

Property development ESG focus drives pension fund investment

Property development finance companies' increasing focus on ESG in projects they fund will make the sector more attractive for pension funds and institutional investors, new research from investment manager Downing LLP shows.

Downing's study with UK pension funds, which collectively control around £125.5 billion of assets, found that 86% agree the increased focus on ESG will mean more institutional investment in the sector.

Pension funds are already seeing a much bigger focus on ESG by property development finance companies and three out of four (76%) expect the trend to increase over the next three years. Around 20% of respondents expect it to increase dramatically.

That feeds into a growing willingness by defined benefit pension funds and institutional investors to invest in illiquid assets because of the premium yield they can offer.

Downing's research found 70% of pension funds expect the trend to increase over the next three years, with 24% forecasting a dramatic increase.

Parik Chandra, Partner and Head of Specialist Lending, Downing LLP said: "ESG is increasingly a key factor in decision making for property development finance companies, as well as pension funds and institutional investors.

"The increased focus on ESG by property developers helps them raise finance and is good news for pension funds and institutional investors who have ESG targets to address."