



What's next? The Green age

Future insights on sustainability



Welcome to the Green age



Are we heading to a more sustainable future?

Sustainability is evolving. Five years ago, the key issue for our partners was the link between **sustainable development** and **wellbeing**. They also predicted the next big trend would be **electric vehicles**.

So, how have those views on sustainability changed five years on? We interviewed **sixty industry leaders** to find out.

Welcome to future insights on sustainability

What is driving – or preventing – sustainable development right now, and what will be top of the sustainability agenda in the next five years?

Here we present the findings gathered from our conversations with key players in the construction and built environment industry to learn about the challenges and opportunities that lie ahead for them.



Views from the top

Greengage would like to thank everyone who contributed their experiences and opinions and gave us their time to create this edition of Future Insights.

Who we talked to



What's been the biggest change in sustainability over the past five years?



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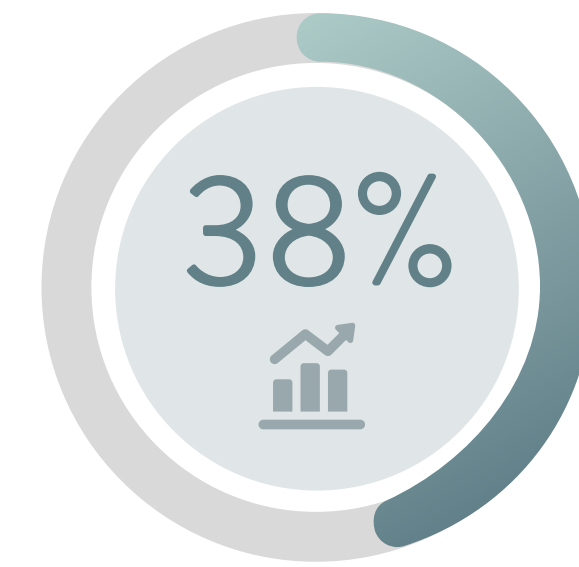
The penny has dropped and there's widespread recognition that ESG is a fundamental part of value in the real estate process.

Daniel Chang
Head of ESG Europe, Hines

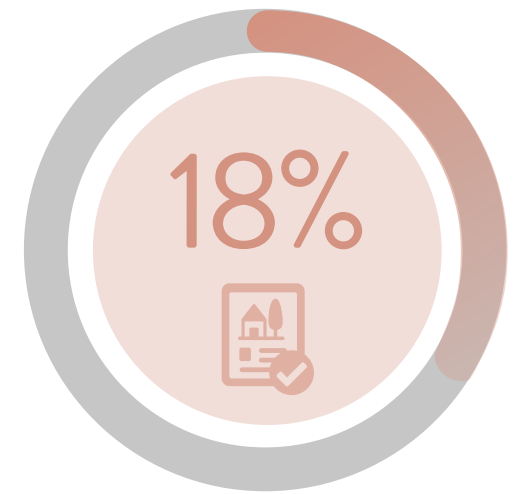


AWARENESS

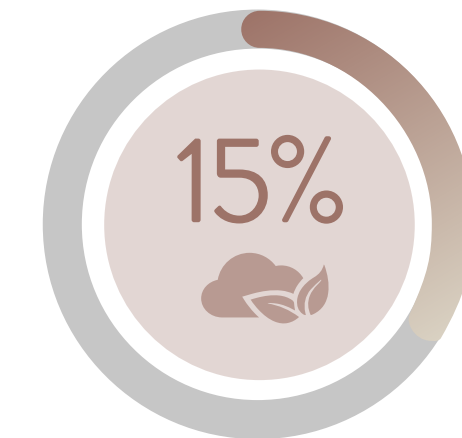
moving from niche to mainstream



INVESTOR FOCUS and financial regulation



RISE OF ESG



NET ZERO

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Investor interest has been the biggest change. There's now much broader interest at all levels, and that's triggered an increase in benchmarks, with organisations developing their own lenses to interrogate companies' ESG credentials.

Gabriella Zepf
Director of Sustainability, SEGRO

Behind the figures

Healthy for business

In just five years, sustainability and environmental, social and governance (ESG) issues have moved from niche to mainstream. There's now an increasing acceptance that sustainability is good for business and should be an integral part of decision making.

