

‘The goal was to set up a strategy that could make a tangible difference’

Redevco’s Rosalind Walker, associate director, real estate debt, tells *Impact* about the importance of having a well-defined framework and an emphasis on energy performance.

By Nicol Dynes

When assessing a financing opportunity, what sustainability factors matter most and why?
Our debt strategy is guided by a sustainability framework that we apply to every opportunity. We have an intentional focus on supporting the energy transition within the built environment. Rather than trying to address every sustainability challenge, we focus on the areas where we believe we can have impact, which for us is supporting brown-to-green retrofits and the development of future-aligned, energy efficient new-builds. The goal was to set up a strategy that could make a tangible difference.

We assess operational and embodied carbon performance to determine how aligned a project is with our objectives. A challenge with this is often that, what is deemed to be ‘good’ can be subjective, so we try to be as measurable and objective as possible in our targets. Hence we use CRREM as this benchmark requires clear and quantifiable outputs.

The facilities you have completed so far have been structured as green loans. Can you explain how this works in practice?
We follow the guidance of the Loan Market Association’s Green Loan Principles. In line with this, we set both an embodied and an operational carbon target for the

project and offer a financial incentive to the sponsor if that target is achieved. We are closely aligned with our developers and borrowers as they enact their business plan to monitor progress. The experience we have on the equity side of our business in undertaking those types of retrofits or developments helps us to assess schemes and budgets, as well as with ongoing management.

What does success look like from an impact perspective once a loan has been deployed?
For us, given our green loan linkage to carbon targets, success typically comes once an asset reaches practical completion and we can then measure how the project has performed against the targets that were set.

As part of your debt strategy, you finance both heavy-retrofit and ground-up developments. How do the sustainability benefits and challenges differ between these types of projects, and how do you assess which approach can deliver the greatest long-term impact?
Clearly a big part of decarbonising the built environment is transitioning standing buildings, given the size of the existing stock. It’s estimated that by 2050, 80% of current buildings will still be standing



and according to EU estimates, some €275 billion per year is required to retrofit these to be in line with the Paris agreement. So financing those retrofits will always be a key focus for us.

Having said that, delivering future-aligned new-build properties is also important. The two complement each other. If you fund a heavy retrofit, a lower embodied carbon impact can be easier to achieve versus a ground-up development, due to possible reuse of materials, for example.

On the other hand, it is often harder to achieve the very highest energy performance standards for retrofit projects given you have to work within the constraints of an existing building. It’s important for us to build a complementary portfolio while acknowledging the inherent challenges within the two types of projects.

For example, we support a German logistics portfolio of ground-up developments that are pushing the boundaries of energy efficiency, targeting EPC A certification and DGNB Platinum or Gold, through best-in-market design and technology, including the provision of EV charging stations, PV installation, rainwater harvesting mechanics, LED lighting and smart metering. When you start with a blank canvas, you can deliver schemes that hit those market-leading credentials.

On the retrofit side, we have financed a heavy refurbishment of a previously obsolete office in central London. The project is targeting BREEAM Excellent and 98% of the materials on site have been retained, reused or repurposed, so that lowers the embodied carbon impact versus a ground-up project.

A combination of retrofits and new-builds is required, so we focus our investments across both types of projects.

Your latest deal, the first in the residential sector, supports a 156-unit housing development in Dublin, a market facing acute housing supply pressures. Beyond sustainability, what other societal challenges can the debt strategy help address?
Yes, in Dublin we’ve recently supported the delivery of high-quality, energy-efficient homes in a severely undersupplied market. As we are focused on the environmental

side of sustainability, that scheme is providing 100% electric houses with onsite air-source heat pumps, and EPC A equivalent ratings. However, it’s great when we can also offer a positive social impact by funding the delivery of new homes.

We are actively looking for more living sector opportunities to support, and that includes build-to-sell and build-to-rent, but also other less mainstream sectors such as senior living and student housing.

Where do you see the greatest need for capital to support the transition to a more resilient and future-proof built environment?
Supporting positive environmental outcomes is important for the strategy, but we look to generate attractive risk-adjusted returns in doing so. For this reason, sectors where we see the greatest long-term value drivers are of interest to us.

We believe that by backing regulatory and future-aligned assets, the strategy

‘Rather than trying to address every sustainability challenge, we focus on the areas where we believe we can have impact.’

Rosalind Walker, Redevco



◀ Redevco loan facility has financed Cedarmount, a 156-unit residential development in Mount Anville, Dublin 14, to support the delivery of high-quality, energy-efficient homes in a supply-constrained market. The development is sponsored by Bain Capital’s European Real Estate business and the development manager is Regency, an Irish residential developer.

offers downside protection against being exposed to assets at risk of obsolescence.

We are in a carbon-conscious age for occupiers of real estate, and that is where leasing demand continues to focus. We remain focused on sectors where we have conviction in long-term demand. They include living sectors, logistics assets, and – more selectively – offices in core European markets.

The real estate industry often talks about buildings, but increasingly the conversation is also about energy. Do you see lenders playing a role in financing the intersection between the two?
With the growing pressure on Europe’s energy infrastructure, and with buildings being large consumers of energy, they are fundamentally interlinked. Developers need to be ever more creative to find alternative energy solutions for their buildings, which can include off-grid. We are seeing some very interesting solutions being developed in response to the long delays in link-ups to the grid across Europe, especially in proximity to where data centres are being developed.

One transaction we are looking at in the Netherlands, where grid congestion is a major challenge, involves sharing an off-grid energy hub between a cluster of properties. Most energy demand is met from onsite renewables through PV panelling coupled with onsite battery storage. As a last resort during winter however, there is a gas generator, which provides back-up power. This minimised carbon-intensity solution offers an interesting case study for how energy infrastructure challenges could be met by innovative localised grids. ■