

What If Real Estate Accelerates a Green Transition?

Five Recommendations for Climate-Resilient Real Estate in Egypt

Egypt currently faces a myriad of climate-related challenges, such as water scarcity, extreme changes in weather patterns and land degradation, among others. In addition, the lack of global consensus on a climate agenda weakens serious national actions towards combating climate change.

Ahead of the COP27, the Futures Lab—hosted by the [AUC Innovation Hub](#) and [New Silk Roads](#) from September 22-24, 2022—explored the future of Egyptian real estate and how the sector may adapt to climate change-related challenges.

Using “futures thinking” as well as scenario planning techniques, business leaders, architects, researchers, and policymakers imagined multiple potential futures for the Egyptian real estate sector in 2050, with a focus on possibilities rather than certainties. Furthermore, rather than trying to predict exactly what will happen in the future, Futures Lab participants examined what could happen in the future, thus expanding discussions about climate change from narrow “problem-solution” questions to more holistic and long-term approaches.

This Futures Lab was convened as part of the [Hivos GreenWorks Alliance](#), with support from the Dutch Ministry of Foreign Affairs.

Lab Recommendations

1. Policymakers introduce incentive schemes to promote green technologies as the technologies of choice for key stakeholders, including businesses and real estate developers. Financial institutions, on the other hand, should introduce or expand innovative financing schemes and carbon financial products, as well as other green transition incentives.

Despite its relatively large contribution to Egypt's GDP, there is an obvious and widening technology gap between existing green technologies on the market and the technologies being used in Egypt. This technology gap contributes to lowering the overall quality of the real estate stock and the experience of the people living in or using these spaces. Furthermore, this technology gap is exacerbated by a gap between finance and investment, particularly the lack of innovative carbon financial products and green transition incentives. Integrating both high-end technology and nature-based solutions could improve buildings' resource efficiency, enhance their overall quality, and increase their durability and longevity, thus providing a higher return on investment for developers and alike.

2. Company leadership incorporates enhanced resource efficiency and optimization into their long-term visions, including measuring sustainability beyond just reducing CO2 emissions. Similarly, economic policymakers should incorporate green transition metrics into their economic planning and policies alongside existing goals, such as job creation.

The Egyptian population is projected to double almost 30 years. Already a resource-scarce nation, Egypt's projected population growth places resource optimization and equity at the top of the agenda. Current approaches which treat real estate as an increasingly short-term investment, undermine sustainable planning, reduce resource efficiency, and exacerbate existing quality concerns. Adopting a longer-term approach would positively affect the quality of real estate offerings in a reinforcing loop.

Lab Recommendations (continued)

3. Policymakers and regulatory agencies provide clear rules and regulations for industries' green transitions, in alignment with global, national, and local priorities.

Real estate actors need a governance infrastructure that they can count on for a smooth transition to becoming a green, sustainable industry. However, the blurred lines between the externality effects of climate change on a local versus regional/global level contributes in turn to a blurring of accountability and responsibilities. Thus, inclusive, multilateral action is necessary to ensure ownership and accountability amongst diverse stakeholders, to address market failures, and go beyond incentives such as subsidies or taxes. For example, mechanisms (especially tech-enabled) are needed for green law enforcement, including introducing regenerative building design approaches, restructuring building codes, adopting green certifications (e.g. LEED, etc.), and using a green lens in urban planning.

4. Companies market green solutions by adopting customers' perspectives as well as by offering customers green products which emphasize affordability, savings, and long-term value.

The real estate market in Egypt is highly distorted and includes significant degrees of informality. These dynamics in turn shape market forces, especially in the Delta region and in Upper Egypt, where there is very high real estate demand across the middle- and low-income brackets. Moreover, in light of current and expected middle-term macroeconomic stress (especially the availability of U.S. dollars), real estate is likely to remain a significant store of value in Egypt.

Consequently, for customers, affordability remains a key consideration in their purchasing and investment preferences. Despite green real estate's potential medium- and longer-term savings, such as on energy bills or maintenance costs, most consumers in Egypt today are not willing to pay a premium for sustainable real estate unless there are clear financial incentives and upfront savings. There are some customer segments who are aware of these tradeoffs, but they remain among the minority for now.

Lab Recommendations (continued)

5. Sectoral leadership, such as industry associations and chambers of commerce, should coordinate efforts to green entire value chains – and going beyond just carbon emissions

The supply of green technologies is dependent on greening entire value and/or supply chains. This upgrading requires serious re-engineering actions including screening, auditing, and assessment, and thus cannot be done by one company alone. This process also requires working hand-in-hand with suppliers to develop new building methodologies and use appropriate materials, especially in new cities. This coordination would spread the greening responsibilities across the entire chain, thus reducing individual companies' green transition costs and improving the overall quality of the industry's green offerings.

Lab Conveners

AUC Innovation Hub is a springboard for industry partnerships, multidisciplinary research and experiential learning. Located at the AUC New Cairo campus, the Innovation Hub offers corporations, start-ups, and AUC faculty/students the opportunity to collaborate together on strategic projects to co-create innovative solutions for Egypt's and the region's toughest challenges.

New Silk Roads offers a range of futures thinking programs focused on collectively imagining preferred futures and producing bold, innovative future scenarios. For over ten years, New Silk Roads has been working with a range of clients, including international organizations, multinational companies, and creative enterprises.

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