

A New Investor Consensus: The Rising Demand for Healthy Buildings

Health and Real Estate Investment Survey Results





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The pandemic has highlighted the importance of health in real estate and the perils of being unprepared for future events. Both the risks and opportunities provide compelling reasons to develop and implement solutions that uplift our industry. The steps we take now to mitigate future risks will have clear implications for the safety and wellbeing of our occupants, and the spaces that they rely on for their prosperity.”

Anna Murray
Managing Director, Global Head of ESG
BentallGreenOak

Welcome



THE TIMELY IMPORTANCE OF THIS REPORT

Lest we needed a reminder, the pandemic we are all living through has made clear the ways in which buildings contribute to our well-being—from providing workplaces that are safe, having comfortable and functional spaces to shelter in place, and in serving society's most acute health and welfare needs. Property owners, managers and occupiers who may have only thought of well-being in passing within their approach to ESG are now far more aware of the link between building design and function, and personal and societal health and wellness.

While this study on investor attitudes and perceptions on health and wellness is timely, decades of research have concluded that improving occupant health and contributing to community well-being makes sound economic sense. Healthier workplaces improve employee productivity and retention, and active buildings and communities deliver societal gains that far exceed their costs. Certifications that have more recently been developed to measure and quantify the benefits of health and wellness are delivering the key strategic guidance and setting the standards to shift the market toward better and best practices.

UNEP FI's network of property investors and managers is pleased to be a part of this study designed to capture market sentiment of health and wellness as a value driver in real estate. These are trends and practices that predate the pandemic but surely have been accelerated by it. Importantly, this investor/manager focus on health and wellness nests within a range of other UNEP FI activities such as assessing and communicating the holistic impacts of finance decisions, and steering insurer risk management and underwriting practices in support of the the UN's Sustainable Development Goals.

We are grateful for BentallGreenOak and the Center for Active Design's leadership and effort to bring this survey and report to fruition. The results of the outreach—more than \$5.75 trillion in total assets under management are represented by the respondents—demonstrates the importance of this topic.

A handwritten signature in black ink, appearing to read 'Eric Usher', with a stylized flourish at the end.

Eric Usher

Head

United Nations Environment Programme Finance Initiative



TAKING STOCK OF THE SOCIAL FACTORS IMPACTING ASSET VALUE

Responsible real estate investors have awakened to the notion that the buildings we manage for our clients are part of the critical infrastructure that cities rely on for the resilience, health and well-being of their citizens. Where excellence in environmental performance has rightly become a more common pursuit for our industry, our fiduciary responsibilities are increasingly taking us into new territory that requires attention to the multitude of social factors that impact asset value.

Our collective experience with the first modern pandemic in our lifetimes is teaching us how closely tied investment performance is to operational excellence, tenant engagement, and community relationships. BentallGreenOak is pleased to explore these timely themes in this first ever report for the global commercial real estate industry, alongside our partners at the United Nations Environment Programme Finance Initiative (UNEP FI) and the Center for Active Design (CfAD).

A handwritten signature in black ink that reads "Amy Price".

Amy Price
President
BentallGreenOak



HEALTHY BUILDINGS FOR ALL

We know from a century of public health research that there is a profound connection between the physical realities of our communities and public health outcomes. While not a new link, COVID-19 has focused us on the influential role the built environment plays in determining our health. Fortunately, the real estate sector is well positioned to respond to the resulting demand by deploying a variety of evidence-based strategies designed to positively impact health outcomes. The sector is also poised to broadcast its work using widely adopted ESG frameworks, documenting contributions to those issues largely ignored by traditional bottom-line analysis.

The Center for Active Design stands at the nexus of this critical movement. Our work translates a growing database of more than 5,600 academic studies into resources that promote healthy, engaged communities at scale. Our flagship is Fitwel®, the world's leading healthy building certification, developed by the U.S. Centers for Disease Control and Prevention and now in use in more than 50 countries. Fitwel provides the real estate community with a platform to evaluate health impacts within assets, generating measurable and quantifiable results.

As this report demonstrates, investors agree that our future will include data-driven decision making and a renewed focus on individual as well as societal health. The Center for Active Design and Fitwel are at the vanguard of these efforts, and we look forward to continuing our role as the provider of accessible, implementable tools that foster healthy places for everyone.

A handwritten signature in black ink, appearing to read 'J Frank'.

Joanna Frank
President & CEO
Center for Active Design

INTRODUCTION

Examining Investor Viewpoints on Health and Wellness

We set out to determine the impact of COVID-19 on demand for healthy buildings and what implications the sector's response might have for future real estate investment decisions. This report captures the insights of an international sampling of real estate investors representing USD \$5.75 trillion total AUM.¹

Leveraging the ESG Framework

The growing prominence of Environmental, Social and Governance (ESG) criteria in financial decision making has transformed the real estate sector, providing measurable reporting on the social impact of investments in the built environment. To date, two ESG pillars—Environmental and Governance—have become more widely used, with well-defined metrics and broad acceptance within the industry.²

The Social pillar is a growing force in real estate investment criteria, due in part to increased awareness of how the built environment impacts human health. The places where we live, work, study and socialize can and should play a central role in improving human health.³

To evaluate how health and wellness is emerging as a major component of ESG criteria, as well as how COVID-19 is influencing investors' approach to these issues, the Center for Active Design (CfAD), United Nations Environment Programme Finance Initiative (UNEP FI) and BentallGreenOak (BGO) collaborated to gather feedback from a globally diverse set of real estate investors.

Unless stated otherwise, we are using the term “investors” in this report as shorthand to describe a cohort of diverse respondents—a combination of owners (those providing capital) and asset/fund/investment managers (those investing and managing the capital on behalf of the owners).