Climate change is high on the business agenda, with investors and shareholders pressing for disclosures on climate risk. This is leading to better reporting requirements and tools to measure and improve performance.

Awareness of the need for sustainability and the shift to impact over compliance was also attributed by respondents to the growing range of initiatives. These include:

- TCFD (The Taskforce on Climate-related Financial Disclosures)
- TNFD (The Taskforce on Nature-related Financial Disclosures)
- NABERS – rating the actual energy performance of offices
- WELL – rating the health and wellbeing of a building
- BREEAM – setting the standard for best practice in sustainable building design

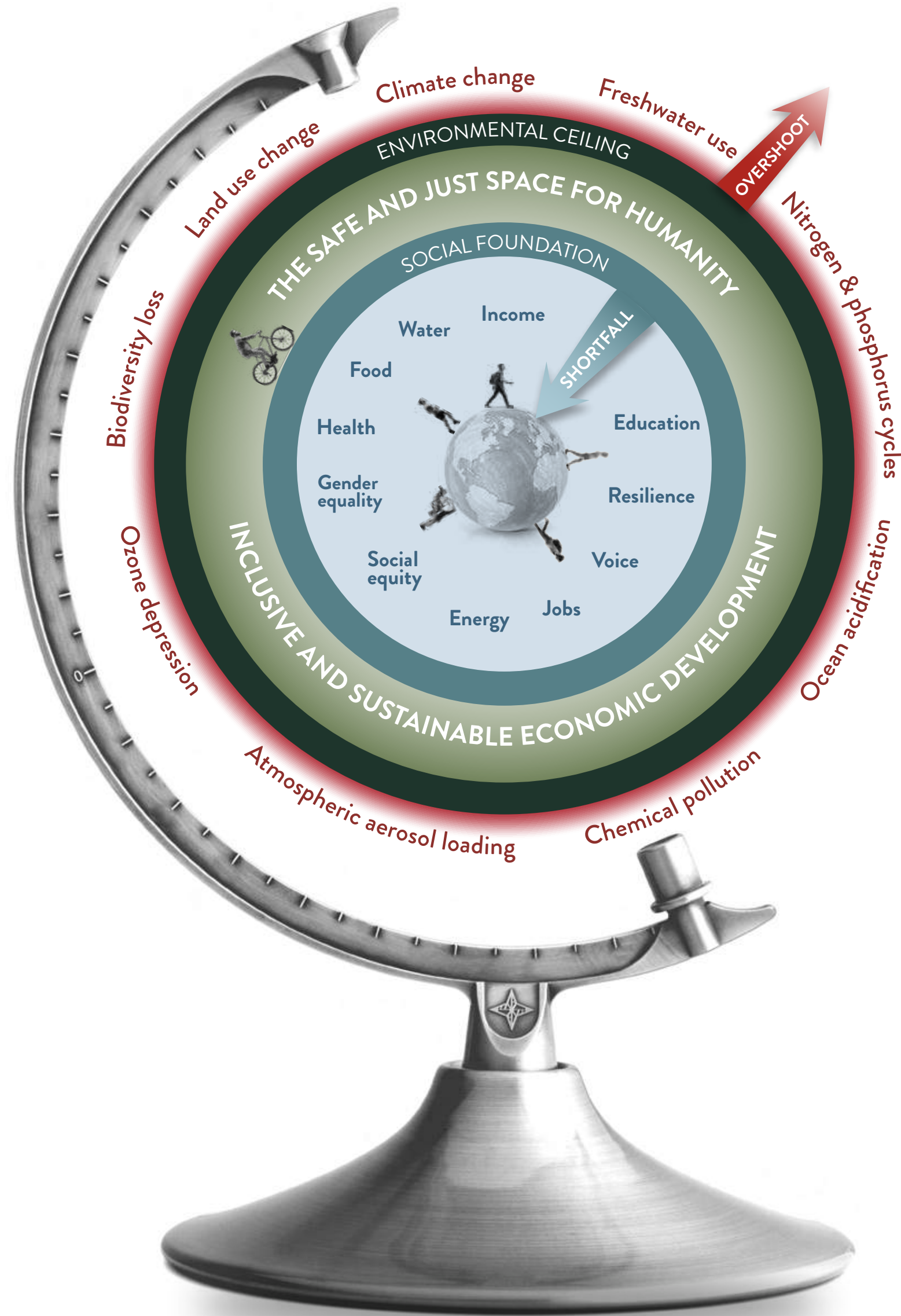
Rise of ESG investing

