

A night-time photograph of the Chicago skyline, featuring prominent skyscrapers like the Willis Tower and the Trump Tower, illuminated with various lights. The city lights reflect on the water in the foreground. A small, dark, diamond-shaped object is visible on the left side of the image.

Responsible Property Investment Making the difference

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This paper:

Reports on research into best practice in responsible property investment (RPI) at The College of Estate Management.

Aim is to:

- **Investigate how sustainability and corporate social responsibility (CSR) principles can be implemented through investment process;**
- **Demonstrate examples from literature; and**
- **Reflect on role of valuers and valuation in making the case for RPI.**

Content of Presentation

- **Discussion about CSR and RPI;**
- **Strategies adopted;**
- **Examples from literature;**
- **Role of valuers and valuation; and**
- **Conclusions.**

Definitions:

- **CSR - Hard to define - subjective;**
- **CSR relates to how a company conducts itself;**
- **SRI – how an investor applies capital to achieve financial return while promoting SEE issues;**
- **RPI is SRI in real estate, reflecting SEE principles in funding:**
 - **Development;**
 - **Purchase;**
 - **Refurbishment; and**
 - **Improved occupational performance.**

RPI - What is it?

- **Reflects ethical stance;**
- **Achieves social, economic and environmental returns;**
- **Reflects individual values.**

Origins of RPI

- **Unclear:**
 - **Religious;**
 - **Charitable;**
 - **Philanthropic;**
 - **Business ideology and entrepreneurship;**
 - **‘Cultural Creative’ individuals.**

The case for RPI

- **Investment is fundamental to the achievement of a sustainable built environment;**
- **A more sustainable built environment is crucial to deal with carbon emissions, climate change and resource depletion.**

The case for RPI

- **Growth in regulatory framework;**
- **Speedier approval by local government;**
- **Improved operational efficiencies;**
- **Increase competitive advantage;**
- **Increased value to reputation; and**
- **Product differentiation in the marketplace.**

UN Principles of Responsible Investment

- **ESG into investment analysis and decisions;**
- **ESG into ownership policies and practices;**
- **Seek disclosure by the entities we invest in;**
- **to promote UN principles within the industry;**
- **enhance effectiveness in implementation;**
and
- **to report progress on implementing Principles.**

RPI Mechanisms

- **‘for an organisation to be sustainable it must be financially secure, it must minimize, or ideally eliminate, its negative environmental impacts, and it must act in conformity with societal expectations.’**
- **Social expectations vary in both time and location.**

Strategies for RPI

- **Screening: either including (positive screening) or excluding (negative screening) certain investment opportunities for ethical reasons;**
- **Shareholder advocacy: where shareholders become involved in the process of influencing activities as owners of the corporation(s);**

Strategies for RPI

- **Community investing: in which capital is provided to communities which are poorly served by traditional financial sources; and**
- **Engagement approach: e.g. lease terms (so called Green Leases).**

Approaches

‘No-cost approach’:

Find ways to improve the social, environmental and / or economic performance of the asset at zero cost;

‘Value-added strategies’:

Relatively low up-front investment reaps huge rewards over time.

Examples

A 14% energy saving was achieved at the Mall at Cribbs Causeway. Some electrical work was necessary but the capital expenditure will generate a return of 40% per annum in the first 10 years



Examples

Tree planting adds 10 – 15% to the value of office properties; produces 20% lower winter heating bills, and, for shopping centres; and shoppers spend about 10% more for goods and services in shopping areas with trees.



Examples

The Investa Property Group (Australia) saved AUS\$30,000 and 363 tonnes of CO₂ per year, by auditing energy use in its buildings and diagnosing inefficiencies. The savings were achieved with minimal or no cost strategies



Examples

PRUPRIM (UK)
reduced water
consumption by 25%
at its headquarters by
installing water
displacing “hippos” in
all toilet tanks



**VF Outlet (USA)
reduced the costs of
disposing of solid
waste by 67% by
introducing a recycling
programme supported
by its tenants, which
not only saves money,
but creates jobs and
protects the
environment.**



Green Park, business park in Reading, has one of the biggest wind turbine installations capable of supplying enough energy into the local grid to provide green power to 1,500 homes.



M&S ensure that all electricity used in England and Wales comes from green sources, therefore reducing their carbon dioxide emissions by approximately 40%



A shopping centre in Sheffield, has implemented a waste management system resulting in nothing going to landfill. The waste is hand sorted, some is recycled, plastics sold, and incinerated waste converted to electricity for homes.



Waterside shopping centre in Lincoln already saves £12,000 per annum in electricity costs and is further considering a low-energy lighting to save approximately 30 tonnes of CO₂ per annum.



What are the barriers?

- **Investment culture – short-term gains (real estate is a long-term investment);**
- **Landlord and tenant relationship;**
- **Limited supply of ‘green’ investment products;**
- **Market evidence on benefits of RPI are not clear;**
- **No metrics to measure results of RPI;**
- **Valuers do not reflect sustainable features; so**
- **Economic case is not clear.**

Issues in Valuation

- **Failure to understand range of sustainable features;**
- **Failure to investigate how and extent to which market reflects sustainable features;**
- **No metrics to measure benefits;**
- **Benefits may be personal (i.e. in worth, rather than value).**

Valuer guidance

RICS has issued VIP guidance :

- **Recognise trends;**
- **Issues include:**
 - **Climate change;**
 - **Resource depletion;**
 - **Social and health.**
- **Not all features easily translate into value;**
- **Compare sustainable and non-sustainable buildings.**

However:

“Evidence is growing that green buildings increase worker productivity and lower running costs. Given this context, green buildings could become more valuable relative to conventional properties over the coming years.”

Role of valuers

- **Should be seen as experts in how sustainable features affect market prices;**
- **To supply and interpret data from market;**
- **Demonstrate explicitly benefits of sustainable investment;**
- **Raise profile of sustainable investment;**
- **Work as facilitators with informed clients;**
- **Advise clients accordingly.**

This is compatible with the FIG ethical code

Thank you all very much.