

Managing Social Impact in Real Estate

Towards an integrated social value definition and measurement in the built environment industry

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Introduction

Introduction

The real estate and construction sector:

- Represents 65% of all capital investment in the EU
- Contributes >10% to the EU economy
- Accounts for 39% of global energy-related CO2 emissions
- Has driven house prices up by 26% in the EU between 2010 and 2020

Data from INREV, Eurostat, Urban Land Institute, Global Alliance for Buildings and Construction, International Energy Agency and the United Nations Environment Programme

UN SDGs and the rise of ESG

- SDGs have clear links to the built industry
- ESG now plays an important role in strategic and operational activities of corporations.
- Focus is currently on environmental factors, and social value takes the back seat

The Trade-Off Myth

A Morgan Stanley research found out that:

- There's no financial trade-off in returns (sustainable investment funds VS traditional funds)
- Sustainable funds demonstrate lower downside risk

Sustainable construction



Livable communities



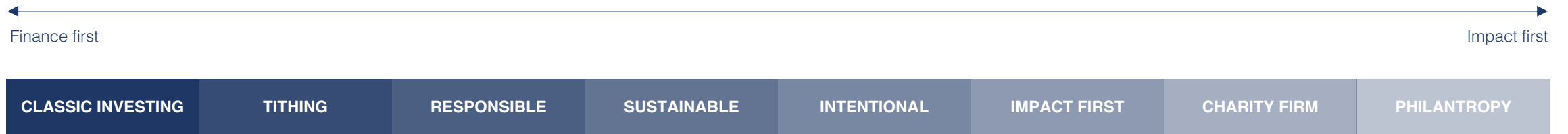
Affordable homes



The role of real estate investors and capital spectrum

A shift to sustainable investment strategies is powered by:

- Commitments, policies and regulations (e.g., TCFD or EU Taxonomy)
- A variety of ESG integration and reporting products are emerging in the financial sector.
- The public demand a responsible approach to how their money is managed.



Challenges and aim of this research

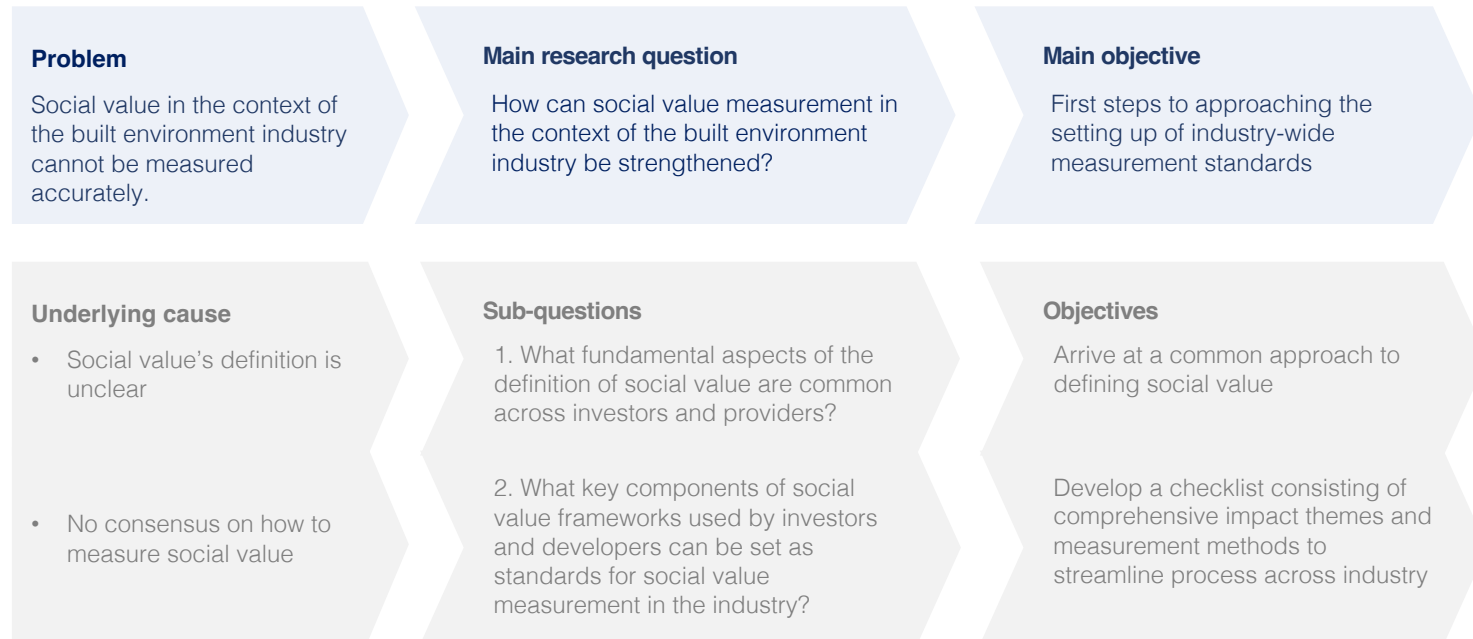
- No common understanding of the definition, measurement and management of social value exists (*Mudaliar and Basi, 2017*)
 - The number of tools, frameworks and certification schemes is increasing, but navigating this complicated and non-standardized landscape can be difficult. (*Mudaliar and Basi, 2017*)
 - A lot of companies are “reinventing the wheel” and developing their own bespoke frameworks and measurement tools (*PwC, 2021*)
- Analyse the social value practice
 - Develop conceptual thinking on how to integrate social value into decision-making
 - Develop a common and aligned approach on how to define and measure social value