Gathering Quantitative and Qualitative Data

We used a two-pronged approach, gathering both quantitative and qualitative data, to pulse investors' current attitudes toward integrating human health into investment decisions in the midst of the global COVID-19 pandemic.

In November and December 2020, we fielded a multi-part survey that yielded the quantifiable feedback presented here. We also conducted supplemental interviews with industry leaders to record their perspectives on investments they identified as “health-promoting.” Our team then synthesized this research—complimenting it with additional desk research and data analysis—to gauge investor sentiment and propose future directions for the sector.

With the survey and structured interviews as its cornerstone, this report is the first of its kind and scope to quantify the magnitude of investor demand for healthy buildings and how that demand has shifted in response to COVID-19. It also looks at the motivations behind this demand, identifies healthy building metrics already in use by the real estate industry and considers future trends that may impact investment decisions prioritizing health and wellness.

Report Highlights

Spike in Demand



87%

of survey respondents experienced increased demand for healthy buildings over the past 12 to 24 months, and 92% expect demand to grow over the next three years.

Investing in Healthy Buildings



89.5%

of respondents plan to enhance their company's health and wellness strategy in the coming year.

Aligning to Best Practices



61%

of respondents report using healthy building certification systems.



74%

agree that tracking data is a key priority for integrating healthy buildings into ESG strategy.

Tenants Driving Demand

87%

Respondents say tenants from the Office, Residential and Retail sectors are driving demand for healthy buildings.



Office

61%



Residential

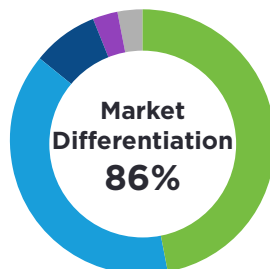
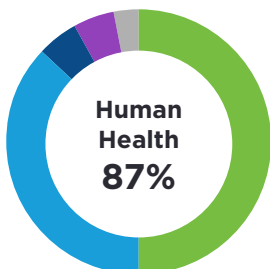
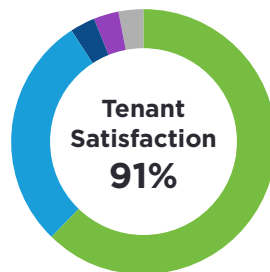
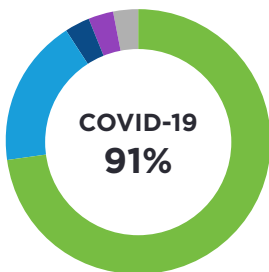
47%



Retail

Motivations Are Diverse

The top four reasons for investing in healthy buildings, as cited by percentage of respondents:



Why Healthy Buildings Matter

- Rental premiums of **4.4-7.0%**
- Higher overall productivity
 - Improved employee satisfaction
 - Lower absenteeism
 - Lower turnover

About the Survey Respondents

Total assets under management (AUM)

\$5.75 trillion USD

The institutions that participated in this study represent aggregate AUM of \$5.75 trillion USD and portfolio investments in real estate totaling approximately \$1.03 trillion USD. Numbers were provided by the company or verified by a reputable, published third-party source. Currency conversions are based on the conversion rates available on December 31, 2020.

Respondents by Geography

North America	58%
Asia	11%
Europe	18%
Geographically Diverse	13%

Respondents by Type

Retail	13%
Office	24%
Industrial	3%
Residential	21%
Other	5%
Diversified Portfolio	34%

NOTE: Respondents participated in the survey anonymously. Not all survey participants responded to every survey question. To account for skipped responses, a non-response was marked as “N/A” for the analysis of that particular question. When analyzing specific questions by industry or geography, we segmented responses based on which industry a majority of respondents’ assets were identified as or where a majority of respondents’ assets were located, respectively.

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Failing to focus on health and well-being could result in assets losing out on tenants, because properties that do not have a focus on health and well-being will be overlooked, resulting in poor economic outcomes.”

Mamoru Shimomichi
Executive Officer, General Manager of Investment Management Planning
Nomura Real Estate Asset Management Co., Ltd.

Expert Insights

The authors would like to thank the following industry leaders for their time and expertise in the development of this report.

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AMLI Residential

Jon Love

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KingSett Capital

Eric Duchon

Global Head of Real Estate ESG
Blackstone

Mamoru Shimomichi

*Executive Officer, General Manager of
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QuadReal Property Group

Christopher Merrill

Co-founder, Chairman and CEO
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Vice Chairman
Related Companies

Vineet Bedi

Founder & Managing Partner
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ESG Director
Workman LLP

