



WALKING TOWARDS SUSTAINABLE REAL ESTATE INVESTMENT

KGAL's, Elin Aberg, looks at how shared values concerning sustainability and the environment are influencing investment in 'walkable' real estate.

The Nordic countries share many similar attitudes to sustainability and environmental considerations. The way that these have influenced how people live has shaped urban lifestyles throughout cities in the Nordics.

Stockholm, Copenhagen, Oslo and Helsinki were all ranked among the top 25 cities in the world in Mercer's 2019 Quality Of Living report while Stockholm recently came second for sustainability in the Arcadis Sustainable Cities Index. Against this backdrop, it is perhaps no surprise that there is strong appetite among Nordic investors for real estate investment opportunities which have strong ESG credentials.

One of the drivers of more sustainable urban environments is the ability for people to have easy access to the places where they live, work and play. By placing less reliance on the car and more on people's wish for an active lifestyle, 'walkable' locations are seen as providing a double benefit: personal wellbeing and the minimisation of pollution.

In addition to these important benefits, there is also an increasing body of evidence that real estate assets with 'walkable' characteristics deliver enhanced returns. In the USA it has been calculated that the value of real estate with a high walkability factor has grown by almost 100% since 2006 – despite the intervening financial crisis. During the same period, the value of assets in car-dependent locations has only increased in value by less than a third.

In response to these trends, KGAL has created the Walkability Fund* which selects assets for investment on the basis of a unique, proprietary model that ascribes a rating to properties based on a detailed range of metrics. It is an analytical process which benchmarks locations by looking at their proximity to workplaces, amenities and transport infrastructure. The first step is to attribute a 'Walk Score' to a location and then incorporate this into a matrix of other real estate metrics to decide whether an asset is appropriate for the Walkability Fund. The Fund's investment strategy is underpinned by ESG credentials and is aligned to eight of the United Nations Sustainable Development Goals.



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KGAL's fund analysis process encompasses a wide range of factors from public transport connections through to building design and the proximity of places to eat and drink. As well as delivering a property investment strategy which is more attuned to what is happening across society as a whole, walkability can also create the kind of environmental benefits which will be vital if carbon reduction targets are to be achieved.

It's estimated that a shift towards more Walkable cities could save up to nine gigatonnes of carbon dioxide emissions worldwide by 2050. The Urban Land Institute has said that making cities more pedestrian-friendly could lead to a 20% – 40% reduction in car use.

The concept of walkability will come naturally to Scandinavians as there is still a tendency to walk, cycle or ski to where you need to get to. There is no sign of this preference changing – in fact it may become more pronounced with the advent of Greta Thunberg's #FridayForFuture movement.

By investing in walkable locations, Real Estate investors can both help create a more sustainable environment and also access returns which are highly competitive.

At present, half of us live in urban areas worldwide. By 2050, that proportion will rise to two thirds. This demographic change has clear implications for city planning and real estate investment. At present, our reliance on cars seems so intrinsic to life it feels hard to imagine it being any other way. But with people – and particularly the younger generation – making different life choices, and the growing pressure for us to live more sustainably, it seems we are all heading down the path to a more 'walkable' world.

If you wish to learn more about KGAL and our investment products, please don't hesitate to contact us:

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KGAL Group

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* The Walkability Fund documents are being updated. Once they have been completed the Fund will again be open for subscriptions.

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