Problem statement

Problem statement

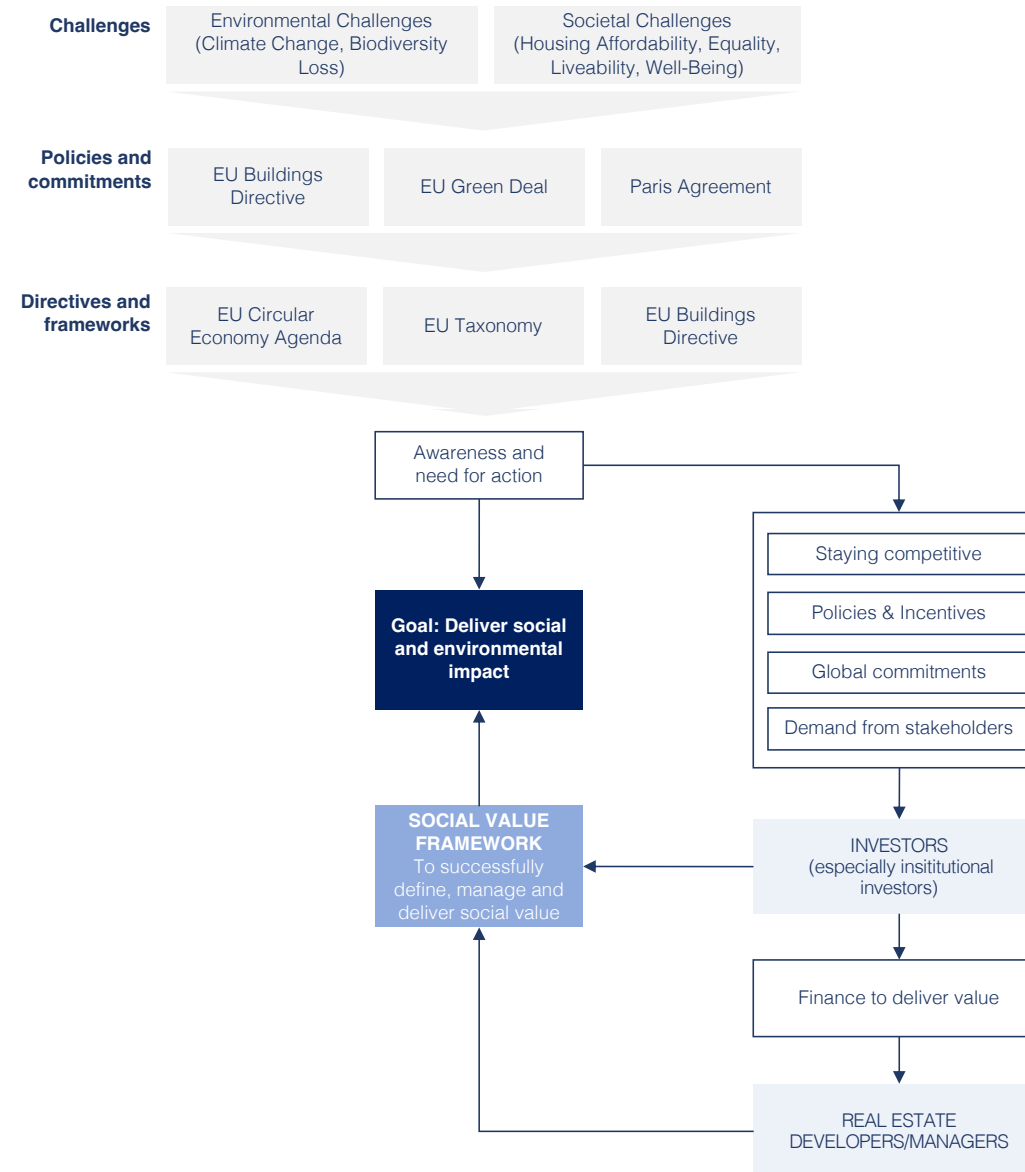


Research Questions

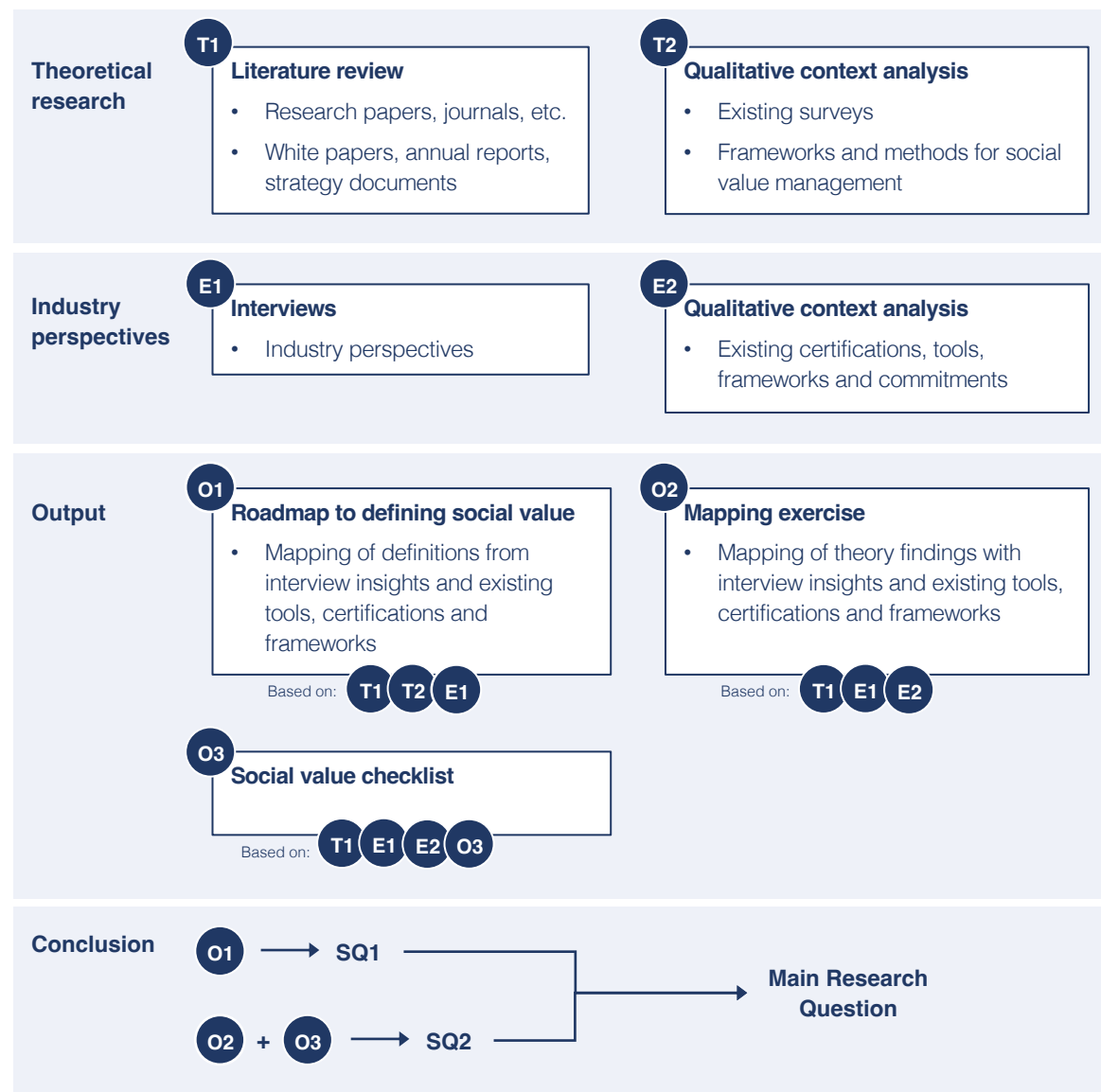


Research methodology

Conceptual model



Research methodology



Practical usefulness of the research

1. Provide an overview of the role the built environment has to play in creating social value, including opportunities to be addressed;
2. Provide knowledge on the dimensions of social value and how those can be achieved through strategy and operations;
3. Present findings from industry leaders on current perceptions, challenges and emerging practices;
4. Map collected knowledge from the theoretical and empirical research with existing tools and frameworks;
5. Provide a 'checklist' with comprehensive social impact themes and measurement methods to enable a streamlining and alignment of measurement and reporting across the industry

Theoretical research

Theoretical research

Social Value and its dimensions in the built environment

- Social value *strengthens the business case* for investment in buildings
- There is *growing expectation* regarding responsibilities of companies
- Dimensions of social value in real estate:
 - Occupant health and well-being
 - Community building and enhancement
 - Social equity throughout the lifecycle
 - Environmental action

Housing financialization

- Profit-first mindset has led to the *commodification of homes*
- There's a *disconnect* between social value creation and financial value creation
- Housing affordability in European cities has reached a *'crisis level'*
- Rent prices influence people's spending power and consequently both physical and mental well-being
- The real estate sector has an important role to play in *fighting the rising wealth inequality*

The impact of Covid-19

- The pandemic has *accelerated inequalities*:
 - between high- and low-income countries
 - employment status,
 - population group
 - income levels
- There's an increased *demand for healthy indoor environments*

Theoretical research

Public drivers

Public procurement

- Generating and measuring social value is increasingly becoming an expectation within procurement contracts

Policies and regulation

- Increased likelihood of legislative action through planning policies and building codes

Private drivers

- Market expectations
- Industry competitiveness
- Staff retention opportunities
- Increased reporting expectations

Theoretical research

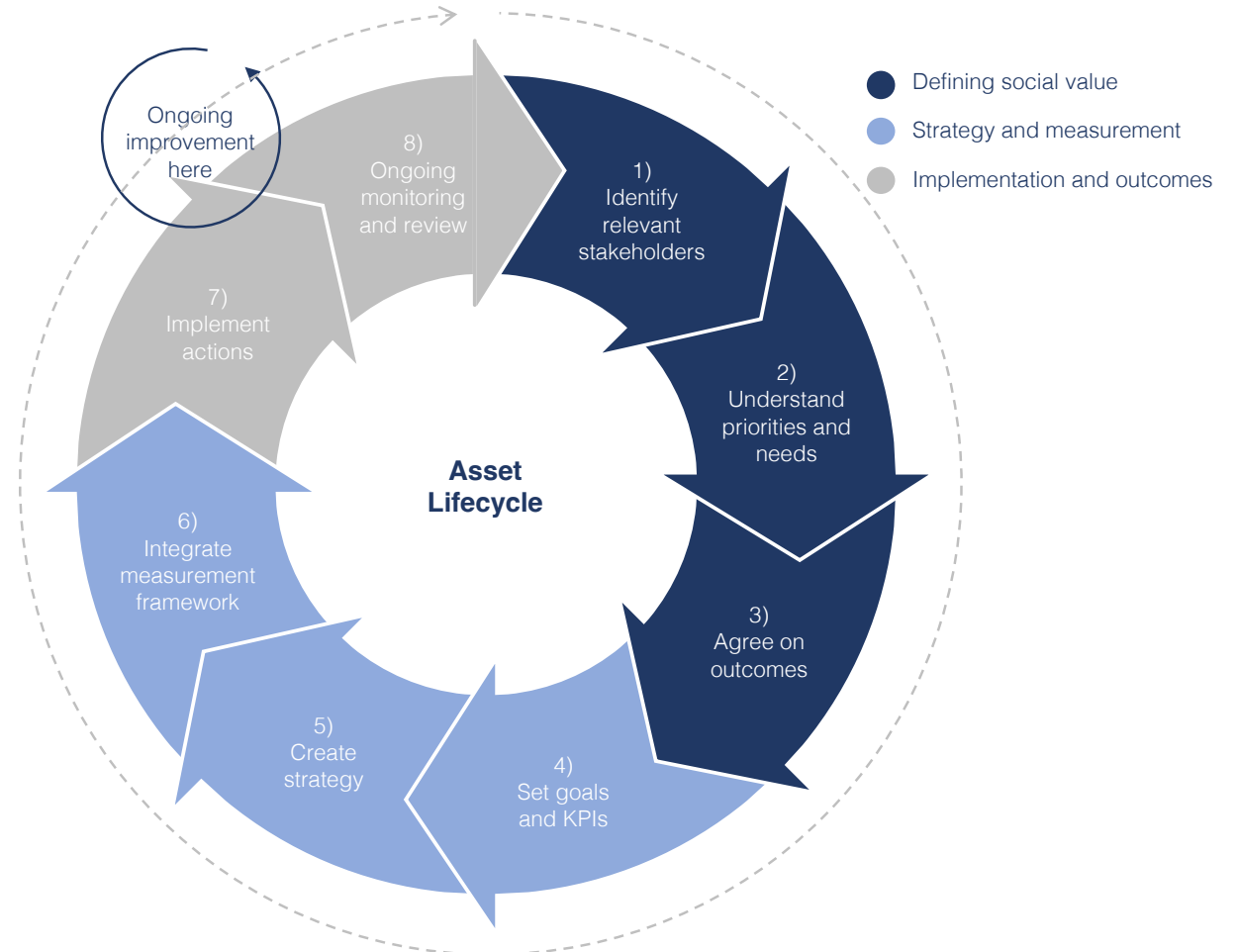
Define

- No standardized definition can be set up
- Social value depends on
 - Local context
 - Local needs
 - Local authorities' priorities
 - Project stage

