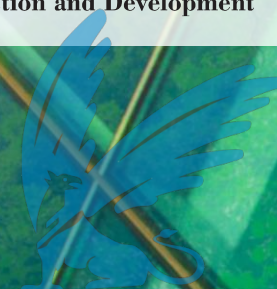




Real Estate Sector Strategy 2025-2029



European Bank
for Reconstruction and Development



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In the context of emerging global challenges and opportunities, the European Bank for Reconstruction and Development's Real Estate (RE) Strategy for 2025-2029 embarks on a transformative journey to reinvigorate the real estate and hospitality sectors. According to a McKinsey report, two-thirds of global net worth is stored in real estate, and as such, particular attention is needed to ensure the sustainable growth of the largest asset class in the world. This new strategy acknowledges the intrinsic link between robust real estate development and the broader objectives of sustainable and inclusive economic growth, as enshrined in the United Nations Sustainable Development Goals (SDGs).

Real estate is a cornerstone of economic growth, providing the infrastructure for businesses to thrive, creating employment, and driving sustainable urban development. The sector's impact on GDP, job creation, and global energy-efficiency targets underscores its importance in both developed and emerging markets. Moreover, sustainable, inclusive tourism presents a key opportunity within real estate as an essential driver of economic growth, boosting local economies and enhancing community resilience.

The strategy unfolds against a backdrop of global challenges facing the sector, including climate change, housing affordability and accessibility, human capital development, geopolitical shifts, and the availability of funding via capital markets. In recognising this, the strategy seeks to leverage EBRD's unique position to foster economic environments where circumstances beyond individual control no longer dictate one's ability to thrive. By focusing on green and inclusive growth, fostering agility against geopolitical and demographic shifts, and leveraging megatrends like digitalisation and innovation, the RE Strategy aims to dismantle barriers and drive forward private sector growth across EBRD's regions.

Central to the strategy are objectives to elevate and invest in the green transition, strengthen human capital resilience, address housing and affordability challenges, prepare for crises and demographic change, bolster capital market development, and explore and invest in innovation within the real estate sector. These initiatives are pivotal for catalysing change, driving economic prosperity, bolstering private sector growth, and achieving the SDGs. It is meticulously designed to integrate with EBRD's policies and other sectoral and country strategies, ensuring a harmonious contribution towards the Bank's ambitious goals.





Real Estate Strategy 2025-2029 | Abbreviations Glossary

- **BREEAM:** Building Research Establishment Environmental Assessment Method
- **CEE:** Central and Eastern Europe
- **CoOs:** Countries of Operations
- **EBRD:** European Bank for Reconstruction and Development
- **EDGE:** Excellence in Design for Greater Efficiencies
- **ESP:** Environmental and Social Policy
- **ETI:** Expected Transition Impact
- **GET:** Green Economy Transition
- **GRESB:** Global Real Estate Sustainability Benchmark
- **GRI:** Global Reporting Initiative
- **I&L:** Industrials and Logistics
- **IFIs:** International Financial Institutions
- **LEED:** Leadership in Energy and Environmental Design

- **MDBs:** Multilateral Development Banks
- **MEI:** Municipal and Environmental Infrastructure
- **NPLs:** Non-performing Loans
- **OECD:** Organisation for Economic Co-operation and Development
- **P&T:** Property and Tourism
- **PPP:** Public-Private Partnerships
- **RE:** Real Estate
- **REITs:** Real Estate Investment Trusts
- **R&D:** Research and Development
- **SMEs:** Small and Medium-sized Enterprises
- **STPs:** Science and Technology Parks
- **TCFD:** Task Force on Climate-related Financial Disclosures
- **UNWTO:** United Nations World Tourism Organization





Real Estate Strategy 2025-2029 | [Table of Contents](#)

Chapter 1: Operational Highlights of RE Sector Strategy 2020-2024	5
Chapter 2: Sector Challenges and Context in the EBRD CoOs	9
Chapter 3: Strategic Directions and Priorities for RE	19
Chapter 4: The Bank's Position vis-à-vis other IFIs and Partners	25
Chapter 5: Measuring Results	29



Operational Highlights of Property and Tourism Sector Strategy 2020-2024





Strategy Review | Snapshot of RE activities in the previous strategy period (2020 – 2024 YTD)

Figures at a Glance

62

Signed projects

87%

GET Ratio

96%

Private Sector
investments

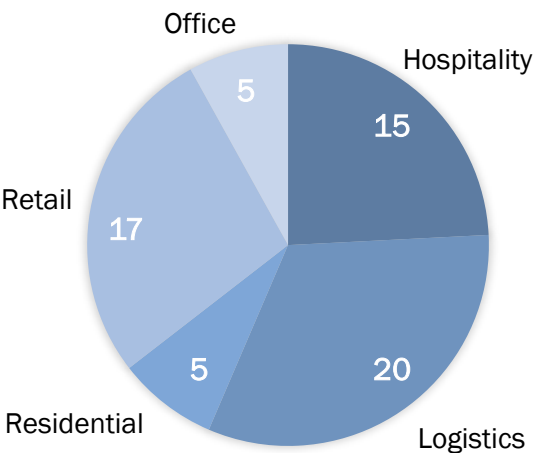
1.7bn

Euros in cumulative
investments

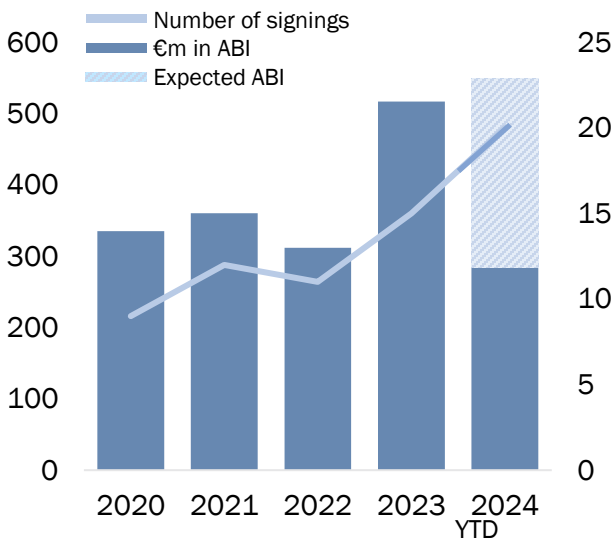
67

Average ETI

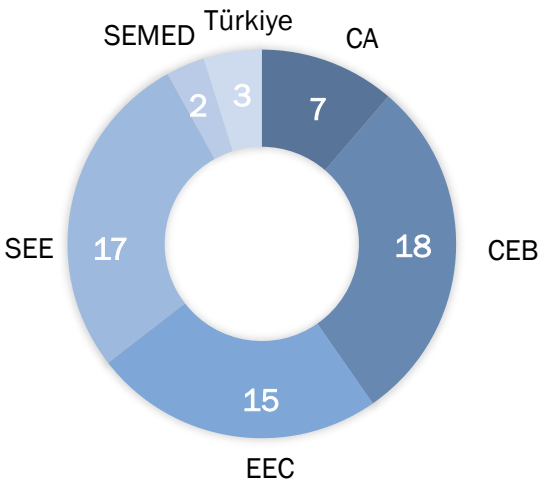
Number of Projects by Sub-Sector



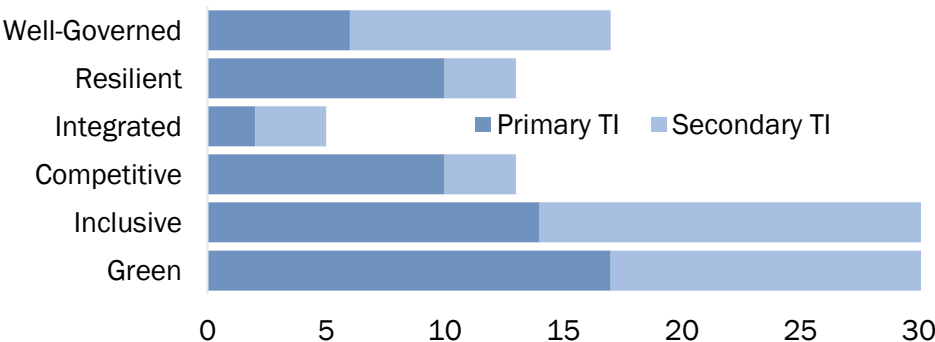
Investments and Number of Projects



Projects by Region



Distribution of TI Qualities



Operational Highlights

- Continued focus on sustainable real estate development, with **significant investments in green projects** across various regions.
- Strengthening **the resilience of I&L and supply chains against geopolitical risks** through strategic investments and partnerships.
- Promoting the **integration of women and other underrepresented communities into the workforce**, focusing on skill development and employment opportunities.
- Additional support for **innovation, science, and entrepreneurship** through novel transactions.





