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# Environmental regulation and UK property development

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# Glossary

| Term | Definition | Source | Purpose |
|---|---|---|---|
| **Biodiversity Net Gain (BNG)** | Policy introduced through planning system (England and Wales) in 2024 requiring most new developments to demonstrate a net gain (of minimum 10%) in biodiversity. | DEFRA website | To enhance the volume and quality of habitats in a context of nature depletion; to manage the negative impacts development can have on biodiversity. |
| **BREEAM** (Building Research Establishment Environmental Assessment Method) | A widely used sustainability assessment method for masterplanning projects, infrastructure and buildings. | BREEAM website | To measure and certify the sustainability performance of buildings across various criteria, including energy use, materials and wellbeing. |
| **CRREM** (Carbon Risk Real Estate Monitor) | A risk assessment monitoring tool that allows investors and property owners to assess the exposition of their assets to stranding risks based on energy and emission data and the analysis of regulatory requirements. | CRREM.eu website | Helping the sector tackle risks, including premature obsolescence and potential depreciation due to changing market expectations and legal regulations relating to decarbonisation. |
| **ESOS** (Energy Savings Opportunity Scheme) | A mandatory UK energy assessment scheme for large businesses, requiring audits of energy usage every four years. | UK government's ESOS guidance | To identify energy-saving opportunities and encourage cost-effective energy efficiency improvements in large organisations. |
| **EPC** (Energy Performance Certificate) | A document that provides an energy efficiency rating for a building, ranging from A (most efficient) to G (least efficient). | UK government EPC register | To inform potential buyers or tenants about the energy efficiency of a building and recommend improvements. |
| **GLA** (Greater London Authority Sustainability Guidance) | Sustainability and energy efficiency policies set by the Greater London Authority for developments within London. | GLA website and London Plan | To ensure that new developments align with London's climate goals and environmental standards. |
| **GRESB** (Global Real Estate Sustainability Benchmark) | An ESG (environmental, social and governance) benchmark for real estate assets and portfolios. | GRESB website | To assess and compare the sustainability performance of real estate investments and portfolios worldwide. |
| **IEMA** (Institute of Environmental Management & Assessment) | A UK-based professional body that provides standards, training and certifications for environmental and sustainability professionals. | IEMA website | To support organisations and individuals in achieving environmental and sustainability goals through professional development, standards and advocacy. |
| **LETI** (London Energy Transformation Initiative) | A voluntary network of built environment professionals providing guidance and recommendations for net-zero carbon buildings. | LETI website | To promote best practices and provide practical resources for reducing operational and embodied carbon in buildings. |
| **MEES** (Minimum Energy Efficiency Standards) | UK regulations that set minimum energy efficiency standards for privately rented commercial and residential properties. | UK government's MEES guidance | To improve the energy efficiency of buildings and reduce carbon emissions by prohibiting leasing of properties with an Energy Performance Certificate (EPC) rating below a specified threshold (currently E). |
| **NABERS** (National Australian Built Environment Rating System, UK version available) | A sustainability performance rating system for office buildings, assessing operational energy use and carbon emissions. | NABERS UK website | To provide an industry-recognised benchmark for measuring and improving energy efficiency in commercial buildings. |

| | | | |
|---|---|---|---|
| **Part L Building Regulations** (Conservation of Fuel and Power) | UK building regulations that set energy efficiency standards for new and existing buildings, covering insulation, heating systems and carbon emissions. | UK government Building Regulations | To ensure buildings meet minimum energy performance standards, contributing to the UK's net-zero targets. |
| **Part Z Building Regulations** (Proposed Embodied Carbon Regulation) | A proposed addition to UK Building Regulations that would mandate the assessment and reduction of embodied carbon in new developments. | Industry proposals and lobbying efforts | To address the carbon footprint of construction materials and processes, supporting net-zero goals. |
| **Science Based Targets initiative** (SBTi) | A global partnership that provides guidance for setting corporate greenhouse gas (GHG) reduction targets in line with climate science. | Science Based Targets initiative website | To help companies align their sustainability goals with the Paris Agreement, ensuring their emissions reduction plans are scientifically credible. |
| **Scope 1, 2, 3** (GHG Emissions Categories) | Scope 1: Direct emissions from owned or controlled sources (e.g. fuel combustion in company vehicles).<br>Scope 2: Indirect emissions from purchased electricity, heating or cooling.<br>Scope 3: All other indirect emissions in the value chain (e.g. supply chain, waste disposal, employee travel). | Greenhouse Gas (GHG) Protocol | To provide a framework for measuring and managing emissions across an organisation's operations and supply chain. |
| **SECR** (Streamlined Energy and Carbon Reporting) | A UK regulation requiring large companies to report on energy use and carbon emissions in their annual reports. | UK government's SECR guidance | To increase transparency and encourage energy efficiency improvements through mandatory disclosure. |
| **UK Carbon Building Standard** | A forthcoming national standard aimed at defining carbon performance benchmarks for new and existing buildings in the UK. | To be set by industry stakeholders and government bodies | To provide a consistent framework for measuring and reducing carbon emissions in the built environment. |

# Foreword

The relationship between environmental regulation and the built environment has never been more consequential – or more contested. With the UK committed to legally binding net-zero targets and the property sector responsible for around a quarter of national emissions, the need for rigorous, evidence-based understanding of how developers engage with sustainability is vital. Yet, political narratives often reduce regulation to 'red tape' and an obstacle to growth, ignoring the significant strides made by many in the sector to go beyond compliance.

This timely report by Dr Emma Street and Victor Nicholls explores the complex and evolving landscape of environmental regulation in UK property development. Drawing on an innovative methodology – including regulatory mapping, a systematic review of corporate environmental strategies, and in-depth interviews with industry professionals – this study offers a detailed and balanced assessment of how developers navigate, adopt and, in some cases, lead environmental practices.

What is particularly striking is the nuance and insight that emerges from engaging directly with those working at the intersection of regulation, sustainability, and commercial development. The findings challenge assumptions that regulation is inherently burdensome and instead highlight a pragmatic, often values-driven, culture within development organisations seeking to align business goals with environmental imperatives.

The Property Research Trust is proud to have funded this important work. As a longstanding supporter of rigorous, independent research across land, real estate, and construction, we believe this report makes a meaningful contribution to current debates and future policymaking. It is a valuable resource for practitioners, policymakers, and scholars alike – one that encourages thoughtful dialogue and informed action in shaping a more sustainable built environment.

**Alan Dalgleish, executive director, Property Research Trust**

# Key points

- The UK's regulatory landscape as it relates to property is complex and subject to change
- Developers don't seem to buy into narratives that regulation is 'bad for business' though
- UK property developers advocate for consistent (sometimes more stringent) government standards to level the playing field, help drive sustainable practices and unlock green growth
- There is strong awareness of development's environmental impacts across the sector
- Developers of all types are firmly committed to managing these via regulatory compliance
- A range of non-statutory tools are also used by developers to drive sustainable practices
- Examples include adopting voluntary certifications around energy performance and carbon
- Behaviours are driven by a mix of investor preferences, corporate and personal values, and decarbonisation making good business sense (minimising climate risks; market opportunity)
- There is variation in the strategies adopted by developer type (mixed use/ specialist) and size
- But no desire to reverse the direction of travel (embedding sustainability across property development cycles); whole life carbon and ecological impacts are the 'next frontiers'

# Executive summary

When it comes to property development and the regulations that shape industry practices, there is a perception that standards are increasing in both volume and complexity. This includes regulations that relate to the environment, such as legally binding net-zero carbon targets countries such as the UK have signed up to. As the source of around 25% of UK emissions, the property sector recognises its role in delivering on net zero, and managing the impact of development on the natural world and local communities (UKGBC, 2021).

Yet the political and popular media discourse is dominated by claims that environmental standards are seen as a block on development and that red tape must be slashed to enable growth. For example, speaking to regulators in March 2025, the chancellor, Rachel Reeves, said: "There are a number of things over the last decade or so that have held back growth, and one of them [...] is the regulatory landscape." (Source: BBC, 2025, https://www.bbc.co.uk/news/articles/crmj14d220vo).

From stringent self-imposed targets around embodied carbon, to ambitious environmental, social and governance (ESG) agendas, many property sector practices run counter to the narrative that regulation is bad for business. Why would some property developers be voluntarily adding to their regulatory burden? Does this not result in further complexity and hurdles? And how do the various metrics, certifications and standards that developers sign up to relate to statutory environmental requirements they must comply with?

This research project sought answers to these questions in three ways. First, we mapped the UK regulatory environment to represent visually the environmental standards as they apply to UK property development today. Next, we analysed over 100 environmental strategies from a sample of 31 UK property developers of different sizes and types (commercial, residential, mixed use, specialist). Finally, we conducted in-depth interviews with 11 senior professionals working in environmental leadership roles for UK property development companies or leading real estate consultancies (advising developer clients).

Our research confirmed there is considerable complexity within the UK regulatory landscape relating to new development. The property development cycle is such that developers will encounter various forms of regulation at different points in time. Larger, well-resourced developers are better able to navigate this complexity, especially in a context where regulations may change (e.g. in response to political shifts). The results of the desk review of developers' ESG strategies show that large developers are

more likely to conduct climate risk assessments. They also utilise NABERS (National Australian Built Environment Rating System), LEED (Leadership in Energy and Environmental Design), and ISO (International Organization for Standardization) certification, while small developers do not. Circular economy principles and short-term sustainability goals are also more common among large firms. Differences between specialist and mixed-use developers were less pronounced and are seen mainly in how proactively the latter use climate-risk assessments and in their adoption of sustainability certifications.

Regulation can seem like a dry or technical issue, but it can also be emotive. The introduction of biodiversity net gain (BNG) in 2024 was an example of a regulation that developers strongly supported in principle and yet considered problematic in terms of its introduction and operation. More consistency in the regulation regime, including better communication of changes by the regulators, was a common plea. Intermediary bodies such as the UK Green Building Council were seen as providing a helpful bridge and more knowledge sharing between developers around regulatory compliance and innovation was seen as preferable.

Navigating the regulatory landscape goes beyond demonstrating compliance with minimum standards. At the financing stage, frameworks such as the UK's Streamlined Energy and Carbon Reporting (SECR) and the Global Real Estate Sustainability Benchmark (GRESB) are increasingly shaping investment decisions. Investors may require developers to show progress against strategic targets or ESG metrics via corporate data analysis and monitoring protocols. At the planning stage, local authorities may have their own green building standards that exceed statutory requirements. In construction, building regulations such as Approved Document L - Conservation of fuel and power, stipulate requirements around thermal performance, but certifications such as the Building Research Establishment Environmental Assessment Methods (BREEAM) can also influence design decisions, perhaps driven by responsible investment behaviours.