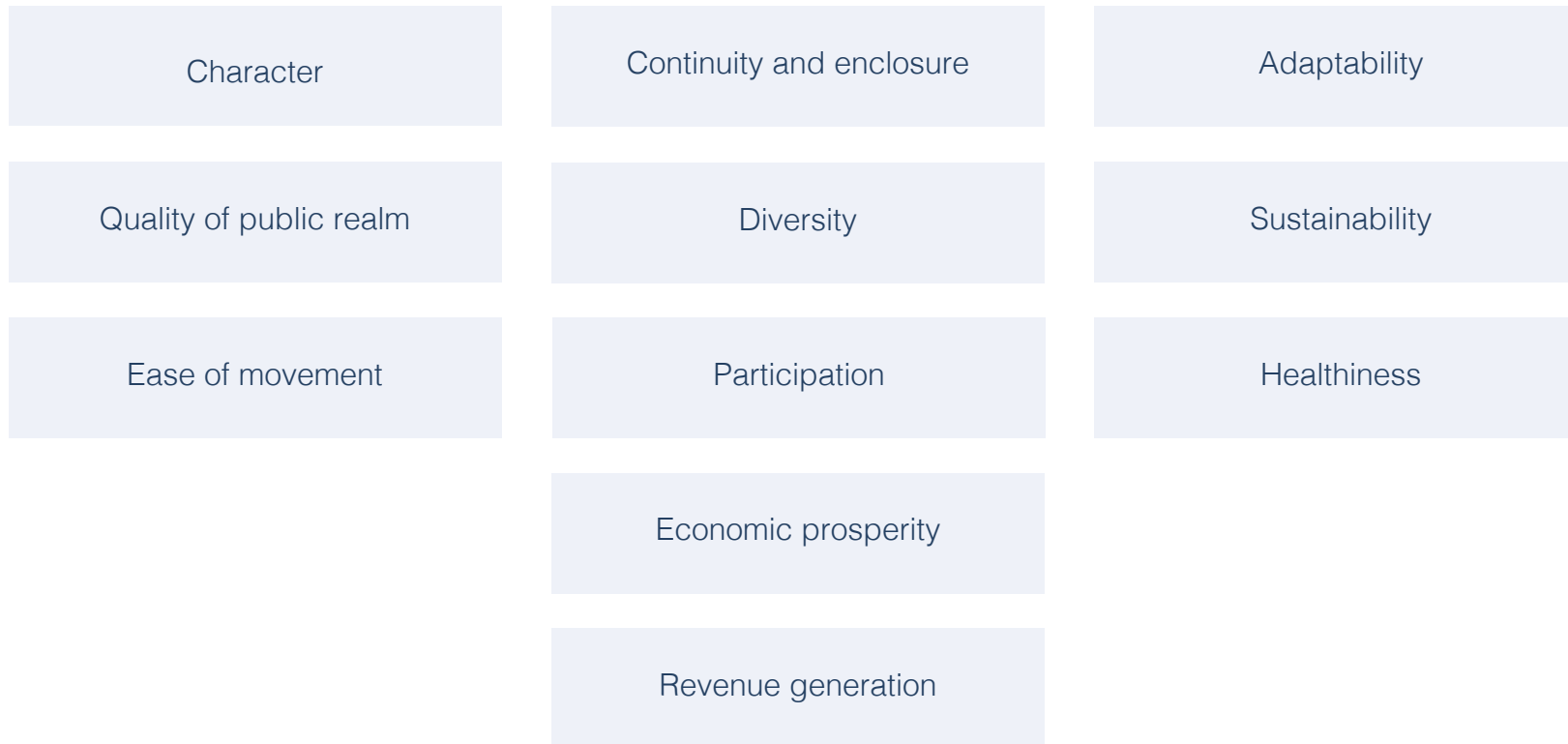
Measure

- The social science field does not have hard laws and regularities
- Many competing and overlapping tools exist
- Different organisations use different methodologies to measure impact

Create



Measurement



Cooper et al, 2018

Quantification

Cost-Benefit Analysis

Stated Preferences

Social Return on Investment
(SROI)

Public Value Assessment

Life Satisfaction Assessment

UKGBC, 2020

Key takeaways from theoretical research







1. The built environment industry shapes how and where people live, work and play.
 2. The built environment industry is known to create negative impacts on society and the environment
 3. The built environment industry drives wealth inequalities and housing unaffordability
-
4. The built environment industry has a central role in delivering social value through its links to a number of the UN's SDGs
 5. The business case for social value integration is here, supported both through public and private incentives
 6. Knowledge on social value topics exists
 7. A variety of approaches and tools exists on how to define, measure and create social value


Industry perspectives

Selection Criteria

		Investor			Asset/Development manager			Expert
		MN Netherlands	NREP Sweden	Syntrus Achmea Netherlands	NCC Denmark	Nelio Concepts Finland	NREP Denmark	Places for People UK
Required	Invests in/manages/ develops built projects (>5 years)	V	V	V	V	V	V	V
	Has a measurement tool in place that evaluates the social impact created by the asset/development	V	V	V	V	V	V	V
Desired	Is a recognized sustainability/ESG front-runner	V	V	V	V	V	V	V
	Is PRI/B.Corp/GIIN/UN Global Compact/GRESB certified or equivalent	V	V	V	X	X	V	X
	Based in the European Union	V	V	V	V	V	V	X

Interview participants

							
Interviewee	Gustaf Lilliehöök	Kristel van Dam	Peter van den Tol	Interviewee	Aleksa Pešič	Anna-Mette Monnelly	Rasmus Grosen Olsen
Stakeholder type	Investment professional	Investment professional	Investment professional	Stakeholder type	AM/Developer	AM/Developer	AM/Developer
Company	NREP	Syntrus Achmea	MN	Company	Nelio Concepts	NCC	NREP
Role	Partner	Senior ESG Researcher	Impact Investing Manager	Role	Head of Concept	Head of Sustainability	Sustainability Manager
Country	Sweden	Netherlands	Netherlands	Country	Finland	Nordics	Denmark

	
Interviewee	Corne Koppelaar
Stakeholder type	Expert
Company	Places for People
Role	International Director
Country	UK

Interview protocol

Defining social value

1. Introductions and defining the case (10 min)

- Can you briefly explain your role at your organization, what you are responsible for, and how many years you have been working in the field?

2. Defining social value (15 min)

- What sustainability terms are you most familiar with?
- What is your organisation's definition of social value?
- Why does social value creation matter?
- Which factors influence social value creation?

Measuring social value

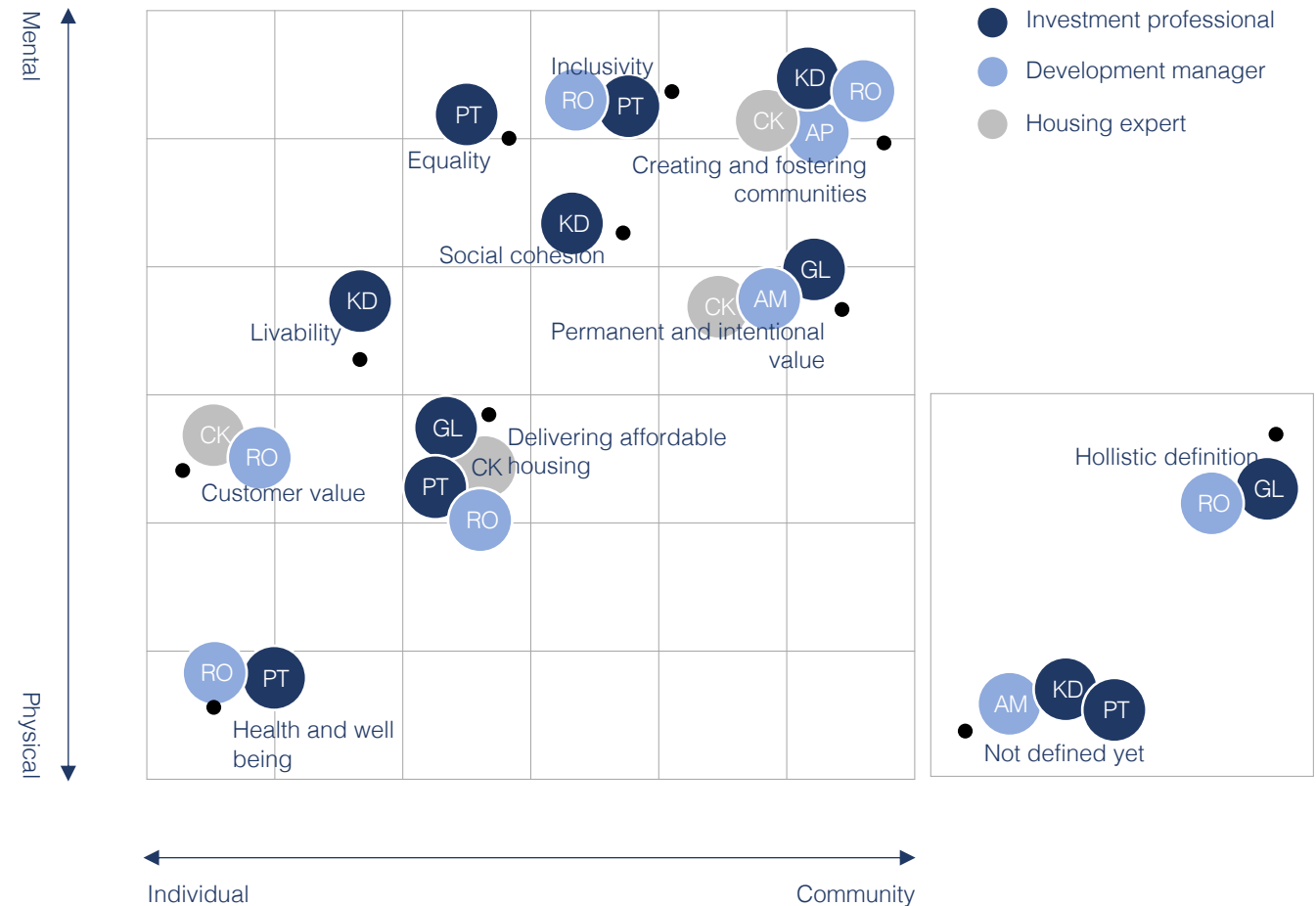
1. Measuring social value (15 min)

- Which framework or tools do you use or refer to regularly?
- What do you measure in relation to social value?
- How do you use the results of social value measurement?
- How important is the role of monetisation (quantification)?
- What do you think social value practice is likely to be in five years' time?
- What is a first priority to drive the improvement of social value creation?