Sara Neff

Senior Vice President, Sustainability
Kilroy Realty Corporation

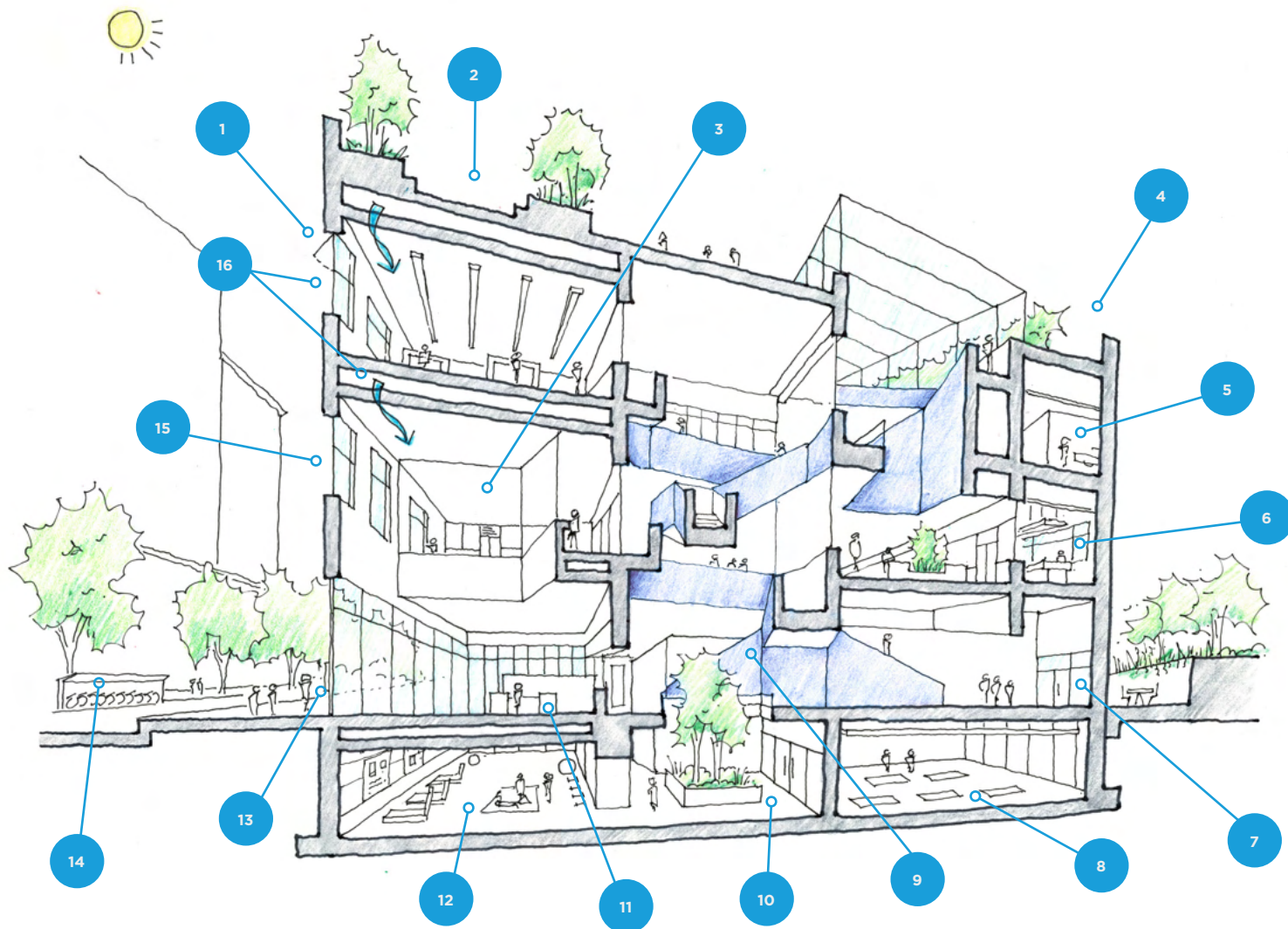
“

After three years of running a stand-alone health and well-being module, we've seen it move from a nice-to-have to a mission-critical ESG theme. That's one of the reasons why we've incorporated this theme into the larger GRESB Assessment. Many private equity real estate firms and REITs want a portfolio-based framework they can use to further integrate health and wellness criteria into their investment decisions. And as we get back to business, building owners must maintain a heightened focus on health-based metrics meaningful to tenants and investors alike.”

Dan Winters
Head of Americas
GRESB

What is a "Healthy Building?"

The real estate industry optimizes buildings for occupant health and safety through a mix of siting, design and operational strategies that measurably improve physical, social and mental health indicators. Sample strategies shown below.



1. Daylight in regularly occupied spaces
2. Tobacco-free rooftop garden and outdoor space
3. Break area with hygiene signage and enhanced cleaning
4. Fruit and vegetable garden
5. Bathrooms with hand hygiene signage and PPE
6. Flexible multi-purpose room and views of nature
7. Tobacco-free indoor space
8. Meditation and yoga studio
9. Open and visible stair with enhanced cleaning
10. Biophilia / indoor greenery
11. PPE and sanitation stations
12. Gym facility plus showers and lockers
13. Health and wellness certification plaque
14. Covered and secure bike parking
15. Views of nature
16. Enhanced IAQ and operable windows

Illustration by Alissa Johnson, Center for Active Design

The Business Case for Healthy Buildings

The business case for healthy buildings is growing. Global capital flows into ESG investments offer an important leading indicator, and certified healthy buildings are garnering rental premiums.

One recent report found strong growth in investments using ESG factors, which totaled \$40.5 trillion in 2020, more than tripling in just eight years.⁴ In fact, new research from Morgan Stanley (January 2021) shows that demand for ESG-labeled products is outpacing supply.⁵

Regarding the built environment, a 2020 study by the Massachusetts Institute of Technology (MIT) was the first of its kind to quantify the value of healthy building certifications rather than individual wellness strategies. Looking at data from a four-year period (2016-2020), the MIT report found that commercial properties with healthy building certifications garnered rental premiums of four to seven percent (4-7%) per square foot over their non-certified peers. It also showed that nearly one in two building owners (46%) reported leasing their healthy building spaces more quickly than their conventional properties.⁶

For employers, healthy buildings can improve employee satisfaction, decrease both absenteeism and presenteeism, and reduce turnover, yielding

higher overall productivity.⁷ Millennials, who will soon become the largest workforce cohort, overwhelmingly desire healthy workplaces: 78 percent believe workplace quality is a deciding factor in a job search, with 69 percent willing to trade other benefits for better workplaces.^{8,9}

In the housing sector, similar research reveals that residents have been prioritizing healthy living spaces, even prior to COVID-19. Residential properties that incorporate wellness elements such as fitness amenities, bicycle infrastructure and social spaces also experience expedited leasing and sales, higher pricing premiums, below-market turnover and longer waiting lists.¹⁰ Homebuyers express a willingness to pay up to ten percent more for properties located near parks, and in the United States high walkability often translates into pricing premiums.^{11,12,13}

Against this backdrop, we sought to better understand how and why COVID-19 might be accelerating investment in healthy buildings.