In terms of asset management, the Minimum Energy Efficiency Standards (MEES) came into force in 2018, requiring all properties being let or sold in England and Wales to have a minimum energy performance certificate (EPC) rating of 'E' or above. But these things may be only one factor in developing buildings that meet changing occupier preferences. Green building premiums are observable, especially in high-value office areas, where certifications like the US Green Building Council-derived LEED rating can be used to further differentiate the market (Wiley et al, 2010). Demand for high-performing buildings and wellbeing amenities (e.g. secure cycle storage) is driving higher sustainability standards, offering a way for developers in these markets to differentiate themselves and capitalise on nascent market opportunities.

The point is that there is keen awareness of the reciprocal relationship between environmental impact and the property development cycle.

Indeed, interviewees identified whole lifecycle carbon as one of the next big frontiers in UK property development. What we heard over the course of the research goes beyond just words though. Sustainability is deeply embedded in UK property developers' operations. From internal carbon pricing to remuneration packages, the ways in which environmental goals are operationalised are diverse and, in some cases, very sophisticated.

These practices sit within a volatile global context. During the research, President Trump removed the US from the Paris Agreement, reneging on binding international climate commitments. Closer to home, the European Union's Ursula von der Leyen and UK chancellor Rachel Reeves have both cited environmental targets as a barrier to growth. This was seen as unhelpful by many of those we spoke to, some of whom have spent years crafting a business case for ways of working with environmental sustainability at the core.

Narratives around sustainability are becoming more polarised. More nuanced understanding of the development sector's views on environmental regulation is an important part of bringing evidence back to the heart of debates about sustainability and growth. This research offers a valuable snapshot of the state of play of the environmental landscape as it relates to UK property development today.

# Chapter 1
# **Introduction**

The impacts of accelerating climate change upon the natural world and societies across the world are becoming ever more acute. Buildings are the source of 39% of global energy-related carbon emissions (WGBC, 2019), placing a clear onus on the property sector to lead the transition from fossil fuels towards more sustainable practices. Since the 1987 Brundtland Commission's groundbreaking definition of sustainable development, the UK (singly or as part of the European Union) has developed a comprehensive range of regulations which focus on improving environmental performance, reducing carbon emissions and safeguarding the most important areas of natural resource.

At the same time, the current UK government is committed to economic growth, underpinned by substantial housebuilding goals and other areas of business development. This creates tensions that bodies such as planning authorities seek to manage. An example of this is biodiversity net gain (BNG). Introduced under the Environment Act (2021) and operationalised through the planning system (England and Wales) from 2024, BNG requires developers to demonstrate a measurable improvement (net gain) in natural habitats. Our research set out to test whether such regulations are a barrier to development, as is often claimed. It also sought to explore the approaches being taken towards both statutory and voluntary environmental standards within the property development sector.

We mapped out, and then sought to categorise, the various regulations that may appear over the property lifecycle. We then looked at what a sample of UK property developers say they are doing around environmental sustainability in their corporate strategies. Finally, we spoke to some of the people charged with making development happen. These were senior professionals in sustainability roles in property development companies or consultants advising developers on environmental issues. We wanted to understand how sustainability regulations are operationalised, what role personal and corporate values and skills play, and to gain more general views on regulation (too much, too little, future priorities, etc).

There was evidence of an enthusiastic embracing of the principles of sustainable development, and willingness to create schemes with strong environmental performance. Complying with regulation was (of course) part of this, but capturing market advantages and reducing risks were also

an important part of the picture. Here, voluntary certifications, guidelines and targets came into play, such as stringent embodied carbon goals. These were driving processes and building performances that exceeded what governmental standards require in some cases, complicating the "more regulation is bad for business" narrative.

Our research does highlight the need for more clarity and consistency though, especially in the way new environmental standards and policy changes are handled (e.g. the Future Homes Standard[1]). It also includes a plea for more robust evaluation methods to ensure that regulations are having the intended effects. The UK property sector engages with environmental sustainability through various practices and frameworks aimed at reducing ecological impacts without undermining economic viability. This might involve green building initiatives or standards that respond to market demand for more sustainable properties. These sit alongside statutory requirements, creating a complex and fluid regulatory landscape, and a ripe field for learning what works in the delivery of sustainable property.

[1]*The Future Homes Standard (FHS) guidance outlines technical requirements for building super energy-efficient new homes in the UK from 2025 onwards. It focuses on achieving dramatic cuts in carbon emissions through low-carbon heating and excellent building fabric performance with superior insulation, airtightness and energy efficient windows and doors.*

# Chapter 2
# The state of knowledge - issues and literature review

## 2.1 Introduction

In recent years, environmental regulation has become a critical factor in UK property development, influencing both asset management and development practices. This literature review explores how environmental regulations are addressed, operationalised and considered within the industry. The review synthesises insights from a range of studies, giving an overview of the current state of environmental regulation in the UK property sector. It also incorporates a review of environmental guidance from the Royal Institution of Chartered Surveyors (RICS) as the leading professional membership body for those working in the UK property sector.

## 2.2 Regulatory frameworks and their impact

The UK property industry is subject to various environmental regulations aimed at lessening the negative impacts of development and promoting more sustainable practices. While this report focuses on understanding the interplay between the contemporary regulatory landscape and development, it is worth briefly outlining some key early interventions that shaped the current context. The principles of sustainable development, such as those set out in the *Brundtland Report* (1987), can be seen in UK legislation such as the Environmental Protection Act (EPA) 1990. This applies regulations to a wide range of environmental issues, including waste management and pollution controls, placing a duty of care on professionals such as property developers to manage the impact of their activities on land, air and water.

Based on European Directive 85/337/EEC, an environmental impact assessment (EIA) regime was introduced in the UK around the same time (1988) through the Town and Country Planning Regulations for England and Wales and in Environmental Assessment Regulations for Scotland and

Northern Ireland. Jha Thakur and Fischer (2016) consider how EIA has evolved since, concluding that, while it has ingrained internal (process) strengths and weaknesses, it has responded to external factors such as the environmental values of a changing society.

This reflects the bigger picture of growing recognition of the manifold threats posed by climate change. Around 25% of all UK carbon emissions are directly attributable to the built environment, highlighting the critical role that buildings, towns and cities and infrastructure play in meeting the UK's decarbonisation targets (UKGBC, 2021). The UK government is committed to reaching net zero by 2050, meaning that total greenhouse gas emissions are equal to the emissions removed from the atmosphere, with the aim of limiting global warming and resultant climate change (HM Government, 2021).

Achieving these legally binding targets requires the rapid decarbonisation of the economy. Carbon budgeting is used to set the maximum amount of greenhouse gas emissions that can be released into the atmosphere over a set period of time. The UK is a signatory to the Paris Agreement, an international treaty which came into force in 2016 with the goal of holding global warming to a certain level (i.e. within 1.5 degrees centigrade above pre-industrial levels). (Source: https://www.gov.uk/guidance/carbon-budgets).

It stands to reason that strategic national targets set the context for sector-level regulations. As Vikram and Lakshami (2023: 19) argue, "regulatory frameworks and international standards guide and hold sustainable building practices accountable". They also shape non-statutory industry responses designed to steer practice away from fossil fuel consumption and to drive innovation via so-called 'green growth' (an economic theory used to describe paths of environmentally sustainable economic growth). The cyclical nature of property development lends itself to considering carbon emissions over the full lifespan of buildings and the opportunities for green growth this can unlock associated with new skills, technologies and materials (UKGBC, 2021).

Whole-life carbon, which refers to "the entire life of a building from material sourcing, manufacture, construction, use over a given period, demolition and disposal, including transport emissions and waste disposal" is an example of this (UKGBC, 2024). Technical standards, such as *BS EN 15978:2011 Sustainability of construction works*, have been developed to calculate embodied and operational energy use during the operational phase of a building, providing a picture of its full carbon footprint. This informs more strategic workstreams such as that shown in the UKGBC's (2021) *Net Zero Whole Life Carbon Roadmap*, which sets a vision for a decarbonised property sector.

Relevant here is the concept of the circular economy (CE), the goal of which is to "reduce construction consumption systems, linear material, and energy flow systems, and waste by incorporating materials cycles, and renewable and

cascade-type energy flows into the linear system" (Antwi-Afari et al, 2021, in Oluleye et al, 2022, p2). While CE is at its early stages in terms of influencing building construction and demolition waste systems (as compared to other industries such as fashion and textiles), the CE agenda is beginning to have an impact within the construction industry (Oluleye et al, 2022).

Data management systems such as the BRE's SmartWaste software, which helps building firms monitor their material use and inform linked certifications such as BREEAM, can be seen in a wider CE context (BRE, undated). Circularity assessments are becoming critical to informing building renovation and retrofit, a growing area of focus for the built environment sector globally (De Silva et al, 2023).

## 2.3 Operationalisation of environmental regulation

As the regulatory landscape has become more complex, the steps needed to operationalise environmental regulation in the context of UK property development have grown. Even before starting building work, today's developers need to assess the environmental impact of their projects through EIAs and obtaining necessary permits. For example, to address water pollution at source, the Levelling-up and Regeneration Act 2023 created new duties around nutrient neutrality. Developers must use nutrient budget calculations to show that their proposals will not bring about a net increase in nutrient pollution to specific habitats (Natural England/DEFRA, 2024).

Developers may also need to comply with specific standards and guidelines, such as those related to energy efficiency (e.g. whole-life carbon measures) and nature recovery initiatives, such as Biodiversity Net Gain.

Finally, there are measures to mitigate negative environmental impacts, but also to seize the market opportunities associated with incorporating green technologies and sustainable materials into building designs. Changing norms in finance and investment have a significant role to play here.

Beyond the property sector, ESG reporting requirements are evolving, with the UK government stating its intention to consult on the creation of the first two UK Sustainability Reporting Standards (SRS) in 2025 as part of a wider HM Treasury-led Sustainability Reporting framework (DfBT, 2024).

Changing investor preferences and 'green finance' practices are already driving behaviours in the property industry. ESG benchmarks and indices such as the MSCI ESG ratings are used by investors to inform decisions based on sustainability and ethical considerations by comparing the ESG practices of different entities. This may be tied to the use of sector-specific certifications such as BREEAM, reflecting institutional investors' ethical investment policies, as well as consumer demand(s) and/or the price premiums such certifications can attract (Ghosh and Petrova, 2023). In such a complex and fluid landscape, environmental management systems, such as the *ISO 14001:2015 - Environmental management systems*, can help set out the requirements an

organisation can use to enhance its environmental performance, manage environmental risks and build on opportunities identified during the implementation process (Burdett, 2022).

