RESEARCH

JUNE 2024

# IPF Research Awards 2023
## An investigation into the measurement of social impact by UK real estate investors and developers

GRANT AWARDED BY THE IPF RESEARCH PROGRAMME

This research was funded and commissioned through the IPF Research Programme.

This Programme supports the IPF's wider goals of enhancing the understanding and efficiency of property as an investment. The initiative provides the UK property investment market with the ability to deliver substantial, objective and high-quality analysis on a structured basis. It encourages the whole industry to engage with other financial markets, the wider business community and government on a range of complementary issues.

The Programme is funded by a cross-section of businesses, representing key market participants. The IPF makes a contribution to the Programme and gratefully acknowledges the support of these sponsoring organisations:

# INTRODUCTION

In 2023, the IPF Research Programme launched its second grants scheme to provide financial assistance to promote real estate investment research. No specific themes were suggested and prospective applicants were encouraged to examine issues that would advance the real estate investment industry's understanding of and implications for asset pricing, risk-adjusted performance and investment strategy. The scheme was also open to individuals, working within institutional organisations, where the grant may be used to fund data acquisition.

The Grant scheme was first run in 2021 when three applicants were awarded grants. This time, an appraisal of proposals received by the deadline of 31 August 2023 resulted in the provision of grants to seven submissions, with limited supervision afforded by a sub-committee of the IPF Research Steering Group during the research period.

Each paper is available to download from the IPF website. We hope you find them a diverse and interesting read.

The following paper has been written by Tim Francis, *TPF Consulting Limited*

**Richard Gwilliam**
*Chair IPF Research Steering Group*
*June 2024*

# Content



**Report author's thanks**

I am extremely grateful to everyone who participated in this research, either by completing the survey, giving up their time to be interviewed or simply offering valuable advice and pointing me toward useful sources of information and data. I am especially grateful to Vivienne King of Impactful Places (formerly the Head of Real Estate Social Impact at The Good Economy) who very kindly acted as a peer reviewer for this research and provided me with excellent advice on this complex topic.

Finally, I am very grateful to the IPF Research Programme for providing funding for this research project, and I hope it stimulates interest within the IPF membership for more research on this important topic.

**Tim Francis**
Director, TPF Consulting Limited
March 2024

## Executive Summary

### Key findings and observations from the research

- Real estate companies are paying close attention to social impact as they embed Environmental, Social and Governance (ESG) into business strategies. It is encouraging to find responsibility for delivering social impact being shared across organisations, rather than solely with business leaders and subject experts.
- However, progress is being hampered by several factors including:
  - a lack of consistency and clarity about social impact terminology and definitions,
  - a lack of confidence in using qualitative methods to track and report social impact,
  - fears of reputational risk from perceptions of 'social-washing', and
  - hesitancy in committing to some social impact measures and approaches given the fast-moving social and political landscape.
- Respondents reported that social impact was frequently considered as part of their decision-making processes, but they also said it was the *least important* factor behind financial, environmental and governance. Nevertheless, 'mission-driven' companies rated social and governance as most important.
- Views were mixed about using monetisation, quantifiable targets and benchmarks within social impact measurement approaches, due to questions over their appropriateness, a lack of awareness or limited resources to incorporate them.
- Approaches for delivering and measuring social impact were found to be influenced by a broad range of frameworks, reporting standards and disclosure requirements. However, a small subset of environmental and governance focused frameworks were commonly used, suggesting some companies are using a 'holistic ESG' approach to capture their social impact.
- This was also reflected in the relatively low proportion of community wellbeing and economic measures used by organisations in this sample, with environmental and governance considerations dominating how companies report their social impact.
- Companies were more focused on quantitative *input* measures of social impact, while a lack of confidence and understanding of qualitative *outcome* measures was limiting their use.

### Conclusion

Although progress is being made, more work is needed to ensure the sector speaks clearly about its social impact. To help make this happen the IPF and its membership is encouraged to consider the following key messages emerging from this research:

- **More training and education about social impact is needed** at all organisation levels, focusing on the importance of using a blend of quantitative and qualitative measures.
- **A set of common standards and principles is also required,** to reduce confusion and inconsistency, and ensure future social impact regulation is fit-for-purpose in real estate.
- **Efforts should be increased to improve the sector's social impact evidence base and share learnings better**, to advance our understanding of how financial and ESG performance interacts and tell a more convincing and cohesive narrative about social impact in the built environment.
- **Engagement with tenants, suppliers, communities and policy-setters on social impact should be increased**, to make best use of the sector's considerable reach and influence.

# Introduction

**The Social element of the ESG (Environmental, Social and Governance) agenda is gaining importance to real estate investors and developers, following good progress over the past few years on the 'E' and 'G' elements. In these times of societal and political turbulence, that trend is likely to continue. For IPF members and real estate investors and developers in general, that will mean focussing more on how they are set up to deliver positive social impact in all of their activities.**

Yet it seems that the understanding of what constitutes social impact and how it can be measured is inconsistent across the sector.[1] Furthermore, the interaction of 'S' with 'E' and 'G' is not well understood, making it difficult to properly assess non-financial alongside financial performance in real estate assets and portfolios. All of this may be causing capital to be inefficiently allocated in investments and developments for optimum impact.

The aim of this research is to review and present some of the approaches taken in the UK real estate sector to delivering positive social impact, and to explore the role of social impact within decision-making processes. It does not seek to make recommendations about those approaches.

