

BEYOND THE BUSINESS CASE



WORLD
GREEN
BUILDING
COUNCIL

WHY YOU CAN'T AFFORD
NOT TO INVEST IN A
SUSTAINABLE BUILT
ENVIRONMENT

EXECUTIVE SUMMARY

November 2021



About the World Green Building Council

Our global network of Green Building Councils is leading the transformation of the built environment to make it healthier and more sustainable

The World Green Building Council (WorldGBC) catalyses the uptake of sustainable buildings for everyone, everywhere. Transforming the building and construction sector across three strategic areas — climate action, health & wellbeing, and resources & circularity — we are a global action network of over 70 Green Building Councils around the world.

As members of the UN Global Compact, we work with businesses, organisations and governments to drive the ambitions of the Paris Agreement and UN Global Goals for Sustainable Development. Through a systems change approach, our network is leading the industry towards a net zero carbon, healthy, equitable and resilient built environment.

Read more about WorldGBC’s North Star Goals for the industry [here](#).

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Foreword

Since the publication of WorldGBC’s **‘The Business Case for Green Buildings’** report in 2013, the global network has seen the building and construction industry increasing their awareness on sustainability, and starting to differentiate in quantifying the value of built assets based on green credentials.

There are a multitude of economic imperatives and opportunities for investing, developing, designing, constructing or occupying sustainable buildings or infrastructure assets. These range from higher sale or rental value, reduced construction and operating costs, to lower asset risk and insurance premiums. However, for the global real estate sector today, the value proposition is both broadening and increasing in prominence.

Awareness of social value — comprising environmental, economic and community-based interventions to enhance our quality of life — is on the rise across the real estate sector. Although social and environmental impacts are not yet being widely captured within asset value, ethical action is being driven by leaders across the value chain —from financial, public and private sector organisations across all geographies.

Through our Beyond the Business Case report, WorldGBC presents the drivers for the broadening business case within the context of current and future market trends. These are both the drivers that set the economic business case, including policy, sustainable finance, and corporate risk and reputation; plus the compelling forces behind the rise in social value — from the impacts of the COVID-19 pandemic to urgency for action on the climate crisis and wider environmental and social issues.

Considering the wider value proposition — encompassing climate action and social value alongside financial benefits and risk mitigation — strengthens the business case for a sustainable built environment.

You cannot afford not to be part of the sustainability movement — from an ethical, financial, risk mitigation or future-proofing perspective. Green assets are an opportunity not to be missed.



This report constitutes the Executive Summary of WorldGBC’s flagship Beyond the Business Case report, featuring full analysis and illustrative case studies. **[Find the full report here.](#)**

Why the Built Environment

Within the report, the scope of WorldGBC's reference to the built environment sector includes:

- **Buildings:** of all typologies and in all geographies
- **Construction:** as a sector, and considering the creation of both new and retrofitted assets
- **Infrastructure:** capturing both horizontal infrastructure, which is composed mainly of transportation, power & communications and waste (both overground and subterranean), and vertical or social infrastructure, comprising buildings (particularly spaces that facilitate the delivery of social services by governments), plus structured facilities (eg. parking areas) and structures.

The global real estate sector takes responsibility for the finance, development, design, construction, operation, use, maintenance and end of life actions for all built assets. Through the report, WorldGBC aims to catalyse demand for sustainable action from these key actors through a narrative which will focus on:

- **Developers and investors:** who finance, develop and manage our built assets
- **Designers and construction:** who design and create our built environment
- **Owners and occupiers:** who buy, lease, sell and occupy our buildings and spaces
- **Policy makers:** major asset owners, managing public procurement and setting targets and regulation for buildings, infrastructure and urban areas.

The built environment sector is critical to achieving a more sustainable future due to the impacts it does, and will, create. These include:

- **75%** of annual global greenhouse emissions from the built environment, with buildings accounting on its own for 37%
- Around **50%** of emissions from new buildings will be from embodied sources, and half from operational sources, between 2020 and 2050
- **40-50%** of resources extracted for global materials are used for housing, construction and infrastructure
- Building materials account for **half** the solid waste generated every year worldwide
- **230 billion** square metres of new buildings will be constructed in the next 40 years
- **75%** of the infrastructure needed by 2050 still needs to be built
- **7%** of the global population is employed in the construction workforce
- **90%** of our time is spent inside buildings, and our cities, infrastructure and urban ecosystems shape our quality of life
- **68%** of the world's population will live in cities by 2050
- Green buildings will represent a **\$24.7 trillion** investment opportunity by 2030.