Some of the most significant changes in recent decades relate to the use of building energy regulations, standards and codes to reduce building energy consumption. Compliance with the Building Regulations has been a legal requirement for most new buildings (and many alterations of existing buildings in England and Wales) since their introduction under the 1984 Building Act.

Revisions were made to the Building Regulations in 2002, 2006 and 2010 to bring in more stringent energy efficiency standards and the (later abandoned) target of 'zero-carbon' new homes – a period where low compliance levels were recorded (Pan and Garmston, 2012). More recent revisions include the 2021 publication of *Part O (Overheating)*, setting standards for overheating in new residential buildings, and further amendments (2023) to *Part L: Conservation of fuel and power*, relating to standards for the energy performance of new and existing buildings.

The industry's use of recognised green certifications, such as the BREEAM and LEED, provides a framework for operationalising the concept of green buildings, assessing their environmental performance, and steering design choices (Schweber, 2013). Lu and Sexton (2011) argue that the Code for Sustainable Homes, a voluntary national standard (now withdrawn) for sustainable home design and construction in England launched in 2006, exemplified new governance approaches, shifting from command-and-control to innovation-oriented environmental governance, which supports system-wide innovation in the construction sector.

Some of these tenets feature in the Future Homes Standard, which will require new-build homes to be futureproofed with low-carbon heating and high levels of energy efficiency. The first phase of achieving the Future Homes Standard will see an uplift to *Part L* of the Building Regulations and changes to *Part F (Ventilation)*. This is expected to take effect in 2026.

With regards to existing building stock, McAllister and Nase (2023) show how MEES have been applied to commercial real estate in many European countries following a 2018 review of the European Union's *Energy Performance of Buildings Directive* (European Union, 2018, para 9). England and Wales introduced MEES under the 2011 Energy Act, though standards were not implemented until 2018 (McAllister and Nase, 2023).

MEES requires landlords to ensure that their properties meet minimum energy efficiency standards, with non-compliance leading to potential penalties. Studies have shown that while MEES has been largely welcomed by industry stakeholders, there are concerns about effectiveness and enforcement. For instance, the use of EPCs as a baseline performance

measure and as a tool for compliance has been questioned, and weaknesses in enforcement (by local authorities) have also been noted (Akhtyrska and Fuerst, 2024; French, 2019; Sayce and Hossain, 2020).

Studies of MEES adoption have revealed differences in the adoption of other environmental performance standards. For instance, Sayce and Hossain's (2020) study found that vanguard investors were more likely to also align their portfolios with carbon reduction goals. (Vanguard investors play a pioneering and leadership role in promoting environmentally responsible investment practices, often ahead of regulatory requirements or market norms. Such investors are motivated by a mix of ethical responsibility, long-term risk management, and strategic positioning, and are instrumental in shaping market expectations and mainstreaming sustainability within the investment community).

The introduction of MEES can also impact on rental income for non-compliant (sub-standard EPC) properties (Booker, 2019). This indicates that environmental regulations can have a direct impact on the financial performance of properties, creating strong incentives for developers to comply (Akhtyrska and Fuerst, 2024).

Beyond the sphere of energy efficiency and reflecting the UK's status as one of the most nature-depleted countries in the world (State of Nature Partnership, 2003), regulations seeking to moderate the negative impacts of development on the natural world have emerged. BNG was introduced to the planning system (England and Wales) in 2024 and requires (most) new developments to demonstrate a minimum of 10% net gain in biodiversity – ideally through onsite habitat improvement measures. Where this is not possible, offsite measures are permissible[2].

Challenges in implementing BNG include governance gaps, low market uptake and capacity constraints in local authorities (National Audit Office, 2024). For example, a study found that 27% of biodiversity units promised under BNG were at risk of non-compliance due to governance shortfalls (Rampling et al, 2023). The approach to nature recovery through the planning system was in flux at the time of writing, with the Labour government's Planning and Infrastructure Bill proposals including a Nature Restoration Fund to enable "infrastructure builders to meet their environmental obligations faster and at greater scale by pooling contributions from developers to fund larger strategic interventions for nature" (DEFRA/MHCLG, 2025). It is unclear how this will relate to the existing BNG requirements.

More generally, interventions like BNG (and the proposed NRF) reflect the maturation of (some) environmental regulation into what Dewick et al (2019)

[2]*State of Nature Partnership (2023). Citation: Burns, F; Mordue, S; al Fulaij, N; Boersch-Supan, PH; Boswell, J; Boyd, RJ; Bradfer-Lawrence, T; de Ornellas, P; de Palma, A; de Zylva, P; Dennis, EB; Foster, S; Gilbert, G; Halliwell, L; Hawkins, K; Haysom, KA; Holland, MM; Hughes, J; Jackson, AC; Mancini, F; Mathews, F; McQuatters-Gollop, A; Noble, DG; O'Brien, D; Pescott, OL; Purvis, A; Simkin, J; Smith, A; Stanbury, AJ; Villemot, J; Walker, KJ; Walton, P; Webb, TJ; Williams, J; Wilson, R; Gregory, RD 2023.*
*State of Nature 2023, the State of Nature partnership, available at: www.stateofnature.org.uk*

term “regenerative eco-innovations”. These go beyond interventions that meet minimum requirements toward those which “restore, renew [and] revitalise natural systems, allowing humans to work in harmony with, instead of abusing and exploiting, the eco-system” (ibid, p464).

## 2.4 Development practices and environmental regulation

The integration of environmental regulation into development practices is complex, involving multiple stakeholders and shaped by many factors, including statutory regulatory frameworks, but also market demand, corporate culture and values, and financial incentives. For example, a study on promoting sustainable practices through green investments found that financial incentives, such as grants and tax credits, played a crucial role in encouraging developers to adopt sustainable building practices (Akin and Akin, 2024). Christensen and Sayce’s (2015) research on how planning and regulatory issues impact sustainable property development emphasised the importance of better understanding the property development process and the impact of planning instruments on decision-making.

Professional guidance and training play an important role in promoting the adoption of sustainable practices in the UK real estate sector. The RICS published its *Decarbonising UK Real Estate* report in 2022. This report called for government intervention to tackle climate change, setting out a series of detailed, practical policy recommendations. These included a recommendation that government adopt science-based decarbonisation targets for UK real estate; a focus on future building regulations and their link to carbon reductions; and improvements to the EPC scheme to make it more fit for purpose.

The RICS report also recommended the creation of a national programme to fund retrofit projects and the accelerated development of a national performance-based rating scheme based on the UK version of NABERS, ensuring that final energy use and carbon emissions are publicly available, together with proposed changes to the Building Regulations under *Part Z* to ensure that embodied carbon is assessed on all projects.

While progress has been made in integrating environmental regulations into the property development industry, barriers remain. Developers express concerns about their ability to quantify and model the economic implications of environmental risks, which affects real estate appraisal and investment decisions (Lizieri and Palmer, 1997). Kurul et al (2012) point to the need to “discard long-held beliefs and practices” among practitioners and work to overcome the “fragmented and adversarial” nature of ways of working in the sector.

In a more recent study of Australian developers, Warren-Myers et al (2020) found that the financial implications and burdens of the current challenges were not perceived as immediate or significant enough to drive investment

in this space. Though this may have changed in the intervening five years, their research reinforces the role of public policy in normalising action such as regulations for climate change action that set requirements for minimum thresholds to be achieved, driving action across the property sector.

Another challenge is the lack of awareness, including what constitutes sustainable best practice (Misopoulos et al, 2022). For instance, a study on the implications and barriers preventing effective waste management in the UK construction industry found that contractors were not adequately informed about waste management practices, despite the availability of relevant information (Agha et al, 2023). The same paper noted the important role that professional bodies can play in disseminating knowledge (ibid). Recognising that information gaps exist, the RICS has advocated for enhanced training for built environment professionals (RICS, 2024). It also recommends that policymakers set clear, national targets to aid decarbonisation, alongside the enforcement of minimum energy standards and climate resilience benchmarks.

The RICS has also issued guidance on incorporating sustainability attributes in property valuation reports, including as part of its *Red Book Global Standards* (2025), although progress in data collection remains limited (RICS, 2023). This highlights the challenges faced by valuers in quantifying sustainability attributes and their impact on market value (MV) and investment value (IV). The (mis)translation of regulation into practical operations is an area with potential for more detailed study, particularly in relation to information sharing, skills and the individual and corporate values held by property developers and their advisers.

## 2.5 Future directions

The future of environmental regulation in the UK property development industry is likely to be shaped by several factors, including the increasing focus on sustainability as the urgency of addressing the climate emergency intensifies. Also in the mix is the development of new technologies. For example, a study on carbon accounting and trading platforms highlighted the potential of blockchain technology in facilitating the management of emissions information and the purchase of carbon offsets (Blumberg and Sibilla, 2023).

The relationship between so-called climate risk and key functions of the property sector is likely to become more critical. For instance, there is a need to better understand the interplay between extreme weather events such as floods and house prices to help steer investment and development towards less flood-prone areas (Hino and Burke, 2021). Climate risk goes beyond just the physical risk posed to properties by climate change and relates to a wealth of factors, including changing consumer expectations, policies promoting sustainable construction techniques such as retrofit, and taxation policies (CRREM, 2022).

Relevant here is the term 'stranded asset', defined by the EU's Carbon Risk Real Estate Monitor (CRREM) project (2022) as "properties that will be increasingly exposed to the risk of early economic obsolescence due to climate change because they will not meet (potential) future regulatory efficiency standards or market expectations" (p2; see also Pitman, 2022). This is closely related to 'transition risk' that can result from "rising costs due to the pricing-in of carbon emissions and other factors such as high energy costs, stringent building codes, shifts in market expectations (public attention, decreasing demand for assets with high energy consumption and poor GHG (Greenhouse Gas) performance" (CRREM, 2022, p1).

According to a Deloitte (2024: 15) report, "climate risk analysis should not be 'checked off' as a regulatory obligation", but instead should be approached as a "key planning, steering and controlling element within the portfolio and risk management". In terms of the integration of climate risk into key development practices, the RICS has provided guidance on the valuation of properties affected by contamination and the role of surveyors in identifying environmental risks (Jayne and Syms, 2003). Such guidelines are important in helping property professionals navigate the complexities of environmental liabilities and their implications for property values and income (present and future).