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Our residents have become much more attuned to their own personal health. Overwhelmingly they now not just sense, but know, that the features of their community, and the programs offered, directly impact their health and quality of life.”

Erin Hatcher
Vice President, Sustainability
AMLI Residential

COVID-19 Accelerating Demand

In the wake of the pandemic, the global real estate industry is seeing increased demand for healthy buildings, driven by tenants from office and residential properties.

The pandemic has had a profound impact across the globe, with repercussions likely to last long after infections are curbed. Although COVID-19 has amplified the need for healthy buildings, it is important to note that for a large portion of the real estate industry this need is not new. In fact, nearly 70 percent of respondents indicated they were seeing increased demand prior to COVID-19.

Still, the effect of the pandemic is clear. As Jeffrey Brodsky of the Related Companies noted for this research, “COVID has been an accelerator on so many levels,” intensifying demand for buildings that prioritize health and safety.¹⁴ Nearly 87 percent of respondents experienced such increased demand in the past 12-24 months.

Key Findings: Increased Demand

- **Extensive current demand.** All respondents are seeing some level of demand for healthy buildings, with 89 percent describing current demand as either moderate or strong.
- **Global in nature.** All respondents in Asia (100%), 90 percent in North America and 85 percent in Europe express that current demand for healthy buildings is moderate or strong.
- **Strong across all sectors, particularly office and residential.** Most of the moderate or strong demand is coming from the office (87%) and residential sectors (61%), followed by retail (48%). This reinforces the conclusion that the pandemic has brought health and wellness to the fore in spaces where people primarily live and work.
- **Driven by tenants.** Ninety-four percent of respondents identify tenants as the leading stakeholder group driving demand, followed by asset owners (74%) and investors (66%).
- **Expected to keep growing.** Ninety-two percent of respondents agree that demand for healthy buildings will grow in the next three years across all asset categories.



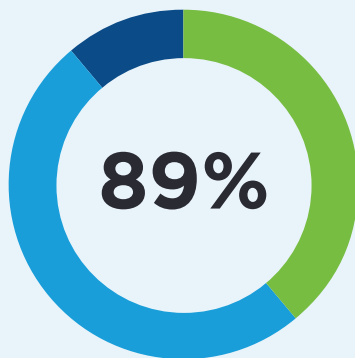
Failing to introduce adequate health and well-being measures may lead to failing to retain top-tier tenants, while keeping weaker covenant tenants at likely below-market rates, resulting in assets with reduced valuations.”

Jamie Gray-Donald

Senior Vice President Sustainability & EHS, Operational Excellence
QuadReal Property Group

Description of Current Demand

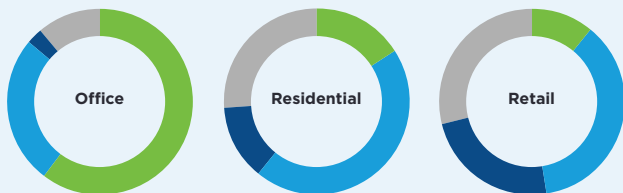
89% of survey respondents describe current demand for healthy buildings as either "moderate" or "strong."



39% Strong Demand
50% Moderate Demand
11% Minimal Demand

Where Is Demand Coming From?

The strongest demand for healthy buildings is coming from the Residential and Office real estate sectors, with Retail closely behind.

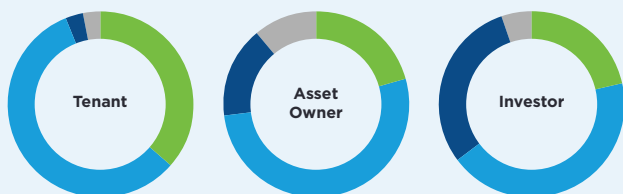


Office
61% Strong Demand
26% Moderate Demand
3% Minimal Demand
10% No Demand

Residential
16% Strong Demand
45% Moderate Demand
13% Minimal Demand
26% No Demand

Retail
10% Strong Demand
37% Moderate Demand
24% Minimal Demand
29% No Demand

The group expressing the strongest demand for health and wellness is tenants.



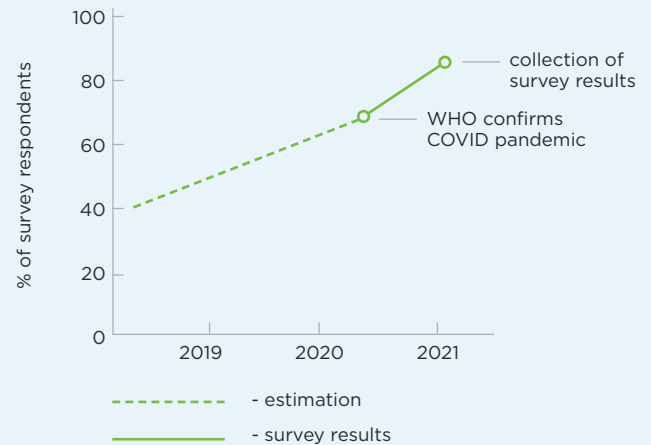
Tenant
37% Strong Demand
57% Moderate Demand
3% Minimal Demand
3% No Demand

Asset Owner
21% Strong Demand
53% Moderate Demand
16% Minimal Demand
10% No Demand

Investor
24% Strong Demand
42% Moderate Demand
29% Minimal Demand
5% No Demand

Proportion Experiencing Increased Demand

87% of survey respondents experienced increased demand for healthy buildings in the past 12-24 months.

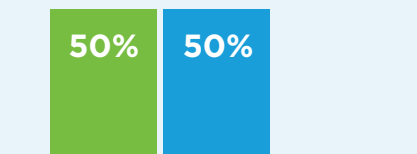


68.4% of survey respondents were already experiencing rising demand before COVID. An additional 18.4% began experiencing increasing demand only after the onset of the pandemic.