Strategy Review | Lessons Learned and Future Opportunities

Challenges

The Property and Tourism team found challenges in its positioning in local markets and with financing partners due to its name, which was not in line with the market-recognised name for the sector, Real Estate.

Investments in the office sub-sector were not realised due to the changing nature of working habits during and after the pandemic. Increased vacancies and shifting tenant preferences created a difficult investment environment.

Limited equity investments in CEE due to inactive local capital markets. This restricted access for smaller regional real estate developers in CEE to equity markets and made it challenging to deploy equity instruments in the region.

The previous strategy had no digital angle, limiting our work in the digital and data space.

Under the previous strategy period, the team **launched and subsequently closed an Integrated Cultural Heritage Framework with three realised investments.** The Framework focused on Uzbekistan, Jordan, WB&G, and Romania.

Addressing these challenges in the next strategy period

Opportunities

The team has changed its name to the Real Estate team to enhance its visibility in local markets by aligning with the standard name for the sector. This change reflects a more comprehensive approach to real estate and tourism development and investment, including all existing and new sub-sectors of focus and ensuring the team remains competitive and relevant in an evolving market landscape.

Moving forward, we can **adapt our investments in the office sector by focusing on mixed-use developments** that combine office spaces with residential, retail, and leisure facilities, creating vibrant communities that cater to modern work-life integration. These spaces offer flexibility and are more aligned with current tenant demands. Additionally, **investing in growing economies where office demand remains robust**, such as certain emerging markets, can help capture long-term opportunities.

As part of the next strategy period, the EBRD can focus on creating more investment-friendly regulatory environments through actions such as **promoting the development of listed REIT platforms and REIT legislation through policy dialogues**, supporting equity market diversification through hybrid instruments, and promoting innovative products and alternative approaches such as property funds.

The new strategy emphasises innovative digital projects and products, such as developing data centres, digitalising the logistics and warehousing space, supporting innovative companies in the PropertyTech and RE CleanTech spaces, and exploring FinTech opportunities for streamlining access to capital for RE projects.

A review of the Framework found that the scope fell outside of the Bank's expertise and capacity. Moving forward, **the Team will focus efforts on activities within the new strategy's scope, working more closely with other MDBs, DFIs, and other developmental partners to leverage their expertise** on activities outside the Bank's specialities.





Strategy Review | Landmark transactions in the previous strategy period

- **Urban Regeneration:** The Bank invested in the urban regeneration of several cities, including in Greece through a EUR 50 million loan (Dimand) and in the Czech Republic through a EUR 110 million loan (Heimstaden). These financed **large-scale and systematic green regeneration of real estate assets, including residential and mixed-use developments.**
- **Decarbonising Industrials and Logistics:** EBRD has invested heavily in the CEE I&L sector, including through a loan of EUR 250 million to a Luxembourg-based group to finance I&L parks in Serbia, Romania and three other countries in CEE (P3 CEE Expansion). Similarly, the Bank provided two loans of EUR 150 million each to a Belgian developer to finance logistic and light industrial facilities in Romania (WDP).
- **Creating Job Opportunities:** The Bank supported Egypt's tourism sector through a USD 12 million loan to regenerate a brownfield site into a hotel (DFF - Hyatt Regency West Cairo). **More than 300 job opportunities were directly generated, and over 250 young employees were trained in market-relevant and career-progressing skills.**
- **Capital Market Development:** EBRD invested EUR 260 million in supporting eight bond issuances in 2022-2023 with seven clients, supporting capital market development across EBRD's CoOs. These investments further supported the Bank's prioritisation of the green economy transition, with seven of the investments participating in **green bonds**, including two supporting energy-efficient I&L developments in Central and Eastern Europe (EUR 67 million and EUR 7 million - VGP Parks) and another local bond in Greece supporting a company's development of green properties (EUR 12 million – Project Nisryos).
- **Human Capital Development:** The Bank provided EUR 25 million to a hotel joint venture in Türkiye (Barut Hotel). As part of this loan, **the client launched a new Gastronomy Academy and opened up new training opportunities** for young women and men in the hospitality sector in Türkiye.
- **Mitigating Housing Shortages:** The Bank provided three loans of EUR 15 million (RLF – Intermarium), EUR 25 million (RLF – LifeSpot), and EUR 75 million (RLF – Resi4Rent) to three separate operators of residential rental accommodation in Poland **to build and operate a portfolio of rental apartments across the country amid a chronic housing shortage exacerbated by inflation and an influx of refugees from Ukraine.** The portfolio of rental apartments will focus on cities that have seen the highest number of Ukrainian refugees, such as Warsaw, Krakow, Wroclaw, Gdansk, Lodz and Poznan.
- **Preserving Livelihoods After Crisis:** The Bank supported a leading player in the Turkish commercial real estate market to **preserve human capital and the livelihoods of people in the South-Eastern part of Türkiye**, which was impacted by the 2023 earthquake. The EUR 30 million loan (Piazza Earthquake Response) supported the tenants of three shopping centres in the earthquake-affected regions.
- **Innovation and Entrepreneurship:** EBRD supported the Government of Serbia with a loan of EUR 80 million **to expand science and technology parks (STPs) and construct new ones in cities across the country** (Project Science). STPs will be equipped with the technology needed for R&D and will offer co-working spaces and offices as well as services to support the growth of nascent and innovative businesses. Offices will be leased primarily to SMEs, entrepreneurs and start-ups that focus on innovation and the development of technology. Tenants will participate in a structured programme of quality internships across the STP network, with dedicated measures supporting women in STEM.



A photograph of a wooden building under construction. The structure features a complex network of light-colored wooden beams and rafters, forming a high, vaulted interior space. Two construction workers, wearing yellow safety vests and hard hats, stand in the center of the frame, looking towards the left. The floor is uneven dirt with scattered wooden planks and debris. In the background, through the open sides of the structure, a landscape with bare trees and distant mountains is visible under a cloudy sky. A white truck and a dark car are parked outside. A semi-transparent white banner with blue text is overlaid across the middle of the image.

Sector Challenges and Context in the EBRD CoOs



Sector Challenges in the EBRD CoOs | Understanding Global Drivers

Real Estate is a global asset class with strong local specifics and high variance between micro-locations. Each geography and region in EBRD's COOs exhibit widely varying investment and occupational trends. However, despite differing legal regulations, macroeconomic environments, and physical environments, each CoO faces similar challenges on key global issues.

The five primary challenges facing the Bank's regions are:



Climate change:

Due to high energy intensity, the real estate sector holds a primary role in combating climate change. Also, failure to implement sufficient climate adaptation measures poses risks to assets.



Human capital development:

Tourism and construction open large employment opportunities when skills gaps are addressed. An adequate property offer can narrow spatial inequalities and reduce the accessibility gap.



Housing crisis:

Housing is essential for fostering social stability and reducing inequalities. Ensuring a resilient and affordable housing stock not only addresses spatial disparities but also improves access to economic opportunities.



Geopolitical shifts:

Crises significantly impact supply chain configuration. Wars and natural disasters are responsible for mass migration and, as a result, shifting housing and I&L needs.



Availability of funding via capital markets:

Macroeconomic shocks impact the sector indirectly through capital markets, which are crucial for a healthy funding environment that supports growth





Sector Challenges in the EBRD CoOs | The real estate sector remains a large producer of global GHG emissions and stands at the forefront of global decarbonisation efforts

Emissions

The real estate sector is responsible for around 40% of global emissions through direct and indirect emitters. 28% is emitted from the building's lifetime operational carbon emissions, including emissions from power use, while 12% of the emissions are generated by embedded carbon in building materials. The built environment emissions **need to be reduced by 80-90%** by 2050 globally to meet the 1.5°C warming trajectory, requiring deep energy efficiency renovations to avoid future carbon lock-in risks. The real estate sector can also **impact the environment and put pressure on scarce resources** if not sustainably planned and designed, highlighting the need to address whole life emissions.

Physical Risks

The real estate sector is one of the most impacted by climate change, facing high physical climate risks. Climate risks threaten real estate assets, with extreme weather (such as heatwaves, floodings, and earthquake risks) and physical hazards substantially damaging real estate in vulnerable areas. **While climate change mitigation is critical, the real estate industry will need the know-how and capital for climate adaptation, preparing buildings for inevitable extreme weather conditions.** Retrofitting buildings to prepare for climate change can be up to three to five times more expensive than including this in the original design, raising implications for strategies to retrofit existing real estate stock.

