



103

Shaping
Change in
Europe's Built
Environment

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Introduction

Like many others, Europe's built environment sector is struggling to advance progress to deliver on climate roadmaps in the face of boggling complexity. 103 Ventures worked with Urban Land Institute (ULI) Europe to identify and address systems intervention points - places to intervene in an industrial system for maximum effect - within the built environment in Europe to accelerate change, targeting measurable improvements over 12-36 months.

Here, we explain what we did, how, and what the outcomes were in the hope of stimulating further such work. In doing so, we focus in on the delivery journey of one specific intervention within a broader portfolio managed under ULI Europe's C Change programme.



Phase 1: Building system insights through sector landscape analysis

Despite pockets of leadership across the full value chain of the built environment, the sector remained fragmented with no shared practical path forward. An initial idea was conceived to build a roadmap to galvanise ULI Europe's 5,000 members around a common path forward. But the sector was already awash with roadmaps that weren't delivering at the pace and scale required. So we then asked - why aren't they working?

We collaborated to cut through the complexity and place systems intervention points at the heart of their flagship C Change programme. Now in year 2 of delivery, the work is supported by a coalition of leading built environment investors including Catella, Hines, Immobel, IPUT, Longevity, PIMCO Prime Real Estate, Redevo, Savills Investment Management, Schroders Capital, Sierra Sonae and Urban Partners. Engagement of these powerful stakeholders provided a strong foundation from which to develop rich dialogues across the sector and unearth system insights.

A learning approach underpinned the programme from conception, which necessitated a new form of consultant-client relationship. As consultants, we needed to recognise the division of expertise - we hold systems expertise, not industry knowledge. Our value is in the ways in which we see, understand and seek to create change within systems. The ULI Europe team and industry leaders hold vastly more knowledge of the built environment than we do. This recognition and basis for partnership was critical to building the high impact, collaborative programme outlined below.

In a sector as complex as the built environment, a whole-system viewpoint was critical. Desk-based mapping and analysis of industry and regional/national roadmaps and the policy landscape provides a starting point, but building systems insights requires deeper engagement. Effective dialogue with a wide range of industry stakeholders across the sector - up to 150 stakeholder organisations were researched and a further 75 individual interviews in this case - addressed three pertinent questions:

- What has already been done?
- What is happening right now?
- What is happening in the next 12–36 months?

When it came to really understanding the complexity of the system, we had to pick up the phone and get to know the real nuances of the personalities behind the tactics and strategies, what went wrong, what went right, why, and most importantly, where next.

Kate Wolfenden, Co-Founder, 103 Ventures.

An effective approach to dialogue yielded both a deeper level of intelligence and personal connection, which allowed hidden insights to emerge. The stakeholder interviews revealed clusters of barriers and enablers including popular but ineffective actions, blind spots, duplications, powerful personalities either enabling or blocking progress, deeply entrenched beliefs, and untapped energies or frustrations. These nuances were key to unlocking change, but specific interventions that address them needed to be identified to enable action.

Phase 2: Surfacing the most pertinent interventions

The process of identifying the specific interventions with ULI Europe was an intuitive and iterative one, facilitated by numerous workshops with the 103 Ventures team, the client, and wider stakeholders. Such processes are by their nature hard to define, but a handful of key ingredients can be identified:

- Leveraging and, where necessary, instilling a ‘systems thinking’ mindset
- Maintaining energy for repeated ‘sensemaking’ and its backwards looking counterpart, ‘sensebreaking’.
- Having the skill to nurture groups of stakeholders and surface ideas though rich, sometimes tense dialogues.
- Focusing and encouraging others to focus on precise interventions within the 1-3 year time horizon.
- Keeping the big picture in mind at the same time as drilling down - in methodical increments - to more finite actions.

