

Climate Migration and Real Estate

Summary of Preliminary Findings

Climate migration is already happening. People are moving within regions in search of higher ground. They are moving between regions—fleeing the cold or trying to escape unbearable heat, seeking access to water or running from too much water. But much of the climate migration underway today is obscured by countervailing trends, including the fact that many of the world's most climate-exposed communities are experiencing record population growth.

When will individuals and communities reach a tipping point—when climate risks as well as their costs are seen to outweigh the benefits of continued development and investment? How do we come to understand the complex connections between climate change and patterns of migration, and realign real estate development and investment accordingly?

Based on interviews gathering insights from senior real estate investors and industry leaders as well as analysis of historical and emerging trends, the upcoming ULI Heitman report *Climate Migration in the Investment Process* examines the implications of climate migration for developers, policymakers, and real estate investors.

Migration is a fundamental factor shaping communities. History and recent memory are replete with insights regarding where and why people move, be it over the course of decades-long shifts of people, jobs, and capital across regions, or abrupt changes triggered by crises like COVID-19.

Real estate investors have long sought to understand, anticipate, and in some instances actively shape migration patterns within and between communities. For institutions investing capital in communities for years or decades, migration and demographic change represent fundamental business considerations.

Today, real estate investors, planners, developers, and other land use professionals are beginning to contemplate a new driver of migration: climate change.

In their ongoing Climate Risk series, ULI and Heitman have demonstrated that real estate investors are increasingly aware of the impacts of climate-related risks on their investment strategies. The magnitude of real estate value at risk across the globe has galvanized investors and asset managers, as well as their regulators, to develop new risk management strategies. Portfolio- and asset-level assessment of climate risk is increasingly standard practice in the real estate investment sector.

While these approaches spark new insight into how to incorporate climate risk into investment strategies, they also raise questions about the broader and longer-term dynamics that will shape the resilience of the communities where the investments are made. How will communities be affected by migration, and how will migration patterns be affected by climate? What is at stake—both for investors and real estate markets?



This new addition to the ULI Heitman Climate Risk series addresses three key questions regarding climate migration that every real estate investor and land use professional should consider.

1. How will climate migration play out globally and locally?

The pace of climate migration can only increase as some regions get hotter and drier while others become wetter and more flood prone. Drawing on interviews with academic and industry leaders—as well as contemporary and historical examples—the report examines the potential impacts of climate migration and introduces key factors relevant to investors and land use professionals, including:

- A location's adaptive capacity—the ability of place-based systems and institutions to absorb climate shocks and stressors;
- Determining whether a location is 'sending' or a 'receiving' community as a result of climate change. What factors position a community for growth in a changing world, and which portend decline?
- The push and pull factors likely to drive climate migration within or between communities and regions, ranging from housing affordability to economic relocation.
- Whether retreat will be managed or unmanaged, given that some of the most-vulnerable locations will not be defended against place-specific climate risks as those risks become too great to manage.

2. What indicators of climate migration have investors and land use professionals identified in the most populous and most vulnerable communities?

Interview respondents shared concrete and strategic insights about the ways interconnected adaptation and migration dynamics are already shaping global real estate investment strategy. Within these contexts, the following leading indicators are worth closely monitoring:

- Residential property—frequently positioned as the “canary in the coal mine” in understanding the capacity of a community to absorb climate shocks and stressors. Almost all research participants see housing affordability and quality of life in the face of climate change as key determinants of migration, which will influence the future of commercial real estate segments.

- Public-sector capacity—the ability to address place-specific exposure to climate change through planning tools and infrastructure investment, along with insurance availability and affordability, which are also seen as crucial variables that will determine overall community adaptive capacity.
- Other climate-related considerations—including supply chain resilience and international geopolitical stability, which could directly and indirectly shape the scope and extent of disruptions and migration.

Respondents recognize that these dynamics are likely to be interconnected and may be mutually reinforcing or counterbalancing, posing significant analytical challenges to long-term real estate investment decision-making.

3. How are investors factoring climate migration into investment decision-making?

The extent to which climate change and climate migration are material for a specific real estate investor will vary between and within communities and across strategies. Pioneering investors are actively cultivating their institutional capacity to understand these nuances. From investor interviews, the following actions are beginning to emerge:

- Tracking residential migration patterns and drivers to explore the winners and losers of migration and determine whether the root causes are linked to climate.
- Identifying and monitoring risky markets with significant climate risk exposures that may not be able to develop the adaptive capacity needed to remain worthy of investment in the future.
- Adjusting investment strategies accordingly—from underwriting and due diligence to more “active” community resilience-oriented asset management and strategic planning for divestment.

