VAN LANSCHOT KEMPEN

Sustainability in Action

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For Professional Investors only

Weathering the climate challenge with data

The key to a more future-proof real estate portfolio

Extreme weather events are on the rise. From devastating floods and wildfires to record-breaking temperatures: the impact of climate change is becoming increasingly evident. For real estate investors, understanding and mitigating climate risk is no longer optional—it's essential. Van Lanschot Kempen uses sophisticated climate data to assess the potential impact of natural hazards on valuation and price-in the risks. How do we approach this?

Why Climate data matters

Real estate investors are becoming increasingly aware of climate risks, which can impact property valuations and insurance costs and availability. In some US states, notably in Florida and California, landlords have difficulty obtaining coverage, due to increased weather events. Real estate professionals expect a similar impact in Europe in the near future.[1]

To be able to assess these risks and the resilience of real estate portfolios, climate data is crucial for real estate investors. It can provide insights into the potential risks and impacts of climate change on properties and - in the end- on portfolios. High-quality, forward-looking data allow us to quantify the expected risks from hazards such as hurricanes, floods and heatwaves.

By integrating climate risk data into our investment process, we aim to foresee the potential costs that come with these risks, such as higher insurance costs or lower rental incomes. This means we can make more informed valuation decisions and identify buildings that could end up as stranded assets at an earlier stage.

1 Green Street News, August 2025

A valuable data partnership

We partner with Munich Re, a data-driven global (re)insurer, that offers comprehensive risk data on a micro location level, with worldwide coverage. Since 2021, we have been able to leverage their extensive climate risk data, based on external data from the Intergovernmental Panel on Climate Change (IPCC) modeling projects and other external sources such as the Volcano Explosivity Index and NASA data. This information is paired with and developed into Munich Re's own natural catastrophe models.[2]

Munich Re' data cover nine types of natural disasters, including flooding, wildfires, droughts, heat stress and storm surge. It also provides information on non-climate change-related natural hazards such as earthquakes and volcanic eruptions.

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Integration of climate data into our analysis

To assess potential climate impacts on properties in our client's portfolios, we need to integrate Munich Re's climate risk data into our investment process. How does this work? We standardise the score that each natural hazard gets from Munich Re by translating the scores into a unified scale ranging from 0 to 100. The overall climate resiliency score for each property is determined by the equally weighted average of the underlying natural hazard risks.[3]

Next comes the integration: both the listed and unlisted Van Lanschot Kempen Real Estate teams maintain a comprehensive global database containing geo-coordinates for over 230,000 properties. By combining this database with actual climate risk data on a micro-location level, VLK IM can identify and evaluate potential risks on a property level with high precision.

The benefit: having assessed the climate risks at the individual building level, we can calculate more accurate valuations for each building and acquire insights on how these valuation might develop in the near future. This helps us to make informed investment decisions and proactively avoid assets with elevated physical climate risks. This can also promote the creation of more sustainable and resilient buildings: by engaging with property owners and real estate fund managers we strive to make them aware of potential risks.

Impact on valuation

The valuation of real estate is influenced by the quality of both building and location. Presently, our climate resilience score has a weighting of 20% in the assessment of the location.[4] A low score for physical climate resiliency can push a fund into the 'unattractive' territory in terms of valuation vs expected risk.

This is not just hypothetical. The impact of climate risks on expected valuation of individual properties and consequently real estate funds can be significant. After analysing climate risks for US properties in a given portfolio, valuation has gone down by 2 to 5 percent.[5]

2 The Natural Hazard Zoning (NATHAN model), Munich Re 2025
3 An approach that has been validated with experts from Munich Re.
4 We continuously monitor whether the percentage weight of 20% needs to be adjusted. The aim is to avoid to under or over estimate the risk that climate hazards pose to a property and its valuation. We expect the impact on valuation to increase over time.
5 Van Lanschot Kempen, 2025

European funds generally have better scores than their US counterparts, but on our continent, the potential risks are rising as well – in particular in southern Europe. While in the US properties are more vulnerable to hazards like fire weather and heat stress, European buildings are more susceptible to floods and – particularly in the Netherlands – to sea level rise.

From better data to informed investment decisions

The integration of advanced climate data into our investment process provides us with robust insight into the potential risks in clients' real estate portfolios. This enables portfolio managers to make better informed decisions and to focus on long-term resilience. An approach that leads to a truly more future-proof portfolio – one that stands strong against the evolving risks of climate change and can deliver value to both investors and society.

VAN LANSCHOT KEMPEN
INVESTMENT MANAGEMENT

Beethovenstraat 300
1077 WZ Amsterdam
Postbus 75666
1070 AR Amsterdam

T +31 20 348 80 00
vanlanschotkempen.com/investment-management