

Future Forces 2023:

The megatrends shaping the real estate industry

Based on research by

ECONOMIST
IMPACT

Real estate businesses rank the net zero transition among their **top three most attractive megatrends**.¹



1
Operating in fast-changing cities



2
Developing skills for the future



3
Transition to net zero

The day-to-day running of buildings, including the energy used to light, heat and cool spaces, is responsible for **27% of all carbon emissions globally**.²

27%

To support the development of carbon neutral buildings, the industry **needs to embed energy-efficient technologies**, retrofit older buildings and develop clear standards.



65% of businesses say **meeting demand for carbon-neutral buildings** will have the biggest impact over the next decade.

The challenges of the net zero transition come with opportunities

Integrating technologies

Integrating technologies to respond to energy demand in buildings can regulate energy flows based on usage at different times of the day.

“But integrating technologies was already difficult in a low-interest rate environment with plenty of investor capital at the ready. Now, with interest rates so much higher and general uncertainty around the macro-environment, it becomes even more difficult.”

Dags Chen

Head of US real estate research and strategy at Barings

Retrofitting urban areas

Upgrading urban areas will require extensive retrofitting such as integrating charging infrastructure for alternative transport and repurposing existing buildings.

But legacy building systems are difficult to integrate with new tools and technologies, especially in older cities. Funding is also challenging, requiring developers to look to public and commercial organisations to step in.



The EU’s £172bn retrofitting budget in 2020 is short of the £325bn needed annually.³

Improving standards

More stringent standards led by lofty carbon neutral targets will drive the transition. However, progress on cleaner construction is lagging behind as regulations have primarily focused on energy efficiency.

“A primary challenge is coming to terms on standards. There are a variety of metrics that assess the ‘greenness’ of a building. Which ones should be prioritised?”

Dags Chen

Head of US real estate research and strategy at Barings

Many of the opportunities for real estate businesses lie in **helping cities meet their decarbonisation goals**. For this, they will need to place the right bets on **smart technologies** and secure the necessary funding.



Find out more

Download Ashurst’s Future Forces 2023 Report

¹ This infographic is part of a programme that explores the opportunities and challenges posed by six megatrends—changing global dynamics, net zero transition, digitalisation, demographic change, skills for the future and resilient cities—in the decade to come. The survey data is based on responses from 60 executives from the real estate industry.

² The Economist. <https://www.economist.com/finance-and-economics/2022/06/15/the-construction-industry-remains-horribly-climate-unfriendly>

³ C-Change. <https://knowledge.ull.org/-/media/files/research-reports/2023/cc2023Intervention-04-financing-the-retrofit-challenge.pdf?prev=1954e23c27a54265830b9e393edfe82d>