It is estimated that over the next four decades, global building floor area will double, adding the equivalent of a city the size of Paris every week in new building construction. Most of this growth will take place in residential construction in emerging markets including Africa, East and South Asia, and the Pacific. In addition, there is a worldwide deficit of 330 million homes, which is expected to grow to 440 million homes by 2025, including in regions such as Latin America, the Middle East and Africa.

Barriers to Green Building: Globally and by Region



Region	Barrier	Percentage
North America	Higher (perceived or actual) first costs	64%
North America	Lack of market demand	36%
Central/South America and Caribbean	Lack of political support or incentives	49%
Sub-Saharan Africa	Lack of public awareness	43%
South Asia	Affordability, green building is for high-end projects only	38%
South Asia	Lack of trained/educated green building professionals	36%

Whilst climate action should be an absolute and urgent priority for the global real estate sector, this report is not presenting the details of the environmental case for a sustainable built environment.

By demonstrating a strengthening value proposition for a sustainable built environment, WorldGBC and its global network hopes to address some of these barriers, such as the perception of higher costs and

the types of projects it relates to. Whilst climate action should be an absolute and urgent priority for the global real estate sector, this report is not resenting the details of the environmental case for a sustainable built environment.

This report is clear in its recommendation that the real estate and built environment sector cannot afford not to invest in a sustainable built environment, and commit to

urgent action to tackle the climate crisis. Social value is on an increasing trajectory of importance that will soon be reflected in financial metrics.

The financial drivers are improving and it's also the right thing to do. Considering social and environmental value considerations strengthens the business case, making sustainable built assets a powerful financial opportunity. Because in this changing world, you can't afford not to act.

Tackling the Barriers to Sustainability in the Built Environment

Market action in the last decade has demonstrated that, while many leaders are motivated by tackling the climate crisis, to influence the global mass market in all geographies and across competing priorities, a broader value proposition that speaks to the core priorities of most organisations is essential to stimulate action.

The core priority is finance.

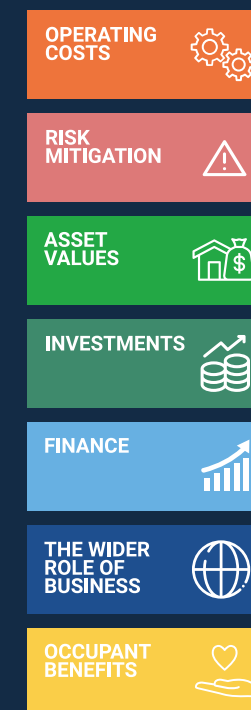
However, social value has also become a large part of the business case, with awareness of social value increasing in recent years greatly in certain geographies. Although not yet financially quantified within market value of a built asset, the provision of social value strengthens the business case for sustainable buildings.

Within the report, WorldGBC presents the broader business case – capturing both the financial and social value proposition.

We cannot tackle climate change without addressing **buildings in our cities**, which can account for **40% of emissions**

Seven Ways to Identify Value from a Sustainable Built Environment

Seven themes consistently emerge in both the financial business case and social value sections of this report. Together these themes outline some of the co-benefits that enhance the value proposition for a sustainable built environment.



You cannot afford not to be part of the sustainability movement - from an **ethical**, **financial**, **risk mitigation** or **future-proofing** perspective.

Drivers of the Business Case

Policy change, nationally, and at city level

As of early 2021, of those who have submitted an NDC, 136 countries mention buildings. At city level; more than 1,000 cities, representing a population of over 720 million people, are now committed to halving emissions by 2030 and reaching net zero by 2050. The global real estate market should expect increasing regulatory enforcement to advance sectoral mitigation goals, aligning with the trajectory of NDCs.

Incoming finance regulation, such as carbon pricing

Carbon pricing will soon be a significant consideration for all organisations operating on the global market. The trajectory of carbon taxation is continuing to rise, and can be expected to strengthen in the coming decades.

The rise of sustainable finance and ESG reporting

More than half of global asset owners are currently implementing or evaluating Environmental, Social, and Corporate Governance (ESG) considerations in their investment strategy and it is estimated that ESG funds under management will represent the majority of proportions of mutual fund assets by 2025.

Case Study: EU Taxonomy

The EU Taxonomy is a foundational tool of the European Green Deal. It is increasing awareness in sustainable investment and ESG reporting, creating a classification system for economic activities and sectors critical to climate change mitigation and adaptation, based on impact and performance — including the building and construction sector. It will be mandatory within 2022 for a significant number of European financial institutions and companies.

