Barriers to climate change adaptation in the Australian Property industry

Abstract:

Purpose: To identify barriers to climate change adaptation in the Australian property industry.

Design/methodology/approach: Semi-structured interviews with twenty-four stakeholders from a diverse cross-section of the Australian property industry were undertaken in 2018 and 2019.

Findings: A range of barriers to action on climate change were identified. These barriers centre around 1) information: lack of clear, reliable, and trusted sources of climate change information; 2) cost: competing economic demands, and the perceived threat that investing in climate change action poses to competitiveness; and 3) regulation: the inaction of governments thus failing to provide a regulatory environment to address climate change.

Research limitations/implications: The qualitative research provides perspectives from actors in different sectors of the Australian property industry. While it provides an in-depth understanding of the barriers to addressing climate change adaptation, it is not necessarily a nationally representative sample.

Practical implications: The study identifies barriers to climate change adaptation, and establishes practical ways in which the Australian property industry can address these barriers and the role that government regulation could have in generating industry-wide change.

Social implications: Climate change poses significant challenges to society. Built environments are significant contributors to climate change, and thus the property industry is well-placed to make positive contributions to this global challenge.

Originality/value: Limited research has examined barriers to climate change action in the property industry. This research provides novel insights from the perspective of key actors across a diverse range of property industry sectors. This new knowledge fills an important gap in understanding how to address climate change in Australia and broader contexts.

Keywords: climate change; adaptation; property stakeholders; barriers; real estate; regulation
1 Introduction

Climate change poses significant challenges to humans and the natural environment, and these impacts are anticipated to escalate in future. Many human activities since the industrial revolution have resulted in a significant and continuing rise in greenhouse gas emissions. Built environments are a focus for human settlements and activities, and thus have contributed to the rise of greenhouse gas emissions. As detailed in reports produced by the Intergovernmental Panel on Climate Change (IPCC), greenhouse gas emissions have contributed to approximately 1.0°C of warming to date (IPCC 2018), and our current trajectory will lead to 3.2-5.4°C of warming by 2100 (Fuss et al., 2014). This will have significant, catastrophic impacts for human societies both directly and indirectly. Impacts will vary from location to location, but include increased intensity and frequency of extreme weather events, longer periods of drought, increased bushfire risk, sea level rise, and increasing extreme heat days, which will impact human health, wellbeing and economies. The international community, through the Paris Agreement (United Nations, 2015) has recognised the need to significantly reduce greenhouse gas emissions in order to limit warming to 1.5°C above preindustrial levels, and thus limit the damage caused by climate change. Achieving this will require significant, transformative change to societies and economies. At present, the actions and commitments of many governments towards the Paris Agreement, are inadequate to address the magnitude of the problem (IPCC 2018).

The property industry is an important sector for climate change action. It represents a large body of private actors in the built environment, which directly influence capital investment decisions. There is limited academic literature available about climate change action in the property industry. An increasing number of industry reports have been published about the impact of climate change for the industry (Burgess and Rapoport, 2019, Insurance Council of Australia, 2008, Bienert, 2014). Some reports also directly address the property industry’s role as a key stakeholder in the finance industry (United Nations Environment Program and World Bank, 2014, Global Investor Coalition on Climate Change [GICCC] 2015). Research into actions that should be undertaken to address climate change in the property industry include consideration of future risk in present day decision-making, undertaking due diligence (Burgess and Rapoport, 2019), and implementing both adaptation and mitigation actions (GICCC 2015).

Most of the action that has been undertaken to date in the property industry has been in the field of mitigation, focusing on improvements to energy efficiency. Much of this work has been driven by corporate social responsibility imperatives particularly for Real Estate Investment Trusts (REITs) (Hin Ho, 2013, Newell and Lin Lee, 2012, Zahid, 2015). Many of these actions have been undertaken by those in the industry who will benefit from the financial savings from these increased efficiencies, including during the global financial crisis (Dimovski and O’Neill, 2015).

Of the academic research that has been undertaken in this field, most has focused on the effect of climate change impacts (both short and long term) on real estate values. The majority of that research has researched extreme weather events (Changnon et al., 2000, 2017).

