

ECONOMIST
IMPACT

Radical retrofit

Adapting cities for a
resilient future



Supported by



Executive summary and key findings

Cities are vital economic centers, but rapid urbanization strains infrastructure, resources and the environment. Making cities more livable demands more than new construction; it calls for reimagining their design, build and maintenance. Retrofitting—the upgrade and enhancement of buildings and built environments—is central to cutting emissions, improving energy efficiency, nurturing public safety and well-being and optimizing urban space. The benefits include lowering carbon footprints, providing robust premiums to developers and investors, and creating better spaces to live and work.

Financial returns take time to materialize—and often, newly built assets will still have higher premiums associated with them—but the long-term social and environmental dividends are substantial. With bold action and smart partnerships, cities and their built environment stakeholders, such as owners and investors, can both protect and enhance asset value over the long term, and become champions of urban livability.

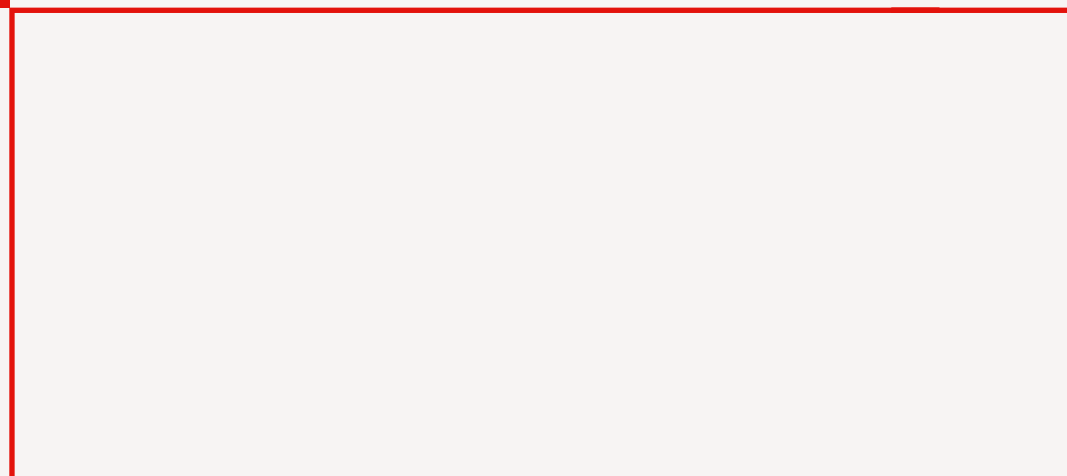
Key findings:

- **Retrofitting is gaining momentum but remains far from scale.** 69% of surveyed organizations reported a shift in their business mix towards retrofitting in the past three years. Cities including Singapore, New York, Washington, D.C., Dubai, Sydney and Paris are leading in retrofit adoption. To align with climate goals, the retrofit rate must accelerate from today's 1% to around 3% annually.¹ The urgency is greatest in developed countries, where most buildings that exist today will also exist in 2050. Encouragingly, 82% of survey respondents expect moderate to significant growth in retrofitting activity in their cities over the next five years.
- **Government action is the strongest catalyst for retrofitting.** Mandatory performance standards and public financial incentives are significantly accelerating retrofits across both commercial and residential sectors. A number of cities are implementing “retrofit-first” development policies, incentivizing re-use through major planning applications requirements. Global best practice examples like Tokyo's cap-and-trade program and Washington, D.C.'s performance mandates show that regulatory pressure can drive real emissions reductions and accelerate retrofitting at scale.
- **Market forces and investor sustainability goals are boosting commercial retrofitting.** Beyond compliance, retrofitting is increasingly driven by tenant demand for sustainable, energy-efficient, experience-led spaces, and

investors' ESG goals. Retrofitted commercial properties deliver tangible value gains such as lower and more stable operational costs, enhanced tenant retention, and better talent attraction.