For more information, case studies, and references, visit: worldgbc.org/business-case

Five ways ESG reporting is creating a business case for sustainable built assets:

- 1 ESG is changing market trends:** adopting more responsible behaviour in terms of resource management, environmental and social impact is becoming business as usual. As of July 2020, **90%** of companies in the S&P 500 released ESG or annual sustainability reports.
- 2 Shareholder expectations:** trend predictions expect organisations will soon be held accountable by shareholders for their ESG performance.
- 3 Regulatory enforcement:** in the EU, the Sustainable Finance Disclosure Regulation (SFDR) imposes mandatory ESG disclosure obligations for asset managers and other financial markets participants.
- 4 The growing popularity of ESG** is increasing pressure from investors, employees, customers and numerous other stakeholders to increase transparency on sustainable and socially responsible practices.
- 5 ESG has influenced a new generation of consumers:** **92%** of 'Generation Z' consumers would switch to a brand that supports ESG issues over one that does not.

The Business Case

Greater access to investment

Financial markets are increasingly directing their investments towards sustainable projects. Green buildings have developed to be one of the most important asset classes in the green bond market. In 2019, USD \$66 billion of green bonds were used to finance or refinance green buildings or loans for green buildings - 28% of the total 2019 green bonds issuance.

ESG and corporate reputation

Most institutional investors foresee a time when they will limit allocations exclusively to investment managers with a formal approach to sustainable investing. Over 40 global institutional investing firms have indicated that ESG was a 'top of mind' priority. These include the world's three biggest asset managers as well as major national government pension funds.

Higher asset value and desirability

Sustainable buildings tend to have higher asset values than conventional buildings - alongside higher rental values, lower operating costs, and higher occupancy rates. Studies predict a doubling in global demand for green buildings worldwide in the near future.

Resilient investment & lower risk of stranded assets

Stranded assets present a major risk to both existing building and infrastructure assets, plus those under construction. The potential impact of climate change related effects risk value for residential real estate assets alone would be USD \$16 trillion, plus USD \$5 trillion for global commercial assets.

Lower operational costs and return on investment

Cost uplift of sustainable built assets can be far lower than the market expects. Operating costs for sustainable assets are over 13% lower for new construction and close to 9% for retrofitted building projects.

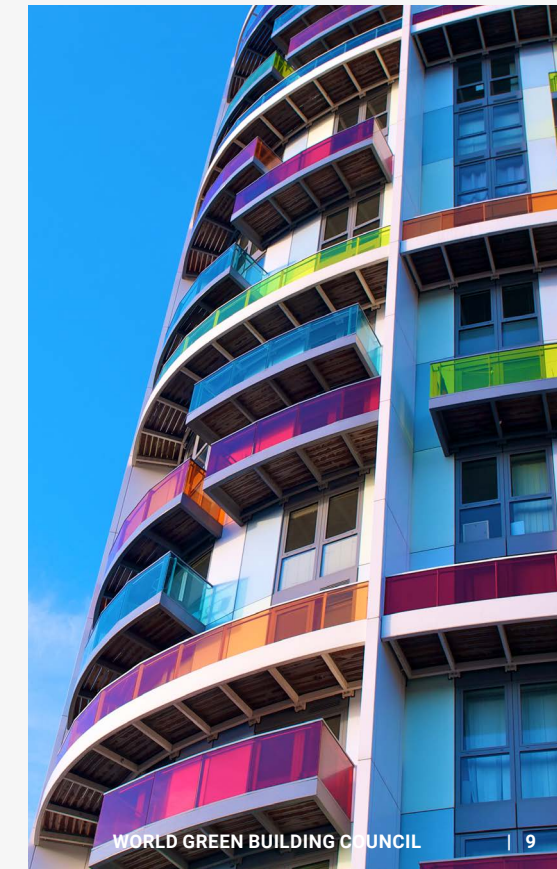
Reduced build costs and circularity opportunities

Design techniques and technologies for constructing sustainable buildings are increasing in accessibility and cost competitiveness. Recent modular projects have demonstrated cost savings by accelerating project timelines by 20–50%,

Preferential insurance premiums

Resilient buildings and infrastructure with lower risk of physical and systemic stresses of climate events benefit from reduced insurance premiums, offering lower operational overheads in comparison to a less sustainable asset.

Better occupant productivity in commercial sector Sustainable buildings and health-focused design interventions stimulate occupant health and comfort, enhancing both mental and physical health and consequently improve productivity. In a commercial organisation, where 90% of typical overheads are spent on human capital, even a minor improvement in productivity can substantially impact company turnover and profit.



