

Contribution of Environmental Economics to the Real Estate Sector



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Environmental economics plays a crucial role in shaping and influencing the real estate sector, contributing to sustainable development and addressing environmental concerns. One significant contribution is the integration of environmental considerations into property valuation and decision-making processes. Real estate valuation now takes into account factors such as energy efficiency, green building certifications, and proximity to green spaces, influencing property values and investment decisions.

Moreover, Environmental Economics promotes the adoption of sustainable practices in real estate development, asset management, real estate portfolio management, and facilities management by the integration of ESG principles and non-financial reporting. Developers are increasingly incorporating eco-friendly technologies and designs, aiming to minimize the environmental impact of their projects. This shift not only aligns with global sustainability goals but also responds to the growing demand for environmentally conscious real estate from both investors, tenants and households.

Environmental Economics contributes to the creation of resilient and adaptive real estate strategies. As the impact of climate change becomes more pronounced, understanding climate-related risks is essential for risk management and decision-making in real estate. This involves considering both physical risks such as sea-level rise, extreme weather events, and other climate-related risks when assessing the sustainability of real estate projects, and transitional risks when assessing the situation of the real estate industry.

Incentive programs and public policies derived from Environmental Economics have further encouraged the incorporation of green features in real estate (renovation, rehabilitation and retrofitting), by economic instruments for housing, support for property ownership or property taxes. Governments and municipalities often offer financial incentives, tax credits, or other benefits for real estate projects that meet specific environmental criteria. This encourages developers to implement sustainable practices, fostering a more environmentally friendly real estate landscape.

Environmental Economics provides a framework for integrating environmental and social considerations of real estate sector, and for considering Global North–South perspectives as well as assessment methods: hedonic estimations, discrete choice experiments, and mixed quantitative and qualitative methods. From influencing property valuations to promoting sustainable practices and resilience against climate change, biodiversity loss, and land degradation, the contributions of Environmental Economics are instrumental in shaping a more sustainable and environmentally conscious real estate industry.

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sustainable real estate, property valuation, green values, real estate risk, real estate strategies, green housing, green financial incentives.

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