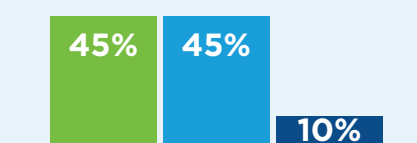
Global Demand for Healthy Buildings

● - Strong Demand
 ● - Moderate Demand
 ● - Minimal Demand

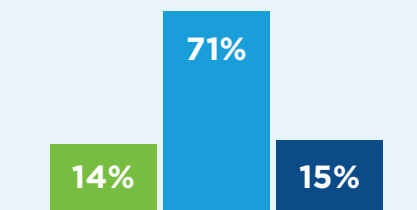
Asia



North America



Europe

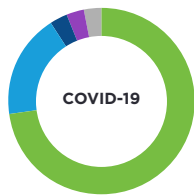


Diverse Motivations Behind Investing in Health and Wellness

While nine of 10 respondents plan to enhance their company's health and wellness strategies in the coming year, the motivations for doing so are diverse—respondents cite COVID-19 response (91%), tenant satisfaction (91%), human health (87%), market differentiation (86%), and enhancing reputation (83%) as high or medium motivating factors for investing in these strategies.

Motivations Driving Rising Demand

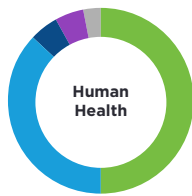
Based on responses, motivations are shown highest to lowest reading the rows below from left to right.



73% High Motivation
18% Medium Motivation
3% Low Motivation
3% No Motivation
3% N/A



63% High Motivation
28% Medium Motivation
3% Low Motivation
3% No Motivation
3% N/A



50% High Motivation
37% Medium Motivation
5% Low Motivation
5% No Motivation
3% N/A



47% High Motivation
39% Medium Motivation
8% Low Motivation
3% No Motivation
3% N/A



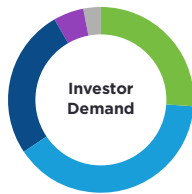
47% High Motivation
36% Medium Motivation
11% Low Motivation
3% No Motivation
3% N/A



31% High Motivation
47% Medium Motivation
16% Low Motivation
3% No Motivation
3% N/A



39% High Motivation
34% Medium Motivation
13% Low Motivation
11% No Motivation
3% N/A



26% High Motivation
40% Medium Motivation
26% Low Motivation
5% No Motivation
3% N/A



21% High Motivation
42% Medium Motivation
21% Low Motivation
13% No Motivation
3% N/A



16% High Motivation
39% Medium Motivation
24% Low Motivation
18% No Motivation
3% N/A



21% High Motivation
34% Medium Motivation
29% Low Motivation
13% No Motivation
3% N/A



16% High Motivation
34% Medium Motivation
31% Low Motivation
16% No Motivation
3% N/A



3% High Motivation
21% Medium Motivation
39% Low Motivation
34% No Motivation
3% N/A

Investor Perspective:**Eric Duchon, Global Head of Real Estate ESG, Blackstone*****Have your conversations moved beyond “sustainability” in the traditional sense?***

Without a doubt. The word sustainability isn't looked at the same anymore. We now talk firmly in terms of ESG, and those conversations are pushing what the “S” stands for—diversity, equity and inclusion plus health and wellness. With so many pressing issues, from climate change and the pandemic to addressing systemic inequities, we can't think in silos. We are focused on the holistic picture.

The trend toward health and wellness has allowed us to focus even further on the tenant and human experience. Millennials prioritize the quality of their workspaces, and now we are seeing an evolution of that dialogue. For example, tenants are more focused than ever on air quality and natural light.

That seems to underscore the need to keep tenant satisfaction front and center.

Yes. Tenants are now asking more than before about indoor air quality and a host of health and safety issues. How the landlord responds by prioritizing the tenant's health and safety is critical to creating that link between landlord and tenant which will help stabilize leased and physical occupancy as we emerge from the pandemic.

Blackstone seeks to drive economic growth and make a positive impact. With the spotlight on health and safety in response to COVID-19, is there a business case to do more?

At Blackstone, we are focused on making a positive impact in the communities in which we invest and operate which also leads to creating long term value for all of our stakeholders. We recognize that buildings and companies that prioritize ESG, including health-promotion criteria, are more resilient and can therefore generate better long-term returns. We leverage our commitment to ESG to plug into our communities and drive positive health and wellness outcomes, such as through our recent COVID relief efforts for our tenants and residents.

The Need for More Consistent Human Health ESG Metrics

Leading actors across the global real estate industry were already tracking some health and wellness outcomes prior to COVID-19. The pandemic has accelerated demand for consistent health and wellness “S” metrics across the industry.

Key Findings: Human Health ESG Metrics

- **Health and wellness being incorporated.** Nine out of 10 respondents (90%) report incorporating health and wellness into their ESG strategy, with more than half doing so to “a great extent.”
- **Diverse set of metrics.** Respondents report tracking a high number of metrics, the meaning and import of which can vary across asset types, sectors and geographies. Based on the responses, the three most commonly tracked metrics are tenant satisfaction surveys (79%), emergency preparedness (74%) and indoor air quality (68%). The complete breakdown of responses may be found on the following page.
- **Certifications offer a pathway toward consistency.** The availability of healthy building certification systems offers a pathway for the real estate industry to track the health impacts of assets for ESG reporting. Among survey respondents, 61 percent use some form of building certification system to track how their assets are impacting health and wellness.
- **The broader context for these certifications.** We also learned that Fitwel® and the WELL Building Standard®, two health-specific certifications, are used by 47 percent and 39 percent of respondents respectively, placing their use alongside broader sustainability standards like Building Owners and Managers Association Building Environmental Standards (BOMA BEST), Building Research Establishment Environmental Assessment Method (BREEAM) and Leadership in Energy and Environmental Design (LEED).