Umbrella terms like ESG have prompted a blurring of boundaries between environmental regulations and agendas orientated towards understanding the social impacts of development on communities. The Public Services (Social Value) Act 2012 introduced social value criteria into public contract tendering in England and Wales. The wider social value agenda has seen developers adopt frameworks to demonstrate the benefits of development for communities (BBP, undated). More generally, ESG shines a light on governance issues that can hinder or help support more sustainable real estate development (Deloitte, 2024).

In conclusion, environmental regulation plays a critical role in shaping the UK property development industry, influencing both asset management and development practices. While significant progress has been made in integrating environmental regulation into industry practices, several challenges remain, including the lack of enforcement and the need for greater awareness and understanding among stakeholders.

The adoption of sustainable practices, supported by technological innovation, will be essential for meeting future environmental challenges. The literature suggests that a balanced approach, considering both regulatory compliance and market-driven incentives, is essential for fostering sustainable development practices across the UK property sector.

# Chapter 3
# Research methodology

The research adopted a mixed methods approach to examining environmental regulation and property development, including how regulations work in practice with qualitative and quantitative techniques used. In addition to the literature review, these research activities were undertaken:

- A regulatory landscape mapping exercise.
- Desktop review of environmental strategies.
- Research interviews exploring environmental strategies in practice.

The latter two drew upon a representative sample of property developers operational in the UK context. A list of developers was created from several sources, including S&P Global market intelligence. We then randomised a sample and added constraints to include large and small developers and to ensure as many sectors as possible (residential, commercial, specialist) were included, giving us a list of 31 UK property developers in total.

## 3.1 Regulatory mapping

One aim of the project was to map and summarise the environmental regulatory landscape as it applies to UK property development. We conducted a desk review of the major standards, certifications, codes and regulations, mapping these on to main elements of the property development cycle (e.g. land acquisition, planning) and how they apply to property development (e.g. through financing and investment; as part of compliance).

Information sources used in the review included UK government department websites (the Department for Environment, Food and Rural Affairs (DEFRA) and the Ministry of Housing, Communities and Local Government (MHCLG)). Relevant reports were included, such as the (2023) House of Lords Built Environment Committee appraisal of the impact of environmental regulations on development and the competition, and the Competition and Markets Authority's (2024) housebuilding study. The high-level review of academic journal papers, summarised in Chapter 2 of this report, also informed the review. The results of the desk review were captured in a diagram or regulatory 'map' (Figure 1 in Chapter 4). To the best of our knowledge, this is the first such diagram of its type.

## 3.2 Desktop review of environmental strategies

We reviewed 103 environmental strategy documents representing the 31 UK property developers in our sample. These were all in the public domain (i.e. on company websites and in corporate policy documents and annual reports). The goal was to understand:

- What kinds of strategic goals do UK property developers adhere to?
- How are these goals monitored?

This review enabled us to develop a baseline understanding of key areas of activity that UK developers are engaging in and with (e.g. from compliance with short and long-term SBTis, to use of voluntary certifications and codes, e.g. NABERS). We categorised the developers into 19 specialist and 12 mixed-use. We then categorised them into large and small, giving 22 large and nine small developers.

## 3.3 Environmental strategies in practice – interviews

We obtained, from the internet, a database of contact details for those in named sustainability roles (board, director or senior management level) for the 31 developers in our main sample. Where contact information existed, personnel were approached for interview by email. Where gaps in contact information existed (e.g. no publicly named job titles were available), we sent invitations to generic email addresses with a request to pass the information to the relevant individual, or we made a phone call to central office to request an email address for a relevant contact. Our interviewees included two senior real estate consultants with expertise in advising a number of UK developer clients on sustainability issues to further broaden our understanding of operational approaches to regulation.

We completed 11 interviews via Microsoft Teams between January and March 2025, lasting between 45 and 60 minutes. The interviews sought to understand what lay beneath the kinds of standards featured in firms' strategies (e.g. particular corporate values), and to understand how corporate strategies interacted with mandatory standards. This included building a picture of how regulations are operationalised (i.e. how do they shape delivery). More generally, the interviews invited opinion on the state of regulation today as it applies to UK property, making in-depth semi-structured interviews an appropriate method. The list of questions we posed can be found in Appendix 1. All responses were anonymised.

The Teams auto-transcription function was used and transcripts were reviewed for errors. Two researchers then conducted thematic analysis of transcripts independently. High-level themes were derived from the literature and strategy reviews. The following themes were identified:

- Regulatory frameworks and their impact
- Operationalisation of environmental regulation
- Development practices and environmental regulation

- Future directions
- Values and skills – a theme that emerged from the interviews

These were used to produce key words (codes) that were then employed in analysing the scripts. We used the constant comparative method (see endnote) to identify the broad themes that were used to structure the findings in Chapters 6 and 7.

The interviewees can be classified based on function as follows:

**Table 1. Respondent profiles**

| Organisation type | Number of interviewees | Comment |
|---|---|---|
| Investors | 2 | Included property-focused as well as broader-based organisation |
| Specialist developers | 3 | All housebuilders. Range of sizes |
| Mixed-use developers | 3 | Including commercial office developers |
| Advisors/consultancies | 3 | Planning, sustainability/ESG advisors to property development clients |

# Chapter 4
# Regulatory mapping

This chapter presents a visual representation of the various regulations, standards, legislative frameworks and policies that act to shape the environmental sustainability landscape applicable to UK property developers. We wanted to provide a tool that summarises, albeit in a necessarily simplified way, the complex nature of the regulatory field. The diagram itself (see Figure 1) went through several versions of development, with the final stage involving a review by a leading UK property consultant, whose feedback was incorporated into the final version. It captures a comprehensive catalogue of environmental regulations pertaining to property and development. It also illustrates the complex and multilayered nature of the regulatory landscape in which professionals operate.

The diagram is organised according to key milestones in the development cycle (from investment and finance to demolition and regeneration). These are represented across the X axis. Many environmental standards are administered either through the planning system, or applied at this phase of development, making this a particularly crucial, sometimes challenging stage. The Y axis categorises standards into different groups, reflecting the broad purpose as it applies to development. For instance, 'regulations and compliance' refers to statutory regulations with which developers must comply (e.g. to achieve planning permission).

The 'investment and finance' category refers to initiatives pertaining mainly to green finance, including standards around asset management (e.g. GRESB) or voluntary green building standards (e.g. BREEAM), required by investors.

The 'corporate' category describes internal company targets and policies, which may include some of these standards, as well as Scope 1 and 2 carbon targets (see glossary) and climate risk assessment measures.

The diagram is only a snapshot. Regulations change frequently, with the election of the Labour government in 2024 adding a new layer of flux and political uncertainty. The government's new approaches to regulation to boost economic growth – and especially housing delivery – are urgently needed. At the time of writing, the deputy prime minister had just announced the proposed Planning and Infrastructure Bill, seeking to substantially review regulations, the substance and operation of the planning system, and other initiatives such as the creation of a fresh programme of New Towns. The proposed changes are likely to have significant impact on property

development, but are at the earliest stages in their progress through Parliament. Thus, the regulatory map here remains relevant, but is something that could be added to or adjusted to respond to changes, providing a working visual overview of what is a complex and continually evolving field.

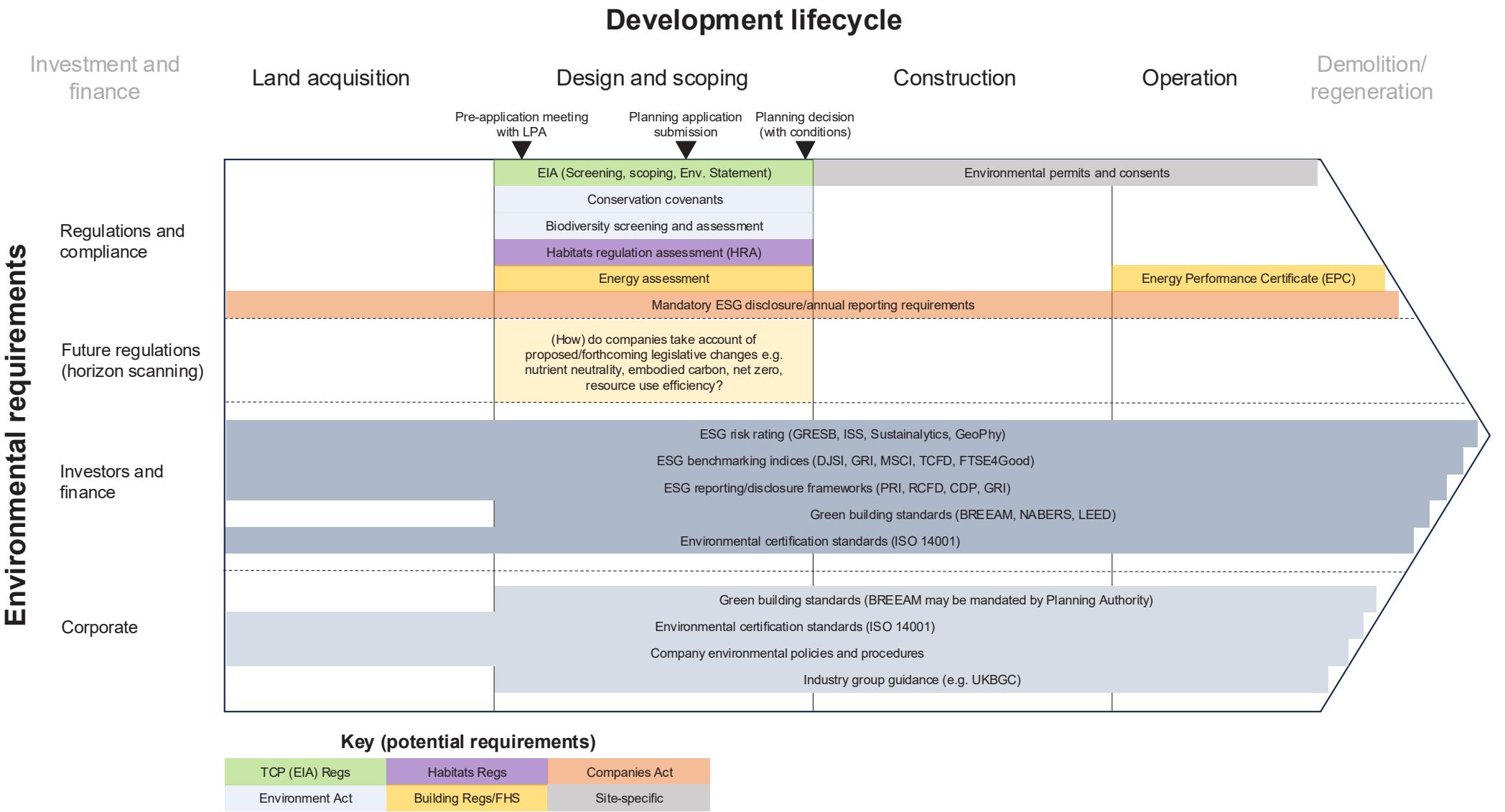


*Figure 4.1: Environmental regulatory map*

# Chapter 5
# Environmental strategy review

This chapter presents the results of a review of 31 UK property developers' environmental strategies. The review enabled us to develop a baseline understanding of key areas of activity that UK developers are engaging in and with (eg from compliance with short and long-term SBTis, to use of voluntary certifications and codes, eg NABERS). We categorised the developers into specialised or mixed-use, resulting in 19 specialist and 12 mixed-use developers. Specialist developers are focused on one sector (eg residential, commercial). Mixed-use developers focus on multiple sectors (eg commercial, residential). We then categorised developers into large and small, leaving 24 large developers and seven which could be classified as small and medium developers.