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1 Climate change actions can be considered across two broad categories: mitigation and adaptation actions. Mitigation refers to the reduction of greenhouse gas emissions, which are the driver of climate change and its extent. Adaptation refers to actions taken to reduce risk from climate change impacts such as flooding, heatwaves and extreme weather events.
Bienert, 2014, Bienert, 2016), and sea level rise (Bin et al., 2011, Neumann et al., 2015, Putra et al., 2015, Zhang et al., 2011, Ortega and Taspinar, 2018, Warren-Myers et al., 2018, Walsh et al., 2019) in terms of both the amount of land impacted, the associated financial costs, or the implications for insurance and other costs (Insurance Council of Australia, 2008, Latham et al., 2010, Botzen et al., 2009).

To support the industry’s investment decision-making, a range of guides (Royal Institution of Chartered Surveyors [RICS] 2019, Institutional Investors Group on Climate Change [IIGCC] 2012a, 2012b, 2013, Burgess and Rapoport, 2019), models and tools (Roberts et al., 2015, Hirsch et al., 2015) have been developed. Tools focus on a range of risks including property exposure to extreme weather events (Hirsch et al., 2015), sea level rise (National Oceanic and Atmospheric Administration [NOAA], 2019a, NGIS, 2019), climate risk and valuation (Climate Risk Engines, 2019, California Energy Commission, 2019) and identifying stranded assets relating to decarbonisation targets (Bienert, 2019). Yet there is limited evidence that these guides and tools are being used by industry members, or of how effective they are in guiding decision-making.

Our review of literature indicates a number of gaps including:

1) limited consideration of climate change impacts and actions that should be taken by property industry stakeholders beyond the REITs,
2) the perspectives of key actors in the industry have not been explored in-depth in terms of their knowledge about climate change, and how this influences their investment decisions; and
3) limited research about the barriers that key stakeholders face to taking climate change action. Understanding the barriers to action in the property industry may identify opportunities for development, engagement and sharing of processes, needs and information to generate industry-wide change and action.

The aim of this paper is to: identify and examine the barriers to climate change adaptation in the Australian property industry. The research will have wide relevance for non-Australian property markets due to global links in property and real estate, with cross-border investments considered the norm (Lim et al., 2008). The paper begins with a discussion of the implications of climate change for property and the property industry. We then detail the research method before reporting and discussing the results, and drawing conclusions, including the identification for opportunities for change.

2 Background

2.1 The property industry in Australia

The property industry comprises a wide range of stakeholders with different roles, responsibilities, ownership and occupier needs. This study acknowledges there are more actors and stakeholders that will be affected but are not considered in the present study. For example, homeowners, occupiers and investors. This research focuses on the commercial property industry, whereby organisations and firms are the main actors involved in largescale ownership, investment, management, and occupation of property. The property types considered as part of this large scale sector, often termed, institutional grade property, range from commercial office, retail (including shopping centres), industrial, specialist property, residential (in the context of a Built-to-Rent complex or student housing, rather than individual housing) and development of these property types. The main actors that are considered to be
active in the industry are Real Estate Investment Trusts (REITS), unlisted trusts, wholesale funds, firms, and companies, high net worth individuals/families, sovereign wealth funds and superfunds involved in investment and/or development. These actors are considered some of the key players in the commercial property markets in Australia. Another, key actor in the market are the advisory firms, these actors are heavily involved in the industry and provide advice, management, valuation and agency services to many of the actors.

2.2 Climate change and its implications for property and the property industry

Property provides shelter, employment, and services including but not limited to other sectors like banking, finance, insurance and construction. Property is at the forefront of risks associated with climate change (IPCC 2014). Resulting damages from climate change will require increased investment in energy, building materials and other resources to rectify impairment (Bienert, 2016). An analysis of the global REIT market found 35% of REIT properties are exposed to climate hazards, with the highest exposures in Singapore and Hong Kong (Starkman and Kok, 2018).

Smith (2013) provides an overview of key climate change risks to property:

- Extreme weather events: more intense cyclones, more frequent hailstorms and more intense rainfall leading to increased flooding;
- Higher variability in average temperatures, leading to: increased higher temperatures, increased periods of drought, higher risk of bushfires;
- Sea level rises, leading to inundation and loss of property and increased flooding risks.