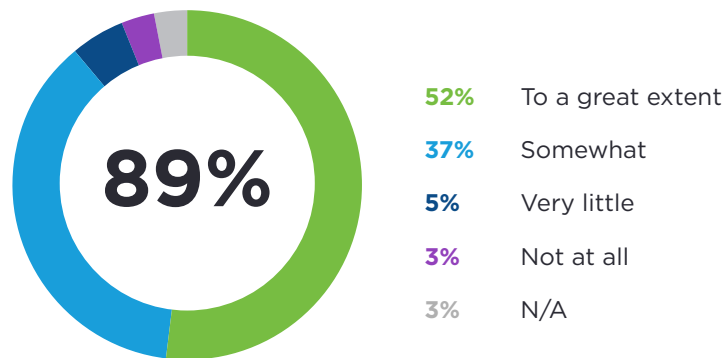


Any tech savvy tenant can amass knowledge about building performance and expose reality. Prudent ownership and management must prepare for this growing eventuality and proactively address health outcomes.”

Vicky Cotton
ESG Director
Workman LLP

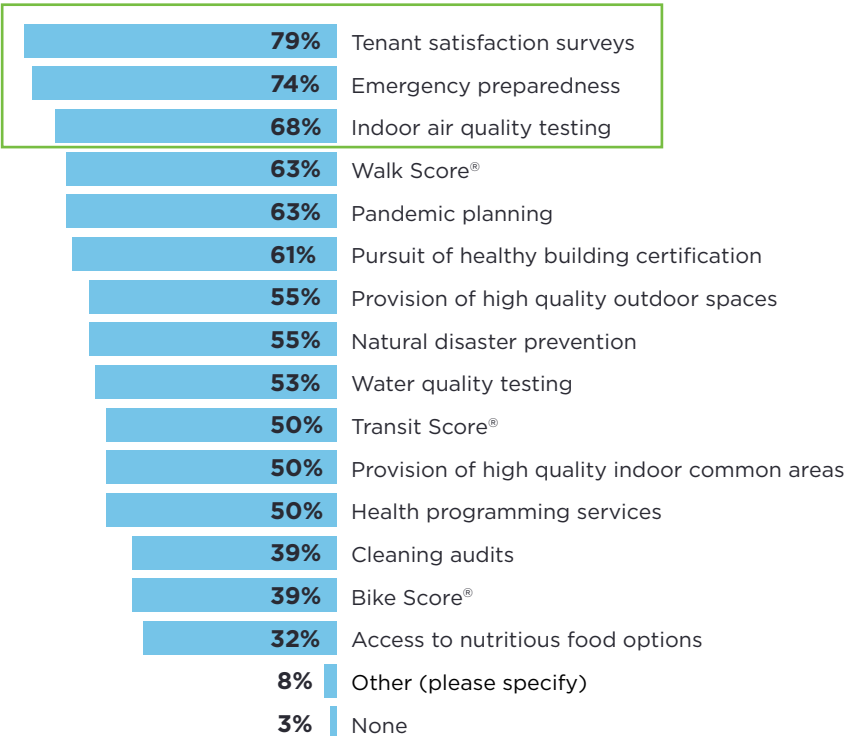
Incorporation of Health and Wellness into ESG Strategy

89% of respondents report incorporating health and wellness into their ESG strategy



Commonly Tracked Health Metrics

Tenant satisfaction surveys, emergency preparedness and indoor air quality are the three most commonly tracked metrics used to describe health and wellness efforts.



“

We know that buildings have the potential to impact human health, and we want our buildings to enhance the health and productivity of the people who spend time inside them.”

Sara Neff
Senior Vice President
Sustainability
Kilroy Realty Corporation

Investor Perspective:

Jeffrey Brodsky, Vice Chairman, Related Companies

You've shared that health and wellness is not "a new thing" in real estate. How would you characterize its trajectory given COVID-19?

We've always seen health and wellness as priorities at Related. But the pandemic has been an accelerator of their importance on many levels. In fact, all things that touch on ESG—which health and wellness certainly do—are becoming even more critical, more quickly. That's true on a wide range of issues from air quality to social justice and so many others. In terms of health and wellness, the pandemic has brought into sharp focus what those of us who work in real estate can do to provide services and benefits for residents, tenants, customers, and our employees. The number of certifications available demonstrate a desire for people to understand health and wellness advantages available within buildings. Explaining the many benefits of the strategies we're employing in these areas is key going forward.

On that note, how would you characterize the need for clear and consistent metrics?

There's great benefit to establishing—like what happened around green energy—clear benchmarks. When it comes to health and wellness, the good news is we don't have to waste a lot of time figuring out the taxonomy, the common language. Tools like healthy building certifications allow us to get on the same page very quickly, measuring and improving health and wellness initiatives.

Do you think the demand is here to stay?

Yes. Pre-COVID, the driver was sustainable practice that was dominated by LEED. Now, because of the pandemic, stakeholders have been driving new conversations around partnerships, programs, outdoor spaces and so on. Investors are more engaged on what health and wellness means, and how it leads to better outcomes. I believe that will stay long past this year, when we get through this vaccination period. There's no going back to a time where these issues were not front and center for people.

INSIGHT

Enhancing Health and Wellness Strategies Emerges as a Key Priority

The global leaders we surveyed plan to invest in health and wellness in the near-term and see an immediate opportunity to better incorporate these initiatives into ESG strategy. Respondents also see leveraging data as a key priority given increased demands around reporting and disclosure.

