

The real estate industry's sustainability efforts generate business benefits

The Swedish real estate sector is **undergoing change, with sustainability now a strategic imperative rather than a peripheral concern**. Climate change, stricter regulation, rising energy costs, mean that **sustainability** is central to **risk management**, competitiveness, and long-term value creation.

The analysis is based on interviews conducted with **sustainability managers** within the industry, together with a review of sustainability reports. The results of the analysis have shown that sustainability efforts in the real estate sector can create tangible value and **business benefits**.

Sustainability drivers

Interviews with real estate companies (varied between private, municipal and companies owned by pension funds), alongside a review of sustainability reports, reveal that sustainability initiatives consistently deliver value in six core areas:

1. **Cost savings** through energy efficiency, by own energy production, demand management, and waste reduction.
2. **Revenue growth** from more attractive properties, and stronger tenant relationships.
3. **Access to capital** via green financing and sustainability-linked loans, often on more favourable terms and with reduced refinancing risk.
4. **Brand and market position** strengthened through transparency, certifications, and delivery on stakeholder expectations.
5. **Employee engagement** created by purpose-driven work and innovative projects.
6. **Risk mitigation & futureproofing** against regulatory change, market shifts, and climate-related disruptions.

Key findings

Energy: remains a central theme, with energy efficiency measures being a long-standing practice for reducing operating costs. While many of the most significant improvements have already been made, the report notes that a new focus on peak load management is emerging. This is driven by upcoming legal requirements for power-based tariffs that will make it crucial to avoid energy spikes and manage costs. Furthermore, many companies are investing in their own energy production, primarily through solar panels, to lower costs, hedge against price volatility, and contribute to a more stable energy system.

Green Finance & Certification: Environmental certifications, like BREEAM or Miljöbyggnad, have increasingly become essential attracting capital, tenants, and buyers. Green leases lower operating costs and improve tenant relations. However, it has emerged from the interviews that several real estate companies believe that the size of the interest discount itself is rarely

sufficient for the requirements that come with green financing, such as certifications or property adaptations. Instead, green financing is an important tool to broaden the company's capital base, lower refinancing risks, and satisfy growing investor and lender demands. A significant structural challenge is highlighted as the current system tends to financially reward newly built, highly energy efficient properties over extensive renovation of older "brown" buildings. This creates a problematic incentive, as renovating existing structures often yields a greater overall climate benefit than constructing a new building.

Climate Adaptation: Growing physical risks from events like floods and heatwaves require proactive measures to safeguard the value of properties in the long term to avoid future costs from damages, operational disruptions, and increased insurance premiums. Insurance, especially linked to whether certain climate events should remain classified as “unforeseen”, is raised as a potential risk factor. This shows that climate adaptation should be considered a long-term investment in the portfolio’s resilience and attractiveness.

Circular Economy: Material reuse and recycling can lower costs and reduce carbon emissions while meeting EU recovery target of 70% of all non-hazardous construction and demolition waste to be recycled or reused (by end of 2025). Opinions differ within the real estate companies. Some view reuse of building materials as complex and costly due to logistical hurdles and certification requirements. Others highlight reuse and recycling as a competitive and cost-effective alternative with successful projects demonstrating both financial and climate benefits lower cost. For a significant impact, industry-wide cooperation and solutions are required.

Social Sustainability: There is an increasing focus on strong supply chain governance as well as community engagement. There is also an acknowledgement that a sense of security enhances property value and stability. The interviewed real estate companies have implemented codes of conduct that contain clear requirements for ethics, working conditions and social responsibility. Additionally, proximity to suppliers makes it easier to meet requirements for reporting and calculating emissions within Scope 3. Initiatives in residential and office areas, such as vibrant ground floors and local activities, strengthen the attractiveness of areas and property values. Fastighetsägarna confirmed that security is a strong trend which is highly valued when choosing accommodation and commercial premises.

Data & Digitalisation: Several real estate companies describe that one of the main sustainability challenges is the lack of reliable and coordinated data. There is evidence that there is business potential for property companies who collect and analyze data related to their sustainability efforts. Companies that systematically collect and analyze data using tools like digital twins can optimize building operations, make better-informed decisions, and develop new business models that drive both efficiency and innovation.

Conclusion

The report demonstrates that sustainability in the real estate sector has matured from a reactive, compliance-driven activity into a central engine for business development. It is no longer just about managing risk but is now a decisive tool for proactively creating value, securing profitability, and building a resilient, competitive, and future-proofed business. The analysis of interviews and sustainability reports show that real estate companies’ sustainability is driven by both internal and external factors. External being, banks and investors who are setting high standards to minimize their risk exposure meaning green financing and environmental

certification are key. Additionally, legislation in areas such as energy efficiency and the circular economy set standards real estate companies must reach. Combined with commercial tenants and residents favouring sustainable, safe and energy efficient properties. Furthermore, sustainability is, to a higher degree, integrated into the companies' business development, generating innovation and adaptation that strengthens competitiveness.