We followed the procedure laid out under the Procurement Act 2023. We categorised developers into large if their balance sheet total exceeded £38 million, turnover exceeded £44 million and had more than 250 employees. The purpose of the strategy review exercise was to understand the different ways in which developers were embracing environmental regulation at a corporate level. The practical implications of these stated activities (ie what this looks like in practice) were explored in interviews with 11 professionals (Chapters 6 and 7)

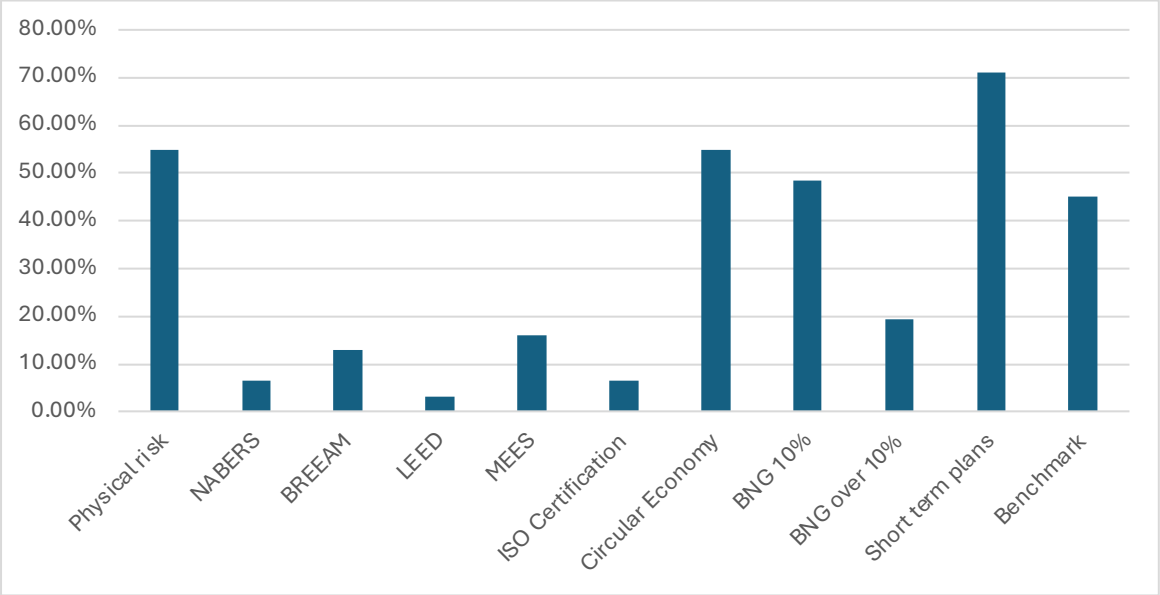


*Figure 5.1 Environmental regulation and best practice in corporate strategies (all developers) (percentage of firms using these measures in their strategies)*

Overall, we found the following:

- Of 31 developers in our sample, 55% conduct short- and long-term physical risk assessment (for flood risk, rise in temperature etc) with a focus on resilience.
- 6% of developers in the sample mention NABERS and ISO certifications as a part of their strategy.
- 13% include BREEAM as a part of their strategy, 3% include LEED, 16% include MEES.
- 55% of developers consider the circular economy as a part of their sustainability strategy.
- 48% achieve a minimum BNG of 10%, with 19% exceeding the minimum requirement.
- 71% of developers have short-term plans in place to achieve climate targets.
- 45% use benchmarks to measure sustainability performance targets.

## 5.1 Analysis by developer type

We further analysed the policies of developers in our sample by specialist and mixed-use developers.

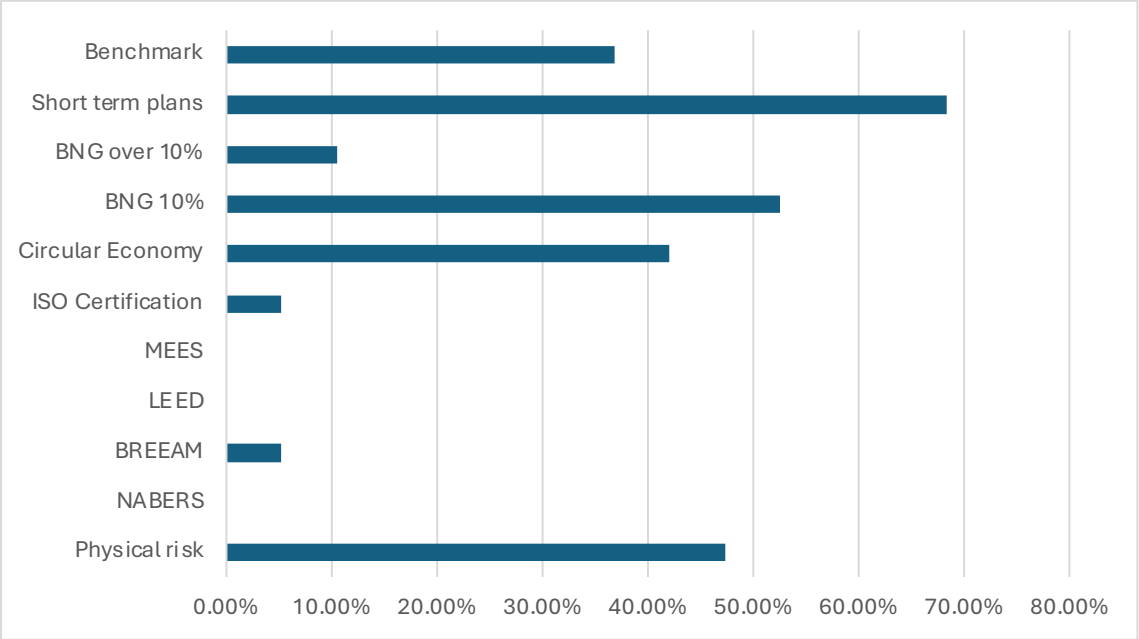


*Figure 5.2: Environmental regulation and best practice in corporate strategies (specialist developers) (percentage of firms using these measures in their strategies)*

We found:

- 47% of specialist developers conduct extensive physical risk assessment.
- None of the specialist developers mention NABERS, LEED or MEES as part of their sustainability strategy.
- 5% mention BREEAM and ISO certification as a means to achieve SBTis.
- 42% consider the circular economy to achieve net zero.
- 53% have a minimum BNG of 10%; 10.53% exceed the minimum target.
- 68% have short-term targets in place to achieve climate targets.
- 37% have benchmarks to measure sustainability progress.

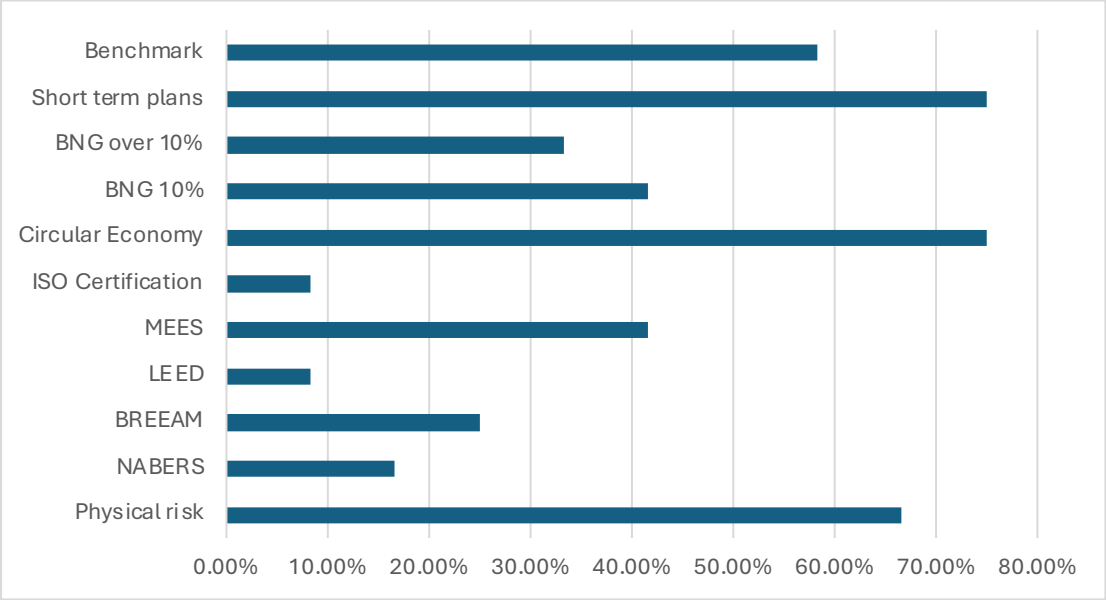


*Figure 5.3. Environmental regulation and best practice in corporate strategies (mixed-use developers) (percentage of firms using these measures in their strategies)*

We found:

- In the case of mixed-use developers, 67% conduct extensive physical risk assessment, which is higher than specialist developers, indicating more of a focus on climate risk and exceeding mandatory regulatory compliance.
- 17% of mixed-use developers mention NABERS.
- 25% mention BREEAM as part of their strategy to achieve SBTis.
- 8% use LEED and ISO certification to achieve the same.
- 40% of mixed-use developers use MEES to achieve SBTis.
- 75% of developers consider the circular economy, which is more than specialist developers.
- 42% have a BNG of 10%, with 33% exceeding the minimum target, which is more than specialist developers.
- 75% of developers have short-term sustainability targets in place.
- 58% have benchmarks to measure the same, which is more than specialist developers.