- **Building upgrades that improve insulation, access to natural light and air quality reduce health risks and boost productivity.** Increasingly, today's employees want spaces that allow for adaptability, collaboration and a sense of community. Retrofitting allows for intentional placemaking, improves health and well-being, and enhances accessibility. Nearly half of surveyed organizations prioritize tenant well-being, while 43% highlight improved employee experience as a key retrofit benefit.
- **Financial barriers and misaligned incentives are the most cited obstacles to scaling retrofits.** 61% of respondents identified owner hesitancy due to high upfront costs and uncertain returns as the top barrier, while 52% pointed to weak investor interest. Although the operational savings from deep retrofits typically outweigh the costs over the long term, the high upfront investment and long payback periods lower the perceived viability of these types of retrofits. Disruption to tenants, downtime or loss of rent during retrofits also leaves owners fearing occupancy drops.
- **Cross-sectoral collaboration between policymakers, developers, financiers, occupiers, and technology providers is critical to accelerate retrofitting progress.** The following pathways need to be activated:
 - **Generating awareness around retrofits.** Public and industry awareness initiatives that frame retrofits as strategic investments rather than technical fixes are a fundamental starting point.
 - **Policy leadership, combining mandates and incentives.** Cities that integrate mandatory building standards, public sector retrofit leadership, targeted incentives, and retrofit accelerator programs, such as those in New York, Tokyo, and Singapore, are better positioned to close the retrofit gap.
 - **Impact measurement that captures the full value of retrofitting beyond energy.** Success should be quantified across a broader set of metrics—including resilience, talent retention, health outcomes and economic vibrancy—to unlock greater investment and policy support.
 - **Innovative, performance-based financing and blended public-private partnerships.** Traditional financing models alone are insufficient. Mechanisms like green bonds, energy performance contracts and shared-savings agreements, combined with stronger disclosure and valuation standards, are critical to mobilizing private capital.
 - **Technology integration and workforce development.** Artificial Intelligence (AI) and smart building technologies can radically improve retrofit outcomes, but scaling requires data and IT interoperability, clean and standardized data, tenant engagement, and public-private collaboration. Meanwhile, bridging the retrofit skills gap demands embedding retrofit-specific training in the construction and real estate sectors.

While every effort has been taken to verify the accuracy of this information, Economist Impact cannot accept any responsibility or liability for reliance by any person on this report or any of the information, opinions or conclusions set out in this report. The findings and views expressed in the report do not necessarily reflect the views of the sponsor.



LONDON

The Adelphi
1-11 John Adam Street
London WC2N 6HT
United Kingdom
Tel: (44) 20 7830 7000
Email: london@eiu.com

INDIA

9th Floor,
Infinity Tower A,
DLF Cyber City
Gurugram 122002
Haryana, India
Tel: (91) 124 6409351

SINGAPORE

8 Cross Street
#23-01 Manulife Tower
Singapore 048424
Tel: (65) 6534 5177
Fax: (65) 6534 5077
Email: asia@economist.com

NEW YORK

750 Third Avenue
5th Floor
New York, NY 10017
United States
Tel: (1.212) 554 0600
Fax: (1.212) 586 1181/2
Email: americas@economist.com

DUBAI

Office 1301a
Aurora Tower
Dubai Media City
Dubai
Tel: (971) 4 433 4202
Fax: (971) 4 438 0224
Email: dubai@economist.com

SÃO PAULO

Rua Joaquim Floriano,
1052, Conjunto 81
Itaim Bibi, São Paulo,
SP, 04534-004,
Brasil
Tel: +5511 3073-1186
Email: americas@economist.com

HONG KONG

1301
12 Taikoo Wan Road
Taikoo Shing
Hong Kong
Tel: (852) 2585 3888
Fax: (852) 2802 7638
Email: asia@economist.com

GENEVA

Rue de l'Athénée 32
1206 Geneva
Switzerland
Tel: (41) 22 566 2470
Fax: (41) 22 346 93 47
Email: geneva@economist.com

WASHINGTON DC

1920 L street NW Suite 500
Washington DC
20002
United States
Email: americas@economist.com