Drivers Of Social Value

What is Social Value?

Social value is the creation of direct, positive impacts on people and communities by protecting human rights, dignity, health and wellbeing, providing community benefit and committing to social justice and equity. This includes indigenous rights, gender equality, diversity and inclusion, or jobs and economic benefits that would provide long term value to communities and improve local quality of life.

The impact of COVID-19

There has been a dramatic increase in interest and awareness on social value, particularly around health and equity. It has become increasingly clear that the world can no longer justify tackling issues indirectly and individually, but that a collective approach addressing the total impact on people's quality of life should be prioritised.

Increased awareness from the private sector, and the rise of Corporate social responsibility (CSR)

Social value is increasing in the private sector as organisations recognise market expectations, industry competitiveness, staff retention opportunities and increased reporting expectations. An estimated 90% of companies on the S&P 500 index published a CSR report in 2019, compared to just 20% in 2011, with nearly 99% of CSR professionals believing COVID-19 has impacted their CSR efforts and initiatives.

Public drivers, including policy and procurement

The rise in social value is being driven by public sector action, alongside private, both in procurement and policy. Organisations who want to be involved in public procurement processes or public-private partnerships should see enhancing social value as an opportunity to enhance their competitiveness.

For more information, case studies, and references, visit:
worldgbc.org/business-case

THE **SOCIAL VALUE**
CASE IS THE BENEFIT
THE BUILT ENVIRONMENT
CAN BRING TO **PEOPLE**
AND THE PLANET

The Social Value Case

The social value case for the real estate sector is the benefit the built environment can bring to people - economically, socially and environmentally.

Health and wellbeing at building level

The built environment affects both our physical and mental health, amplified by the fact that people spend an average of 90% of their time inside buildings. Sustainable built environments that protect and enhance health provide social value through the improvement of health and wellbeing of building occupants.

Community benefit including jobs, resilience and equity

At community level social value can be provided through increased jobs, community health and benefit, resilient infrastructure or protecting biodiversity and ecosystem services. A shift to a greener economy could create 24 million new jobs globally by 2030 if the right policies are put in place.

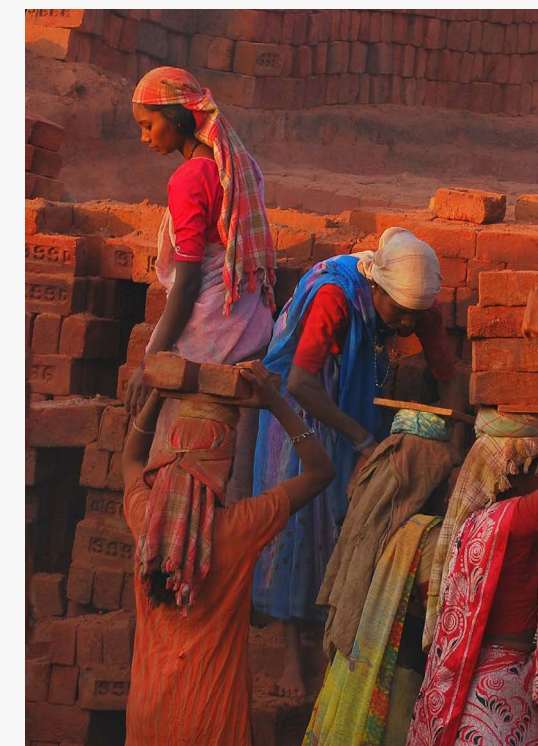
Transforming supply chain and construction, including worker welfare, human rights and justice

Approximately 7% of the global workforce is directly employed by the construction sector — and the protection and enhancement of peoples health and quality of life

must be a priority to the global real estate sector. Forced labour and human trafficking is an estimated USD \$150 billion industry, holding 25 million people in modern slavery. Modern slavery occurs in every region of the world and underpins the material supply chain. Organisations are now increasingly signing on for greater transparency in the supply chain.

Measuring social value has become a vital part of communicating and committing to social value creation across the development lifecycle. Measurement of social value in the built environment is a rapidly evolving area of practice and is expected to support a continued rise in importance of social value within ESG assessments, private sector sustainability targets, public procurement targets, policy directives and more.

WorldGBC suggests the increased ability to quantify social value will initiate this change, and catalyse market momentum which favourably values built assets that advance social value across the supply chain. WorldGBC calls for investor requirements for social value as the built environment sector is starting to mainstream action on sustainability.