Overall, mixed-use developers are more proactive in climate risk assessments and in the adoption of sustainability certifications than specialist developers.

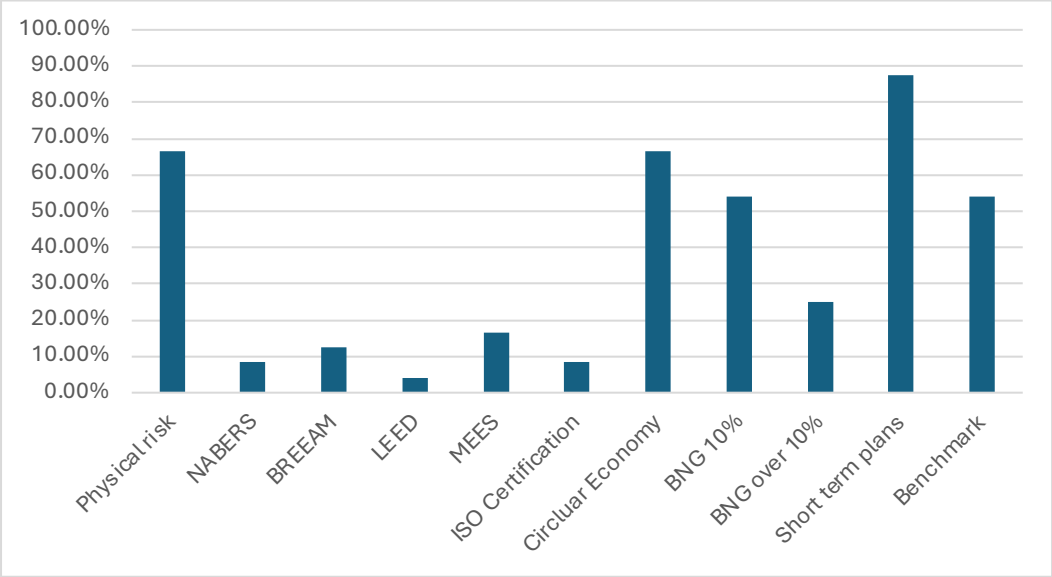


*Figure 5.4 Environmental regulation and best practice in corporate strategies (large developers) (percentage of firms using these measures in their strategies)*

- With respect to large developers, 67% conduct physical climate risk assessment.
- 8% of the developers use NABERS and ISO certification as part of their strategy to achieve climate targets.
- 13%, 4% and 17% resort to BREEAM, LEED and MEES respectively to achieve climate targets.
- 67% of large developers consider the circular economy as part of their environmental strategy.
- 54% of large developers have a BNG of 10%.
- 25% go beyond the minimum BNG requirement of 10%.
- 88% have short-term plans to achieve net zero
- 54% have benchmarks to measure progress towards achieving net zero

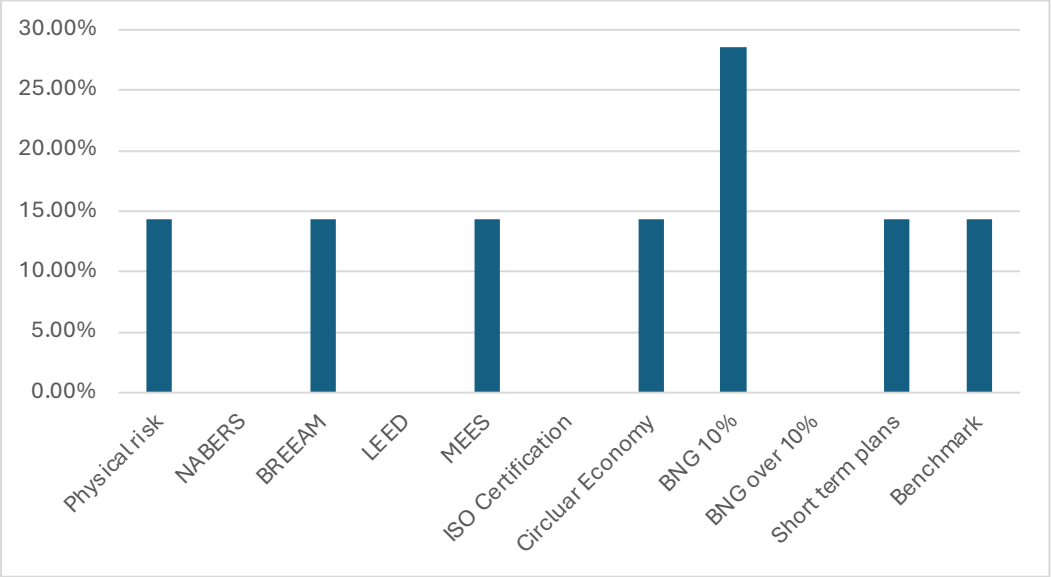


*Figure 5.5 Environmental regulation and best practice in corporate strategies (small developers) (percentage of firms using these measures in their strategies)*

We found:

- In the case of smaller developers, 14% conduct thorough scenario analysis for physical climate risks, which is less than that of large developers.
- None of the smaller developers have NABERS, LEED or ISO certification as part of their sustainability strategy.
- 14% of small developers have BREEAM and MEES as part of their sustainability strategy and consider the circular economy.
- 29% of these developers have a minimum 10% BNG with no smaller developer having BNG targets exceeding 10%.
- 14% of these developers have short-terms plans to achieve sustainability targets with ratings to track sustainability performance.

Overall, large developers are more likely to conduct climate risk assessments. They utilise NABERS, LEED and ISO certification, while small developers do not. Circular economy principles are four times more prevalent among large developers. Short-term sustainability goals are significantly more common among large developers (88%) compared to smaller developers (14%).

# Chapter 6
# **Interview themes (1)**

This chapter sets out some of the themes that emerged in our conversations with senior real estate development professionals. These pick up on points from both the literature and strategy reviews. Many of the standards referred to our discussions are shown on the regulatory map (Figure 1). While our interview sample was small (11), this study is, to the best of our knowledge, the first to engage with senior property professionals in dedicated sustainability roles. The discussion that follows incorporates quotes from our interviewees. It is intended to be illustrative and prompt further reflection, rather than representative. Due to space constraints, we typically present one or two quotes per theme, but integrate these into a narrative summarising related points from other respondents.

First, some background about the property development professionals (nine developers and two consultants) we spoke to. All were in director, head of service or board level roles; 10 of the 11 were in named sustainability positions, and all had specialist sustainability or regulatory knowledge. Time in post ranged from two to 15 years, skewing towards the lower end of this range. This reflected the fact that a dedicated sustainability lead was a recently created position in several of the firms. There was variation in the size of team with eight being the largest and one interviewee – from a small specialist developer – acting alone. Most had three to four staff working for them.

In terms of professional background, qualifications and training, our sample, while small, is quite diverse. Three of the interviewees had a masters' level degree qualification in an environmental or sustainability subject. Two had communications backgrounds, with no formal training in sustainability. Two were trained as planners, one was a graduate building surveyor, one was a qualified architect, one had a construction management degree and another had obtained a masters in business. All intimated that, even if they had formal sustainability qualifications, much of what they knew had been learned 'on the job'.

In addition to the two professional consultants in our sample, four had previously worked in consultancy, advisory or lobbying roles for a mix of

public, research and (non-real estate) corporates. These roles had an element of exposure to sustainability (e.g. advising on environmental policy or communication strategies), enabling our interviewees to bring this knowledge (and other skills) and apply it to their roles in property. The next section delves into how these personal skills and values informed their work on sustainable real estate.

## 6.1 Values and skills

Although the topic of regulation can seem very dry and technical, sustainability, and especially the idea of protecting nature and distributing social benefits, is highly emotive. The adage is that if we want to minimise our impact on the planet then we first need to value it. Several of those we spoke to had backgrounds in environmental science and geography where the principles of sustainability are routinely debated. Some had been in the vanguard of developing the real estate sector's early response to sustainability and spoke passionately about the urgency of tackling the climate crisis. Those working for large developers acted like internal environmental consultants in the development of corporate policy and offered bespoke project-by-project advice to colleagues in different functions.

There was a strong sense among these individuals that doing work aligned to personal values such as ethical and moral codes of practice, was not a nice to have, but was fundamental. As one interviewee put it: *"I need to feel like I'm doing something that's kind of contributing to resolving a lot of these issues… but also work for an organisation that kind of gets it."* Corporate values – and how these aligned with personal ethics – came into play here, as did having a measurable impact: *"I've always had a strong personal moral compass and I think one of the reasons I have been here so long is because it is measurable impact year-on-year."*

Another participant reflected on their decision to move from the public to private sector: *"You feel like you want to give something back… The bit that … became clear to me as my career progressed was [that] actually I could have a greater impact in the private sector than I could in the public and I think that's one of the things that's kind of really driven me to this place from a professional standpoint."*

In terms of values more generally, there was recognition that the property sector speaks the language of profit: *"We [developers] obviously still have to make money and we still look like nakedly commercial compared to, I think, a lot of other industries."* Reflecting on this further, our interviewee posed a rhetorical question: *"[But] values aren't necessarily good or bad, are they?"* Rather, what was important to him was developing shared values that employees felt they could buy into, and that this informed delivery: *"More people are aligned on what [it] is they think we should be delivering [on the environment] … than aren't."* Or, as this property consultant commented: *"If*

*you say you're the best at making money, it's not really gonna land well … but if you say it's sustainability or social value or some sort of societal benefit, then that is a reputational. It's like an ethos of value that these organisations tend to use to distinguish themselves… to build morale… and to retain talent."*

Our interviewees considered themselves to be environmental champions in one way or another. Approaches to sustainability were aligned to skills, background and personal and professional sets of ethics and beliefs (or values). More technically-orientated interviewees tended to focus on process-driven aspects of sustainability, such as decarbonisation: *"If you're not (doing) carbon, you're not doing it [environmental sustainability] in my view."*

Others focused on messaging and generating corporate buy-in, reflecting their skills in these areas. These professionals saw their roles as more strategic than operational, though there was recognition that integration was essential to deliver progress. The property sector benefits from a diverse set of skills, particularly given the scale and scope of the sustainability challenge. Environmental sustainability is not wholly technical or procedural, and harnessing personal and corporate values can help to deliver real change in the sector.