We boiled down 43 cross cutting barriers to change and thirteen interventions that represent key shifts in the industry and need to be monitored and managed (Figure 1). Finally, a subset of five complementary, high impact interventions were identified for immediate action. Each of these had the potential to directly support and amplify others through synergistic effects. For example, the impact of integrating transition risks into everyday investment decision making (Intervention: Assessing transition risks) would be limited unless we can get asset owners and tenants working together (Intervention: Owner/ occupier alignment). Likewise, doing both these things is helpful, but without a coordinated leadership voice (Intervention: Coordinated investment voice) within the community they have a low chance of mainstreaming.

Importantly, we then socialised these interventions, rallying the industry around them to build momentum and critical mass for impact through the ongoing multi-year programme (see Figure 2 and subsequent phases).

Figure 1: Thirteen interventions including five identified for immediate action.

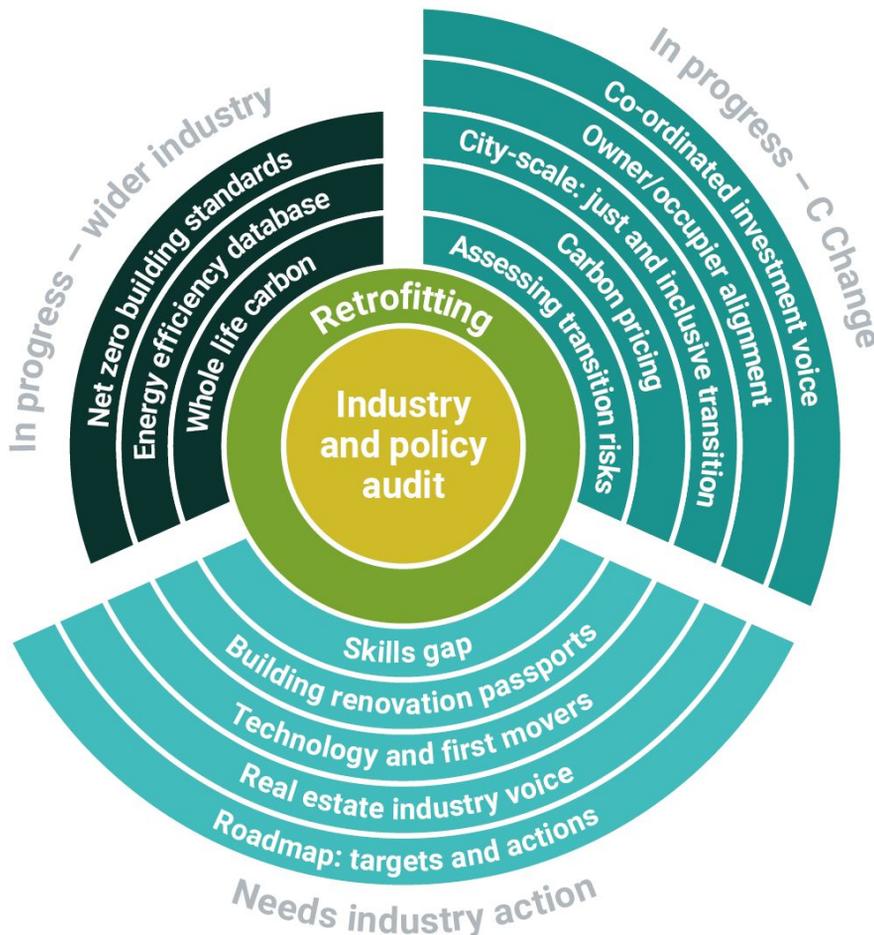


Figure 2: Summary of systems intervention points process.



Phase 3: Refining and delivering an intervention

Deep, action-focused research was the bedrock of this stage of the programme. While at first we needed to go wide and listen intently to identify system dynamics and opportunities, at this point we needed to follow that exact same research procedure again - but zoomed in on the specific interventions to understand their underlying mechanics.

We first tackled one of the most prominent barriers to the rapid roll out of retrofit for the built environment in Europe — **the integration and monetary quantification of transition risks into everyday investment decision making**. We knew that these risks had high potential to change behaviour, but that progress was generally hindered by resource and knowledge limitations across the investment industry, perpetuating business-as-usual mispricing of assets and fuelling a dangerous [real estate carbon bubble](#). Until we could unequivocally show the impact and opportunity on asset values as a result of the transition, we knew the overall retrofit rate would remain painfully slow.