Regulations

Companies will also need to prepare for climate-related financial risks, not just from the physical impacts on their assets, but also to account for carbon transition risks that could result in changes to the value of their assets. Global net zero targets, as well as regulatory changes, are pressuring real estate players to decarbonise their assets, encouraging the **'future-proofing' of portfolios**. The real estate sectors in CoOs are also facing increasing regulation and policy pressure, with new legislation imposing restrictions such as stricter building standards, carbon pricing, and additional reporting standards. As standards evolve to encompass broader sustainability boundaries, including Scope 1, 2, and 3, emissions as well as potential impacts on people and surrounding environment associated with a company's operations, greater awareness, data collection, and measurement will be required to ensure companies can reach these targets. **As awareness of climate change increases in CoOs, tenants and buyers expect more from the real estate sector regarding reducing emissions.**

Sub-Sectors in Focus:

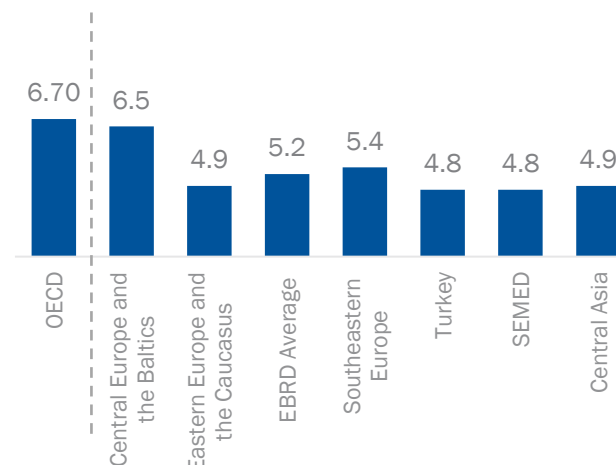


Hospitality

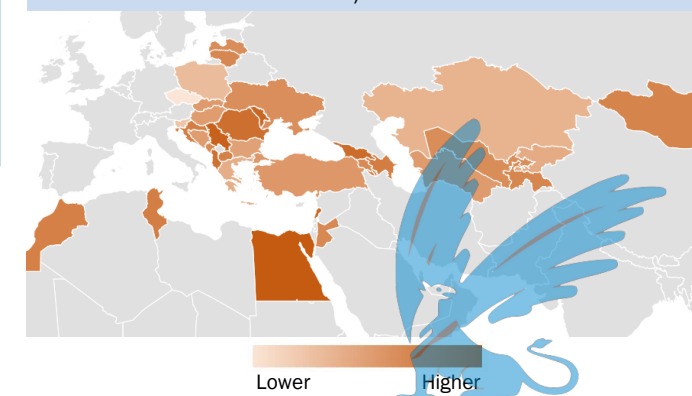
Commercial
incl. I&L, office, and food-
anchored retail

Residential

Assessment of Transition Qualities - Green, Regional Averages, 2023¹



Vulnerability to Climate Change for EBRD CoOs, 2021²



(1) Source: EBRD Assessment of Transition Qualities – Scores range from 1 to 10, where 10 represents a synthetic frontier corresponding to the standards of a sustainable market economy.
(2) Source: Notre Dame Global Adaptation Initiative – vulnerability is measured as a country's exposure, sensitivity, and capacity to adapt to the negative effects of climate change.



Sector Challenges in the EBRD CoOs | While global challenges have widened inequality gaps, the real estate and tourism sectors provide prospects for a better use of human capital

Employment and Training

The tourism and construction sectors **generate major job opportunities**, with tourism alone providing 295 million jobs worldwide. Moreover, the majority of the sectors are micro-enterprises or SMEs, with a large potential for economic growth for communities. However, the sectors are heavily volatile and sensitive to external shocks (such as COVID-19), with those in precarious roles often most affected and **suffering the greatest exposure to job losses and business closures**. Moreover, the real estate sector is seeing the need for new digital and green skills which will change the future of work in the construction sector and needs to be appropriately managed. Shifts in consumer preferences and socially responsible tourism will also create new occupations. To support resilience and growth, **human capital development through skills training is critical**, ensuring workers are equipped for emerging digital and sustainable roles. Additionally, **increasing the employment of vulnerable groups**, including women and youth, in tourism **will foster greater inclusivity and economic stability in the sector**.

Accessibility

Without adequate care, city design and property price mechanisms can crowd out disadvantaged families, and insufficient and outdated real estate stock with poor access to high employment areas can widen opportunity gaps. Moreover, **while 15% of the world has a recognised disability, consumer-focused real estate can often be built disability-blind**, creating inaccessible spaces that lead to a similar negative impact. **Building and upgrading existing real estate stock to align with universal design principles, cultural sensitivity, and safety is key to maintaining the diversity of communities and their contribution to the local economy**.

Spatial Disparities

Trends across the EBRD region show rising spatial inequality and growing population density in large cities and conurbations. At the same time, the population growth of cities has come at the expense of towns and rural areas; in almost half of EBRD's CoOs, more than 50 per cent of the population now lives in areas with declining population density and human capital depletion. Studies find that tourism in disparate regions alongside adequate spatial planning leads to economic development that ultimately reaches poorer areas of the country – with **urban regeneration** playing a critical role in developing less affluent areas within cities. As consumers become more climate-conscious, **this provides significant opportunities for promoting domestic travel to close regional disparities**.

Sub-Sectors in Focus:



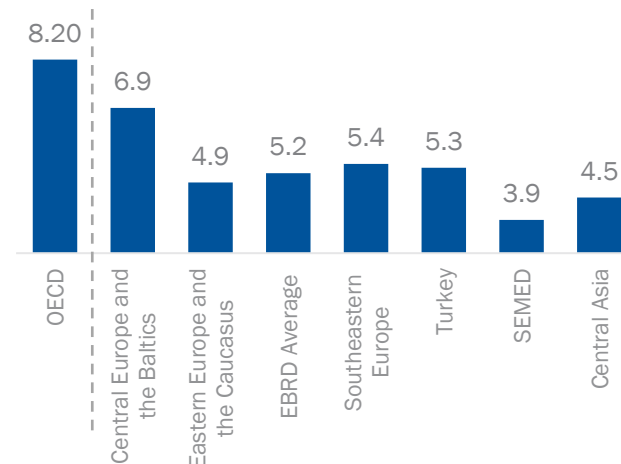
Hospitality



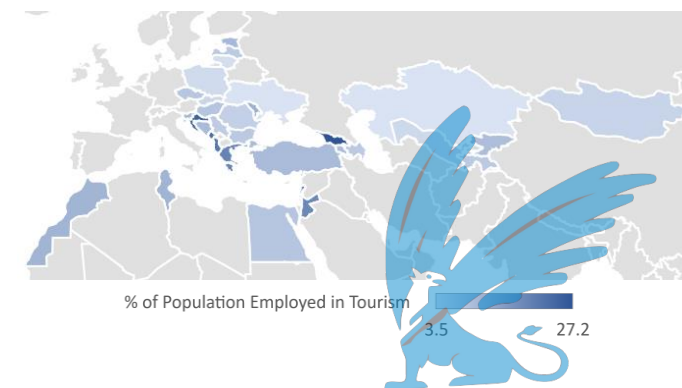
Retail

Urban
Regeneration

Assessment of Transition Qualities - Inclusive, Regional Averages, 2023²



Employment in Travel and Tourism, 2022¹



(1) Source: WTTC

(2) Source: EBRD Assessment of Transition Qualities – Scores range from 1 to 10, where 10 represents a synthetic frontier corresponding to the standards of a sustainable market economy



Sector Challenges in the EBRD CoOs | In Focus: As tourism reaches and surpasses pre-pandemic levels, caution and care need to be considered while investing in hospitality

Global tourism is on track to fully recover from the pandemic, with international tourist arrivals reaching 97% of pre-pandemic levels by early 2024. In 2023, over 1.3 billion tourists travelled internationally. EBRD CoOs are becoming increasingly popular for both cultural and beach tourism, especially as improved infrastructure and budget travel options enhance accessibility. However, the rapid growth of tourism poses risks of over-tourism, which can strain local resources, damage ecosystems, and lead to overcrowding in popular destinations. Without proper management, over-tourism could negatively impact the very cultural and natural assets that attract visitors, threatening the long-term sustainability of tourism in these regions.

Tourism development, particularly luxury developments, can aggravate regional inequality if not properly managed, particularly in coastal countries like many EBRD CoOs. Tourism can often deepen inequalities at a national scale, with tourism infrastructure requiring investment and subsequent use. On the other hand, tourism can be a powerful tool to support urban renewal and rural development, reducing regional imbalances and allowing local communities to prosper. Higher tourism rates and rapid tourism infrastructure development highlight the need for city regeneration efforts that focus on enhancing the attractiveness of cities. These must be done by engaging citizens and fostering sustainable urban growth through policy dialogues that ensure smart and inclusive city design.