Investors are increasingly focused on ESG, especially net zero, biodiversity and inclusivity, which is shifting the way value is interpreted within a project. However, this is increasing the demand for sustainability expertise and innovation to drive change in the scale required to meet the climate challenge. **With demand for ESG skills outpacing supply, more education and training is needed.**

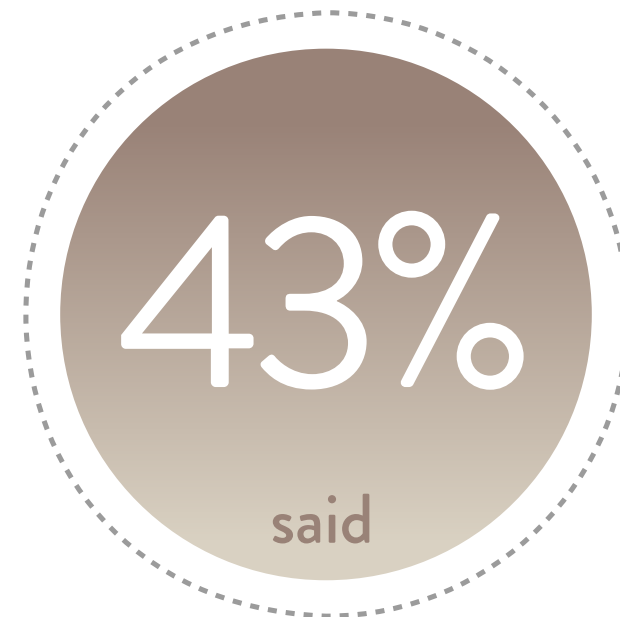


Greengage key insight

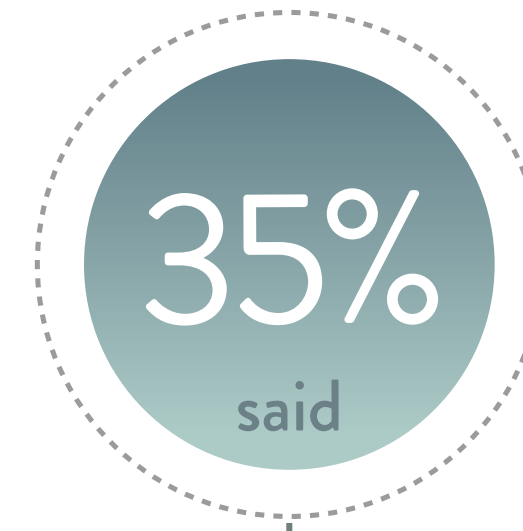
Much of this positive change is being driven by traditionally non-engaged stakeholders, such as investors and financial institutions. New voices are being heard and the usual suspects of sustainability are evolving.



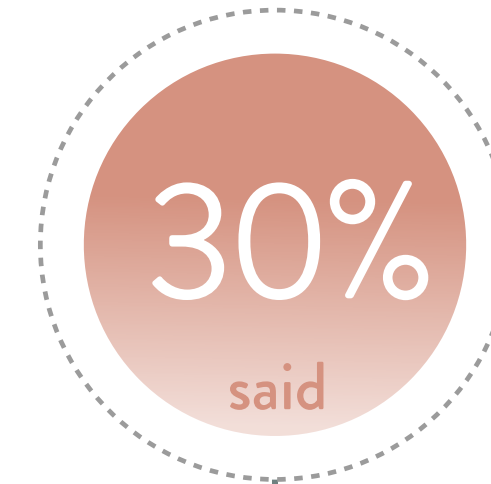
What's preventing exemplar sustainability becoming the norm?



