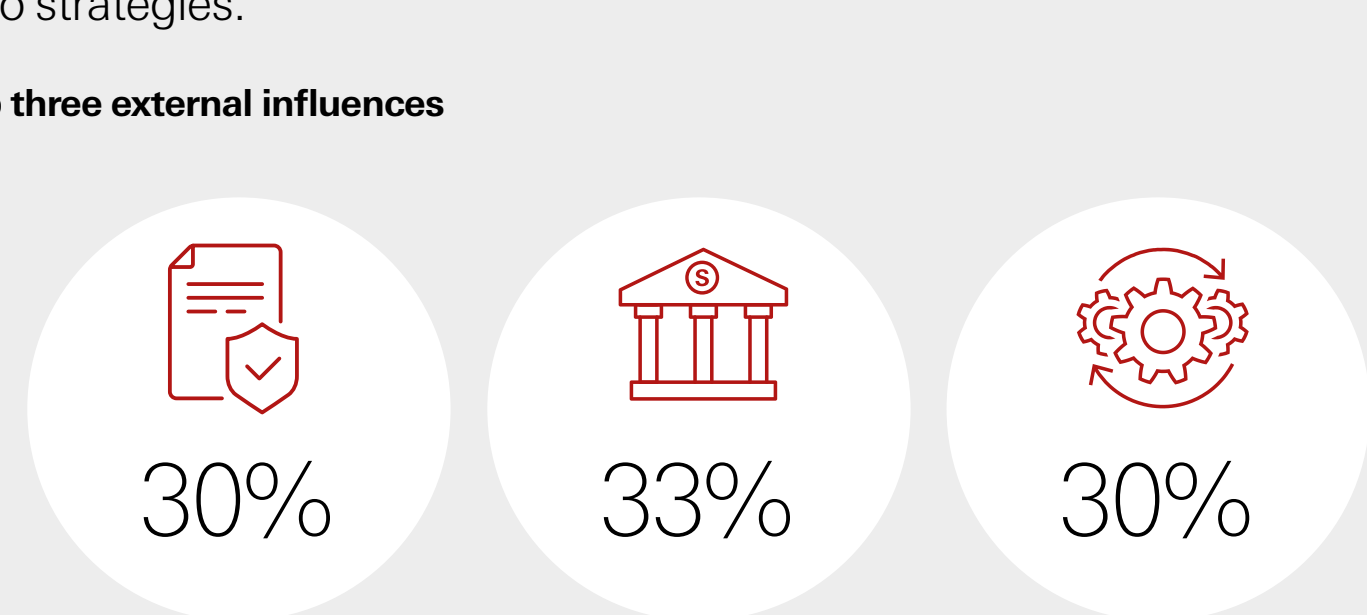
The availability of technology and financing are the key dependencies for businesses looking to meet their net zero transition. Costs and access to financing also top the list of barriers to further action.



Access to finance will be a critical factor in the transition for the capital-intensive real estate sector.

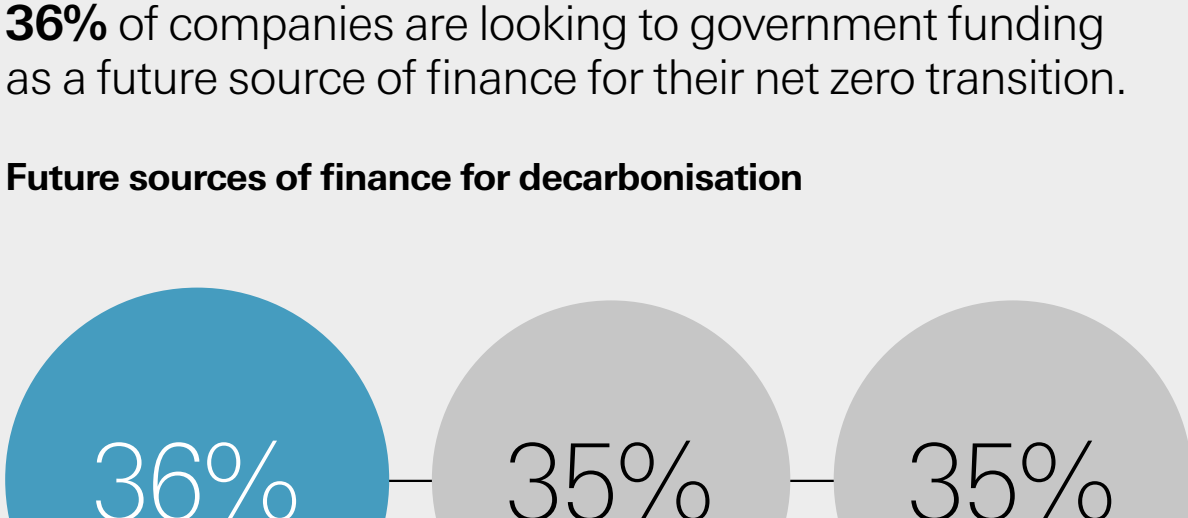
Providers of finance have an outsized influence on net zero strategies.