Tourism can play a significant role in advancing digital and sustainability goals, particularly as domestic tourism continues to account for 75% of global tourism spending. This firm reliance on domestic travel provides a stable foundation for implementing more sustainable practices, such as reducing carbon footprints through localised travel and promoting eco-friendly tourism options. The growth of digital platforms in tourism, from booking systems to virtual experiences, enables more innovative resource management, supports green tourism initiatives, and enhances transparency for tourists and businesses.

EBRD Regions Will Continue to Increase Their Travel Spending¹

Share of global outbound travel spending,¹ %

	Enduring traveler base	Newly affluent travelers	Rising source markets
2023	57	23	20
2030 projected	49	30	21

Note: Enduring traveler base = North America, Oceania, and Western Europe; newly affluent travelers = Middle East and Northeast Asia; rising source markets = Caribbean, Central America, emerging Europe, North Africa, South America, South Asia, and sub-Saharan Africa.

¹Based on inflation-adjusted travel spending.
Source: Oxford Economics

Domestic and Intraregional Travel Still Dominate Global Tourism²

Source of travel by region,¹ % of incoming travel

			2023		
			Domestic	Intraregional	Interregional
Global			75	16	9
Europe	Western Europe		58	29	13
	Emerging Europe		57	34	9
Africa and Middle East	North Africa		69	17	14
	Sub-Saharan Africa		76	13	11
Asia	Middle East		44	36	20
	Northeast Asia		87	8	5
	South Asia		80	7	13

(1) Source: McKinsey (2024): Now boarding: Faces, places, and trends shaping tourism in 2024

(2) Ibid.



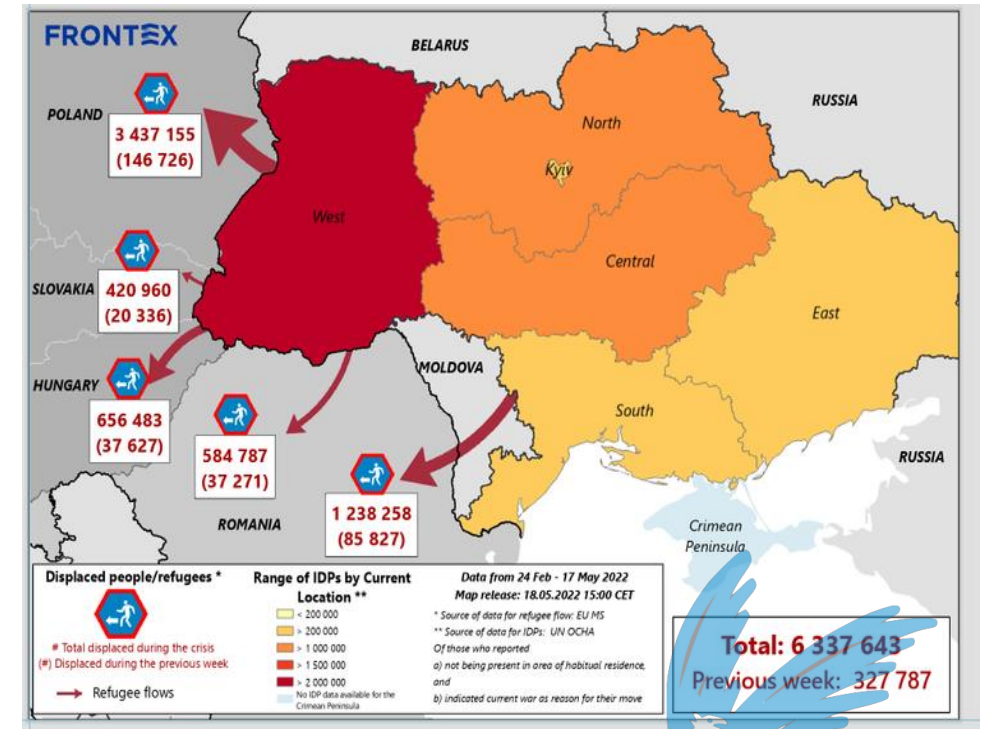
Sector Challenges in the EBRD CoOs | The housing gap continues to affect the majority of EBRD CoOs, with a critical need to address supply gaps sustainably

Major global and regional developments across EBRD CoOs have impacted migration, demographic change, and the availability of human capital significantly. Many EBRD CoOs are hosting large groups of refugees, particularly in Eastern Europe and SEMED, in countries where housing shortages were already growing. This has led to **housing crises in several CoOs**, with economies like Poland suffering from a lack of quality and energy-efficient housing stock alongside an influx of Ukrainian refugees. If governments fail to take action around supply, they risk drastically increasing inequality. Moreover, **younger generations in Eastern Europe have become more open to renting** while modern renting stock remains limited.

While the housing sector has not been a primary business area in every EBRD region, the Bank's experience in Poland in providing housing challenges exacerbated by the influx of Ukrainian refugees, has provided valuable insights. Poland's housing market faced intense pressure due to pre-existing supply constraints, compounded by the crisis. By addressing these immediate needs, the Bank has gathered critical learning on how to support housing markets under stress. This experience has demonstrated the importance of early intervention, crisis resilience, and sustainable housing solutions to prevent long-term imbalances. We are now looking to expand this learning to other regions, identifying potential vulnerabilities before they escalate. By proactively studying these markets, the Bank aims to better prepare for future crises, ensuring that housing remains a cornerstone of stability and recovery in times of need.

The demand for quality housing has become increasingly urgent as urbanisation and rising costs make it difficult for many households to access suitable accommodation. The focus is on enhancing the housing stock to better meet the needs of growing urban populations, ensuring that it is well-located, energy-efficient, and accessible. **facilitating the affordability of housing is part of a broader strategy** aimed at ensuring that housing developments support economic growth and integrate sustainability standards. **Public-private partnerships and private investment will play key roles** in expanding the availability of quality housing that serves a diverse range of income groups, fostering more inclusive and resilient communities.

Ukrainian Refugee Destination Countries, 2022¹



(1) Source: <https://www.frontex.europa.eu/media-centre/news/news-release/update-on-ukraine-6-3-million-refugees-enter-the-eu-from-ukraine-and-moldova-GTzbZs>



Sector Challenges in the EBRD CoOs | Crises and geopolitical shifts have led to structural and demographic change, increasing pressure on supply chains and logistics

Demographic Shifts

The EBRD faces a complex landscape of demographic shifts that are reshaping real estate markets across its regions. Some areas are dealing with the pressures of **rapidly growing young populations and increased migration**, including large numbers of refugees, which is driving demand for flexible commercial spaces, logistics centres, and affordable housing to support economic growth. Meanwhile, **other regions are facing ageing populations**, requiring more accessible and sustainable mixed-use spaces, specialised housing, and community infrastructure. These demographic trends, combined with migration flows, are influencing the types of real estate investments needed as regions strive to meet the evolving needs of both businesses and residents.

Supply Chains

Supply chain resilience has become a critical priority for businesses globally, as recent disruptions like the pandemic, geopolitical instability, and trade bottlenecks have exposed significant vulnerabilities. Ensuring supply chains can withstand shocks and quickly adapt to changing circumstances is vital for economic stability and continuity. However, **this approach comes with challenges, such as limited infrastructure, high costs, and regional labour shortages**. In addition, increasing automation and sustainability goals are pushing the development of more advanced, eco-friendly logistics centres, further reinforcing the importance of resilient supply chains in today's economic landscape.

Warehousing

Demand for industrial and logistics spaces in Southern and Eastern Europe has spiked dramatically as **Western and Central European companies focus on nearshoring**. Geographical proximity is driving investment and demand decisions after global shocks like COVID-19 and the war on Ukraine have underlined the importance of shorter supply chains. Moreover, **there has been a structural shift from just-in-time to just-in-case inventory management**, which has increased the demand for I&L spaces significantly. **CEE markets remain fundamentally undersupplied with regards to I&L infrastructure** vis-à-vis their Western European peers, with EBRD CoOs seeing some of the largest increases in demand for warehousing. This has led to record-low vacancy rates on the back of strong occupational demand in 2022/23. Moreover, as **digitalisation continues to expand e-commerce solutions across EBRD CoOs**, demand for warehouses and last-mile I&L continues to grow.

