

# Can real estate investment ever be truly sustainable?

## Introduction

Real estate investment has long been considered a profitable and stable investment option. However, as the world becomes increasingly aware of the need to address environmental and social issues, the question of whether real estate investment can ever be truly sustainable has come under scrutiny. Sustainability has become a key consideration in many industries, and real estate is no exception. Real estate development and management have a significant impact on the environment and communities in which they are located, and as such, sustainable practices have the potential to not only benefit the environment but also to create long-term value for investors. However, the question of what makes a real estate investment truly sustainable is a complex one and not easily answered.

## Challenges to Sustainability in Real Estate

One of the biggest challenges to creating sustainable real estate investments is the fact that, traditionally, sustainability and profitability have been viewed as mutually exclusive. Many developers and investors are hesitant to incorporate sustainable practices because they are perceived to be more expensive or to have a negative impact on financial returns. However, this view is changing as more and more research demonstrates that sustainable real estate investments can be financially successful (Yang et al., 2019). Another challenge is the lack of standardization in measuring and reporting the sustainability of real estate assets. This makes it difficult for investors to compare the sustainability of different investment options and make informed decisions. There are various reporting frameworks and certifications, such as LEED and BREEAM, but these do not necessarily align and can be confusing for investors (RICS, 2019).

## Opportunities for Sustainability in Real Estate

Despite these challenges, there are also significant opportunities for creating sustainable real estate investments. One of the biggest advantages is that sustainable buildings are often more attractive to tenants, and as such, can command higher rents and occupancy rates. This is particularly true in the office and retail sectors, where tenants are increasingly looking for environmentally friendly buildings (Miller and Buys, 2008). Additionally, sustainable real estate investments can also benefit from a variety of incentives, such as tax breaks and grants, which can help to offset the additional costs associated with incorporating sustainable features (Deloitte, 2022). Another opportunity is that, long-term sustainability is a win-win for the environment and for the bottom line. Green buildings have lower operating costs, and with energy and water savings, the savings can be substantial, resulting in lower operating costs and higher net operating income. This gives sustainable buildings a competitive advantage in today's market (Kantro, 2022). It is evident that creating truly sustainable real estate investments requires a holistic approach that considers environmental, social and financial aspects. Investors need to be well-informed about the best sustainable practices and the possible incentives available, but also be open to new ways of thinking about real estate investments.

## Overcoming the Challenges to Sustainability in Real Estate

One way to tackle this is through Impact investing, where investors are consciously investing money with the intention of generating a measurable social or environmental impact, alongside a financial return (Ormiston et al., 2015). It is becoming a more popular way for real estate investors to make their investments sustainable, as it allows them to align their investment goals with their values, and to generate both financial returns and positive impacts on the environment and society. Another way to tackle this is by implementing Environmental, Social, and Governance (ESG) criteria, which are a set of standards for a company's operations that socially conscious investors use to screen potential investments. This helps investors to identify companies that are likely to be more sustainable in their operations, and it also helps companies to improve their sustainability practices (Mavlutova et al., 2021). Moreover, a shift in consumer preferences is also pushing the market towards sustainable real estate investment. The younger generations have grown up in a world that has been heavily impacted by climate change and they are more interested in sustainable living than the previous generations. As they enter the housing market, they are increasingly looking for sustainable homes and communities (Miller, 2019).

## **Conclusion**

Investing in real estate sustainably requires more than just considering financial returns. It requires a holistic approach that takes into account the impact on the environment, society, and economy. With the help of impact investing and ESG criteria, and a shift in consumer preferences, the real estate market is slowly moving towards more sustainable options. However, there is still a long way to go to make real estate investment truly sustainable, it needs more research and development, standardization and incentives. Sustainability has become a critical consideration for real estate investors and developers. While there are challenges to creating truly sustainable real estate investments, there are also significant opportunities for those who are able to successfully incorporate sustainable practices into their projects. By focusing on the long-term benefits of sustainability, including increased tenant attraction and lower operating costs, real estate investors can not only create more sustainable projects, but also create value for themselves and their stakeholders. Only by addressing all these aspects can we truly create a sustainable future for generations to come.

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