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Real Estate Sector Embraces ESG

BY **PK MISHRA** MAY 19, 2023

Sustainable building designs incorporating features like green roofs, solar panels, and energy-efficient windows will be adopted by more companies that see value in going green



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Raising awareness on social responsibility issues within the real estate industry via public education campaigns, training programs, and conferences and events will form a crucial part of how industry outliers shape the industry.



Environmental, social, and governance (ESG) strategies can bring a sense of purpose to the real estate sector. The challenge in this endeavour is defining what ESG means to an organisation and its key stakeholders. While most businesses might focus intently on reducing their carbon footprint, others may see value in supporting social justice initiatives or redirecting their policies to make them inclusive and diverse.

Some of the ESG trends currently defining the real estate sector focus on improving the energy efficiency of buildings and investing in renewable energy sources to reduce carbon emissions and operating costs, besides water conservation measures like low-flow fixtures and rainwater harvesting systems. Other trends to watch out for are:

I. Commitment to meeting future goals: Setting clear, realistic, measurable goals that align with a company's business strategy and implementing a well-defined sustainability strategy that permeates all business aspects will see greater emphasis. Stakeholder engagement spanning investors, tenants, and the local community can be expected with more concerted collaborations between industry peers, government agencies, and non-profit organisations as companies take more care to effect systemic change and an equitable future. And companies are increasingly tracking and reporting their progress towards meeting their defined goals—this is passed on to investors, tenants, and other stakeholders and helps improve transparency and accountability.

II. The rise of sustainable ideas: Sustainable building designs incorporating features like green roofs, solar panels, and energy-efficient windows will be adopted by more companies that see the value in going green. This value goes beyond financial returns, concentrating on the social impact of projects. Realty investors are promoting economic development in underserved communities and committing to affordable housing, community development, and diversity & inclusion. Companies are also engaging with local communities to understand their needs and concerns to develop projects sensitive to local issues, involving members in the design and development process and fostering community development. Green leases are another trend defining the sector, mandating sustainability requirements of tenants such as energy-efficient building operations and waste reduction. Finally, data and technology offer sustainable solutions to optimise energy consumption and improve building performance through various methods (building automation, data analytics, and more).

III. Good governance and government initiatives: Stricter regulations and policies prioritising sustainability and social responsibility from real estate developers will come into play. These policies can include building codes, zoning regulations, and incentives for green building practices. Government certification programmes that recognise 'green' achievements are also in the works—these programmes will offer a framework for measuring sustainability performance and can help companies attract investment and tenants. Public-private partnerships will be a continuing trend as governments join with real estate companies to develop sustainable projects through joint investments or other avenues. Additional governmental initiatives such as educating the public on sustainability measures and raising awareness on social responsibility issues within the real estate industry via public education campaigns, training programs, and conferences and events will form a crucial part of how industry outliers shape the industry. And another critical trend is government funding into research and innovation that will develop the sector and push it into the future.

Expect these three areas to hugely impact the real estate industry in the short term and beyond. After the pandemic, companies have pivoted towards an effective ESG plan demonstrating a healthy commitment to risk management, cost reduction, and the environment.

The move, while borne out of self-preservation, also indicates companies' awareness of the need for a more robust stance on socio-economic issues, including customer satisfaction, labour standards, social injustice, and sustainable investments and the commitment to proactively change with the changing market—all of which pays handsomely down the line in this modern, fast-evolving world.

(PK Mishra, VP – Planning, Procurement and Facilities Management, Sattva Group.)

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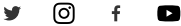
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