To tackle this head on, we devised two solutions designed to unlock change:

- **Changing the rules of the game:** A set of industry best practice guidelines to standardise the treatment of transition risks up and down the value chain of real estate investment and encourage disclosure.
- **Facilitating information flows:** The technical specification for an automated real estate transition risk tool to democratise access to data and encourage adoption of transition risks into investment value assessments across the industry.

This phase of the programme was not and could not be done in isolation - the sector was consulted and our findings stress-tested. All in all, 75 leading organisations, representing €1.5tr in AUM worked with us to co-create these new solutions. By building quality relationships, we found industry experts wrought with frustration, mavericks harbouring ideas they can't bring into the mainstream, and technical experts with seemingly endless insights to share. Being industry outsiders, part of our role here was to be a fresh pair of eyes to ask the questions that may seem obvious or ridiculous - and so challenge the status quo.



Phase 4: Removing Barriers to Scale

Removing Barriers to Scale is about recognising change doesn't happen of its own accord. Once a smart solution had been developed, we turned our focus towards accelerating its implementation. In the context of new industry best practice on transition risks, we have identified the following barriers and enablers:

- To overcome friction in the adoption of the transition risk guidelines, a **transition risk tool** was designed, technical partners identified and large scale funding to support its development is now being developed..
- To promote **transition risk data availability**, we facilitated roundtables and webinars with investors, fund managers, banks and insurance companies, unpicking the barriers to sharing of data, and seeking simplified ways they can start to share the types of information that was previously considered too sensitive to release.
- To enable comparability across the industry, we are developing a **sector-specific approach to carbon pricing methods** and disclosure that addresses nuances that have so far held back progress.
- To scale our interventions, we identified a critical mass threshold of real estate investors (ca 20% of the industry) and are working to achieve it by communicating case studies and facilitating dialogue between investors and fund managers.

At the end of year 2, a survey was released to all participating entities and of the 229 investors that responded, we were grateful to see that 71% were already adopting the guidelines, speaking to their management or creating a case study for the ULI programme on their learnings.

Phase 5: Achieving Critical Mass

Achieving critical mass is the final phase of any prioritised intervention delivery programme. It builds on and learns from the *refine and design* and *removing barriers to scale* phases delivered in year 1 and 2, and turns its attention to broadening the number and types of stakeholders engaging in the work, as well integrating it into pre-existing mainstream processes and structures for rapid scale up.

In the context of the transition risks, this translates into two areas of activity:

- Seeking out opportunities to integrate this new set of industry best practice guidelines into pre-existing structures and processes to dramatically improve the efficiency of adoption; including industry standard due diligence questionnaires, industry reporting frameworks and platforms, and softwares.
- Broadening the awareness and interest in these guidelines to wider sources of capital, to ensure less and less sources of funding can be released without a proper transition risk assessment and resultant price adjustment.

This is the focus of transition risks intervention in Year 3/2024. We look forward to sharing progress at the C Change Summit in October.

Parting Note: Interventions - A point in time analysis

As we move forward, we recognise that our initial analyses deliberately captured a snapshot of a living, evolving system. The insights represent the state of the system at that point in time but, like all complex systems, it keeps changing. We are responding to this in two key ways:

- **Synergistic effects:** Once an intervention has moved into action, other supporting interventions and activities that target positive and negative feedbacks can be used to amplify its impact. For ULI Europe, this involves a deep dive into carbon pricing to support the transition risks work, developing a community of practice for building owners and occupiers to address data issues, supporting a coordinated investment voice, and a city-scale programme focused on financial innovation where quantified transition risks can help build the business case.
- **Updating the system view:** The built environment landscape has developed rapidly since our initial work in 2022, with progress made for instance in sector-based emissions pathways, policy developments, and the build-up to COP-27 and now COP28. To address this, we conduct a bi-annual appraisal of the systems intervention points which ensures that the programme is continually informed by cutting edge strategic market intelligence.



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103 |