These risks lead to numerous losses, ranging from direct losses, to property damage, to more indirect losses associated with increasing vacancy rates, loss of tenants or premium tenants, reduction in rentals and property values, rising utilities prices, increased materials and resources costs, and the increasing costs of compliance (Smith, 2013, Warren-Myers et al., 2018).

Increasing catastrophic events from climate change will affect property stakeholders financially, physically and socially. Already in Australia between 2000-2012 there was $16.1 billion in insured losses, which are expected to escalate to $23 billion without factoring in climate change (Deloitte, 2013). In 2017 hurricanes in the United States of America (USA), and storms in Europe left insurers covering a $135 billion bill (RICS 2019). Yet, the real costs are much higher: in the USA, NOAA estimates actual total damages were in the order of $307 billion in that year (Smith, 2018). Cumulatively since 1980, the cost of 254 climate events exceeds $1.7 trillion (NOAA 2019b). Climate change will have significant implications for the property industry and market (IIGCC, 2013).

2.3 Barriers to climate change adaption in the property industry

Within the property industry there is a lack of awareness of climate change, and a lack of action to mitigate and adapt to climate change risk, posing significant challenges for the industry and community. A lack of action amplifies and compounds the current and future impacts both socially and economically. It is important to understand barriers to action, yet there has been limited direct research in the property industry to identify these barriers.

Bienert’s (2014) report found that uncertainty about climate projections means that stakeholder decisions in the purchasing, occupying and leasing of property do not reflect these risks. Property industry stakeholders’ engagement and action is often reactive and in response to policy, rather than pre-emptive, unless they are conversant with risks and value implications (Property Council of Australia, 2011). The need to future-proof their properties against climate
change and minimise threats to income-generating capacity, insurance, policy and regulation could be key levers for action (IIGCC, 2013). There are indications that a lack of government policy has led some market participants to act in response to investors, customers, directors and employees. Subsequent practices have been adopted and changes to risk screening of current assets and new acquisitions is ongoing (Anderson, 2019). However, to what extent these practices are representative of the Australian property sector is unknown. Australia has eleven real estate companies reporting to the Taskforce on Climate-related Financial Disclosures (TCFD). However, analysis performed by the Climate Disclosure Standards Board (CDSB) suggested ‘there continues to be a noticeable gap between identifying and owning climate-related risks and opportunities, and acting strategically to tackle them’ (CDSB 2018 p.5).

As can be seen from the above, understanding the barriers to property industry stakeholders’ action for climate change risk is currently under-researched in academic literature. This paper provides insights into the Australian property industry’s current barriers to future-proof their investment and development portfolios against climate change risks.

3 Research method
The aim of this paper is to identify and understand the barriers to climate change adaptation in the property industry. From identifying these barriers to action, this research seeks to ascertain opportunities to facilitate action within the property industry. The research focuses on how high-level staff within a range of companies in the Australian property industry understand and respond to climate change adaptation needs and priorities. The research method is described below.

3.1 Participants
Participants were purposively recruited across the property industry with a broad range of activities and property types/specialities. Twenty-four semi-structured interviews were completed at the end of 2018 and 2019. Over 100 industry stakeholders were invited to participate, but many declined to be part of this study. Participants were recruited from property investment and development companies, including major listed and unlisted funds and trusts, superfunds, development groups, funds and trusts, and a high net-worth family. In addition, staff from four leading advisory firms and one industry body were also interviewed. Participants were assigned a unique code to provide anonymity (Table 1).
Table 1. Interview participants by category