Sub-Sectors in Focus:



Residential



Warehousing



Specialised assets
incl. student-housing and age-proof residential



(1) Source: <https://www.frontex.europa.eu/media-centre/news/news-release/update-on-ukraine-6-3-million-refugees-enter-the-eu-from-ukraine-and-moldova-GTZbZs>

(2) Source: <https://www.helvetas.org/en/eastern-europe/about-us/follow-us/helvetas-mosaic/article/March2021/demographic-decline-southeast-europe>



Sector Challenges in the EBRD CoOs | In Focus: Shocks and crises create new needs across our CoOs, and highlight gaps in existing real estate assets

Real Estate in Crisis

Real estate is at the forefront of crisis response. Wars and crises can displace millions, causing housing shortages in neighbouring countries while depleting whole regions of human capital. Moreover, natural disasters such as earthquakes and floods often cause critical city-wide infrastructure to fail, forcing climate-proof real estate to act as shelter for all. These issues, with rippling effects across many real estate sub-sectors, highlight the need for agility and flexibility in the Bank's transactions in real estate, responding to critical needs swiftly and efficiently.

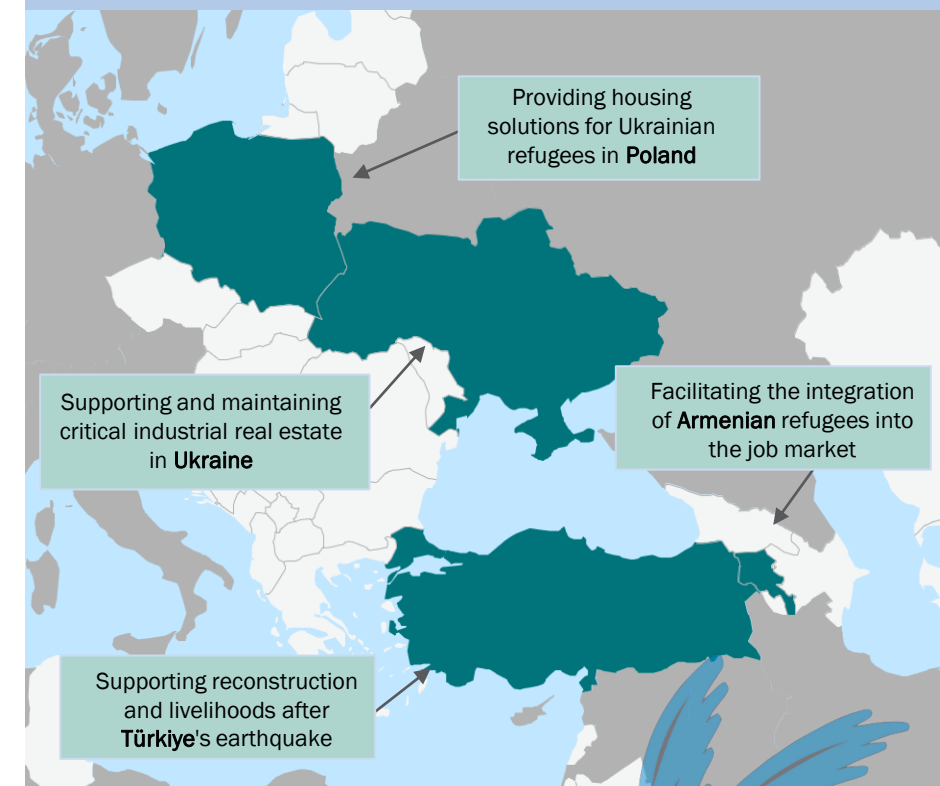
Physical Risks and Resilience

Crises often come with significant damage to physical assets, with many EBRD CoOs seeing large-scale destruction after natural crises or conflicts. There is a pressing need to focus on reconstructing after a crisis occurs, as prompt restoration of real estate assets is pivotal not only for immediate shelter but also as a beacon signalling the return to normalcy. Such reconstruction, to be done in partnership with other EBRD business groups, would not only illuminate the most immediate wartime needs but also **establish a conducive environment for the eventual return and reintegration of newcomers and returnees**. In addition, **building crisis-resilient real estate**—such as earthquake-proof or flood-resistant infrastructure—**is essential in addressing the fragility of these regions. Incorporating resilient construction standards not only mitigates future risks but also strengthens the long-term economic stability of vulnerable communities.**

Lessons Learned

The Bank's real estate crisis response strategy is informed by previous initiatives. Long-term support is stressed as a need-to-respond component that requires a systematic, sustainable, and coordinated effort among main market players. The Bank's Syrian Refugee Response Plan highlighted the need to understand the socioeconomic pressures on host communities, including housing, employment and livelihoods. As one of the largest employers, tourism can play a critical role in subduing the employment pressure on refugees, while real estate development can plug critical housing shortages. Natural disasters highlight the need to focus on mitigating physical climate risks in disaster-prone CoOs.

Case Studies of Crisis Response Projects in RE Sector





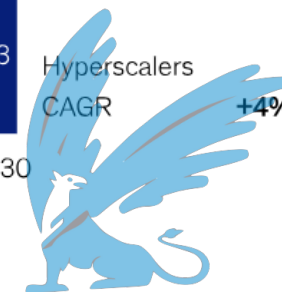
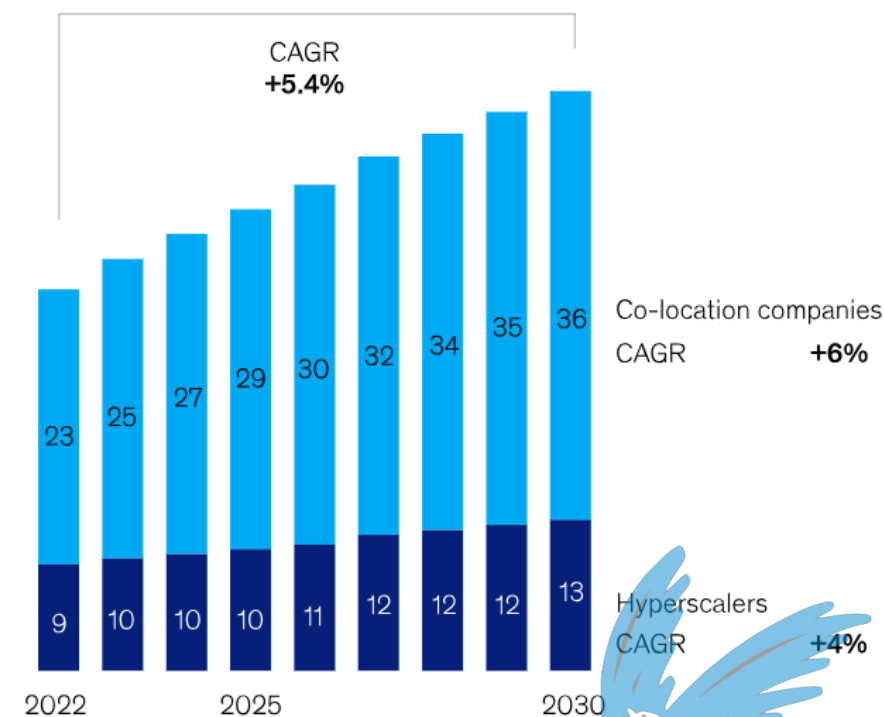
Sector Challenges in the EBRD CoOs | In Focus: Digitalisation and innovation in the sector create new opportunities and new risks

Data consumption is on an upward trajectory globally and has been further accelerated by behavioural habits installed during the pandemic period. The growing data consumption, translating into digitisation and need for further cloud storage, is boosted on the back of growing number of businesses, digital workplaces, high storage requirements, and streaming in addition to the ever-growing AI technology investments, requiring large computing power and high-speed storage, which are expected to drive demand for data centres to unprecedented levels.

Onshoring of data has become a critical focus, particularly where regulations emphasize keeping data within national or regional borders for security and compliance reasons. The **emphasis on data sovereignty and cyber security is driving demand for localized data centres to mitigate risks associated with external data processing and potential cyber threats**. As demand for cloud storage and computing grows, larger markets face constraints such as zoning permits, land scarcity, and power grid limitations. This has prompted companies to look at expanding into tier II markets across Europe. Data centre growth is also expanding rapidly in emerging markets due to increasing digitalization, strong internet penetration, and investments in digital infrastructure. These regions are becoming attractive alternatives for global businesses seeking secure, compliant, and cost-effective locations for their data, driven by competitive advantages such as lower costs and strategic geographic positions linking key global markets.

Sustainability is a top priority for all data centre operators. This includes the need to address energy use and emissions. Legislation and self-regulatory initiatives aim to set standards to improve the climate impact of the industry by introducing environmental labelling schemes for data centres that are building on the monitoring and reporting requirements for energy consumption for data centres outlined in the Energy Efficiency Directive 2012/27 such as Corporate Sustainability Reporting Directive (CSRD) and Climate Neutral Data Centre Pact (CNDP).