Signed consent form

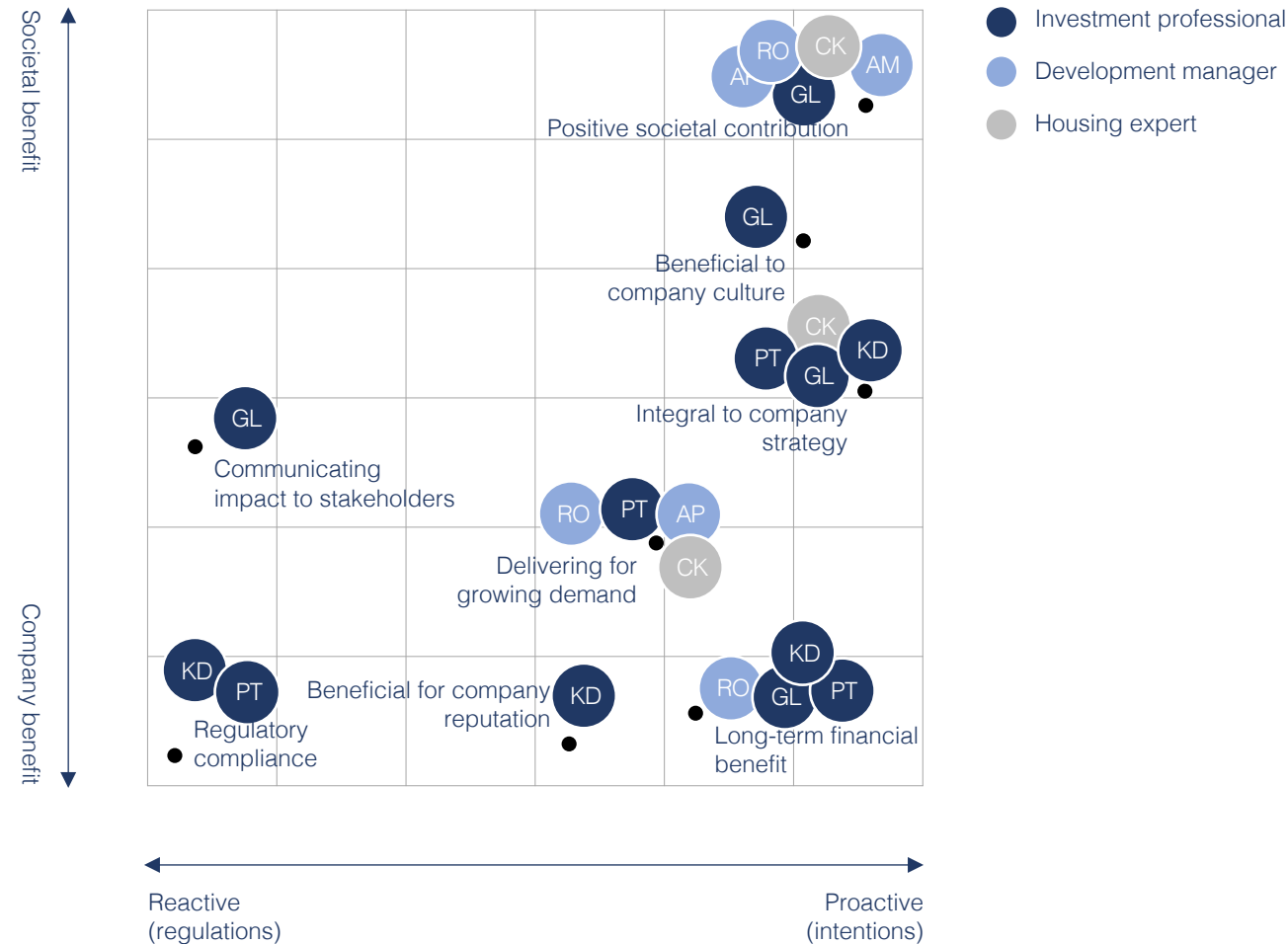
Industry perspectives

What is your organization's definition of social value?



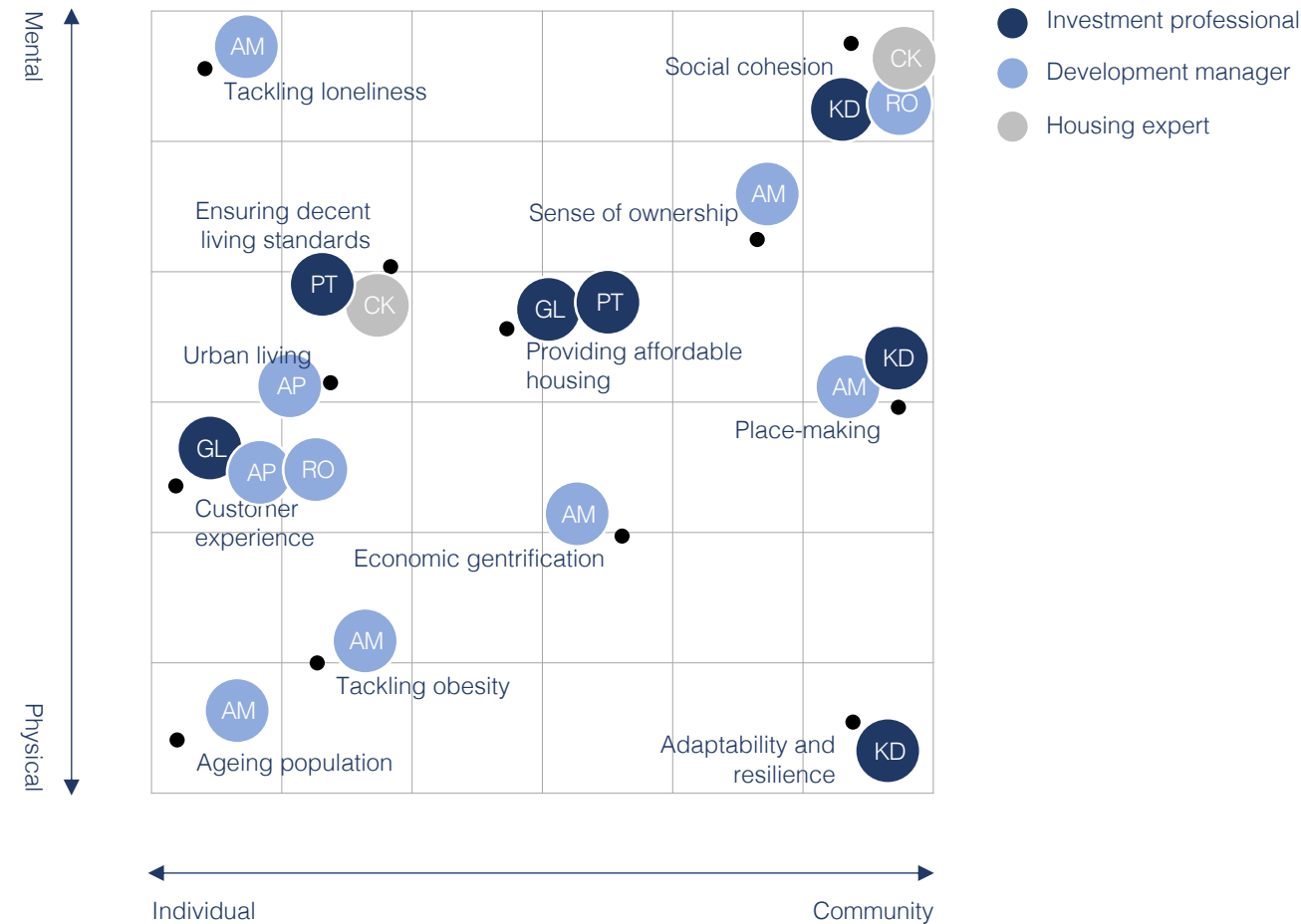
Industry perspectives

Why does social value creation matter?