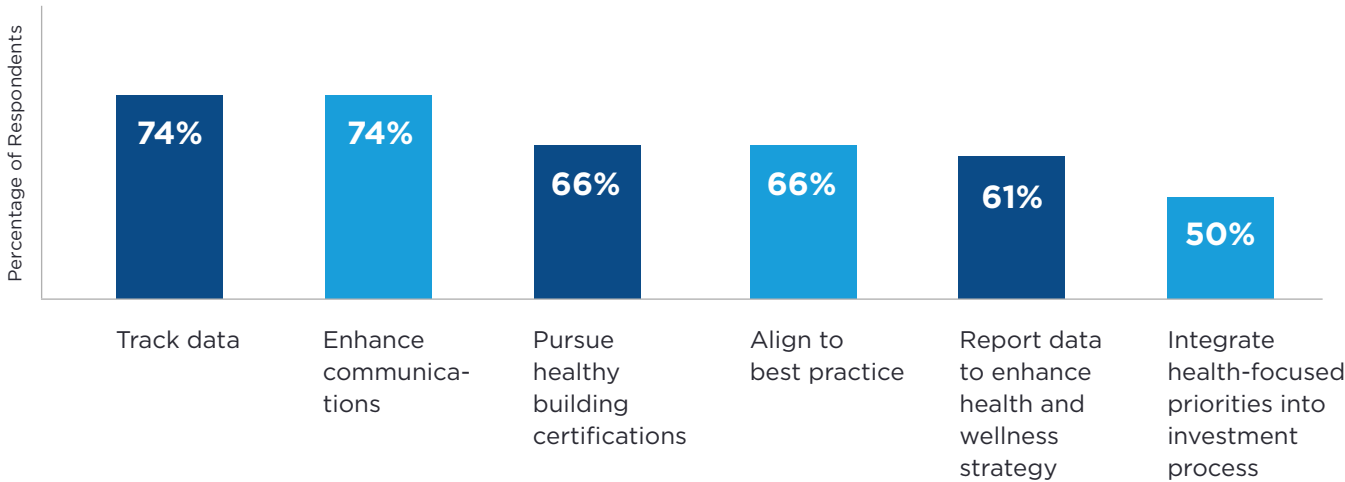
Key Findings: Enhancement Strategies

- **Opportunity to strengthen ESG strategy.** Currently only 53 percent of respondents report incorporating health and wellness into their ESG strategy to a great extent. Meanwhile 42 percent have begun to incorporate it only somewhat or very little, showing there is room for growth.
- **Extensive plans to invest near-term.** Nearly 90 percent (89.5%) of respondents plan to enhance their company's health and wellness strategy in the coming year.
- **Plans to improve tracking and reporting.** Our research makes it clear that integrating health and wellness into a broader business strategy will be a key priority among real estate investors moving forward, and that this prioritization of metrics is not isolated to any specific part of the world. Seventy-four percent (74%) of respondents with portfolios across the globe plan to enhance their health and wellness strategy through improved internal tracking of data, while 61 percent will strive to do so by strengthening their external data reporting.



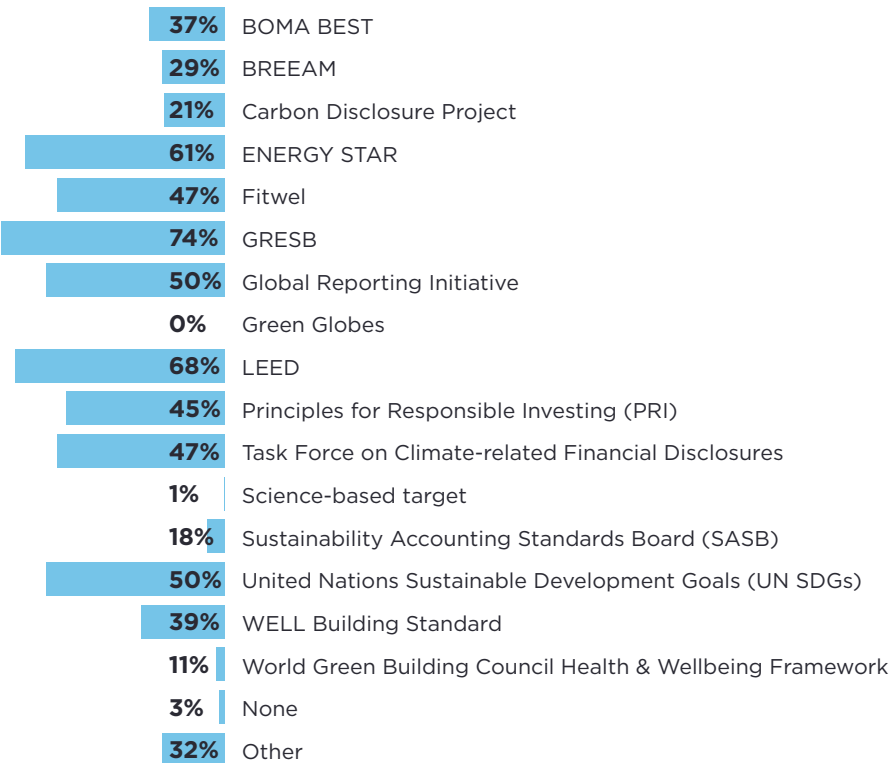
Enhancing Health and Wellness Strategy Moving Forward

Almost **90 percent** of respondents (89.5%) plan to enhance their health and wellness strategy in the next year. Among survey respondents, data and communications emerged as key priorities, with 74 percent of respondents expressing plans to track data and 74 percent of respondents expressing plans to enhance communications.



Current ESG Assessment Methods

The most commonly used assessment methods include GRESB (74%), LEED (68%) and Energy Star (61%).



“

KingSett is committed to accelerating market adoption of health and well-being practices. We achieve this through the pursuit and support of innovative technologies, best practices, and adoption of third-party certifications such as Fitwel.”

