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From the Forbes Real Estate Council

What It Means To Be A Socially Responsible Real Estate Investment Manager

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There's no denying that 2020 was a year of great upheaval. The world contended with a global pandemic, and we all became witnesses to the tragic and all too frequent consequences of racial injustice. But like all periods of difficulty, there are opportunities to emerge wiser and more resilient if we embrace the learning opportunities that uniquely come from struggle. Acknowledging the systemic challenges that inhibit progress gives us a new mandate to take action and make it right.

Now more than ever, business leaders see environmental, social and governance (ESG) as crucial to competitiveness. While environmental sustainability has been top of mind in the real estate community for well over a decade, the long-overdue spotlight on the S (social performance) in ESG is finally having its moment.

Often, conversations about the S focus on how organizations address equity, diversity and inclusion with largely internal focus and deliberation. As CEO of BentallGreenOak (BGO), I have become consumed by the responsibility of fostering a new culture at our firm that reflects the best of what we would aspire to see in society. However, the commercial real estate industry — and the central role that our buildings play in their surrounding neighborhoods — has the power to contribute to advancing the economic, environmental and social well-being of our fellow citizens.

Additionally, we know institutional investors increasingly factor ESG considerations into real estate manager selections. They want to work with managers who demonstrate a commitment to shared values and consider it their fiduciary duty to invest capital in socially sustainable ways.





Bridging The Gap Between Intention And Adoption

The global pandemic has forced real estate owners and managers to implement new practices to control virus transmission, which will likely lead to a longer-term emphasis on healthy buildings. The protests for racial justice following the killing of George Floyd prompted responses from several leading players in the real estate industry, with pledges to advance equity issues in their companies and the industry at large.

These actions are a start, but lasting change comes when socially responsible business practices are baked into the fabric of how a company operates. An organization's values should manifest in where it invests in real estate, how those assets are managed and how those management decisions improve the vitality of the surrounding community that can make or break an asset's long-term potential.

Evaluating The Social Impact Of A Real Estate Asset

Just as the enhanced focus on environmental sustainability over the last several decades has led to widespread adoption of sustainability tracking, benchmarking and reporting, investment managers must be prepared to use the same rigor to assess how assets measure up against international best practices when it comes to social impacts.

BGO has developed the first data-driven social impact tool for our sector that is aligned with

the United Nations (UN) Sustainable Development Goals and other international best practices to help assess the social profile of our assets. Our focus is global in scale: Five funds that are active in three continents utilize this propriety tool across the entirety of their portfolios to deliver immediate and actionable guidance. Our investment and asset management teams are embracing data to better understand how each asset measures up in key areas and to act on tailored ideas

Following are a few examples of how we consider social impacts in our investment and asset management strategies:

1. Good health and well-being: A growing body of research demonstrates the direct correlation between building features and occupants' mental and physical health. Healthy buildings typically include high-quality water and ambient air, healthy food options, fitness amenities, natural light, and biophilic features, such as green walls or indoor plants. Increasingly, our assessment of good health and well-being includes how assets are addressing contagious disease and pandemic preparedness and response.

2. Decent work and economic growth: Social impact can also be measured by a building's contribution to the community, such as how much municipal tax revenue the building's commercial activities generate. It's also important to look at how many local jobs and small businesses the property supports, including local business development opportunities. Well-managed assets are also becoming important philanthropic contributors to their surrounding communities with thoughtful and targeted programs that address local challenges.

3. Sustainable cities and communities: A property can support the social infrastructure of the surrounding community by leasing space for essential services like healthcare, offering affordable housing and organizing community engagement events. The presence of sharing economies, such as bike-sharing services and coworking centers, also contribute to sustainability goals.

4. Reduced inequalities: In office properties, it is important to serve the needs of the increasingly diverse employees who work in the building. This means allocating space to prayer rooms, lactation rooms, gender-neutral bathrooms and other amenities, as well as ensuring all spaces are accessible to people of all abilities.



Now Is The Time To Embrace Socially Responsible Investing



We are using the S-word more frequently in business settings, and that's a good thing. As we address equity, diversity and inclusion within our own organizations, we must include a plan for integrating social criteria into how we invest in and manage real estate assets with an eye to thinking beyond the building.

Our experience with environmental sustainability has taught us to see the world as a tightly intertwined ecosystem where our failure to act responsibly has clear and calculable economic impacts. This past year has delivered a stark lesson to fiduciaries in commercial real estate: Our understanding of social sustainability should be no different, and our action no less urgent.