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News Release

UBS Sustainability and Impact Institute white paper: Rethink, rebuild, reimagine – Laying the foundation for better buildings

The latest white paper from UBS's Sustainability and Impact Institute argues that the world's buildings, responsible for 37%^[1] of all greenhouse gas emissions, must undergo an unprecedented retrofitting ramp-up if the Paris Climate Agreement 2050 net zero targets are to be met.

Zurich, October 3, 2023 – The UBS Sustainability and Impact Institute today released its latest white paper, 'Rethink, rebuild, reimagine – laying the foundation for better buildings,' which makes a compelling case for why accelerating the retrofit of existing building stock to decarbonize the real estate sector should be the preferred option to make buildings more sustainable. Whilst retrofitting has traditionally not been the first choice for decarbonizing buildings, it should now be considered as the default option, ahead of constructing new, more sustainable buildings or even decommissioning them.

The key points raised in the white paper include:

- 99% of existing buildings are not aligned with 2050 Net Zero goals and half will still be standing in 2050 according to the IEA;
- Retrofitting existing buildings can save 50-75% of the carbon that would be emitted constructing a similar new building;
- Current retrofit rates are estimated at just 1% of the global building stock per year (Source: JLL);
- That rate would need to triple to meet emissions goals and will require a major scaling up of the retrofit ecosystem.

Michael Baldinger, UBS Chief Sustainability Officer, says: "We need to re-think our approach towards buildings in order to meet the housing need that arises from urban growth and do so in a sustainable way. This is good for people and the planet but also makes financial sense for our clients. Retrofitting existing building stock to make it greener can increase yields and prolong lifespans, while new builds can benefit from emerging materials and technologies to lower emissions and optimize energy usage. Failing to act is not an option."

The paper identifies key measures that could help to ramp up the progress in retrofits including:

- Educating building owners on the value-and often relatively short payback periods-of retrofitting improvements;

^[1] Figure from 2021 which includes 28% from existing buildings and 9% from new construction.

- Increased availability of concessional finance, particularly for buildings in less wealthy areas, where retrofit cost-to-property value ratios are less favorable;
- Government-led regulations and taxes to increase the value of energy-efficient buildings; and
- Encouraging governments to commit to financing retrofit of public and social housing which will attract new market entrants into the supply chain and lower retrofitting costs over time.

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UBS AG

Media contact

Switzerland: +41-44-234 85 00
UK: +44-207-567 47 14
Americas: +1-212-882 58 58
APAC: +852-297-1 82 00

www.ubs.com/media