<table>
<thead>
<tr>
<th>Respondent type</th>
<th>Managing Directors / National Directors</th>
<th>Sustainability Managers</th>
<th>Other</th>
<th>Total</th>
<th>Type of company</th>
<th>Head office location</th>
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</thead>
<tbody>
<tr>
<td>Listed / Unlisted Real Estate Trusts (RE)</td>
<td>RE1 RE2 RE3 RE4 RE5 RE6</td>
<td>RE7 RE8 RE9 RE10 RE11</td>
<td></td>
<td>11</td>
<td>Specialist Diversified Office Retail Housing</td>
<td>5 Victoria (Vic) 6 New South Wales (NSW)</td>
</tr>
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<td>Superfunds (SF)</td>
<td>SF2</td>
<td>SF1</td>
<td></td>
<td>2</td>
<td>Diversified</td>
<td>1 Vic NSW</td>
</tr>
<tr>
<td>Development Group / Fund / Trust (Dev)</td>
<td>DEV3 DEV5</td>
<td>DEV2 DEV4</td>
<td>DEV1</td>
<td>5</td>
<td>Diversified Housing</td>
<td>2 Vic 2 Queensland (QLD) 1 NSW</td>
</tr>
<tr>
<td>High net-worth family (HNW)</td>
<td>HNW1</td>
<td></td>
<td></td>
<td>1</td>
<td>Commercial and Residential</td>
<td>1 NSW</td>
</tr>
<tr>
<td>Advisory / Consultancy firm (Adv)</td>
<td>ADV1 ADV3 ADV4</td>
<td>ADV2</td>
<td></td>
<td>4</td>
<td>Diversified Commercial</td>
<td>2 National 2 Vic</td>
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<td>Industry body (I)</td>
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<td>I1</td>
<td>1</td>
<td>Diversified</td>
<td>1 National</td>
</tr>
<tr>
<td>Total</td>
<td>13</td>
<td>7</td>
<td>4</td>
<td>24</td>
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Interviews, of 30 minutes to one-hour duration, were conducted either in person or by telephone. Where participants permitted, interviews were digitally recorded. Two participants declined and for these interviews hand-written notes were taken. The digital recordings were professionally transcribed.

3.2 Interview design
To ensure consistency of data collection between the three interviewers, an interview guide was developed. The guide included introductory text outlining the purpose, focus and aim of the research. Participants were then asked general introductory questions related to their role in the company, and their assessment of the current key challenges for the industry. The main body of the interview was organised in four sections that focused on the participant’s and the organisation’s awareness, analytical capacity, actions and barriers to climate change. The interview concluded with questions related to the organisation’s sector, size and annual turnover. The interviews were designed to be semi-structured, allowing interviewers to ask additional questions for clarification or elaboration. The focus of this paper is on the barriers interviewees identified to climate change adaptation.

3.3 Data Analysis
The analysis focused on content and thematic analysis. The interview transcripts were analysed using NVivo 11. The transcripts were coded for issues related to awareness of climate change and trusted sources of information, analytical capacity and barriers to action. In addition to the coding in NVivo, interview transcripts were also read by a second researcher to allow consideration of the broader context, and linkages between different codes and broader themes. In this way, the detailed content analysis coding in NVivo was
4 Results and discussion

The thematic analysis identified 22 barriers that respondents discussed limiting action. These barriers were thematically coded into the following categories: climate change information; competing economic demands and financial motivation; short versus long term considerations; and the role of governments. These themes are discussed below.

Figure 1. Barriers to climate change action in the Australian property industry as perceived by key stakeholders
4.1 Uncertainty or ignorance of reliable climate change information

The lack of awareness for many of the interviewees about climate change impacts for the property industry was found to be a significant barrier to action. For some of the interviewees, there appears to be a debate around climate change, stemming from their lower level of awareness, mixed or inaccurate information the media, and their confusion regarding trusted sources of information. There were four respondents who clearly stated that climate change was not something they consider in terms of business:

“We don’t see any climate change risks and we don’t consider it, it’s not built into the decision-making process.” [HNW].

For these respondents, their awareness was limited to general media, as pointed out by one respondent: “If I do it’s like an ordinary ‘citizen’ from the news” [RE3]. In comparison, some respondents considered climate change impacts, yet questioned the validity of much of the information to which they were exposed, “it’s like the fake news thing? Is it really true?” [RE1] and “It’s a lot of greenwashing as well, how much of it’s real?” [RE4]. The catchcry of ‘fake news’ that has circulated in the news media in recent years has had significant effect (Allcott and Gentzkow, 2017, Lazer et al., 2018). This has reinforced doubts and misinformation circulating about climate change, influencing individual and collective behaviour and decision-making (Van der Linden et al., 2017, Allen and McAleer, 2018).

Understanding what is useful and correct information, and then how to respond is a challenge:

“Concern about knowing what is the right information, and subsequently the right action!” [DEV1].

