

News & Information

New Climate Benchmark For CRE



In October, the world turned its attention to Glasgow, Scotland, as leaders from hundreds of nations attended the 2021 United Nations Climate Change Conference, more commonly referred to as COP26 – as the 26th edition of the conference.

The conference is all about getting nations to agree to standards and commitments linked to curbing or slowing the rising global temperatures, through tactics like limiting greenhouse gas emissions by moving from fossil fuels to greener energy sources, or pledging to end deforestation.

Migration and Climate

It's not just a matter of how we live, but climate change will have direct consequences for where we live. The climate crisis facts emerging from high-level organizations and respected researchers are alarming, including the World Bank's latest research which indicates that climate change could drive 216 million people to migrate within their own countries by 2050.

Island nations and areas that are reliant on their coasts for business and tourism are feeling the effects first. For nations like Seychelles, climate change is very real and visible to everyone: coastal erosion, superstorms, bleached coral, reduced fishing stock, drought, flooding and more.

That makes climate change a key emerging issue for commercial real estate (CRE), as much as virtually every other industry.



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Climate Risk Metrics

This is one of the reasons that data and research firm Moody's has branched out of the typical or traditional financial metrics, and now has environmental, social, and governance (ESG) targeted solutions. In October 2021, they launched the latest under that umbrella, climate risk scores on their CRE analytics platform, REIS.

"The CRE sector faces some of the most direct and tangible risks from physical climate hazards," according to Moody's. These include acute physical risks (eg floods and wildfires), and chronic physical risks (sealevel rise or heat stress). Additionally, they argue, "climate change exacerbates existing risks in several ways... Understanding the likelihood and severity of these risks can help CRE market participants make better decisions over both near and longer-term time horizons."

Other Tools

Having a strong basis for a climate risk score, such as the Moody's tool, is one of a growing stock of informational tools CRE professionals can use when assessing and marketing properties and developments – much like we use "walkability" scores and green building certifications.

We can also expect climate change-related assessments to increasingly crop up in law and regulation in all geographies and sectors – such as New Zealand's Financial Sector (Climate-related Disclosures and Other Matters) Amendment Bill (CRD Bill).