Jon Love
CEO
KingSett Capital

Investor Perspective:**Christopher Merrill, Co-founder, Chairman and CEO, Harrison Street*****How have you seen the conversation around health and wellness change recently?***

Somewhat, as many people are now making this discussion more mainstream. I recall when we started embracing GRESB and other ESG initiatives years ago that many people did not understand or see the benefits of what we were promoting. Many forward-thinking LP's have done a great job of pushing this agenda and getting the GP community to move this to the forefront. Recently we have seen an expansion of the discussion; for example, in the past Environmental, Social and Governance (ESG) initiatives focused mainly on energy efficient buildings but now that's expanded to climate risk and more recently to net zero emissions. While none of these areas has lost their luster, these past 12 months have seen a further focus on the "S." With the advent of the pandemic, health and wellness, a factor found in the "S", while always important, became the headline story. Fortunately for Harrison Street, given the asset classes we serve—including senior living and student housing—well-being has been a critical part of our ESG strategy from the beginning. The pandemic has only strengthened our resolve and commitment to ensuring the best possible health and care for our residents and tenants.

What strategies should investors be considering to combat COVID-19 and build confidence among stakeholders?

Given the rollout of vaccines with high efficacy rates, the investment won't be to combat COVID-19 but how to demonstrate to stakeholders that one is being proactive and prepared for any virus or infectious disease. This will include enhanced monitoring and reporting of air quality, and where necessary higher levels of filtration or increased amounts of fresh air being pumped into the system. It will also include new cleaning and sanitation protocols being built into the operations. And design layout may alter so as to foster more social distancing. Promoting these healthy practices, through regular reporting to existing and potential tenants, will also help alleviate fears from future outbreaks.

Any recommendations as the sector looks at incorporating health and wellness into its investment strategy?

Understand the research on how indoor environments affect one's physical and mental health. Tenants are becoming more concerned and attuned to the air they breathe, the water they drink and the lighting they're exposed to. Partner with industry experts like the Center for Active Design or Well Living Lab who can help think through both design and operating aspects of healthy environments.

Buildings are evolving, not just to address the occupants' physical demands, but also their mental needs. Designing and operating buildings that are deemed holistically healthy contributes to the well-being of the occupants and helps drive higher value to owners by putting the buildings in demand.

CONCLUSION

Insights to Action

COVID-19 is transforming how the real estate sector views health and wellness in the built environment, and it is elevating and sharpening the role that these initiatives play in ESG strategy.

As the findings of this report make evident, the demand for healthy buildings will continue to rise post-COVID-19 from diverse corners of the real estate market, with broad geographic distribution as well as representation from every major sector—from residential and offices to hospitality and retail. The findings also suggest that the demand will last long after vaccines have been distributed and infection rates are under control.

Many respondents are investing in health and wellness strategies for the near and long-term. The business case is becoming clearer, too, as commercial buildings with healthy building certifications are poised to benefit from rental premiums.

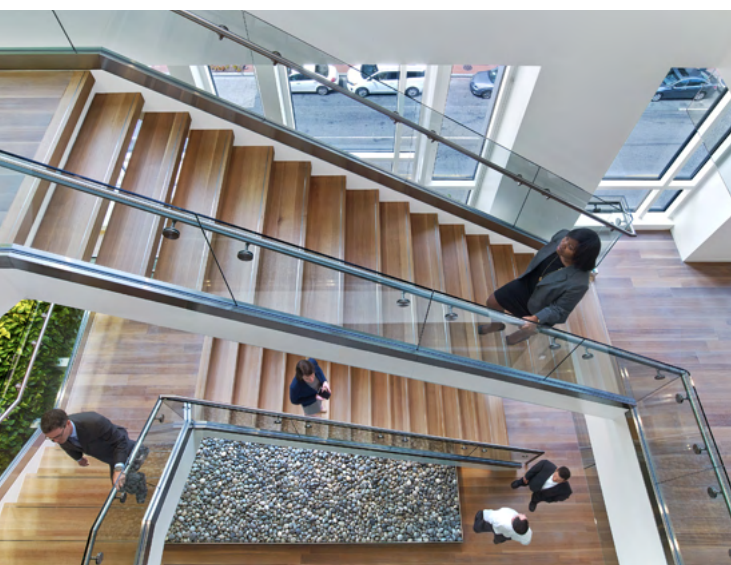
Looking ahead, what are the implications of what we've learned?

A fundamental paradigm shift. Taken together, the findings of this report signal a paradigm shift for the industry that is leading to fresh evaluation of the role that the built environment plays in the safety, health and wellness of its occupants. Asset managers will need to add new strategies to their toolkit to respond to these demands, from planning viral response mitigation and tracking indoor air quality to fostering healthy activity and engagement.

The need for standardization. Coincident with scaling the adoption of such tools, a key challenge revolves around standardizing what to measure. By aligning on a common set of metrics, the industry can commit to validating the outcomes of these strategies for the built environment. Third-party healthy building certifications will increasingly be relied upon to offer a viable framework for consistently tracking and integrating health-related ESG metrics.

Transparency through reporting and disclosure. Fiduciaries, asset managers and operators must be prepared to produce more diligent reporting and disclosure of performance in regards to health-promoting strategies. As regulators and international bodies grapple with uniformity around ESG reporting, health and wellness related reporting will face the same scrutiny.

The profound health and wellness considerations facing the real estate sector represents a positive evolution for an asset class which will be expected to take a tangible leadership stance on ESG. The “S” in ESG will be a key front for forward-looking asset managers to take proactive measures that elevate the social role of our buildings in the communities where they reside, while revealing new and exciting avenues for economic growth and investor value.



Citations

- 1 The institutions that participated in this study represent aggregate AUM of \$5.75 trillion USD and portfolio investments in real estate totaling approximately \$1.03 trillion USD. Numbers were provided by the company or verified by a reputable, published third-party source. Currency conversions are based on the conversion rates available on December 31, 2020.
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