



Real assets. Real security.

Upcycling | Delivering impact

New life to
redundant real estate

2024

Upcycling is not only a trend in fashion or furniture, but also an important way of increasing the delivery of social infrastructure across the health, housing and education sectors by giving a new life to redundant real estate assets.

There are distinct advantages in upcycling real estate, and this insight will unpack the following key themes:

1. Upcycling can help to deliver services located where they are needed most.
2. Upcycling doesn't mean 'compromised' real estate, it delivers new life and new function.
3. Upcycling offers environmental benefits.

The delivery of future-fit assets through upcycling has been a continuous area of focus for AlphaReal when deploying capital on behalf of its clients.

Delivering services where they are needed most

There is significant demand for social infrastructure assets in the health, housing and education sectors across the UK, and AlphaReal estimates that there is currently a £57 billion shortfall¹ as a result of:

- A growing and ageing population.
- The increasing range of services required.
- A need to replace social infrastructure real estate assets that are no longer fit-for-purpose both in terms of condition and the limited range of services that can be provided.

Many urban areas have real estate that is either no longer fit-for-purpose due to functional obsolescence, or due to changing demographic drivers - a need no longer remains or has changed.

Converting existing real estate for social impact infrastructure uses often enables services to be located closer to the population base and rooted in local community, helping to maximise the social impact.

By delivering locally based services, accessibility is often improved with increased probability of public transportation and/or pedestrian access.



Upcycling doesn't mean compromised real estate

A shortage of readily developable land for social uses often sees building configurations that are sub optimal resulting in additional operational costs and reduced range of services offered.

¹ (Source: for the £57 billion analysis SharePoint/ Social long income fund/ Resource and Research/ No 2. SRE market size & scale/ archive, 2024)).

At AlphaReal, we believe that converting existing real estate to a social use could deliver a building with a 30+ year lifespan with the following characteristics:

- The building provides accommodation in accordance with appropriate space standards.

For example, NHS Property Services Standards and Minimum Design Requirements.

- Functional real estate that promotes effective service provision.

- Disability Discrimination Act 1999 compliant building.

- The configuration of the building can provide a range of services and flexibility in the delivery of those services.

- There could be scope to extend buildings should demand increase during the buildings 30+ year lifespan.



Some examples of repurposing in our core sectors



Health Bank to medical centre

The proposed conversion of a late Victorian former bank into a medical centre located within the heart of the local community with residential areas surrounding the high street location. The building would be fully compliant with current NHS guidelines.



Housing Warehouse to supported living apartments

The proposed conversion of a small Victorian warehouse into 14 supported living apartments. Until recently, the property had been used as storage and a repair garage. The property is located in a residential area, close to amenities including shops and a medical centre. The scheme provides fit-for-purpose residential units in the centre of the community.

Additionally, the property is in an area of unmet demand with strong local authority support for the scheme demonstrated by the provision of a 15-year nominations and voids agreement with the council.



Education Prep-school to SEN facility

The creation of a new 60-place Special Educational Needs (SEN) school from a redundant prep school. The property is located on a 2-acre site in a residential area.

Principle interest was from residential developers and whilst this would have generated the highest value, there was planning risk. The property was successfully converted to a 6th form SEN college increasing capacity in the area and delivering much needed additionality.



Environmental benefits



Repurposing existing real estate can deliver tangible environmental benefits during the lifetime of a social infrastructure asset.

These benefits are generated through embodied carbon savings by renovating previously developed buildings (rather than building new) and upgrading the building's environmental credentials such as Energy Performance Certificate (EPC) ratings.

A significant proportion of the carbon emissions associated with real estate arises from construction of the asset itself. The Institution of Structural Engineers² estimates that carbon due to construction can represent typically 10% to 20% of the total carbon footprint of the building.

The ability to repurpose existing real estate therefore delivers genuine carbon emission savings.

In three recent AlphaReal acquisitions involving upcycling, we have estimated that embodied carbon savings of between 7 and 12 years have been generated using metrics supported by The Institution of Structural Engineers³.

² <https://www.istructe.org/resources/guidance/carbon-embodied-operational/>

³ <https://www.istructe.org/resources/guidancecarbon-embodied-operational/>



A significant multiplier effect can be generated when any refurbishment of the property seeks to improve the environmental credentials of the building.

Improvements can be undertaken to the following areas:



Insulation of
roof and walls



Grey water
recycling



Energy efficient
lighting



Energy efficient
windows



Biodiversity
enhancement



Electric
heating system



Photovoltaic (PV)
cell electricity
generation



These improvements generate tangible environmental benefits for tenants and landlords. Tenants benefit financially from lower energy costs. Landlords benefit from Minimum Energy Efficiency Standards (MEES) compliant buildings with a minimum of an EPC B.

Recently, AlphaReal acquired a commercial building (an office) which was repurposed to develop a modern day nursery for the education sector.

Following a comprehensive programme of refurbishment works, the property's EPC rating upgraded from an 'E' to 'A'. The associated refurbishment costs were favourable when assessed against the utility cost savings and the positive environmental impact delivered for the tenant and the investor.



Key takeaways

1. Upcycling enables the delivery of assets within the community where they are most needed.
2. Upcycling can deliver future-fit assets across the health, housing and education sectors that should have a life span of more than 30 years.
3. Upcycling provides demonstratable, tangible environmental benefits through embodied carbon savings and improvements in future energy usage.

Upcycling can deliver future-fit real estate to the social impact infrastructure sector.

This upcycled real estate can meaningfully contribute towards addressing the approximately £57 billion shortfall in social impact infrastructure assets that facilitate the delivery of essential services.

About us

AlphaReal is a specialist real assets investment manager. We focus on secure income strategies that deliver predictable, inflation linked cashflows to support our clients in meeting their investment objectives.

We provide market leading and innovative real asset solutions across the UK and Europe, specialising in commercial ground rents, social infrastructure, renewable infrastructure and alternative credit.



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of the Year
2022, 2023 & 2024

LAPF INVESTMENTS AWARDS

Impact Manager
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