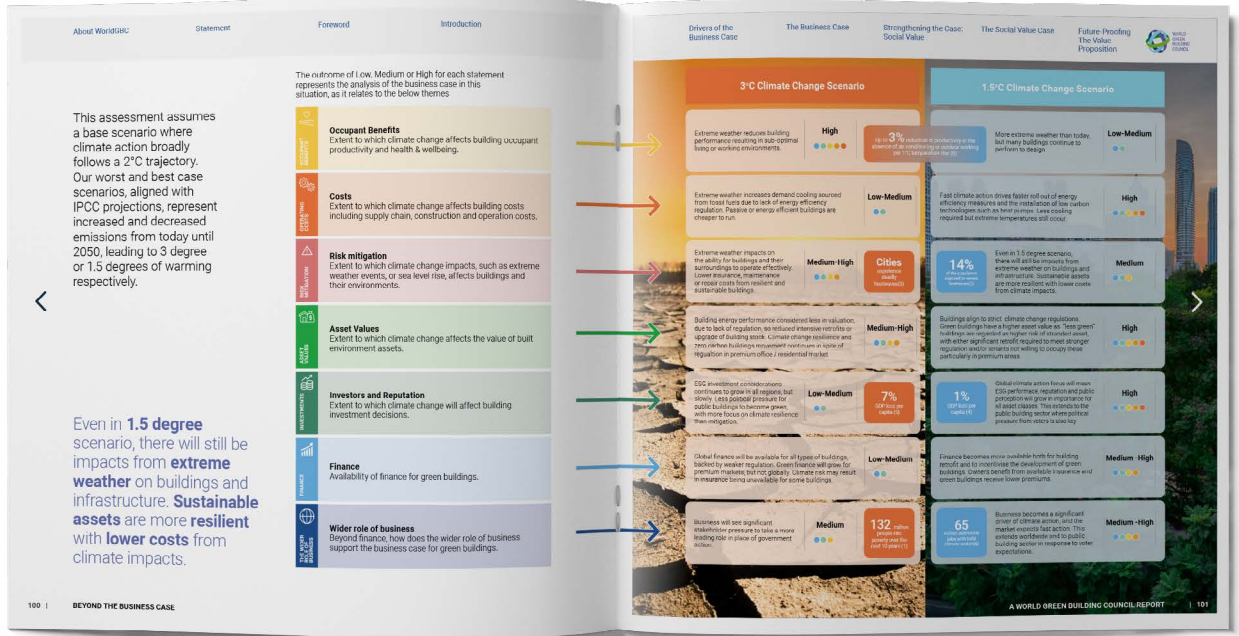
Providing and enhancing **social value** is both the right thing to do, and **strengthens** the financial business case for **investment** in sustainable buildings

The Future Value Proposition

The business case needs to be considered across the lifespan of a building or built asset. Demonstrated through future scenario modelling, is it clear that the value proposition for a sustainable built environment is stronger than an unsustainable future — from both the financial and social value case.

In a 3 degree climate change scenario, sustainable buildings present a strong business case in terms of occupant benefits, risk mitigation and asset values. In a 1.5 degree climate change scenario, costs, finance and reputation are stronger drivers. Even in 1.5 degree scenario, there will still be impacts from extreme weather on buildings and infrastructure. **Sustainable assets are more resilient with lower costs from climate impacts.**

In an unhealthy, inequitable world, sustainable buildings present a business case through occupant benefits, cost and risk mitigation. In a healthier, equitable future, costs, assets values, investor reputation and the wider role of business are key components of the value proposition. **Global health and wellbeing focus will mean ESG performance, reputation and public perception grow in importance for all asset classes.**



Find Out More: WorldGBC's Beyond the Business Case report

Join us, in creating **sustainable buildings** for everyone, everywhere. **You can't afford not to**

The built environment has a critical role to play in tackling the climate crisis and advancing sustainable development.

The value proposition for this action is broader now than ever before - looking at the business case and beyond by showing how the economic argument is strengthened by social value and climate action. The future value proposition, across a diverse range of scenarios, shows the business case for sustainability in the built environment will only continue to grow.

The urgency of the situation cannot be overstated, and the **time for transformational action is now**

THE WORLD GREEN BUILDING COUNCIL'S BEYOND THE BUSINESS CASE REPORT, AVAILABLE IN INTERACTIVE DIGITAL AND DOWNLOADABLE PDF AT:

worldgbc.org/business-case





A special thanks to our Expert Review Panel, WorldGBC Established CEO network and member GBCs, including Advancing Net Zero and Better Places For People Steering Committees.

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Laudes ———
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Find out more on the Beyond the Business Case Report, available in interactive digital and downloadable PDF at:
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