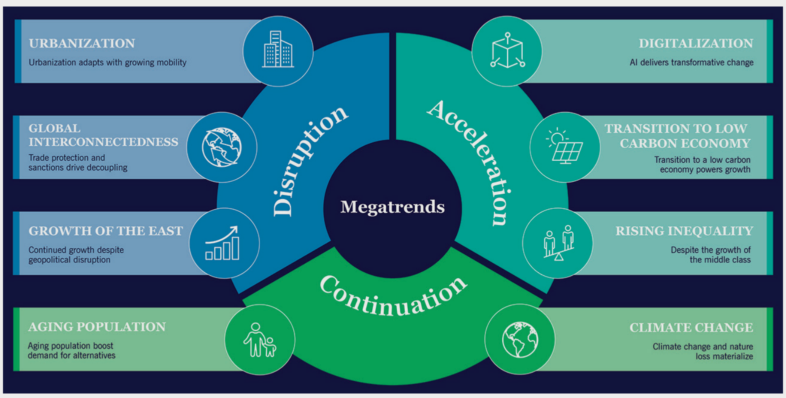
Megatrends reshaping real asset investment

Megatrends such as the low-carbon transition, technological transformation, and rising protectionism are reshaping real asset investment, says Abigail Dean from Nuveen Real Assets. Financial Investigator spoke with her about their long-term influence and how investors can future-proof their portfolios.

By *our editorial team*

Which global megatrends do you currently see as the most influential for real asset investment, and why?
'The transition to a low carbon economy and the transformative impact of technology, particularly AI, have already had a significant impact on real assets investment and this will increase further in the years ahead as these trends continue to accelerate. As globalization is disrupted by rising protectionism, this will also have significant influence. The low-carbon transition is creating significant investment opportunities across real assets, with $ 1.7 trillion required annually to decarbonize buildings[1] and $ 1.2 trillion needed for renewable energy investments by 2030[2]. This megatrend is driving substantial demand and value creation for sustainable real estate, renewable energy infrastructure, and natural capital investments that can generate carbon credits. Simultaneously, AI and digitalization are revolutionizing real assets through improved data analysis, building operations, predictive maintenance, and energy optimization. The soaring demand for AI infrastructure is directly benefiting data centers, with their market projected to grow at a 23% annual rate[3]. These two accelerating megatrends are reshaping investment strategies by creating new value propositions, altering supply-demand dynamics, and driving capital toward climate solutions, energy production and technology-enabled infrastructure. A new period of growing protectionism is resulting in the reshoring of manufacturing and the restructuring of global supply chains, changing demand for industrial real estate and infrastructure by redefining geographic demand patterns and increasing the importance of energy independence.'

FIGURE 1: IDENTIFIED MEGATRENDS



Source: Nuveen

How are these megatrends reshaping the risk profile of different real asset categories?
'Geopolitical volatility and protectionism introduce new supply chain risks across all real asset categories, affecting infrastructure, agriculture and timber markets where trade conflicts can impact returns. Industrial real estate and retail properties also have potential risk exposure to this trend. Climate risks are becoming material financial considerations, with properties in high-risk areas experiencing reduced liquidity and significant increases in insurance costs. The low-carbon transition creates a risk of stranded assets for properties unable to meet increasing sustainability requirements, while creating premiums for green buildings as demand outpaces supply. Climate change also has the potential to impact crop yields and timber productivity, requiring geographic diversification to manage localized climate risks. Whilst technological development and the rise of AI is predominantly an opportunity, it does bring with it the risk of obsolescence, particularly for digital infrastructure and office real estate.'

In what ways are social and environmental considerations becoming structurally embedded in real asset investment strategies?
'Institutional investor demand continues to drive the integration of environmental and

‘A new period of growing protectionism is resulting in the reshoring of manufacturing and the restructuring of global supply chains.’

social factors into investment strategies, with over 90% of surveyed investors in the Benelux region and over 70% globally reporting that ESG factors influence investment decisions[4]. Regulatory frameworks, also to a big extent in the Benelux region, are creating compliance requirements for ESG disclosures and ESG risk frameworks while also incentivizing sustainability at the asset level through increasingly stringent building codes and other asset level requirements.[5] Market dynamics are creating financial incentives, with evidence of green premiums emerging for sustainable buildings and reduced borrowing costs for low-carbon assets. Investment managers are responding by developing specialized strategies like ‘green to brown’ real estate refurbishment, renewable energy infrastructure, affordable housing investments that address inequality while generating returns, and natural capital investments that incorporate carbon sequestration as an additional revenue stream. Environmental metrics and climate risk assessments are increasingly integrated into standard financial frameworks, enabling portfolio design that optimizes climate and nature risk-adjusted returns.’

Can you share an example of how you have adjusted your investment approach in response to a specific megatrend?

‘The aging population megatrend has led us to increase our allocation to senior living and healthcare, particularly in the US and Japan. This demographic trend means that an emphasis on real estate that serves the need of this section of the population will be a growing focus in all regions in the future. The transformative impact of technology and AI has led to an emphasis on digital infrastructure and data centres and to venture capital investments in Prop Tech and Ag Tech. The energy transition and climate change have also led to adjustments to our approach with an analysis of climate transition risk and physical climate risk now a standard element of real assets underwriting at our company. Flood and fire risk is significant for all real assets, and drought and heat stress are particularly relevant for natural capital. Diversification is key as well as ensuring that the level of risk is adequately reflected in the price.’

What advice would you give to institutional investors looking to future-proof their real asset portfolios in the face of accelerating megatrends?

‘Institutional investors should adopt a long-term view in order to future-proof real asset portfolios amid accelerating megatrends. Geographic diversification to mitigate localized climate and geopolitical risks will become increasingly relevant, and climate risk analysis should be undertaken beyond individual assets to encompass market-level assessments, as properties may face indirect impacts from surrounding areas lacking resilience and from the impact on supply chains. Understanding longer-term demographic changes, such as the aging population and youth mobility, enables investors to capitalize on shifting demand patterns driven by migration, youth mobility and aging populations. Environmental market development presents opportunities in natural capital investments as carbon sequestration and ecological restoration can improve returns while addressing sustainability goals. Recognizing the transformative potential of technology – particularly in AI, power grid optimization and building operations – should mean that investors are well placed to prioritize assets that can adapt to technological advances and position portfolios to benefit from the economic benefits of productivity enhancements, green retrofits, renewable energy development, and supply chain reshoring.’ ■

1 The net-zero transition for hard-to-abate sectors | McKinsey
2 Source: International Energy Agency
3 Structure Research, Green Street
4 Nuveen’s EQuilibrium Global Institutional Investor Survey 2025
5 In the Benelux region, examples include the Dutch Climate Agreement, Paris Proof Program or the Brussels Capital Regions - Passive House Standard

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PHOTO: ARCHIVE NUVEEN

SUMMARY

The low carbon transition and the transformative impact of AI present clear opportunities for real assets investment.

Rising protectionism is disrupting globalization, resulting in the reshoring of manufacturing and restructuring supply chains.

Climate risks are becoming material financial considerations, creating both stranded asset risks and green building premiums.

Over 90% of investors in the Benelux region report ESG factors influence decisions, driven by regulations, market dynamics, and financial incentives.

Investors should adopt long-term views with geographic diversification, demographic awareness, and technology integration to future-proof portfolios.