Further, there was a suggestion of “disparity between what companies are doing and what they’re disclosing (what) they’re doing” [SF1]. The challenges of knowing what is factual and reliable information, was highlighted, with scientific information questioned. As pointed out by the industry association, “There are a lot of naysayers with science” [I1], which suggests some scepticism on their behalf, and concern over what information to provide as part of their role in information dissemination to their industry. Whilst concerns were high over validity and information sources, there was also an underpinning discussion as to whether climate change was in fact an issue for the sector.

4.2 Financial challenges for climate change action

The financial and economic considerations for organisations were a significant driving force in their rationale for their action or inaction. Whilst the majority of participants indicated that economic constraints were a barrier, some 6 participants viewed opportunity for action. However, the underlying profit and economic motivations were summed up by RE5 who stated “People don’t go out of their way, in our industry, in our end of town, to be a charity”.

Competing economic demands were stated to interfere with action on climate change, and these were not necessarily a direct reflection of the organisation, but in response to the financial motivations of client investments and interests; their perceived responsibility and obligations to their investors or other stakeholders; the materiality of the risks (or not) given different time horizons; and the incongruity between investment consideration and sustainability interests. Further, owners, investors, tenants and customers may not see climate change action as a positive outcome for them from a financial position, and exposure of the
underlying financial motivations may not be positive to finances in the short-term. The lack of current drivers for taking action was due to limited demand and desire for change:

“Why don’t we do it? I think the short answer is because our key stakeholders - being tenants and the investors, the building owners; I guess the two key groups that we .... feel we have primary obligations to - there's no driver from them to do anything more than that.” [RE2]

Further, it was viewed by some that taking action would potentially put the business, organisation or project, at risk, financially and from a reputation perspective:

“At the end of the day, they’re subject to market forces and market rents are what they are, and.... none of us are spending a whole huge amount of money.... to worry about climate change.” [RE5]

Whilst many of these organisations are responsible to others for financial returns, either through shareholders or investors, the superfunds were more concerned about longevity of income streams and this demonstrated quite a difference in their approach to climate change awareness, risk assessment and action, as they felt a level of long-term responsibility,

“Your fiduciary duty is to maximise their investment returns” [SF2]

Another financial challenge, was the possibility that by considering the risks of climate change, or taking action, there was the risk of being less competitive, with negative economic consequences. This was particularly apparent in some sectors of the market, with developers very concerned about the reputational risk in the form of stigma, and the perception that making their customers aware of climate change risk may then result in lost sales:

“Concern that by doing so (either suggesting or implementation action) would make me less competitive – it could take me out of the market. Can’t afford for that to happen.” [DEV1]

“We could potentially put a sale at risk, compared to someone who’s less advanced in this area, who is just allaying fears and telling people what they want to hear. The communication and translation of this to customers something that we’re very tentative about how we do it.” [DEV2]

The dominant opinion was that the climate change risks are so distant, and that returns are current; by taking substantial action now in relation to the climate change risks identified in their portfolio, they are jeopardising their current financial position and their returns to investors. So, although there may be consideration of climate change risks within the organisation, the actions to divest risky assets or other adaptive actions are minimised due to the threat of commercial interests. The smaller real estate organisations, property developers and the high net-worth groups particularly, were focused on shorter-term periods, whilst larger real estate organisations and superfunds had a slightly longer time horizon for consideration. The larger groups may be able to absorb the costs, unlike developers and smaller firms in the short-term,

“Maybe new players to the field might try, but that wouldn’t last because they’d only do for a little while realise the uncompetitiveness and stop doing after a while. It’s all
about bang for buck and in our market in Australia it all comes down to cost.””

This was further supported by the advisory firms who noted the focus on financial outcomes of actors in the industry:

“I think that’s where it bites and so when you look at an organisation and say, okay what’s driving their behaviour, are they a profit-driven organisation or are they a non-profit, or is that not as important to them? I think - maybe I’m a bit cynical - but I think more often than not they’ll just divert always to - or revert to profit.” [ADV2]

Whilst some might identify the risks, taking action is a different step, as noted by one of the superfunds, who are quite proactive in their approach to climate risk assessment. They indicated the restraints placed around not divesting in risky assets, because there was a responsibility to ensure returns for the members.

