

Developing homes for a changing climate



In October 2008, NextGeneration published an analysis of how UK homebuilders are responding to the risks and opportunities presented by climate change to the sector.

As Figure 1 indicates, two companies have emerged as the leaders of this year's benchmark – The Berkeley Group and Crest Nicholson.

The report, entitled 'Developing homes for a changing climate: Benchmarking how UK homebuilders are responding to climate change risks and opportunities' is [available here](#).

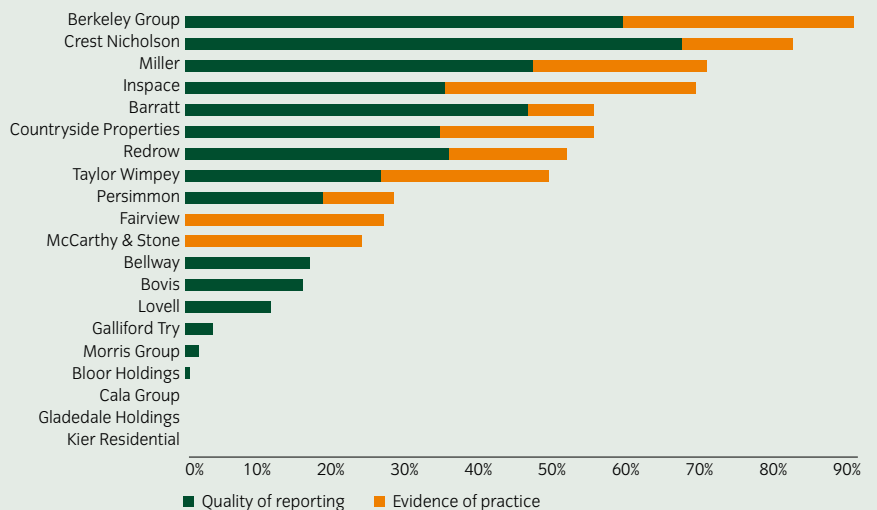
Background

The housing market is now very different compared with when NextGeneration (see Box A overleaf) reported the results of its first benchmark of the sustainability performance of the top 20 UK homebuilders in Autumn 2007. UK homebuilders are facing the most difficult period since the market crash

of the early 1990s, with stories of tumbling share prices, widespread job losses, falling house prices and consumer turmoil resonating through the media on a daily basis over the last few months.

Despite these pressures, the UK Government's commitment to action on climate change within the sector remains strong. As just one example, the target set by Government for the industry to achieve zero-carbon housing

Figure 1: Top 20 homebuilders' overall performance



Source: Next Generation, 2008.

from 2016 onwards has not been postponed or weakened. The Climate Change Act provides further compelling evidence of the Government's intention to take action to reduce the UK's greenhouse gas emissions.

The longer-term imperative for the sector to continue to progress towards a more sustainable built environment has not, therefore, disappeared in light of the current market meltdown; indeed it is only likely to become more pressing.

Methodology

The report assesses the approach of the top 20 UK homebuilders – a group who last year built over 60% of new homes – to addressing climate change mitigation and adaptation issues.

Similar to 2007, the benchmarking was undertaken in two phases:

Phase one: The publicly available information (corporate responsibility reports, annual reports and accounts, corporate websites) of the top 20 companies was assessed in three categories: strategy, governance and risk management, impact on the environment and impact on society. All companies were awarded a score to reflect the quality of their reporting.

Phase two: NextGeneration members (11 companies) provided a more detailed picture and qualitative evidence of their practice on sustainability through meetings and intensive engagement with Upstream. These companies were awarded a second score to reflect their practice.

A score of 100% in either phase would indicate that a given company had achieved best practice, as defined by the NextGeneration criteria.

Progress since the 2007 report

The results clearly indicate that significant progress has been made by the industry over the last year. Of the 20 companies assessed in 2008, eight now have climate change policies, or similar, in place, compared with none in 2007. Seven of these are NextGeneration members.

The sector is also responding well to the agenda set out by the UK Government in relation to the Code for Sustainable Homes. Indeed, four out of the top 20 homebuilders have made a commitment to achieving Code level three energy standards ahead of Government deadlines, with the Berkeley Group and Barratt publicly committing to developments seeking planning permission to be Code level three compliant by January 2008 and July 2008, respectively.