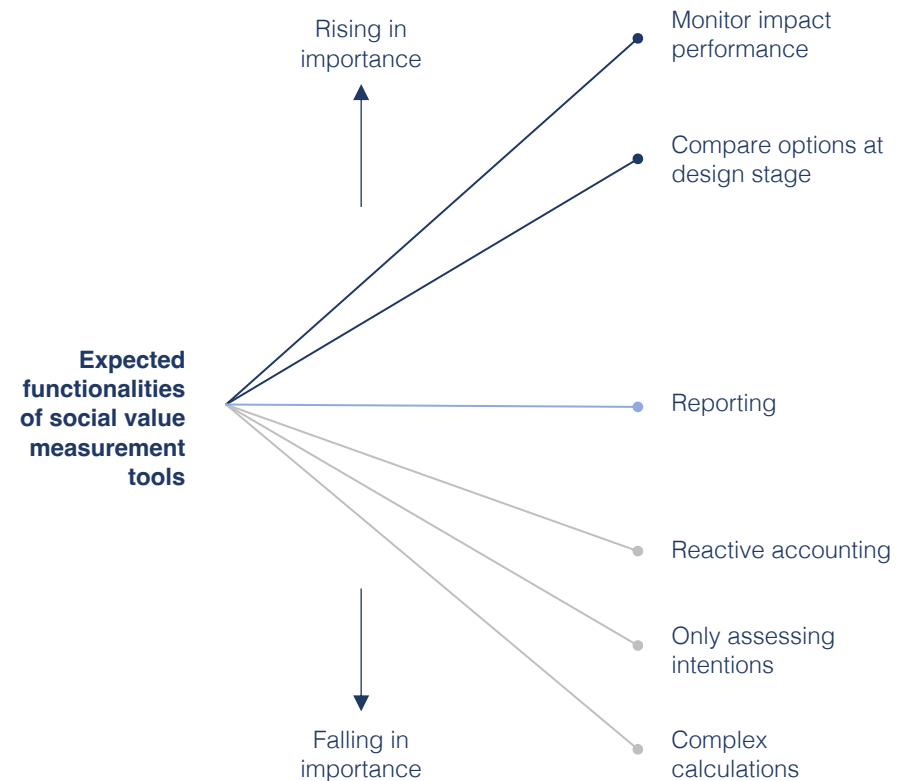
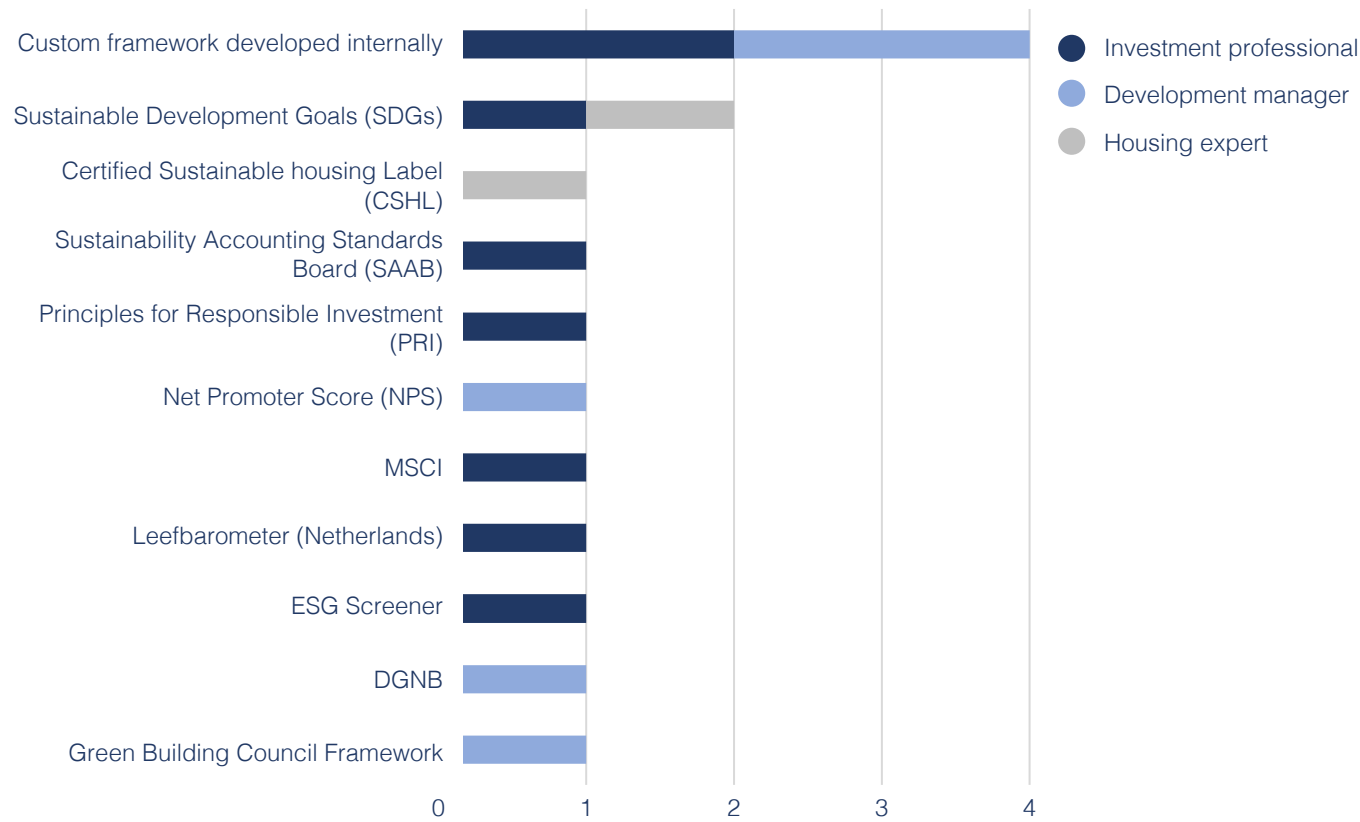
Industry perspectives

Which factors influence social value creation?



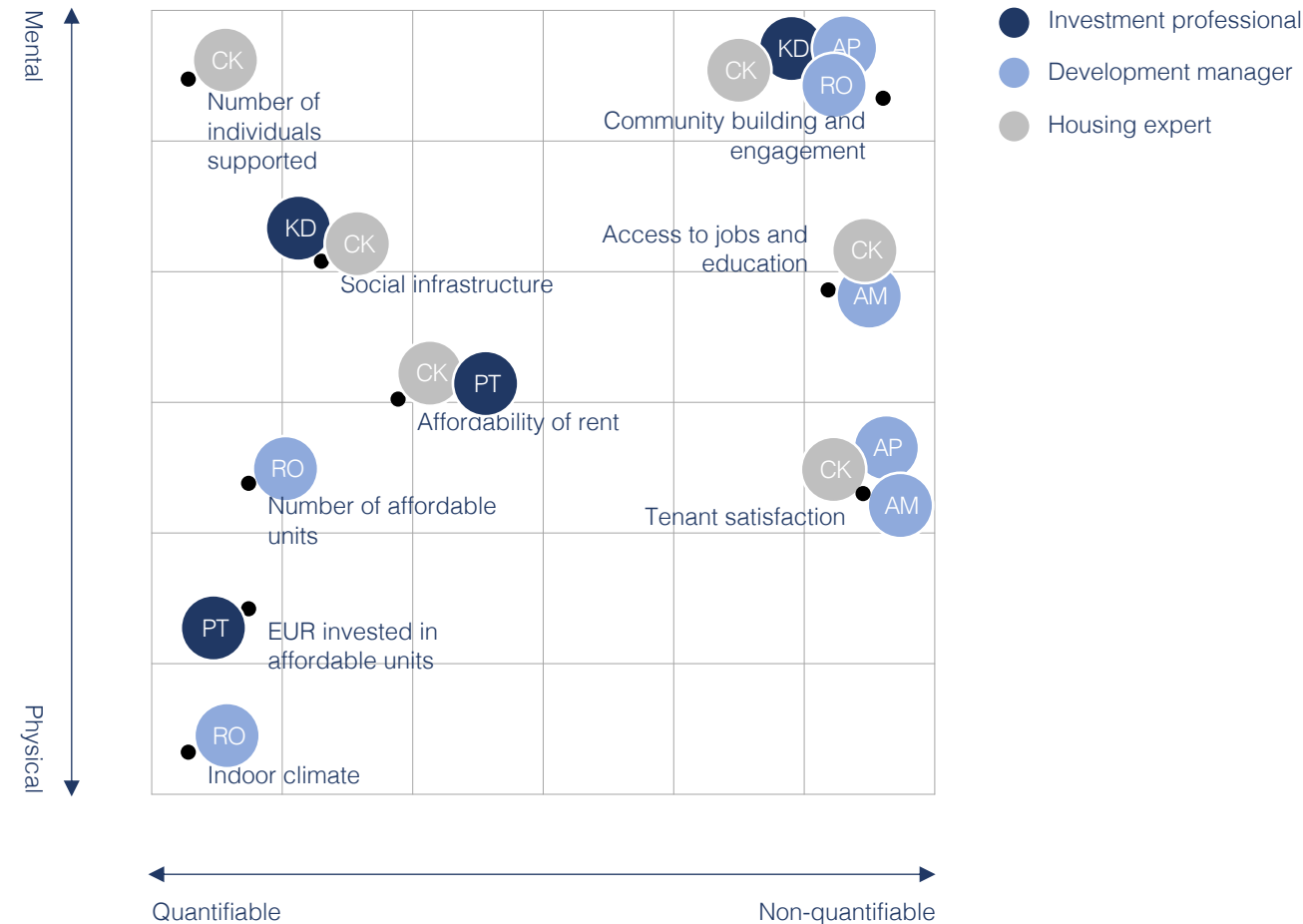
Industry perspectives

Which framework or tools do you use or refer to regularly?



