

New Climate Benchmark For CRE

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 (sea-level 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).