Global Spending on Data Consumption, in US billions¹



(1) Source: McKinsey and Company (2023): Investing in the rising data center economy



Sector Challenges in the EBRD CoOs | Underdeveloped capital markets continue to limit financial inflows into EBRD CoOs and hinder real estate sector growth



European Bank
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Market Conditions

Despite notable improvements over the past decade in the conditions for financial market development in the EBRD regions (notably in terms of legal frameworks and market infrastructure), overall market conditions remain fragile. Following the instability of 2022, largely impacted by the War on Ukraine and global macroeconomic conditions, **over 70% of EBRD CoOs saw their scores decrease in EBRD's Financial Market Development Index** from 2021 to 2022. While some countries implementing reforms have successfully increased the resilience of their financial markets, there is still a struggle to build deep and liquid regional markets due to fragmentation and the size constraints of the underlying economies. As a result, access to finance through capital market instruments remains a challenge throughout the Bank's CoOs.

Financial Vehicles

Financial vehicles such as **real estate investment trusts (REITs) and property funds support countries in bringing in new sources of capital to construct and maintain the built environment**. They provide access to capital, provide market stability, and open up real estate ownership. However, underdeveloped capital markets and regulatory frameworks in many EBRD CoOs limit the development of such vehicles. As of 2021, only six EBRD CoOs (Hungary, Bulgaria, Romania, Czech Republic, Türkiye, and Greece) have listed REITs. These **financial vehicles have diversified portfolios which support the financial resilience of real estate markets**, making them well-prepared for market uncertainty while paving the way for potential opportunistic real estate acquisitions. Moreover, diverse vehicles allow for innovation and focus on specialised real estate assets, providing flexibility and agility in these quickly changing sub-sectors, the USA being a prime example of this.

Institutional Investors

Institutional investors seeking to diversify their portfolio into alternative asset classes help channel funding to the real estate and tourism sectors. However, **only a small share of the global assets of institutional investors are allocated to developing countries**, with many EBRD CoOs lacking funding from such investors. Collaboration between institutional investors and the public sector remains sporadic, with no more than a fifth of institutional investors surveyed by the OECD collaborating with MDBs such as EBRD. **Countries have a role to play in introducing greater flexibility in investment regulations and removing macro and micro-economic barriers**, which can allow blended finance to de-risk deals and enhance returns to local and institutional investors.

Sub-Sectors in Focus:



Residential

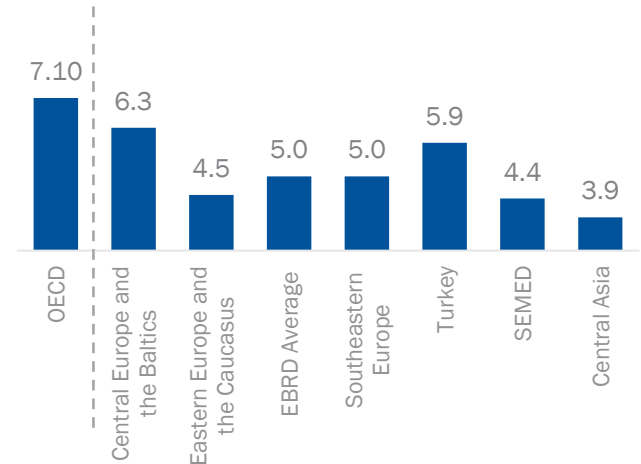


Commercial
incl. office, retail, and
industrials and logistics

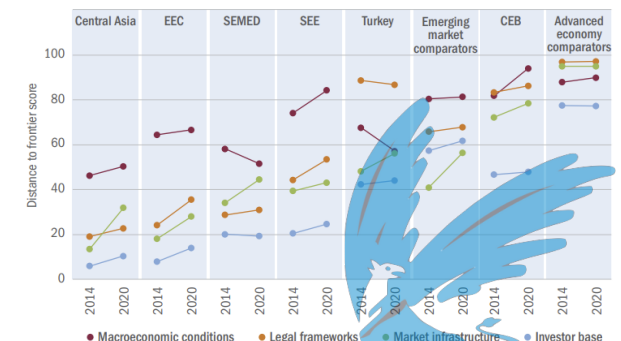


Specialised
assets

Assessment of Transition Qualities – Financial Resilience, Regional Averages, 2023¹



Improvement in Financial Market Development Across EBRD CoOs, 2014-2020



(1) Source: EBRD Assessment of Transition Qualities – Scores range from 1 to 10, where 10 represents a synthetic frontier corresponding to the standards of a sustainable market economy

A woman wearing a white hard hat, safety glasses, and an orange high-visibility vest over a grey and white plaid shirt is working on a laptop. She is standing on a large array of solar panels under a clear blue sky. The laptop is open on one of the solar panels, and she is looking at the screen with her hand near the keyboard. A semi-transparent white box with blue text is overlaid on the left side of the image.

Strategic Directions and Priorities for Real Estate



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Strategic Directions | Investing in impact through five strategic directions



Investing in the green transition

Mitigation:

Investing in green buildings

Supporting Net Zero Goals through capacity building, reporting standards

Adaptation:

Preparing for climate risks through planning and corporate climate governance



Strengthening human capital resilience

Developing critical skills and opening new job opportunities – including for women - through learning and training programmes

Investing in inclusive regions through urban regeneration and supply chain linkages

Supporting accessibility for all via universal design, regeneration, and retrofitting developments



Closing the Housing Gap

Housing development to address supply shortages and improve accessibility to affordable housing

PPPs to support housing initiatives, focusing on urban regeneration and long-term affordability.

Expansion of the PRS to increase the availability of quality rental homes, enhancing flexibility and affordability in urban centres



Preparing for crises and demographic change

Expanding investments into industrials and specialised assets, particularly warehousing, data centres, and innovative products

Strengthen supply chain resilience and local value chains

Focusing on reconstruction after crises, providing critical real estate infrastructure and paving way for returnees



Bolstering capital market development

Encouraging diverse vehicles such as REITs and alternative approaches

Strengthening market resilience and mobilising new investment base through a diversified project range

Sustainable financing mechanisms such as green financing and sustainability-linked loans to add value to local economies



Exploring and investing in new and innovative sub-sectors and products





Investing in Green Buildings

- Support the **development and retrofitting of high-quality green properties** across all asset classes;
- Contribute to the **introduction of green technologies and renewable energy infrastructure** (such as heat-pump-ready infrastructure) that serves to ensure energy efficiency across real estate assets;
- Promote the **adoption of international green building certifications** (such as EDGE, LEED and BREEAM), addressing wider sustainability impacts;
- Contribute to **the reduction of building lifecycle emissions** and impacts.



Supporting Net Zero Goals

- Promote **high-sustainability reporting standards** on an asset-by-asset basis as well as on a portfolio level;
- Support Clients in **building roadmaps to reduce their direct and indirect emissions and impacts**, aligning with industry reporting standards such as GRI, TCFD, and GRESB;
- Contribute to **policy engagements towards climate action** in cooperation with key EBRD teams and industry stakeholders through national and international Green Building Councils;
- Encourage commitment to the provisions of the **EU Energy Performance for Buildings Directive**;
- Support **aggregation models for scaling up energy efficiency renovations** in the residential sector, like REITs.

Preparing for Climate Risks

- **Support climate-resilient design practices** in developing real estate;
- Encourage the **adoption of corporate climate governance action plans** to allow Clients to manage climate-related risks and opportunities through credible transition plans;
- Provide technical assistance and **capacity building for Clients looking to reduce their environmental footprint**;
- **Explore the potential for nature financing** through real estate and hospitality investments.

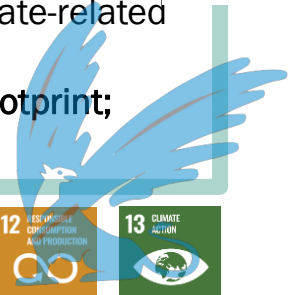


TI Qualities

Green

Well-governed

SDGs





Developing critical skills

- Develop, preserve and support the resilience of **human capital by implementing training programmes** that create opportunities for employment;
- **Design work-based learning programmes** alongside Clients to reduce the skills mismatch between education and private sector needs for youth;
- Focus on **providing skills for the green and digital economy transition** in line with the Bank's Digital Approach and GET Strategy.
- Contribute to **policy dialogues that support human capital development**, with a focus on building skills standards



Investing in inclusive regions

- **Support urban regeneration efforts** through the implementation of direct investments in the renewal or replacement of depleted assets and enhance local employment opportunities;
- Promote the **development of backward linkages and tourism value chains** with local and regional suppliers and better marketing of food, culinary, and rural tourism.
- Engage in **policy dialogues that strengthen human capital through improved financial access and governance frameworks**, fostering more resilient and inclusive real estate markets.