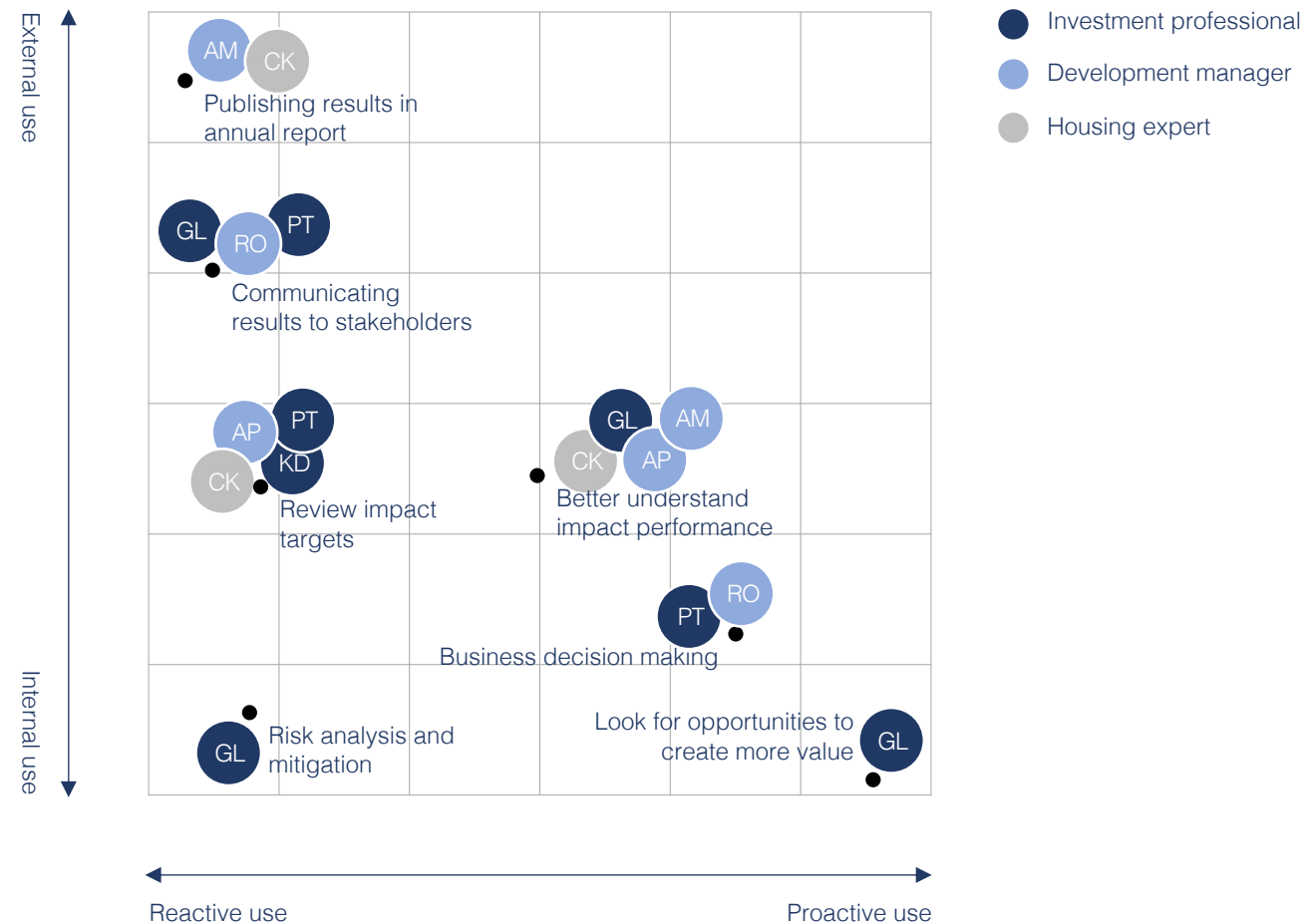
Industry perspectives

What do you measure in relation to social value?



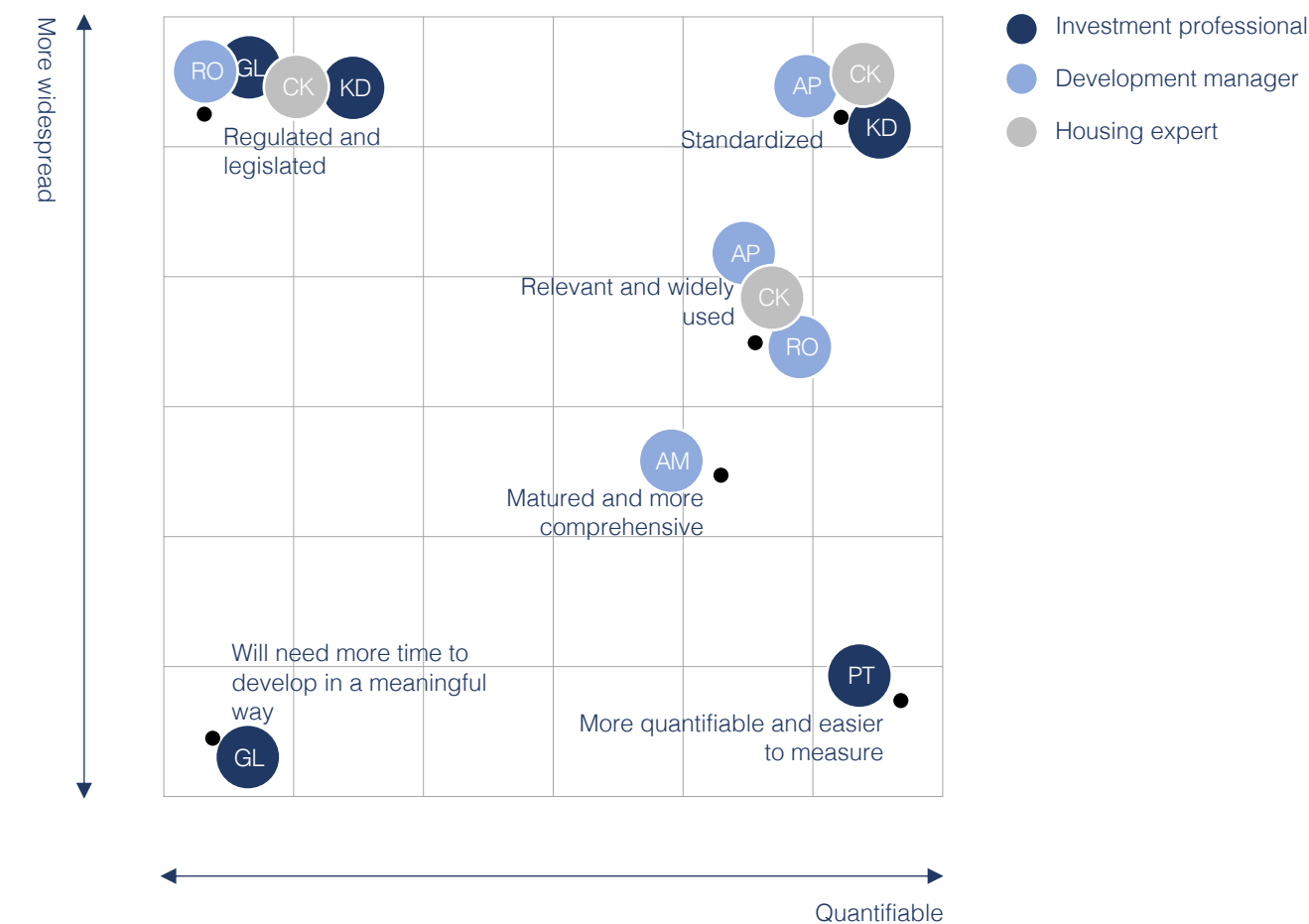
Industry perspectives

How do you use the results of social value measurement?



Industry perspectives

What do you think the social value practice is likely to be in five years' time?



Industry perspectives

What is a first priority to drive the improvement of social value creation?



Gaps

- Limited understanding of social value (e.g., only considering a handful of impact themes)
- Not considering local stakeholders
- Not considering local context, including context-specific needs and authorities' priorities

- Goals that are not defined properly are hard to measure
- Focus on “report friendly” indicators
- Focus on complex quantification calculations shifts the focus

INTENTION

- Commitment on strategic level
- Consistent with investment strategy and business plan

INITIATION

- Define goals
- Create an action plan

MEASUREMENT

- Meaningful measurement that allows for performance to be analyzed and improved

OUTPUT

- Going beyond the “reporting and disclosure” mindset

Mapping exercise

Opportunities to address the gaps

Initiation Gap

Provide guidance on:

- How to gain a better understanding of social value's components
- How to gather better knowledge of context
- How to involve stakeholders meaningfully

Measurement Gap

Provide a standardized process, which:

- Includes main impact themes
- Includes resources on specific KPIs
- Includes resources on available measurement techniques
- Includes a mechanism to track progress, as well as review and update KPIs

This will be done by analyzing and mapping data from:

