How do we transform our real estate portfolio to align it with the current and future sustainability requirements of the market?

The management teams of many companies worldwide face this question daily, and sometimes it is difficult to successfully deal with all the factors that are included within sustainability. There is, however, a roadmap being adopted by some of the most advanced players to achieve this.

Some key aspects that must be considered from the inception are the following: (i) we must consider not only the current needs but also the future needs, in the medium and long term, (ii) all the actions that are designed and implemented must be measurable and auditable, (iii) as it is not possible to satisfy the demands of all components of sustainability, we have to focus on the transformation of our real estate portfolio on the more relevant matters being decarbonization one of the key pillars in Real Estate.

Based on previous examples, a transformation process should follow these steps:

1. **Internal analysis:** Carry out an internal analysis of the current situation of your portfolio, self-criticize and be realistic with the state of your properties, know the current performance of your portfolio. This ‘as-is’ will serve as a baseline for the analysis of the future evolution of the project.

2. **External analysis:** Including regulations, peers and best-practices. This external analysis will allow you to have a clear picture of what good looks like in relation to the topic, allowing you to make the best decision in subsequent stages. In addition to the current and future regulatory requirements of the region where your portfolio is located, in this phase it is recommended to rely on organizations and standards that are international and independent, such as: United Nations (UN), Organization for Economic Cooperation and Development (OECD), International Energy Agency (IEA), World Economic Forum (WEF), Global Reporting Initiative (GRI), EU Taxonomy for sustainable activities from the European Commission, Greenhouse Gas Protocol, World Green Building Councils, British Research Establishment, among others.

3. **Strategy and action plan issuing:** Develop a corporate strategy, which includes action plans for each of the properties in your portfolio, outlining key workstreams to follow in order to transform them. These action plans must be realistic and executable, and will include a capital expenditure (CapEx) plan, a detailed calendar, key performance indicators (KPIs) for monitoring and the responsible party for each one of the tasks.
4. **Action plan execution**: In line with what was planned in the previous phase. It is expected that this phase will require years of work and must have an associated annual CapEx plan.

5. **Transformation**: Once the planned action plans have been executed, the sustainable portfolio transformation will have been successfully carried out! At this moment it will be necessary to define the new ‘as-is’ of the portfolio. Since the transformation process will have taken some years of work, it is likely that it will be necessary to start the portfolio transformation process again to adapt it to new requirements that may have risen and to guarantee its correct alignment with the market criteria that are relevant to our company.

In line with what is stated, the sustainable portfolio transformation process is a long and demanding journey, but completely necessary to be able to maintain company competitiveness and assets in the market, maximizing their value and liquidity, managing and minimizing risks related to sustainability, and increasing its resiliency. Hence, successfully allowing your company and its assets to remain competitive and operational.

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