Supporting accessibility for all

- Identify and **support investments that regenerate cities**, where the value proposition is clearly articulated, with a particular focus on affordability, social inclusion and citizen engagement;
- Support Clients in **developing and retrofitting accessible premises for customers with accessibility needs** by partnering with local accessibility organisations to undertake audits in line with Universal Design Principles;
- Work with Clients to ensure the design and operation of premises **takes into account the safety of vulnerable groups**, including women.



TI Qualities

Inclusive

Competitive

SDGs





Quality residential assets

- **Support agile and responsive housing developments**, including through retrofits and refurbishments, through investments into quality residential assets for sale and for rent;
- Implement criteria for **sustainability, accessibility, resilience, and inclusivity in housing projects**, encouraging developers to build communities and services that are accessible to local urban communities;
- **Contribute to national housing strategies** by supporting projects that align with the affordable housing goals of CoOs, particularly in underserved urban areas.



Policy Engagements

- **Provide advisory support for policy and regulatory frameworks** that encourage private sector investment in sustainable housing solutions;
- **Facilitate PPPs to drive large-scale housing developments**, ensuring alignment with urban regeneration projects and long-term inclusivity goals;
- **Invest in regeneration projects that integrate resilient housing with services available to the local community**, ensuring that housing is part of broader urban development plans.

Expansion of the PRS

- **Promote investments in high-quality, flexible rental housing**, targeting growing urban populations and facilitating affordability;
- **Encourage the development of institutional PRS through policy dialogues and investments**, supporting the growth of professional, large-scale rental markets to ensure consistency in quality and accessibility;
- **Incentivise green building standards for PRS projects**, supporting the construction of eco-friendly rental units that align with sustainability goals and reduce long-term energy costs for tenants.



TI Qualities

Green

Inclusive

Competitive

SDGs





I&L and specialised assets

- Explore **alternative and innovative I&L products**, such as automated warehouses and self-storage, and support their development through technical assistance;
- Support **the development of data centres** that support cloud computing, IoT devices, and emerging technologies, meeting evolving digital demands, while ensuring energy efficiency and Paris Alignment;
- Support financing for **specialised assets** such as science and tech parks, student housing, and age-proofed residential properties and buildings to reduce supply gaps.



Supply chain resilience

- **Strengthen regional supply chains to mitigate** vulnerabilities exposed by geopolitical shifts, focusing on reducing bottlenecks and improving logistics networks;
- **Invest in resilient and adaptable logistics infrastructure that can respond swiftly to crises**, such as pandemic disruptions or geopolitical instability;
- Enhance local value chains by **supporting the development of domestic and regional production capabilities**, reducing reliance on global supply chains, and fostering local economic growth.

Reconstruction after crises

- **Identify and prioritise the reconstruction of critical real estate assets** that create the fabric of the city in service to communities and encourage the return of displaced populations, such as housing and essential amenities;
- Implement projects and policy dialogues that **not only restore but improve upon pre-crisis conditions** through assets and supply chains, signalling a strong and stable future for returning residents;
- Prioritise investments in **reconstruction projects incorporating resilient and green building practices**, ensuring structures can withstand future crises and climate risks.



TI Qualities

Green

Inclusive

Competitive

SDGs





Encouraging diverse vehicles

- Promote the **development of listed REIT platforms and REIT legislation** through policy dialogues;
- Support equity market diversification of value-added equity propositions through equity and hybrid instruments;
- Promote **innovative products and alternative approaches** to sourcing funds by supporting property funds and private equity players in the real estate space;
- Explore **long-term venture debt products** designed to address the unique funding needs of fast-growing innovative companies in the PropertyTech and Real Estate CleanTech spaces.



Strengthen Market Resilience

- **Diversify investment** by expanding into emerging RE markets and sectors that show resilience to economic fluctuations, such as housing and sustainable tourism;
- Explore opportunities for **using financial technology (FinTech) solutions to streamline access to capital for RE projects**, enhancing efficiency and reducing costs;
- Study engagements in **policy dialogues focused on supporting broader market resilience** and transparency.



Sustainable Financing Mechanisms

- Promote **green financing and sustainability-linked loans and bonds** for projects in the real estate and tourism sectors, emphasising environmental resilience and energy efficiency;
- Encourage investments in projects that have a **clear focus on adding value to local economies**, such as eco-tourism and community-based tourism initiatives;
- Embed sustainability and inclusivity incentives through KPI-linked financing terms.



TI Qualities

Resilient

Integrated

Green

SDGs





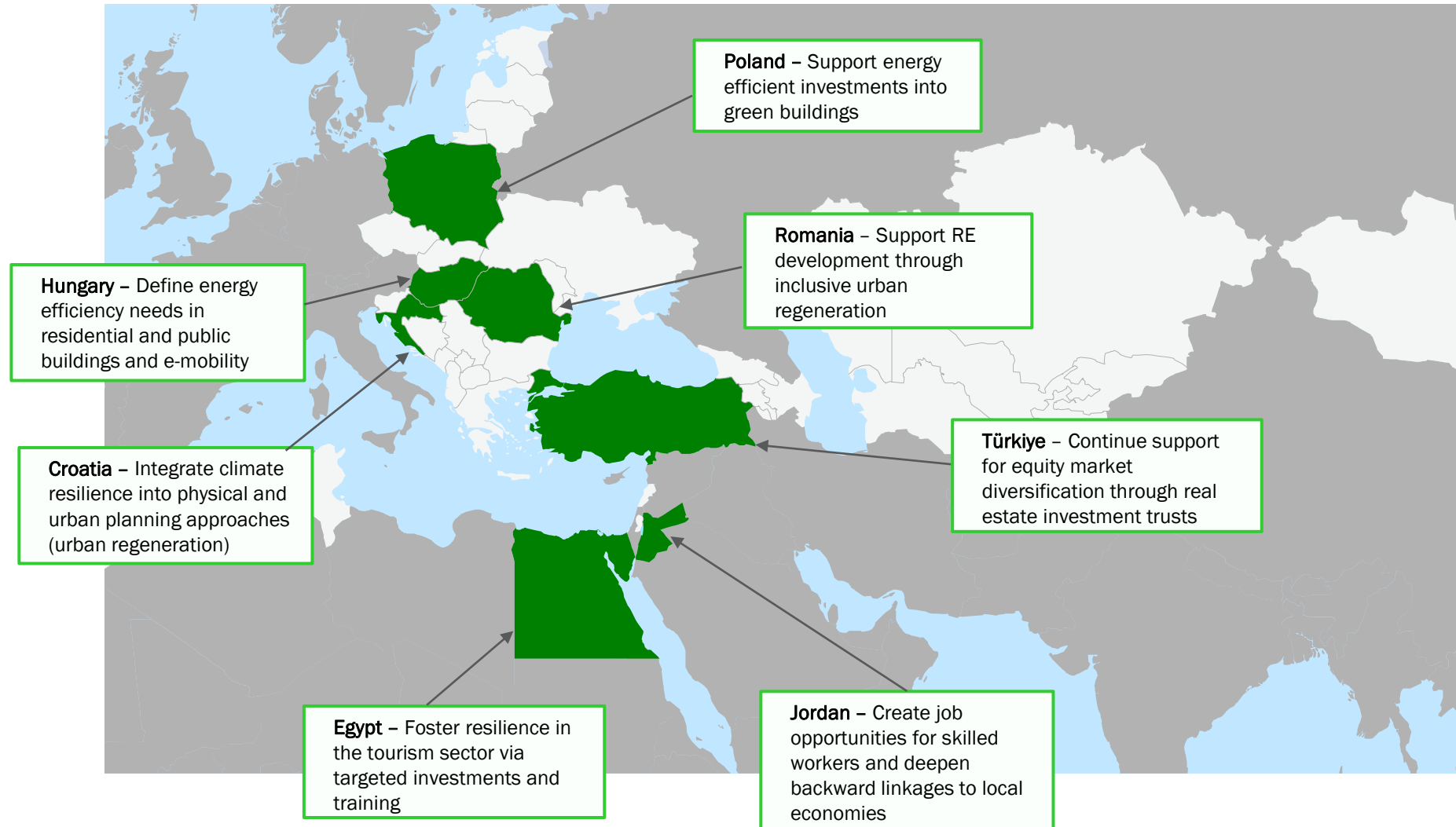
The Strategy's Position vis-à-vis other Bank Policies and Partners



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Collaboration and Complementarities | Links to EBRD Country Strategies





Collaboration and Complementarities | Cross-Sectoral Linkages and Strategy Integration