Theory

Interviews

Certifications

Frameworks

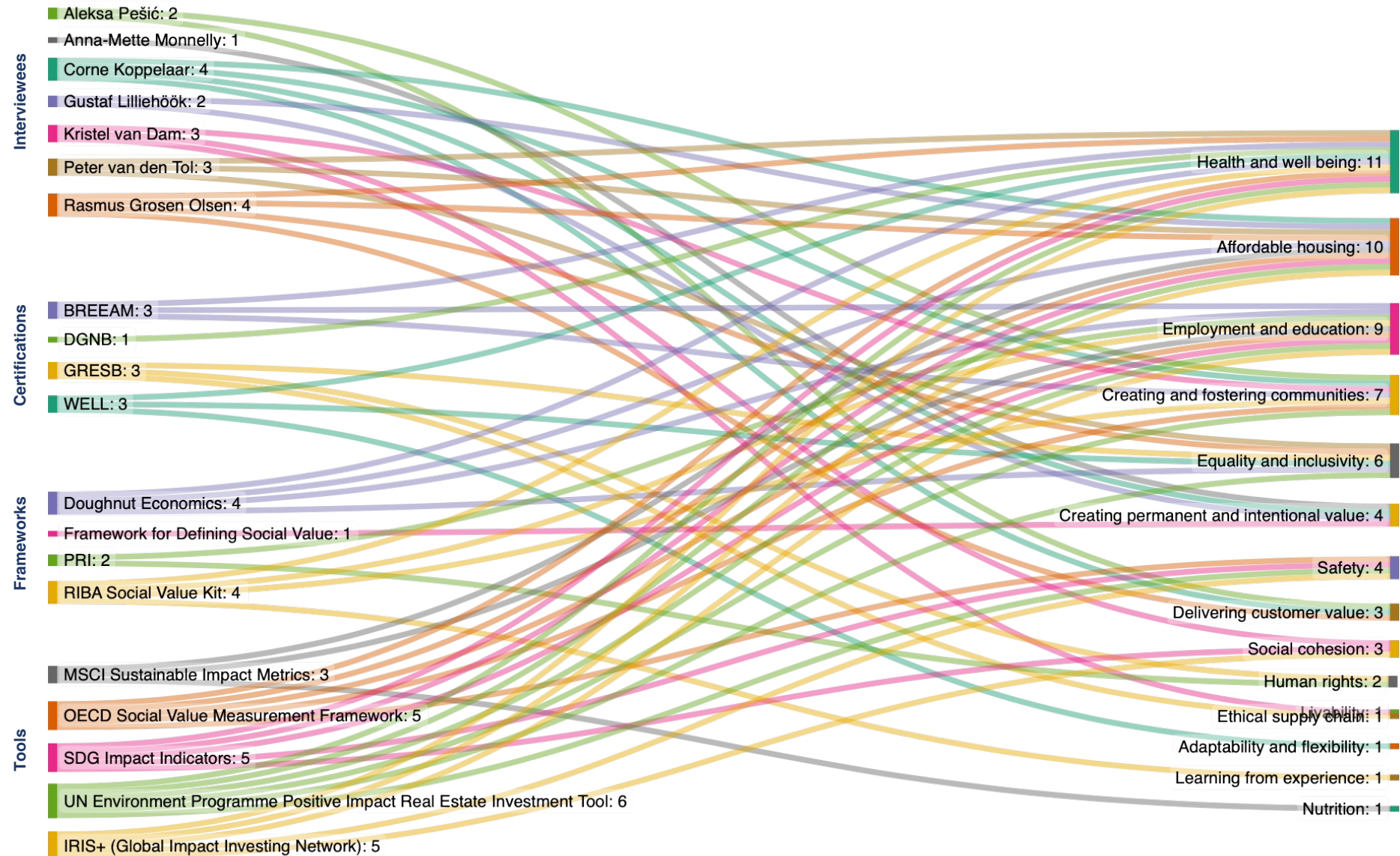
Measurement tools

Certifications, tools and frameworks



	Strategy Planning	Target Setting	Measurement	Reporting
Certifications	<u>BREEAM</u>	V	V	V
	<u>DGNB</u>	V	V	V
	<u>GRESB</u>	V	V	V
	<u>WELL Standard</u>	V	X	V
Frameworks	<u>Doughnut Economics</u>	V	X	X
	<u>IHRB</u>	V	X	X
	<u>UKGBC Framework for Defining Social Value</u>	V	X	X
	<u>PRI</u>	X	X	X
	<u>RIBA Social Value Kit</u>	V	X	X
	<u>OECD Measuring Well-being Framework</u>	V	X	X
	<u>IMP Impact Management Project</u>	X	X	X
	<u>IRIS+ (Global Impact Investing Network)</u>	X	V	V
Measurement Tools	<u>MSCI Sustainable Impact Metrics</u>	V	V	V
	<u>OECD Social Value Measurement Framework</u>	V	V	X
	<u>SDG Impact Indicators</u>	V	V	V
	<u>UN Environment Programme Positive Impact Real Estate Investment Tool</u>	X	V	X

Addressing the Initiation gap: Mapping definition components



Addressing the Measurement gap: Mapping measurement themes

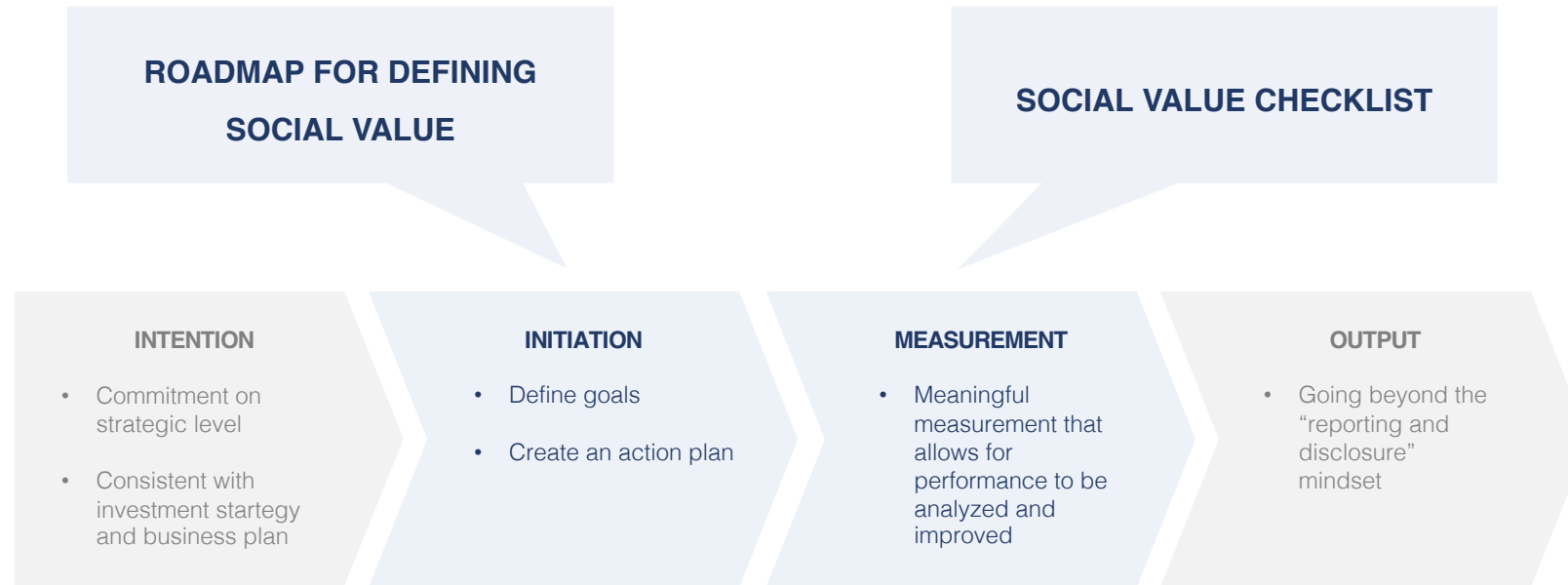
Mapped impact themes	Measurement Frameworks															Indicator coverage rate
	Theory	BREEAM	DGNB	GRESB	WELL	Doughnut Economics	Institute for Human Rights and Business (IHRB)	UKGBC Framework for Defining Social Value	PRI	RIBA Social Value Kit	IRIS+	MSCI	OECD Social Value Measurement Framework	SDG	UN Positive Impact Real Estate Investment Tool	
1 Accessibility and mobility	V	V	V	X	V	X	V	X	X	X	X	V	X	X	V	47%
2 Adaptability	V	V	V	X	X	X	X	X	X	X	V	X	X	V	X	33%
3 Affordable housing	V	X	X	X	X	V	X	X	X	X	V	X	V	V	V	40%
4 Behavioural change	X	V	X	X	X	X	X	X	V	X	X	X	X	X	V	20%
5 Profitability	V	X	V	V	X	X	X	X	V	X	X	X	X	X	V	33%
6 Character	V	X	X	X	V	X	X	X	X	X	X	X	X	X	V	20%
7 Community	V	X	X	V	V	X	X	X	X	V	V	X	V	X	X	40%
8 Environmental sustainability	V	V	V	V	X	X	X	X	X	V	V	V	V	V	V	67%
9 Health and well-being	V	V	V	V	V	V	V	V	X	V	V	V	V	V	V	93%
10 E, D & I	V	X	V	X	V	V	V	V	X	X	V	X	X	V	X	53%
11 Jobs and education	V	X	X	X	X	V	X	V	X	V	X	V	V	V	V	53%
12 Participation	V	V	V	X	X	X	V	X	X	X	X	X	V	X	X	33%
13 Quality of spaces	V	X	V	X	V	X	V	X	X	V	X	X	X	V	X	40%
14 Resilience	V	V	V	X	X	X	X	X	X	X	V	X	X	V	X	33%
15 Safety	X	X	X	X	X	V	V	V	X	X	X	X	V	V	V	40%
16 Nutrition	X	X	X	X	V	V	X	X	X	X	X	V	X	V	V	33%
17 Work-life balance	X	X	X	X	X	X	X	X	X	X	X	X	V	X	X	7%
18 Monetization guidance	V	X	X	X	X	X	X	V	X	X	X	X	X	X	X	13%