## 6.2 Tokenism or the new normal?

Unsurprisingly, given we were speaking to senior professionals in named sustainability roles, there was agreement that lessening the property sector's impact on the environment and local communities by harnessing agendas like social value, was the right thing to do. But what we heard went beyond words. It was clear that working in a way that minimised property's impact made sound business sense too. As this early adopter of sustainability standards commented: *"I suspect there was also a bit of competitive advantage to be had from [adopting SBTis early] and certainly we have seen that come to life."* However, they recognised that others have: *"Caught up a little bit. So, when we first set those [targets] no one else, [only] us and our peers, were talking about embodied carbon and operating carbon, but there wasn't any official guidance out there [then]."*

For this mixed-use developer, environmental sustainability is simply part of 'business as usual'. As he put it: *"[Sustainability] … has to be baked into what we do … so when you hear people talk about … green construction skills [I'm] like, 'I think they're just called construction skills now'… They're just what we need to do [sustainable development]."* Corporate strategies and targets were considered important for many and a visible statement of a firm's commitment to the cause: *"Culturally, I would say as a business, [we] have a tendency to gold plate everything. So therefore we conform to absolutely everything you possibly could and we probably go even [further] above and beyond."*

Several interviewees felt that voluntary certifications like BREEAM were useful in demonstrating a public commitment to environmental sustainability

beyond the minimum. But, as this interviewee commented, the value added by such standards is kept under review: *"We need to look at a bit more and work out what the thing is that we actually do. [What] we really do is what really matters here..."* Others said they were considering dropping some certifications partly due to cost: *"It's just quite expensive to … keep the kind of certifications up and so on. And we were like, we kind of know what we're meant to do. Why do we need to pay someone to tell us we're doing a good job?"*

Interviewees described in detail the various ways in which environmental goals were operationalised. Some were quite sophisticated and multi-layered. For instance, three developers told us how sustainability reporting was integrated across their corporate management structures, with attainment against targets reported regularly to various committees or boards. Two of these firms embedded sustainability progress measures within personal development and rewards structures: *"Every single person within [our firm] has got a sustainability objective in one form or another... So the [sustainability] team … really is embedded across the business."* And: *"It has driven attention, we've built it into the [remuneration] policy. I think it makes up 20% of their bonus on an annual basis."*

The consultants we interviewed described developers seeking more bespoke operational advice: *"[Strategy] tells you what to do, but not how to do it. It doesn't tell you how you schedule it or programme it [or] how much resource you need to make that happen."* Related to this, the use of financial appraisals to account for 'real' carbon costs was cited as an example of environmental goals becoming operationalised: *"[Financial appraisals are] very key to how we look at it from a carbon perspective ... so in that spread sheet … we have to put a cost on the carbon and if you build [it into] financial appraisals, then that appraisal turns into a budget."*

Others described a similar process of carbon pricing, commenting on the effects this had: *"So we introduced a levy of [x pounds] a tonne, and that immediately changes awareness across the supply chain because it's suddenly in the cost plan and you can see your decisions. So we're trying to move developments from thinking about cost, programme and quality to have carbon in there as a fourth kind of dimension*."

More generally, investor preferences were seen as a key driver of environmental progress and a prompt for changing behaviours, including carbon accounting procedures. Developers working with institutional investors in particular are far along the decarbonisation journey: *"It's way beyond compliance and regulation. It's all part of delivering our own strategy because of the commercial advantage we see from being able to articulate it to our investors, being able to deliver a low-carbon building for our customers, being able to demonstrate to our own people that they work for an ethical and a responsible company."* Others felt that ESG *"pushes you into a ... kind of*

*quite limited set of boxes … we are trying to think through sustainability in a bit more of a holistic perspective"*.

Those bidding for public sector contracts to build social housing or develop brownfield sites in line with planning policies described how client values were also a prompt for progress towards more sustainable construction: *"They're looking at it and going 'Well, if … I'm going to have to swap my boiler out in five to 10 years, we might as well just put an air source heat pump in now … We've got carbon reduction targets. They're going early on a lot of this."*

Client-side issues were a driver of sustainable practices for several of the firms we spoke to. For instance, the specialist developers put onus on achieving supply chain decarbonisation: *"We'll be putting pressure on our supply chain. It will become part of the procurement process, if [it's] not already, where if you've not got a carbon reduction plan in place, it makes us less likely to want to use your material, we're looking at companies making sure they've got [systems] in place that we can [use to] monitor and measure it."*

Supply chain considerations were not limited to specialist developers though, as this mixed-use developer commented: *"We're a relatively small player in the global kind of concrete supply chain ... but we want to play our role in giving opportunities to innovation like that ... we've set up a materials working group within our development team who are responsible for looking at our biggest materials and what's happening to them in terms of decarbonisation [asking] who should we be innovating with … how do we contribute to that?"*

Fundamentally, measures to phase out fossil fuels from operations were seen as making sound financial as well as environmental sense: *"We can make sure that we're not wasting money by burning fuel in our generators and it's an easy business case, because if we burn less fuel, we save money."* It was recognised, however, that it is easier to make the business case in high-value areas like London, where demand is strong for buildings with good environmental performance, compared with other locations and asset classes: *"It's easier for us because we're in central London. It's much harder to do that in the Thames Valley."*

The challenge of dispersing information – including about regulatory changes – across regions was also noted. In fact, part of the value of a head office sustainability function was seen to lie in being able to *"let people get on with delivery … [while] we worry about it"*.

# Chapter 7
# Interview themes (2)

This chapter introduces some of the 'bigger picture' opinions expressed by interviewees around regulation, property and the environment. We asked participants to reflect on what they felt worked (or what didn't) and what they would like to change, but also to look forward and consider what the future of environmental regulation in the property sector might hold.

## 7.1 Regulation - what could be done better?

None of those we spoke to vocalised anything approaching an anti-regulation narrative. While our sample is small, this held across developer type and size of firm. Instead, there was widespread acceptance of the need for the sector to act in accordance with regulations to minimise negative impacts. It was felt that establishing 'baseline' standards was helpful in terms of levelling the playing field: *"If the extent to which regulations which govern the way things are designed and built is standardised, then I think that's to everyone's advantage."*

For those exceeding minimum standards, regulatory compliance may be less of a factor than the commercial advantages of 'doing good'. As one interviewee commented: *"A lot of our clients who are on the progressive side, you don't need the regulatory landscape … it's [more of] a catalyst for them to do good because they will do good [to] stay ahead of the game. The regulatory landscape is very useful for those who will only do it if it's mandatory."* Being aware of 'gaming' here is important: *"More time [needs to be] spent on figuring out what the unintended consequences [are] and how the commercial world is going to gamify [policy]."*

Several conversations touched on the lack of clarity or consistency in regulatory regimes. One developer termed new regulations introduced without sufficient warning "bombshell regulations". Several interviewees spoke about BNG in this way, with two specialist developers noting it was harder to achieve the required 10% gain on brownfield land.

However, all of those who referred to BNG supported nature recovery in principle: *"I think the perception is that BNG is a positive thing. It is an issue I think for many schemes, particularly those may be part way through the process and as everybody gets their head around new regulations, but I*

*think people generally accept it's a good thing."* Questions were raised about unintended effects though: *"So 10% biodiversity net gain on developments… it's a great idea. Why wouldn't you make something better than it was before? But it's [the] unintended consequences of policy. I've heard people talking about landlords telling their tenants not to make any biodiversity improvements on their sites because that will make the baseline for BNG higher when it comes to them."*

Another issue raised in more than one conversation was a disconnect – sometimes a conflict – between different regulations: *"[Regulators]… never mind talking to [developers], they're not talking to each other in terms of [some of] these regulations."* Sometimes regulation was felt to be increasing complexity and might actually increase carbon emissions. This reflected what one interviewee described as a "more regulation is better" viewpoint. Citing the example of sustainable transport planning policy, they commented: *"We've been forced to do it and it feels like some of this stuff is just 'that's good idea, even more (stuff is even) better, even more is better ... we're putting all this infrastructure in there [for the] better', [but] for me, it's the case that no one is brave enough to take things out, only layer stuff in, and that's part of the trouble with some of the regulation. It's difficult to argue [against it]."*

Most interviewees referred to examples to help explain the operational impacts as they perceived them. We include one such example, with the permission of the developer, here.

## Case practice example: Net-zero carbon energy networks

**The project:** The regeneration of the former BBC TV Centre to create new homes, offices for the creative industries, and a range of leisure facilities.

**Background:** The BBC Television Centre is an iconic building, with a longstanding national profile, serving as the backdrop for popular television programmes over a 50-year period (1960-2013). Parts of the building are Grade-II listed. In 2013, the BBC relocated, releasing the site for regeneration. Stanhope is the master developer responsible for masterplanning the comprehensive reuse, remodelling and redevelopment of the site.

**Issues:** The site was covered by the adopted London Plan, which proposed a framework of land use and other policies intended to secure sustainable development, reducing carbon emissions. This was complemented by the London Borough of Hammersmith and Fulham's policies, which proposed a network of net-zero carbon energy networks. In order to respond to these environmental policies, the developers were required to incorporate gas boilers for each property to make use of the local district heat and power network.

In reality, the developers were confident that a more efficient (lower-carbon) solution would have explored the use of electric heating in individual properties. Apart from the challenge in every property achieving full net-zero status, this approach has reduced the attractiveness of the properties from some tenants with a strong ESG focus who would be reluctant to use a fossil fuel energy solution, such as gas. The case illustrates the concern that more, and more complex, regulation does not always lead to more carbon reductions, but can, instead, constrain the range of possible solutions.

While the above policy requirements led to some sub-optimal outcomes from the developer's perspective, it was acknowledged that, properly handled, tackling infrastructure provision at scale can support sustainable outcomes. As this interviewee commented: *"So many of the challenges we face in terms of... environmental requirements and legislation… [they are] strategic, whether it's transport, environment, water, all of it."*

This developer commented similarly that, as a society, *"we haven't invested for many years in the infrastructure that we know we need. And now it's holding up new development because we can't cope… we need to improve that. And so now new development in certain areas has to be neutral in terms of nutrients. And I don't disagree with that [because] we know we've got to deal with that as an issue [although] it's probably unfair that the development industry is carrying the can really to try to solve some of these things."*

Another example of some of the unplanned effects of regulation was mentioned by a developer working within the latest London Plan. Here an emphasis on good acoustic design in schemes near transport infrastructure (Policy D14) has been tackled by some developers through the installation of smaller windows. This has the advantage of also minimising internal overheating, another issue promoted in the London Plan (Policy SI4). Internal overheating had led to the need to install a more elaborate cooling system on the roofs of proposed new buildings, which had negatively impacted the townscape through the added height and visual aspects.

