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KEYNOTE INTERVIEW

A nuanced approach to
ESG in residential

Redevco's Steven Zeeman, Reinout Huisman and Robert Bakker argue that sustainability in residential development must reflect what residents really want

Redevco, known for its retail focus, is gradually making its way into the living sector, with currently more than 80 percent of its residential developments in the Netherlands. What has not changed is the firm's focus on sustainability. However, when it comes to residential development, the firm is giving its environmental and social strategy a new twist.

Steven Zeeman, investment director, Reinout Huisman, senior development manager, and Robert Bakker, senior development manager, explain that when it comes to responsible development, investors are concentrating on the risks from not decarbonizing assets, while occupiers prioritize affordability and quality of life. Successful

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managers need to marry these differing viewpoints.

Q What are the risks that arise from lagging in decarbonization efforts in residential real estate?

Steven Zeeman: I think there is a growing concern around stranded assets. Environmental performance is playing an ever-bigger role in investment decisions as investors want to avoid projects that, 10 years from now, will not align with the expectations of future buyers, lenders or regulators.

We can already see stranded assets. If you have rental housing assets that are 30 or 40 years old with energy performance labels F or G, you cannot easily sell them to institutions any more. They must either be sold to specialized, family-owned businesses or placed in the public for-sale market. There is no proper institutional exit for these residential assets any more.

Over time, it may also be more and more difficult to get insurance or financing. So, investors and managers shy away more and more from older assets.

Q Can retrofitting achieve the ESG mission?

SZ: "Manage to green" is a nice idea,

but values need to come down further before you can make the business case for retrofitting. Retrofitting existing residential dwellings is not easy financially, especially with the residents still living there.

We see some retrofit potential in offices or retail that you can change into residential or mixed-use schemes. In

other words, conversion. But there are sustainable design challenges in doing that as well. It is not always possible to keep the existing structure because the floor plans may not be suitable for an ESG-compliant multifamily building.

We determine our approach on a case-by-case basis. We have a project in the Rue de Rivoli in Paris where it

was possible to preserve the majority of the beautiful building. But that is rare. In another inner-city location in Hamburg, the structure had to be entirely demolished, but we were able to repurpose key materials from the original structure, like the steel beams, and the existing basement has been retained to limit environmental impact.

In general, creating truly sustainable, large-scale residential projects by demolishing and building new is more efficient than retrofitting or converting. And then if you want efficient layouts with ample daylight, typical office or department store formats are just not suited for that. That is why we prioritize development.



SOURCE: AM. REDEVCO

The Hollandse Meesters project in Amstelveen, in the southern Greater Amsterdam area of Holland, will feature 131 owner-occupied condos and 172 rental apartments on an attractive lot where an office building once stood

Q What sort of amenities are important to ESG-focused occupiers in new builds?

Robert Bakker: The 'S' of ESG is vital. Households are getting smaller, so the houses are getting more compact to keep living affordable. Co-living is increasingly a solution, so developers add amenities to a project to make sure that residents can access shared facilities like an extra large kitchen or an extra big living space where someone can organize a birthday party.

The next step is making sure some amenities, like the coffee bar or garden, can be used both by the residents and the people living around the complex. Then you get the ideal situation of a project really being integrated into the neighborhood.

As developers, we spend time getting to know the future neighbors of a project and really trying to find out what their needs are and what we can do. For example, we have a roof garden in the Hollandse Meesters, a project of ours in the Netherlands which can be used by the residents, but it is also open to the public. It is located near a park, allowing people to seamlessly move from the park to the roof garden and back again – the two spaces naturally blend.

Reinout Huisman: Yes, we put a lot of emphasis on collaboration with the municipality or the city. They provide direction on the requirements of the community for any specific location. Of course, if there are certain amenities already nearby, you maybe think of other new ones, potentially integrated into the living concept or designed to enhance the surrounding community. This participation with the community and your neighbors is quite an important part of the zoning plan procedure.

Q How should ESG fit into new residential developments?

Robert Bakker: Social impact must be present in your thinking from the start of a development project – it must be truly resident centric. In the end, it is their cost of living and daily living experience that matters most.

In other words, there is a slight difference in what investors consider ESG to be about and what the residents think. For these measures to successfully work in residential developments, it must be less about financial and more about qualitative measurements of the tenant experience. More emphasis on the social aspects as well.

Surveys are a really good way to get feedback from your residents because they can truly tell you what is important to them. People are more focused on their wellbeing and what they experience daily in their homes than in their underlying energy performance or the CO2 performance of the building materials.

That is why for one of our latest projects we chose to comply with the WELL certificate, because it is more focused on wellbeing and healthy living. We are talking about things like sufficient daylight and good air quality in your home, or feeling safe as you

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STEVEN ZEEMAN

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REINOUT HUISMAN

enter a building, but also incorporating healthier living into building design. For example, placing the staircase in a prominent and inviting location, rather than hiding it behind the elevator.

Q But presumably, developers still must consider the broader context of environmental responsibility, such as circular economy principles?

Reinout Huisman: Absolutely. That is something we are looking into from the early stages with our advisers and with our own design guidelines for sustainability.

For developers aiming for circularity and sustainability, it is essential to adopt a systems approach from the outset of a new building design – one that incorporates aspects such as material selection and reuse. And if an existing structure is being demolished, it is crucial to explore whether materials can be reused in a new scheme or offered to material banks. We have several such organizations in the Netherlands, where you can present material from your existing assets and they can reuse it in other projects.

We also try to develop “material passports,” so that you know exactly what kind of materials are inside your buildings. This is especially relevant when doing a lifecycle analysis and if you want to eventually reuse materials in the future. For us, it is provided by companies in the Netherlands such as Madaster. We are working with a lot of institutions or other investors that especially look at the CRREM criteria and want to have minimal carbon footprint. This analysis provides insight and guidance toward achieving the set targets.

Q Can scale help when addressing the different priorities of tenants and investors when it comes to ESG?

SZ: For sure. The perspectives are

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ROBERT BAKKER

subtly different, and the trick is establishing how you can marry the two.

The housing shortage means there are more people looking for a house than houses being offered. But there is also a qualitative element of change to this residential demand. There is a continuing trend to urbanization and average household sizes are coming down. Today, most urban households are made up of one or two people, yet many apartments still are not designed with them in mind. At the same time, we must also meet the practical and economic imperatives of climate change.

Residential area development projects at scale can have more impact. With these projects we are not only helping to reduce the housing shortages. Working together with advisers and municipalities, we can include more sustainable materials like wood and improve areas with good landscaping. Additionally, we can offer up to 50 percent affordable housing in these projects and still make acceptable returns for our investors due to the volume benefits. ■