COSTS



DATA ISSUES



SKILLS GAP



**POLICY
UNCERTAINTY**

“

For the property industry to make its contribution to addressing climate change effective, we must look at the whole life cycle of buildings. Only by doing this can we ensure the actions we take now will deliver on our promises for the future.

Sarah Ratcliffe
CEO, Better Buildings Partnership

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The next big challenge will be delivering against targets. I think we've identified the problem and what needs to happen; it's about getting on and doing it.

Richard Quartermaine
Head of Sustainability, Urban and Civic

Behind the figures

While sustainability has become more widespread, the industry is still grappling with many challenges.

£ High cost

Over 40 per cent cited cost as the major barrier to sustainability. Budgets are coming under pressure from rising inflation and increasing energy and commodity costs; and these problems are exacerbated by supply chain issues and political and economic uncertainty.

📊 Data issues

Over a third agreed that poor quality data was thwarting sustainability efforts. **Unclear definitions and numerous reporting frameworks make measuring, interpreting and communicating data more difficult.** This risks confusion when clarity and proof are needed to win the confidence of stakeholders and investors. Better data – reliable, relevant, and comparable – is critical for transparency and decision-making.

👥 Skills gap

From senior consultants to site operatives, there are **not enough people with the right skills** to identify solutions or implement them. Sustainability knowledge isn't widespread. Many felt that the industry is heavily reliant on a few experts and there needs to be more education and training in sustainability at all levels.

📋 Policy uncertainty

The **lack of consistent government policy and leadership**, together with **regulatory uncertainty** were said to be stifling market uptake and investment.

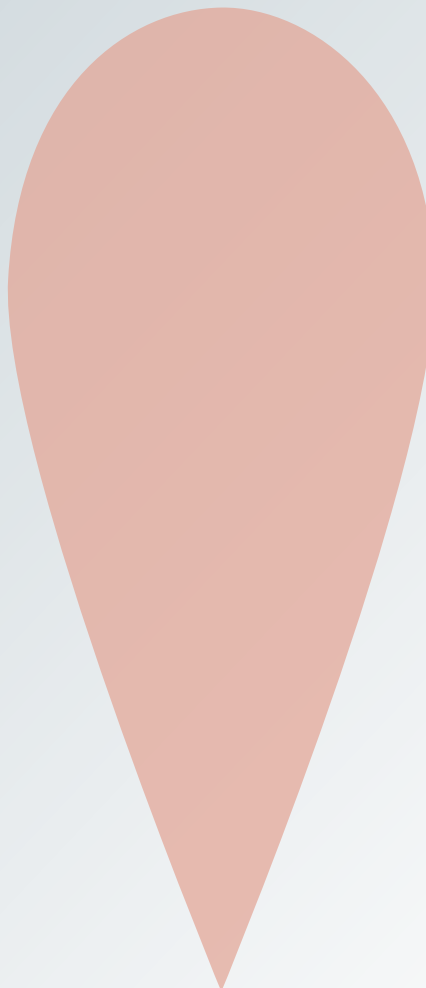


Greengage key insight

Cost or value? Sustainability is deemed to be prohibitively expensive. But, in fact, it will be costlier to delay and pay compound interest later. Climate risks are happening now and will only increase. Doing nothing will only store up problems for the future. Investing in sustainable practices today is the best way to reduce risk, build resilience and cut costs.

What's the next big thing in sustainability?