Ensuring regulations worked with, and not against, the property development cycle was considered key to generating better outcomes: "*Anything you overlay has to work with the natural development cycle, from design into procurement, into delivery, into operations… it has to be a sort of finessing all the way through. If you check in at the end, you're too late, and if you try to do aspiration at the beginning [you] lose the sight of reality."*

Gaining a better understanding of how different asset types performed against standards over their lifecycle was seen as important for this interviewee with a mixed portfolio, including heritage buildings: *"It can be sometimes difficult to approach that, so we've done detailed energy audits on a sample of our buildings to see how they perform against CRREM decarbonisation trajectories and using that data [we] begin to extrapolate and make assumptions about what we can do for the rest of the portfolio."*

Others spoke about improving data and knowledge sharing between firms, especially around incoming regulations. This interviewee described a hub-style arrangement as: *"A consortium of developers, manufacturers, stakeholders, architects, design engineers, government, everyone's part of [it] to try and help… kind of bridge between what the government are doing and what the industry knows about it. That's a massive help. It's a knowledge transfer. We feed into them, they feed into us, we know what's coming."*

Ultimately, it is about finding the right balance between measurement, reporting and delivery: *"The measurement has its place. It's useful, but sometimes it gets in the way of making real impact. So I think the impact and the intent to do good should come first and the measurement is just something that formalises it afterwards as opposed to being the thing that drives it, which is what's happening at the moment."*

## 7.2 The future

As well as asking interviewees to reflect on what worked (and what didn't work) with regards to environmental regulation and property, we asked them to look towards the future. Several interviewees referred to incoming standards such as the proposed Future Homes Standard. As one interviewee commented: *"From a viability perspective, I think people are hopeful it will be a sort of less expensive version than they [the government] consulted on… from a sustainability driven purposeful perspective, I'm hoping that they push harder and demand the solar panels and the heat pumps etc on pretty much all new homes*."

Several conversations touched on recent government rhetoric which was suggestive of a retreat from some environmental standards in the name of growth. One interviewee questioned what this meant practically: *"If Rachel Reeves' growth mantra is what we're going to do, then you actually need to look across every single form of regulation and go okay, how is this enabling growth?"*

There was a sense of political uncertainty among interviewees: *"Everybody [is] waiting for … political change … some of that is still manifestly unclear, despite the clear statement that [came in] the NPPF [National Planning Policy Framework] in December. I was very disappointed that it's backed off banning new gas boilers up to 2035 [that] seems a bit of a backward step for carbon reduction."*

More generally, the wisdom of pitting environmental regulation against economic growth was questioned (*"what about green growth?"*) and there was a concern that it potentially undermined the continued business case for environmental progress. Proposed planning reforms got a warmer reception, although there was little evidence of an anti-planning narrative. As one interviewee commented, *"the challenge that I've witnessed in the last few years is that the planning system ends up inevitably carrying, or being forced to provide the solution [for], the failure of other regulations [including that of] self-regulation".*

In terms of sustainability issues on the horizon, whole lifecycle carbon was a focus. Some of those we spoke to had been early advocates for embodied carbon measurement, but commented that it had become too difficult: *"The real focus of consternation has obviously been around the lack of policy coherence around whole-life carbon and the retrofit recipe versus development debate."*

There were different views about the role of regulation for embodied carbon. Some described the current situation as: *"Like the Wild West out there. It's dangerous. There's so many different assessors ... [you can have the] same specification [but] get different answers. I would encourage regulation around embodied carbon to make it a level playing field … and so it's an audited process because there's a lot of greenwashing going on."*

On the other hand, others were concerned that *"it's going to be difficult to do something or bring something forward that will be appropriate across [the] country … [it] is one thing to retrofit in London, where it stacks up from viability perspective more often. Whereas if you're trying to do it across the regions it is less so. So there could be issues with something that's nationwide, needing to be kind of boiled down to the lowest common denominator and that might not deliver on the climate emergency side of things."*

There was, however, acknowledgement that whole-life carbon approaches needed to be looked at: "I'd like to see science to drive solutions. The stuff we're doing now, it's just bullshit and in the sense that you'll say, 'that design is for a building with a 60-year life span and I'm just going replace everything when it falls apart'." The reality was that lease events often drove far more frequent refurbishment with the attendant resource implications.

For this interviewee, the focus on carbon had taken focus away from impacts on nature: "We're so focused on reducing carbon that we're not looking at the detrimental effects on biodiversity, which is another crisis that's potentially even bigger than climate change." Others were looking beyond carbon to "other issues in terms of scarcity of resources [that] will dominate the whole of the rest of the 21st century and beyond".

For developers, this meant having a deeper understanding of the wider ecological impact of a development, or what was termed *"embodied ecological impact…the next frontier of development"*. Some developers were already active in this space: "We'll be making it [having a nature strategy] a default and just having a minimum standard... everywhere we operate there's some regulation coming down the track and we can get ahead of it."

# Chapter 8
# Conclusion and recommendations

This research takes place at an important moment for the property development sector. Commercial real estate has had a rocky time in recent years: the office sector is still adjusting to the 'new normal' in the context of remote working and changing occupier preferences, while the retail sector is still shaky post-covid. The industrial sector is evolving with growing demand for logistics and data centres. Residential property developers are under renewed political pressure to increase supply, with affordability issues particularly acute.

Addressing the impact of property development on the physical and social environment plays into the above issues in varied and complex ways. As does the wider narrative around regulation and sustainability which has become increasingly polarised and politicised. With that said, our research reveals strong recognition of the economic and moral imperative to adopt less environmentally impactful practices. Many of those we spoke to advocated for the sector to go beyond statutory requirements – and lead by example, operationalising sustainability through the property development cycle in different ways.

There were variations in practice according to developer type and size. Large developers are more likely to conduct climate risk assessments, indicating a higher level of preparedness, or at least awareness, of how climate risks and future regulations impact assets. Larger developers make more use of voluntary certifications and standards such as NABERS, LEED and ISO; they are also three times more likely to adopt circular economy principles. Short-term sustainability goals are significantly more common among large developers (86%) compared to small developers (33%), indicating a more stringent monitoring regime. The mixed-use developers in our sample were more proactive in climate risk assessments and in the adoption of sustainability certifications than specialist developers.

The interviews dug into some of the reasons underlying these results. They included responding to investor and occupier preferences, exploiting commercial advantages and perhaps less obvious drivers, such as personal and corporate values. This research is a snapshot of an industry at a time of

flux, but which seems firm in its commitment to environmental progress. We hope the following recommendations will guide improvements in the ways that environmental regulations interact with property development.

### Recommendation one

Better dialogue between regulators and the sector, especially those delivering property in the context of required standards. This is not an invitation for more sectoral lobbying, but rather a reflection of the desire for improved knowledge sharing, reflection and evaluation (about what works and what doesn't work), leading to shared learning by regulators and developers to improve outcomes in delivery and avoid unintended effects.

### Recommendation two

A more joined up approach to regulation is needed to avoid situations where regulations work against one another. This means detailed evaluation of outcomes are needed, looking not only at the level of individual standards, but at how key regulations apply in particular operational or practical delivery scenarios.

### Recommendation three

Operationalising regulation is about embedding sustainability in formal company structures – not simply by claiming to be green, but including measurable performance indicators through processes such as remuneration and performance appraisal at all levels. It would be beneficial to look at industry-wide approaches here to avoid reinventing the wheel and encourage healthy competition.

### Recommendation four

Take care not to rely on easy suggestions that all regulation is bad – and that reducing or eliminating, is necessarily better for economic growth or business operations. There are other improvements (see other recommendations) that could and should be considered before simply stripping out regulation, which can cause uncertainty and undermine business cases. That 'more regulation' necessarily means 'less carbon' can be questioned too and highlights the need for proper evaluation of what is actually delivered.

### Recommendation five

Certainty and clarity should underpin regulation and government guidance. Businesses and those tackling these issues at a practical level are skilled in translating regulation into practice. Delay and confusion in the development and roll-out of regulations can impact on business planning and can undermine sectoral buy-in.

### Recommendation six

Industry-wide best practice could be more widely shared and understood. There is potential to do even more of that, as the class-leading firms have frequently exceeded published standards. There is opportunity to share

best practice, including practical lessons and knowledge (e.g. via training) with smaller or more specialist firms whose approach to environmental sustainability tended to be less well-developed.

### Recommendation seven

Review how regulation fits with the development process and cycle. It needs to be incorporated throughout the key stages of the development and property processes, rather than bolted on at the end or as part of a public relations exercise. We saw that committed experienced professionals were making effective use of, often ambitious, environmental approaches. The system worked best when it was seen holistically rather than as an 'optional extra', unlocking commercial opportunities through green growth.

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# Appendix 1
# Interview questions

## Section 1: About you

### 1. What are your key responsibilities in your current role?

[Follow up: Confirm job title/time in post; is this a recently created position? What's your reporting line? Is there a corporate champion?]

### 2. Can you tell us a bit about your background?

[Follow up: When did sustainability specialism come in/any relevant non-property role(s)? Do you have a technical/academic qualification related to sustainability?]

### 3. What are the personal values and skills that you bring to this role?

[Follow up: Which drivers are relevant to your role and how much is your work influenced by your personal values?]

### 4. How common do you think these are across the development sector? And across your firm?

## Section 2: Company approach

### 5. What are your company's main goals around environmental performance? What are some of the drivers for these goals?

### 6. How embedded are these goals in strategies? And how are they operationalised?

### 7. Can you talk us through your company's approach to environmental compliance? What are the practical implications for your firm?

### 8. What about ESG? How is it incorporated into your approaches to new development?

### 9. How would you describe the current environmental regulatory landscape (mandatory standards) as it applies to new development?

[Follow up: This is at the heart of our research. How does environmental regulation affect/shape your approaches to delivering development?]

### 10. Can you give us some specific examples of how this landscape affects the delivery of development?

## Section 3: Horizon scanning/future practice

### 11. How does your company identify and manage environmental risk?

[Prompt: What's the relationship between complying with environmental regulation and minimising environmental risk? How big an issue is environmental risk?]

### 12. What do you think the future holds for development in terms of environmental regulation?

### 13. Is there anything else you think we should have asked on this topic?

[Follow up: This is an opportunity to highlight issues that we have not already covered.]

### 14. What would you change in terms of environmental regulation and the approaches to property development?

[Follow up: We are interested in your views on future policy and approaches to regulation in property development.]

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*Endnote: This qualitative data analysis technique involves breaking down research data (e.g. transcripts) into discrete parts, coding them and then looking for similarities and differences. The goal of the comparative approach is to identify patterns and establish categories that may then form the basis of theory development.*