Addressing the Measurement gap: Mapping exercise takeaways

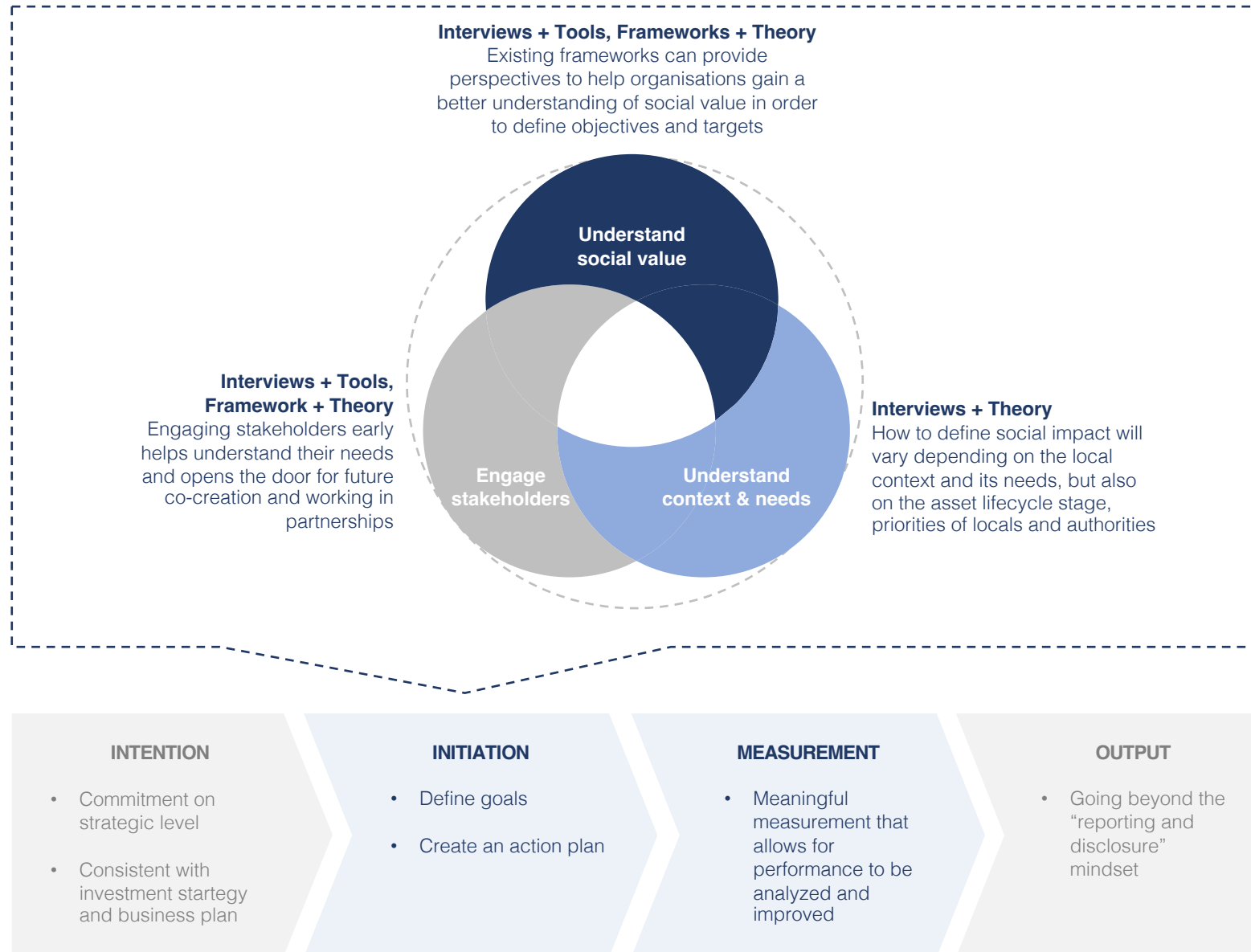
Mapped impact themes	Indicator coverage rate	Covered in theory	Covered in tools, etc
1 Accessibility and mobility	47%	Yes	6 out of 14
2 Adaptability	33%	Yes	4 out of 14
3 Affordable housing	40%	Yes	5 out of 14
4 Behavioural change	20%	No	3 out of 14
5 Profitability	33%	Yes	4 out of 14
6 Character	20%	Yes	2 out of 14
7 Community	40%	Yes	5 out of 14
8 Environmental sustainability	67%	Yes	9 out of 14
9 Health and well-being	93%	Yes	13 out of 14
10 E, D & I	53%	Yes	7 out of 14
11 Jobs and education	53%	Yes	7 out of 14
12 Participation	33%	Yes	4 out of 14
13 Quality of spaces	40%	Yes	5 out of 14
14 Resilience	33%	Yes	4 out of 14
15 Safety	40%	No	6 out of 14
16 Nutrition	33%	No	5 out of 14
17 Work-life balance	7%	No	1 out of 14
18 Monetization guidance	13%	Yes	1 out of 14

Output and recommendations

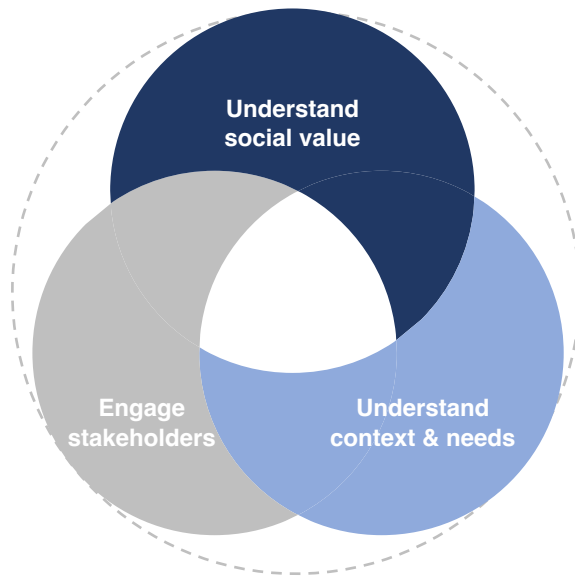
Outputs



Addressing the Initiation gap: Roadmap for defining social value



The Roadmap's role in the the Initiation gap



Initiation Gap

Provides guidance on:

- How to gain a better understanding of social value's components
- How to gather better contextual knowledge
- How to involve stakeholders meaningfully

Addressing the Measurement gap: Mapping exercise takeaways

Mapped impact themes	Indicator coverage rate	Covered in theory	Covered in tools, etc
1 Accessibility and mobility	47%	Yes	6 out of 14
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13 Quality of spaces	40%	Yes	5 out of 14
14 Resilience	33%	Yes	4 out of 14
15 Safety	40%	No	6 out of 14
16 Nutrition	33%	No	5 out of 14
17 Work-life balance	7%	No	1 out of 14
18 Monetization guidance	13%	Yes	1 out of 14

Addressing the Measurement gap: Social value checklist

Physical	 Accessibility and mobility	Will your project be equally accessible to all people of different abilities?
	 Adaptability	Will your project's design be flexible, and will it create potential for conversion, thus reducing lifecycle costs and minimising the risk of vacancy?
	 Environmental sustainability	Will your project promote protection of ecosystems, energy efficiency, innovative building practices, waste and pollution minimisation, etc?
	 Health and well-being	Will your project improve physical health, safety and mental well-being for everyone involved, including users, local community, project team, supply chain, etc?
	 Quality of spaces	Will your project bring spaces and routes that are designed well, and will they be attractive, safe, uncluttered and work effectively for all in society?
	 Nutrition	Will your project promote health improvement by influencing dietary behaviours and by increasing the marketing and availability of healthy foods?
Mental	 Affordable housing	Will your project provide or preserve housing units that are considered affordable in the local context?
	 Behavioural change	Will your project aim to promote solutions that encourage people to make the most sustainable choice?
	 Character	Will your project respond to and reinforce locally distinctive patterns of development and culture, including preserving historical buildings and monuments
	 Community	Will your project commit to strengthen communities and engage with them throughout the project lifecycle?
	 Inclusivity, diversity and equality	Will your project aim to be inclusive, both in the project team and end users, as well as all other stakeholders involved?
	 Jobs and education	Will your project support local job creation, education, training and/or businesses and products?
	 Participation	Will you project allow for activities that promote active participation and involvement of users and stakeholders in decision making processes throughout the project lifecycle?
	 Resilience	Will your project promote practices that mitigate risks, endure shocks and identify opportunities to adapt and thrive?
	 Safety	Will your project aim to be inclusive, both in the project team and end users, as well as all other stakeholders involved?
	 Work-life balance	Will your project ensure relevant stakeholders can find balance between the demands of work and those of personal fulfilment and happier life?
Additional	 Guidance on monetization	Cost-Benefit Analysis
		SROI
	 Tools for success	Do you have a feedback loop or another mechanism to stay engaged?

Social value checklist

Resources for KPI and Measurement method selection

Type #	Impact theme	Guidance	Applicable	Resources	KPIs	Measurement	Quantifiable	Progress
Physical	1 Accessibility and mobility	Will your project be equally accesible to all people of different abilities?	Yes/No	BRREAM, DGNB, IRIS+, WELL, MSCI, UN.	Select	Select	Yes/No	Tracking
	2 Adaptability	Will your project's design be flexible and will it create potential for conversion, thus reducing lifecycle costs and minimising the risk of		BRREAM DGNB IRIS+ SDGs				
	3 Environmental sustainability	Will your project promote protection of ecosystems, energy efficiency, innovative building practices, waste and pollution minimisation, etc?		BRREAM DGNB GRESB RIBA IRIS+ MSCI OECD SDGs UN				
	4 Health and well-being	Will your project improve physical health, safety and mental well-being for everyone involved, including users, local community, project team, supply chain, etc?		BRREAM DGNB GRESB WELL Doughnut Economics UKGBC RIBA IRIS+ MSCI OECD				

The Checklist's role in the the Measurement gap

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Measurement Gap

Provides a standardized process, which:

- Includes main impact themes
- Includes resources on specific KPIs
- Includes resources on available measurement techniques
- Includes a mechanism to track progress, as well as review and update KPIs

Conclusion

Conclusion

SQ1: What fundamental aspects of the definition of social value are common across investors, managers and developers?

- Common aspects to consider:
 - Knowledge of dimensions of social value
 - Local needs and priorities
 - Engaging stakeholders

=> Roadmap for defining social value

SQ2: What key components of social value frameworks used by investors, managers and developers can be set as standards for social value measurement in the industry?

- No set of standardized indicators can measure impact in all situations.
- Striving for standardisation obscures professional judgement.
- Social value checklist standardizes the process to help organisations get a holistic overview of impact themes, measurements and quantification.
- Checklist contains components that can be set as standards but remains flexible in the way it allows for context-specific implications to be considered.

=> Social value checklist

RQ: How can social value measurement in the context of the built environment be strengthened?

- *A context-based definition of social value* and clear goals that link to local needs and that can be transformed into actionable steps; (**Roadmap**)
- *A standardized overview of impact themes* and corresponding measurement techniques that can be *tailored to specific contexts and needs*, if needed; (**Checklist**)
- *A process for continuous evaluation of results* and outcomes which will set up organisations for successful delivery of social value (**Checklist**)
- * Effective leadership that targets intentional value creation and that understands the role the built environment plays in this process;

Research limitations

- Focus on EU market only
- Relatively small interview sample
- Social value and how to define, measure and deliver it, is still an emerging topic

Recommendations on future research of the topic

- Levers to drive more external pressure from investors.
- Dealing with the fragmented nature of the built environment industry.
- Further research into the other two parts of the social value creation process: Intention and Output.

Thank you for the attention