Cooperating with Banking Teams

Agribusiness		Agri-tourism, retail
Manufacturing and Services		Energy-efficient construction
Financial Institutions		Housing mortgages/financing, Risk Sharing Facilities, tourism credit lines, NPLs
SME Finance and Development		Supporting SMEs to boost competitiveness
Equity		Capital market instruments
Sustainable Infrastructure Group		Urban regeneration, public buildings, tourism-enabling infrastructure
Technology, Media, and Telecomms		Data centres

Cooperation with other MDBs, DFIs, CSOs

UN World Tourism Organisation		Tourism policy dialogues
International Finance Corporation		Co-financing, urban regeneration
European Investment Bank		Energy efficiency financing
UN Development Programme		Urban regeneration, affordable housing
World Green Building Council		Decarbonisation policy dialogues

Cooperating with Policy and Partnerships Teams

Gender and Economic Inclusion Team		Project and policy work related to inclusive and gender-additional goals
Climate Strategy and Delivery Team		Standard-setting for improved energy efficiency and climate-resilient technologies, urban regeneration in Green Cities
Donor Partnerships		Supporting grant and concessional finance needs
Corporate Climate Governance Team		Implementing corporate climate governance action plans
Digital Hub		Supporting digital projects and digital skills

Policy and Strategy Complementarity

The new Real Estate Strategy 2025-2029 integrates with the Bank's existing strategies and policies, including:

- EBRD's commitment to aligning all of its activities with the **Paris Agreement** from 2023;
- **EBRD's Strategic and Capital Framework** with its three cross-cutting strategic themes;
- **Thematic strategies** such as:
 - The Green Economic Transition Approach,
 - The Strategy for the promotion of Gender Equality,
 - The Equality of Opportunity Strategy, and
 - The Digital Approach and the Bank's approach to cyber security
- **Other sector strategies**, including TMT, Infrastructure, Energy, and M&S
- Key EBRD policies, including the **Environmental and Social Policy, Procurement Policies, and Rules and Access to Information Policy**



Preparing for crises and demographic change



Strengthening human capital resilience



Closing the housing gap



Bolstering capital market development



Investing in the green transition



New and innovative projects and instruments

Collaboration and Complementarities | Alignment with the United Nations Sustainable Development Goals



European Bank
for Reconstruction and Development

The UN Sustainable Development Goals (SDGs) are a **global blueprint to achieve a better and more sustainable future for all.**

The importance of aligning EBRD's Real Estate Strategy with the SDGs lies in the Bank's commitment to contribute towards addressing these challenges through the sector's development, **ensuring that investments and projects not only foster economic growth but also enhance social inclusion, environmental sustainability, and resilience.**



Investing in the green transition



Strengthening human capital resilience



Preparing for crises and demographic change



Bolstering capital market development



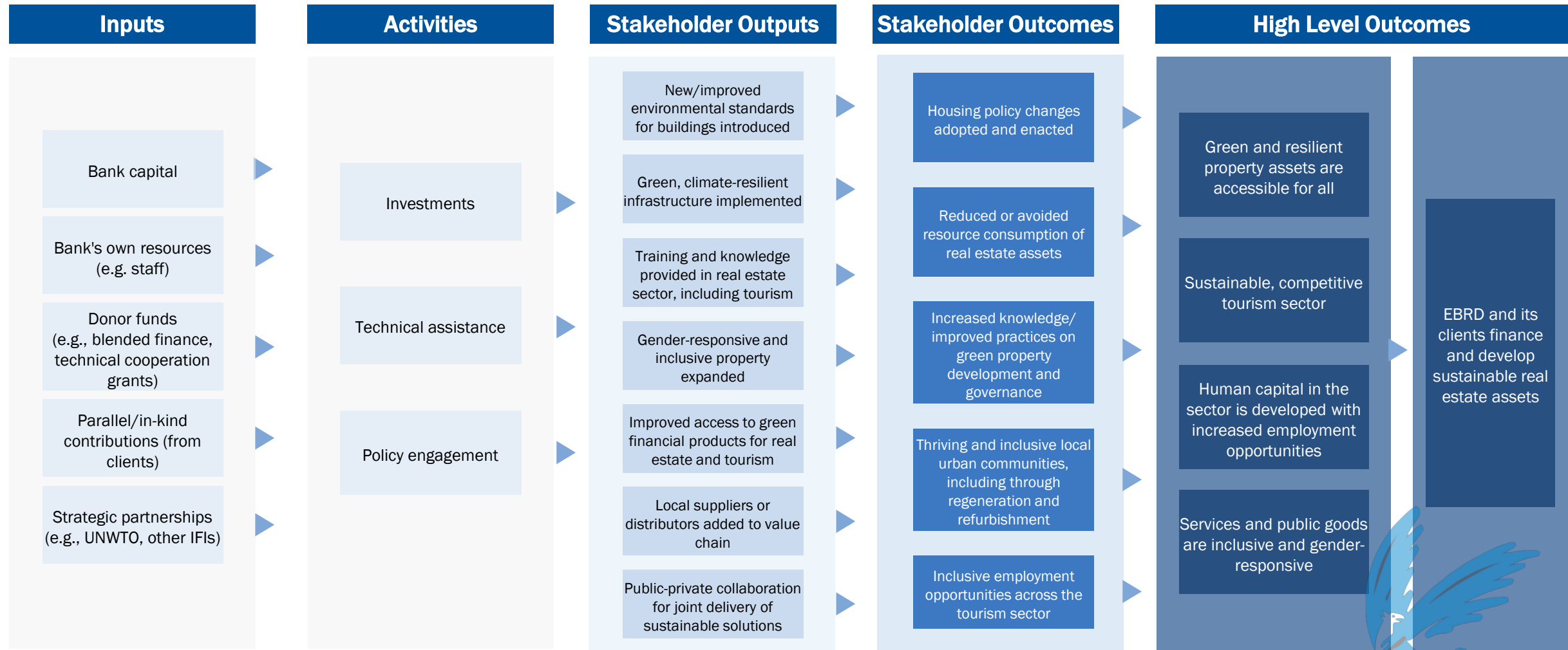
Measuring Results



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Measuring Results | Theory of Change





Measuring Results | Performance Monitoring Framework

Specific Strategic Objectives	Tracking indicators		Context indicators
	Outputs	Outcomes	Impact
1. Investing in real estate's green transition	- Number of corporate climate governance action plans adopted - Number of individuals receiving in capacity building on climate and carbon transition risks	- Total CO2 emissions reduced - Number of clients adopting improved energy management standards (such as EDGE, LEED and BREEAM); - Total water savings (m3/year) - Stakeholder capacity strengthened on physical climate and carbon transition risks	Final energy intensity per unit of GDP (residential + commercial and public services in ktoe/ GDP).
2. Closing human capital gaps across our regions	- Number of training programmes implemented, including work-based learning - Number of individuals enhancing skills as a result of training - Net increase in business property infrastructure (retail, office, hospitality) created in challenging territories - Number of clients introducing improved accessibility/gender-responsive standards - Practices of the relevant stakeholder improved (equal opportunity practices of the client)	- Number of individuals (m/f) receiving new employment or promotion opportunities - Number of employees (m/f) affected by improved practices and corporate behaviour - Number of individuals (m/f) with improved access and/or affordability to infrastructure services, amenities, public goods, and property in target territories - Number of business partners in the client's tourism local value chain, including women-led SMEs	Local inhabitants report greater satisfaction with the target neighborhoodlike/city/region Population inflow or reduced outward migration Capital and firms' attraction
3. Closing the housing gap	- New standards/ processes introduced on sustainability and inclusivity in housing projects - Net increase in area developed in residential assets (Sqm) - Client engages in policy dialogue	- Legal, institutional or regulatory framework improved for urban regeneration - Number of individuals with improved access to services (residential assets) - Policy engagement platform is operational/ Recommended policy or strategy or regulatory framework/standard agreed by relevant stakeholders	Urban regeneration through retrofitting/refurbishment for housing Local population report greater access to housing
4. Preparing our regions for crises and demographic change	- Net increase in specialised assets - Partnerships with CSOs established or strengthened - New or updated GET technology or product leading to energy efficiency introduced	- Expanded or maintained access to vital products or services - Improved quality of infrastructure within regions	Real estate assets reflect greater resilience to climate/physical crises and demographic shifts
5. Bolstering capital market development	- Number of capital market transactions supporting the development of green real estate - Number of listed REIT platforms supported: listed equity	- Total number / volume of capital market transactions facilitated - Legal, institutional or regulatory framework improved supporting REIT legislation - New financing instrument or method introduced: type	Capital Markets development based on listed companies market capitalization to GDP (%).