BIODIVERSITY & NATURE



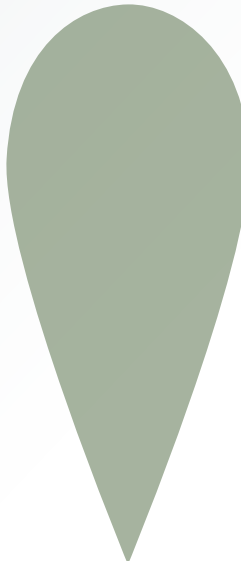
37%

CIRCULARITY & WHOLE-LIFE CARBON



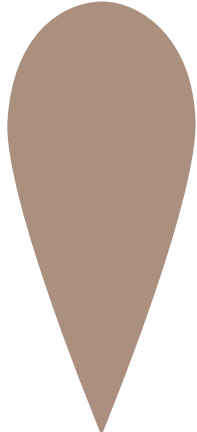
22%

SOCIAL VALUE



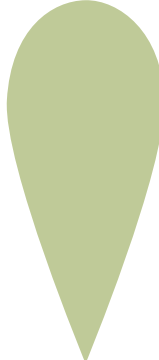
18%

NET ZERO CARBON



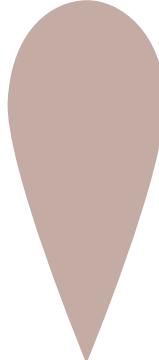
13%

CLIMATE RESILIENCE



10%

COLLABORATION



10%

GREEN FINANCE



3%



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There's got to be a levelling up of the E and the S in ESG. We need to better define what we mean by social sustainability and bring the industry around to one methodology so we can start to push the industry forward together, in the same direction.

Harry Knibb
Development Director, Oxford Properties Group

Behind the figures

Valuing biodiversity

Biodiversity is moving into the sustainability spotlight, with 37% saying it was the next big thing. There is clearly a growing recognition of nature's crucial role in addressing the climate and ecological crises.

Circularity and WLC

Circular economy principles were also predicted to be important for the sector. Interviewees mentioned two concepts that would boost sustainability. **Circularity, a 'no waste' concept** where everything is constantly reused or recycled; and whole life carbon (WLC), which is all a building's emissions from construction to disposal. But it was recognised putting them into practice would be challenging.

Net zero

There is still a strong commitment to delivering net zero buildings and infrastructure. However, interviewees hoped the next big thing would be a verifiable standard to ensure net zero carbon pledges are genuine, and not greenwashing. There was positivity about the prospect of the UK's first Net Zero Carbon Buildings Standard, as a single, agreed methodology to prove their built assets are net zero. It will need to be universally adopted to drive change.

Social value

18% of interviewees said that **ensuring built environment projects create social value** would be the prominent focus. This is about engaging the community on a local scale to make lives better and reporting the benefits.

Climate resilience

We need to ensure our assets, communities and infrastructure can **adapt to the changing climate** and still be used into the future. This is especially important in coastal and river locations, where flood protection will be needed. Whatever the risk, the case must be made for nature-based solutions as a priority.

Green finance

More funding and new green financial products are needed to incentivise the biggest challenges in the built environment like the retrofit of existing properties to drive-up energy efficiency. Legislation is important too, such as MEES (Minimum Energy Efficiency Standards) regulations which will make it unlawful from 2023 to let a commercial property which has an EPC rating of F or G.

Greengage key insight

Although progress is being made, we are concerned that changes won't be implemented fast enough to avoid +2°C global warming, a temperature rise that would make life unbearable for millions of people. The three Rs are critical: Risk - Resilience - Retrofit. Understanding and acting on these at scale – with strong leadership, regulation and commitment from government and business - will be key to surviving and thriving in a changing world.



The Green age is upon us: **adapt now**

There is a growing awareness that sustainability is vital for businesses to survive and thrive. The main findings from this insight are positive and evidence the excellent and important work being delivered by so many.

But time is not on our side. The urgent need to address climate change, biodiversity and inequality is intensifying. **We need to act faster** in construction and the built environment.

So, what's holding us back? **The cost.** This is still considered to be the key barrier to delivering sustainability. And it's being exacerbated by the current cost-of-living crisis, rising inflation, and looming recession. However, we must work together to overcome this affordability barrier. The benefits of being resilient and sustainable will far outweigh the cost.

Investing in green practices and skills is critical to creating climate resilience and long-term value.

We can meet the challenges, fix the problems, and accelerate progress with:

- bold leadership, creativity, innovation, and collaboration
- better data and knowledge sharing supported by regulations
- a long-term, consistent policy framework to build a sustainable economic future
- a commitment to boost and develop skills, and worker shortages

There are bright green shoots ahead. We just need to nurture them.

What's coming next...



Change.



In the next edition of Future Insights, Greengage will be publishing our findings on sustainability from different sectors from investors to developers.

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