CoStar™

ESG investment in a newly divided world

Global politics is turning against ESG. What will the impact be on sustainable development?

Daniel Austin. (ASK)

By Daniel Austin
ASK Partners

26 March 2025 | 9:00

The future of ESG has come under fire from the new US administration determined to combat "woke capitalism". What is the impact and what ESG-friendly options are out there for investors looking to back sustainable projects?

In 2021, EY's annual Institutional Investor Survey found that 86% of investors prioritised companies with ambitious carbon reduction strategies. However, by 2024, 92% of investors indicated a stronger focus on protecting near-term performance over long-term ESG benefits. Trump’s victory in 2024 is certainly seen as a further setback to ESG appetite, as he is already withdrawing the US from climate forums and has started dismantling many of his predecessor’s climate policies. In addition, anti-greenwashing regulations in Europe, which require funds making “green” claims to meet certain criteria, may lead to the divestment of $40 billion of assets, according to ESG Today. Yet, despite this rise in "ESG fatigue", Bloomberg Intelligence has projected that global ESG assets will reach $40 trillion by 2030. It is clear that ESG is not going anywhere, but it is likely to become a harder proposition to fulfil for all stakeholders. Corporates with a foothold on both sides of the Atlantic will likely find that gap widening as their business needs to please two differing political regimes. Loud political pushback in the media, contrasting with tightening regulatory requirements will make it hard to continue to build sustainable propositions.

Challenges for real estate

In the real estate world – a vast contributor to emitted carbon worldwide – regulations have put major pressure on developers at a time when economic forces are making environmental priorities a difficult proposition to fulfil.

Persistently high interest rates, rising construction costs and lengthy planning processes have made profits slim or projects untenable on top of meeting requirements such as a minimum energy performance certificate of C by 2030. As a result, we have stranded assets which are essentially not worth bringing up to standard because their residual value is lower than the cost of works. Yet in contrast, assets in strong locations with a proposition that meets local demand, offer the opportunity to retrofit and refurbish to high standards, limiting the release of embedded carbon in the construction process and meeting BREEAM and LEED certifications as an example. In many cases these are conversions from redundant office buildings or retail offerings being transformed into much-needed new homes. The extensive campaign against the approved demolition of the Marks and Spencer’s building at Marble Arch, proves how strongly people feel about the wasteful, "knock-it-down-and-start-again" approach. Investors are increasingly looking for assets that comply with new regulatory standards, ensuring long-term value and regulatory resilience, but also which fulfill the socially-conscious values of good quality housing for all and low-carbon impact construction where possible.

How can investors access these kinds of opportunities?

One option is investing in property debt, essentially backing loans secured against assets that meet sustainability standards, projects which minimise carbon emissions and deliver new and affordable homes. This is an area which continues to grow in popularity. In fact, according to Savills, private real estate debt has expanded by 25% annually since 2015, outpacing the broader private debt market's growth rate of 14%. For sustainably-minded investors, debt investing can offer the choice necessary to balance ESG commitments with financial returns. For example, ASK provides its private client investors with a property debt investment platform which allows high-net-worth individuals to create their own portfolios based on their risk appetite and ESG preferences. The platform lists investment opportunities in loans secured against a variety of real estate assets and projects. Individuals can choose how much capital they want to deploy and make decisions based on the risk and return ratios, the borrower's business plan, the loan term as well as other factors – such as, whether it also meets their social and environmental goals.

Conclusion

The ESG landscape is evolving on a global level but the UK and Europe remain committed to regulations and programmes to reduce climate change. It will be a considerable challenge for businesses to meet new standards whilst dealing with current economic forces. As 2025 unfolds, those who can adapt and stay ahead of regulations will reap the benefits. In the real estate world this equates to strong demand and therefore asset value long term. Investors will want to balance ESG priorities with investment goals and having choice is key to that investment decision-making process.

Daniel Austin, CEO at ASK Partners