Top three external influences

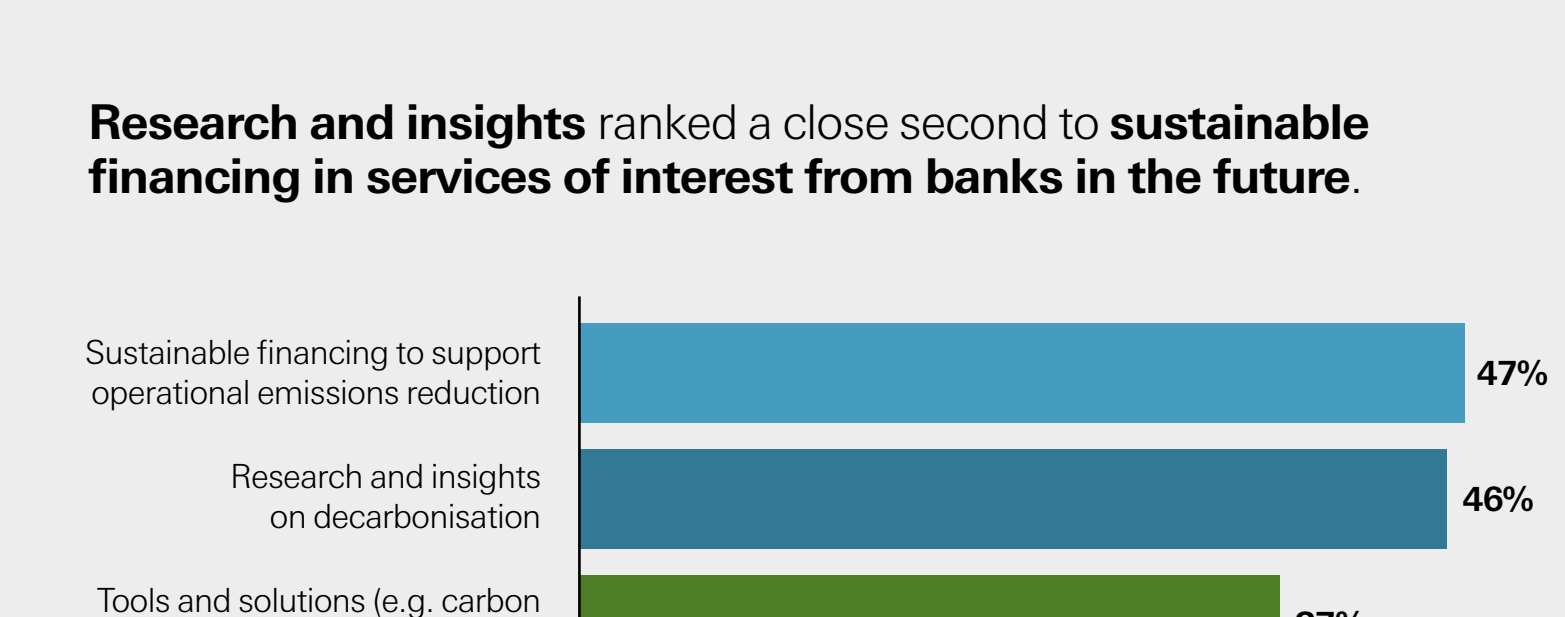


36% of companies are looking to government funding as a future source of finance for their net zero transition.

Future sources of finance for decarbonisation



Research and insights ranked a close second to sustainable financing in services of interest from banks in the future.



Methodology

For HSBC's Transition Pathways survey, HSBC has worked with Kantar, a data, insights and consulting company. The survey is not wholly-representative of HSBC's customer base and covers respondents across 321 key financial decision makers from businesses operating in the Real Estate sector, comprising Developers (163) and Investors (158) and operated across Residential and Office, Retail and Hospitality and Logistics and Data Centres.

Businesses were located in Europe (61, of which 35 were in the UK), Asia (97, of which 43 were in Hong Kong), the Middle East (31) and North/Central America (132). Overall 146 (45%) had a gross asset value below \$1.5bn, 67 (21%) had a gross asset value between \$1.5bn and \$4.9bn and 108 (34%) had a gross asset value in excess of \$5bn. 99 (31%) had been established for less than 10 years and 222 (69%) for more than 10 years.

Data was collected through an online questionnaire and the survey ran from 5 to 17 July 2023.

In preparing this survey, HSBC has relied upon available data, information and responses given at the time of writing. This report should not form the basis of any third party's decision to undertake, or otherwise engage in, any activity and third parties do not have any right to rely on it. Neither HSBC nor Kantar accept any duty of care, responsibility or liability in relation to this research or its application or interpretation, including as to the accuracy, completeness or sufficiency of it or any outcomes arising from the same.

* based on respondents who answered 'we already have already published a clearly defined transition plan' in the Kantar survey questionnaire, this is not based on HSBC assumptions or information we have available from our client base.

Find out more
For more information about this research and to explore industry insights from the Real Estate sector [click here](#).

Today we finance a number of industries that significantly contribute to greenhouse gas emissions. We have a strategy to help our customers to reduce their emissions and to reduce our own. For more information visit www.hsbc.com/sustainability.