Hongkong Land and Marsh report shows climate resilient design can cut expected flood losses by 88%

- New report sets out a method the industry can use to put a financial value on climate resilience
- The Westbund Central case study shows that its resilience measures are expected to keep storm-surge and rainfall-flood losses in 2050 below the losses an unprotected building would face today

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Hongkong Land Holdings Limited ("Hongkong Land") today published *Building Value That Lasts: Quantifying the Return on Climate Resilience in Real Estate*. The report developed with Marsh puts a financial value on designing buildings for a changing climate. Its case study is Westbund Central, Hongkong Land's mixed-use waterfront development of approximately 1.7 million sq. m. on Shanghai's Huangpu River.

The report finds that the development's resilience measures cut expected storm-surge losses by 84% and rainfall-flood losses by 88% under today's conditions. Westbund Central's resilience measures are expected to keep storm-surge and rainfall-flood losses in 2050 below the losses an unprotected building would face today.

Closing the resilience valuation gap

Climate risk now shapes how real estate is assessed, financed and insured. Almost every climate related disclosure acknowledges the need for adaptation, yet fewer than one in ten puts a number on it. Hongkong Land and Marsh set out to close that gap together by treating resilience as an investment with a measurable return, not a cost to be absorbed.

Resilience pays, and the reductions are large

Working with global leading insurance broker and risk advisor Marsh, Hongkong Land modelled the average annual loss (AAL) at Westbund Central from storm surge, rainfall flooding and wind. AAL is the expected yearly cost of physical damage. The modelling compared climate risks today and in 2050 for buildings with and without resilience measures beyond those required by building codes. It assumed a future in which global greenhouse-gas emissions remain high.

Without the development's enhanced resilience measures, expected storm-surge losses would more than double and wind losses would more than triple by 2050. The measures reduce expected losses as follows:

- storm-surge losses fall by 84%, both today and in 2050
- rainfall-flood losses fall by 88% today and 79% in 2050
- wind losses fall by 36% today and 31% in 2050

Built for the climate of 2050

Westbund Central was engineered for projected climate conditions in 2050, rather than historical conditions. These measures significantly reduce the impact of increasing climate risk:

- Storm surge: with Westbund Central's resilience measures in place, average annual losses in 2050 are projected at 0.12%, compared with 0.38% for a building without these measures today.
- Rainfall flooding: with the resilience measures in place, average annual losses in 2050 are projected at 0.05%, compared with 0.19% for a building without these measures today.

Insurers are raising premiums, tightening terms and withdrawing cover from exposed locations. In that market, a lower and more stable loss profile matters.

Westbund Centrals resilience features include:

- 23% more drainage capacity, protecting against a 1-in-100-year rainfall event
- Grade 1 waterproofed basements and the elevation of critical equipment
- A "Sponge City" network of more than 12 features designed to capture and store stormwater, with capacity exceeding 2,000 m^3

The figures are conservative. They count physical damage only and exclude extreme heat, the fastest-growing hazard at the site, which the development manages through design and operations.

Michael T. Smith, Group Chief Executive of Hongkong Land, said: "Climate change is a significant force reshaping real estate. At Westbund Central, climate resilience is core to all that we do because we believe resilience and commercial performance reinforce each other. This report shows the return on that investment can be measured today, with tools that already exist. The industry no longer has any excuse not to."

Stuart Grant, Chief Executive of Westbund Central, said: "A premium destination is a seamless one. Much of the resilience work at Westbund Central is deliberately invisible to the tenants

and visitors who use it every day. Its value shows in the disruption that never reaches them. Keeping the precinct open, comfortable and trading regardless of weather conditions is how resilience facilitates commercial performance."

Michael Li, Chairman and President of Marsh Risk China, said: "Climate risk is now a balance-sheet risk. Westbund Central shows that adaptation pays back through lower loss exposure and stronger access to capital. As a risk orchestrator, Marsh matches protection needs to capital flows, helping clients quantify resilience and close the valuation gap."

A method for the industry

The report is offered as a method others can apply, not just as an account of one development. It traces how climate risk can be assessed from site selection through to operations and linked to financial outcomes. It calls on the industry to:

- quantify early, at site selection and design, when action is most cost-effective
- bring insurers and lenders in from the start
- build a shared standard so resilience can be benchmarked across assets, as carbon already is

For further details, please see the full report which is available for download [here].



Photo Caption: (From left to right) From left: Michael Long, Head of Group Sustainability, Hongkong Land; Stuart Grant, Chief Executive of Westbund Central, Hongkong Land; Swenja Surminski, Managing Director of Climate and Sustainability, Marsh; and Michael Li, Chairman and President, Marsh Risk China.

Westbund Central

Hongkong Land's Westbund Central is the Group's largest-ever single investment. Scheduled to complete in phases up until 2028, it is an US$8 billion development encompassing approximately more than 1.7 million sq. m. of prime mixed-use property strategically located at Shanghai's Xuhui Waterfront. It is a flagship development of Hongkong Land's prime commercial properties' CENTRAL Series. The ultra-premium integrated commercial property includes 240,000 sq. m of retail space, 650,000 sq. m. of premium Grade A offices, 160,000 sq. m. of high-end waterfront luxury residences, two hotels (55,000 sq. m.) and over 50,000 sq. m. of cultural and art venues.

Hongkong Land

Hongkong Land is a major listed property development, investment and management group. It focuses on developing, owning and managing premium and ultra-premium mixed-use real estate in Asian gateway cities, featuring Grade A office, luxury retail, residential and hospitality products. With over US$50 billion in assets under management, Hongkong Land's ultra-premium mixed-use real estate footprint spans over 1.97 million sq. m. lettable area in operation and 1.43 million sq. m. lettable area under development, with flagship mixed-use projects in Hong Kong, Singapore and Shanghai. Its properties hold industry leading green building certifications and attract the world's foremost companies and luxury brands. Established in 1889, Hongkong Land takes a long-term view, investing significantly alongside its capital partners and concentrating its portfolio where it can create the most value for tenants, customers and investors. Hongkong Land Holdings Limited has a primary listing on the London Stock Exchange, with secondary listings in Singapore and Bermuda. Hongkong Land is a member of the Jardine Matheson Group.

Marsh

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