The financial challenges of taking action were not always clear cut. A number of respondents were engaging in issues associated with climate change, undertaking risk identification, and then considering action plans to address the risks. Some saw this process as a risk mitigation approach; whilst others viewed it as an opportunity. This is analogous to sustainability approaches in the late 2000’s in Australia and New Zealand, which differentiated market leaders from others who hesitated, waiting for market forces or government regulation to drive their actions (Myers, 2008, Warren-Myers and Reed, 2010, Warren-Myers, 2016).

4.2.1 Timeframes and long-term thinking but short-term action

The timeframe for investment and ownership of property assets had a bearing on the perspectives of how climate change may affect respondents’ property portfolio. While property owners such as superfunds, were advanced in considering the risks relating to climate change and the effects on assets, their performance and value, those with a short-term investment focus were the least active in considering climate change risks to their portfolio:

“Climate change is very much a long term - we sort of see it is a potentially 30, 40 year type impact - are we really thinking about things that far down the track? Probably not as much as maybe we should be….We don’t believe it to be material in the sort of next 10 year period” [RE1].

“We are talking about a long term challenge, and owner managers tend to think in one year, five year, seven year, 10 year at a stretch, investment horizons.” [RE7]

Even for those that have longer investment timeframes, the time horizons are still perceived to be distant,

“This is - that sort of situation, I feel, is like 2080, 2100, probably; so, not 2040/2050; it's definitely getting out there and again, beyond our horizon. Most of our investment horizons are 20, 30 years, max.” [SF2]

The advisory firms also perceived the issues as too distant to consider, and their own perspectives focused on short-term:
“Is that change going to come through not now, not in the next two, three, four, five years but it’s going to come gradually over the next 50 to 100 years and if that’s the case, do I really need to care. I mean that’s a terribly selfish thing to say, but as a property owner, do I need to care?” [ADV2]

The shortest-term perspective within property industry was considered to be developers:

“Developers are very short-term interested – it’s bang for buck and it all comes down to money – even if personally they believe their personal ethics of wanting to do better – that goes out the window when they are back to their developer role. This type of thing should be legislated – it is the only way you will get action from the property sector – it won’t happen from ‘goodness of their hearts”’ [DEV1]

The time horizon not only exceeds financial considerations, but is assumed to be greater than participants’ own lifespans:

“Don’t consider [climate change risks] at all when we invest... May be real at some point in time, but I’ll be gone by then, the reality is too far away to take action, or even to create a matrix for decision-making..” [HNW1]

As indicated in these responses, a key barrier to taking action is the short-term thinking of those in decision-making roles, the perception that ‘climate change’ implications for property are beyond the timeframe they need to consider. Often the tools utilised in financial decision-making, like discounted cash flow analysis, biases towards short-term returns, rather than long-term risk aversion or action: “short-termism and uncertainty avoidance – that operate at the individual, organizational, and institutional levels as well as across these levels, resulting in persistent organizational inaction towards climate change” (Slawinski et al., 2017) pg4. Financial decision-making and financial modelling needs to have better integration and assessment of climate change risks.

4.3 Role of government for industry climate change action

In defending their current position, many respondents suggested that governments needed to take a greater role in providing certainty around information, and also regulatory action. It was perceived that unless regulation was introduced, at Federal, State or local government level; action would be limited to a few who decided to take on the possible economic risks, but the broader property industry wouldn’t act without direction, mostly as a result of the economic considerations aforementioned. These aspects were mentioned 18 times in the interviews as a key barrier to action:

“Climate change action needs to be driven by all governments, federal, state and local – it has to create a level playing field. The property industry and its developers will not try any actions unless they think it will differentiate them and they would make money out of it.” [DEV1]

The spectrum of governments was also highlighted by one of the superfunds [SF2], examining the role of global momentum and position of various global governments, to see how quickly and what type of action would be seen over the next decade. RE7 noted that at the local level, without government requirements, motivation to undertake action was limited. Therefore, a call to action, for governments at all levels to provide better direction was
prominent in the interviews. This resonates with findings relating to barriers to address climate change in the Australian construction industry (Hurlimann et al., 2018).