The results show that 55% of homebuilders are now measuring their operational greenhouse gas emissions, with 45% setting either short- or long-term targets (or both) to achieve reductions in this area. However, there are still weaknesses in the sector's reporting on emissions performance. There is currently no way of comparing the data reported to draw any performance comparisons between companies.

While the industry has made significant progress, we are concerned that public policy is not keeping pace. For example, the industry is still lacking a much-needed definition of what a "zero-carbon" home is. Given the minimal awareness of the Code for Sustainable Homes among the public and the continuing confusion over Energy Performance Certificates in the marketplace, we also believe the Government could do more to ensure that sustainable homes are promoted to customers by taking a lead in marketing sustainable homes to the house-buying market.

Box A: NextGeneration

NextGeneration was launched in 2006 to build on the success of the previous Insight Investment and WWF sustainability benchmarks of the homebuilders sector (undertaken in 2004 and 2005) and to expand their reach and ownership.

Set up as a multi-stakeholder initiative, NextGeneration aims to drive best practice on sustainability into the heart of the sector by encouraging the industry itself to embrace more sustainable house designs and delivery. It is intended to be a platform through which developers can both identify the sustainability-related risks they face and develop a good understanding of how best to address the related opportunities.

NextGeneration is supported and directed by The Housing Corporation, WWF-UK, Insight Investment and the Bank of Scotland, all of whom sit on its executive committee. Upstream (part of Jones Lang LaSalle) acts as a secretariat to the initiative, carrying out the analysis for the benchmarking and delivering a range of services to NextGeneration members.

The unique output of NextGeneration is its annual benchmark of the UK's top 20 homebuilders, based on the number of units built in the reporting year. In 2008, the benchmark focused solely on climate change issues, rather than on wider corporate sustainability issues as in 2007.

The benchmark comprises two sets of scores: the first rates the quality of reporting of the sector on climate change issues, and the second rates its performance in this area.

We see the raising of public awareness as a key requirement in order to kick-start the cultural change needed for homeowners to associate the impacts of homes with how they occupy them.

The future

We hope that the current crisis in the housing sector does not overshadow the longer-term need to address climate change issues. As history shows, homebuilders have faced and emerged successfully from previous market downturns. While we accept this is a very challenging time for the industry, it is important that the momentum gained over the past two years to embrace and respond to the sustainability agenda does not fall at the first hurdle.

It is time for homebuilders to fully understand, and indeed quantify, the costs and benefits of their sustainability strategies and initiatives. It is only with this level of understanding that companies can prioritise resources and innovation, and justify investment during these difficult market conditions.

We do not underestimate the scale of the challenges ahead, but we are heartened by the progress demonstrated in the report. It is clear that the delivery of a more sustainable built environment requires the collaboration of a wide range of stakeholders. While each has its own agenda and objectives, the outcome required must not be overlooked. We therefore make the following recommendations to industry and the

Government in the hope that our suggestions will assist in the delivery of more sustainable homes.

We hope the findings of this process will enable homebuilders to identify the key challenges and opportunities associated with climate change, respond to these with clarity and assist the Government in understanding the very practical barriers that the sector has to overcome.

Recommendations to industry

- Seek to gain a wider and deeper understanding of the risks associated with climate change adaptation and mitigation issues, and align this with both core business risk analysis and current sustainability risk management procedures.
- Prioritise investment in further research and development (where and when practicable) of building to higher sustainability standards.
- Implement robust data-gathering systems to measure climate change impacts associated with both operations and products, and report on these more transparently.
- Take advantage of the attributes of more efficient housing in the face of increasing energy prices when marketing homes to customers.
- Collaborate with one another to share information and minimise duplication of research effort.

- Work to improve understanding of the whole-life costs and benefits of building to progressively higher levels in the Code.

Recommendations to the Government

- Work with industry to provide a clearer cost analysis of building to the different levels of the Code, based on real data from current projects.
- Evaluate the implications of the current market conditions on the deliverability of both its affordability and sustainability targets.
- Invest in research and development in the sector to support and foster innovation in the market and on the part of key public sector actors.
- Send clearer messages to the market with regard to future targets and any associated fiscal incentives, or otherwise, to ensure transparency and integrity of policy decisions.
- Develop fiscal incentives for homebuyers of the more efficient and sustainable homes (eg: grants), to help stimulate demand in that market segment and to encourage further R&D.
- Ensure the timetable for zero-carbon housing is clearly communicated to the homebuilders to help them ensure they can commit resources.
- Provide a definition of what is meant by “zero-carbon”.

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