4.4 The blame game

Arising from the barriers to taking action on climate change, a ‘blame game’ was observed, analogous to lack of sustainability action in previous decades. Cadman (2000) cited in Keeping (2000) identified that investors, occupiers, constructors and developers all blamed another for their own inaction. Some reinforced the substantial role for government to provide direction and legislation, to ensure an “even playing field” [SF1] rather than a two-tier market of those who may attempt versus those who don’t. Lack of action is blamed on the absence of government intervention, and the concern of being ‘currently’ uncompetitive in the short term, rather than thinking proactively about risk reduction in the longer term.

“Dollars. It’s pretty simple. If I’m going to invest a dollar, I want to get a return on that. If I can’t get the return I’m not going to invest as an owner and secondly - and when I say if I’m not going to get a return, I’m not going to get a return just as the builders will blame the developers, the developers will blame the property owners, the property owners will blame the tenants because the tenants will say, well we’re the ones that have to bear the brunt of this because we have to pay higher rents to make it economically feasible to build these buildings.” [SF2]

This is reflected in Hurlimann et al.’s (2019) study of the Australian construction sector, which also found a blame game, primarily of the client (usually property investors/firms and developers) and the role of government.

If regulation was put in place to require the property industry to take climate change risks into account, a number of the barriers, both related to information and financial aspects, identified by respondents may be addressed. Further research on how to implement these actions, and their affect would be beneficial. As pointed out by one of the advisory groups:

“I think if you can get acknowledgement that the change is occurring and it will occur, I think people will sit up then and go, well hang on the facts are indisputable, I’ll have to - I’ve now got to start thinking about how I change.” [ADV2]

Government action, could provide significant impetus for the property industry to tackle climate change risk.

4.5 Limitations of the research

This research provides an important in-depth understanding of the barriers preventing climate change action in the Australian property industry. While there are potential limitations to the findings due to the small number of property industry stakeholders interviewed, this was compensated by the sampling strategy which ensured a diverse range of interviewees in terms of property sector size, sector and type. Climate change is an issue gaining traction, with a number of responses suggesting that their stances on climate change would be clarified and strengthened within the next 12 months. Consequently, there is some bias to the sample of those that are either more proactively engaged in climate change risk identification and action, or those that have pointedly decided that it is not a consideration at present. Thus, this research does not provide a complete overview of the Australian property sector. However, it
5 Conclusion

Whilst the barriers to action on climate change are numerous, the time-frame of climate change implications affecting business operations is perceived far off, yet current impacts are affecting operations. The floods, storms, heat waves are all being felt presently, albeit, the considerations around climate change are that these will increase and worsen. Which suggests that proactive responses can be integrated. However, the financial implications and burdens of the current challenges, are not enough to drive significant investment, with the industry indicating by doing so may make them less competitive and may hurt their economic returns. This research has reinforced the importance of public policy settings to drive and normalise action. Regulations for climate change action that set requirements for minimum thresholds to be achieved, and for climate change considerations to be taken into account and applied in the course of business, are necessary for driving action across the sector. While there are some property sector organisations already taking leadership positions on climate action (these will be discussed in a subsequent paper), there are many other industry participants shifting blame for their inaction to lack of government regulation or to other participants.

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Figure 1. Barriers to climate change action in the Australian property industry as perceived by key stakeholders

- Climate change information challenges
  - Lack of Communication of climate change information
  - Climate change ignorance
  - Bias / untrustworthy sources
  - Questioning the accuracy of climate change information
  - ‘Greenwashing’

- Financial challenges for climate change action
  - Short-term trumps long-term thinking
  - Climate change competing with other economic demands
  - Perceived uncompetitiveness of climate action

- Role of government for industry climate change action
  - Lack of accountability
  - Minimal government backing

- Other financial obligations
  - Client investments and interests in conflict with climate change obligations
  - Other financial obligations
  - Materiality (currency) of risk and its timing
  - Variability of time horizons for investment and sustainability interests

- Financial motivations
  - Reactive vs. proactive action
  - Financial motivations
  - Short term financial obligations to clients and stakeholders

- Difference in climate change risk implications and adaption approach between property sectors
  - Stigma of climate change action
  - Call for action - legislation
Author/s: Warren-Myers, G; Hurlimann, A; Bush, J

Title: Barriers to climate change adaption in the Australian property industry

Date: 2020-03-24


Persistent Link: http://hdl.handle.net/11343/241800

File Description: Accepted version