## Background to delivering and measuring social impact in the real estate sector

Social impact investing is not a new concept in the UK. Big Society Capital, which has a mission 'to grow the amount of money invested in tackling social issues and inequalities in the UK', shows the social impact investment market growing from around £0.8 billion in 2011 to £9.4 billion at the end of 2022.[2] Central to this growth is the Public Services (Social Value) Act, passed in 2013, endorsement of the Social Value TOMs (Themes, Outcomes, Measures) system by the Local Government Association in 2017, and various Procurement Policy Notes, Acts and Bills brought forward by devolved administrations.[3] [4]

The ONS (Office for National Statistics) launched its Measuring National Well-Being Programme in 2010 'to provide a comprehensive picture of how we are doing as individuals, as communities, and as a nation, and how sustainable this is for the future'. In 2023, the Office for National Statistics (ONS) reviewed its dashboard of wellbeing indicators (increasing from 44 to 60) and domains following a public consultation.[5] The expanded dataset contains a range of indicators which are particularly well-suited to measurement within the built environment.

HM Treasury's 'Wellbeing Guidance for Appraisal' note, issued in 2021 as a supplement to the Green Book guidance on policy and project appraisal, is also worth noting.[6] It provides best practice recommendations for how to use wellbeing evidence in policy making and estimating the social value of appraisals. Although intended for public sector bodies, the guidance has been vital for private sector organisations given its application to the delivery of social impact through planning.

Another important influence has been the rising importance, to public and private sector organisations, of measuring and tracking economic welfare. In 2015, the UN's Sustainable Development Goals (SDGs) were adopted to replace the Millennium Development Goals: 'a game plan to end poverty, reduce inequalities

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[1] As noted by Samuel & Watson, 'There is a widely recognised need for social considerations to be better defined, interpreted, negotiated, measured, assessed, and designed into buildings and places'.
[2] Source: '10 lessons from growing a market 10x in 10 years', Big Society Capital, February 2024.
[3] This legislation requires 'all public sector organisations and their suppliers to look beyond the financial cost of a contract to consider how the services they commission and procure can improve the economic, social and environmental wellbeing of an area'. Source: 'Social Value – achieving community benefits', Local Government Association.
[4] Sources: 'Social Value Legislation Quick Guide', Social Value Portal, 2013; 'UK Cities Intelligence', Arup, June 2013.
[5] Source: 'Review of the UK Measures of National Well-being, October 2022 to March 2023', Office for National Statistics, July 2023.
[6] 'The Green Book – Central Government Guidance on Appraisal and Evaluation', was first issued in 2020 by HM Treasury as guidance on the appraisal of policies, programmes and projects by government.

and tackle climate change by 2030'.[7] The SDG framework and its 17 goals are now frequently referred to in corporate strategy statements and ESG reporting around the world, and the real estate sector is no exception, as this research will show.

Efforts to understand and measure social impact in the built environment are also not new in the UK, however 'S' is less advanced than 'E' and 'G'. A white paper published as recently as May 2021 offered a 'place-based impact investment' framework for institutional investors to adopt, as an opportunity to 'provide both long-term positive financial returns and social, economic and environmental impacts'.[8]

**Definition of Place-Based Impact Investing[1]**

The Good Economy / Impact Investing Institute / Pensions for Purpose

'Investments made with the intention to yield appropriate risk-adjusted financial returns as well as positive local impact, with a focus on addressing the needs of specific places to enhance local economic resilience, prosperity and sustainable development.'

In recent years, social impact approaches and frameworks have begun to proliferate in the real estate sector. Efforts are particularly evident in cases of large-scale urban regeneration or with organisations that predominantly operate in areas of redevelopment. Less obvious is evidence of systematic approaches taken by owners and managers of large portfolios of 'standing assets' including individual buildings in disparate locations, and where the benefits of 'estate-level' placemaking opportunities to impact communities are absent.

Social impact is an increasingly important topic for the real estate sector as it travels toward a net zero world. Achieving that goal through a just transition means social—the 'S' of ESG—must be considered alongside E and G, and as part of a wider discussion about how real estate can deliver positive non-financial performance, as well as financial.

[7] Source: 'It's halftime for the Global Goals—it's time to imagine winning', UN Global Goals, July 2023.
[8] Source: 'Scaling up institutional investment for place-based impact', The Good Economy, Impact Investing Institute, Pensions for Purpose, May 2021.

## Research approach

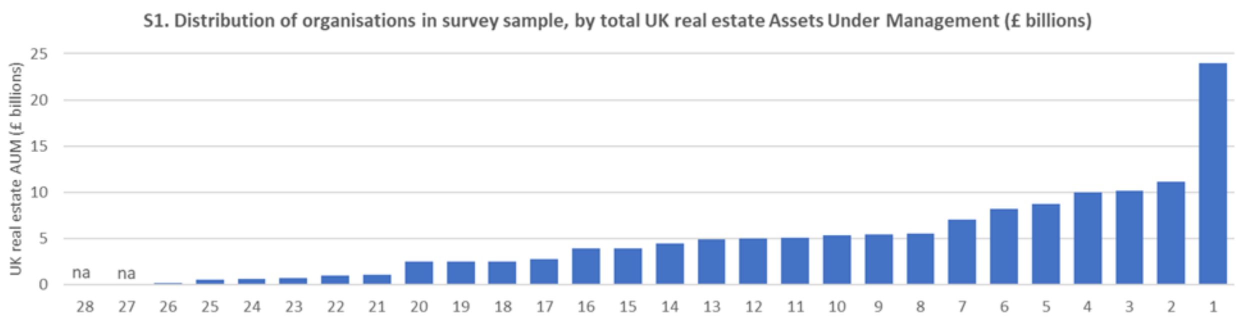
The findings in this report are based on data drawn from an independent survey of real estate investment/development companies undertaken by TPF Consulting Ltd in late 2023 and early 2024. The survey sample comprised 28 companies including unlisted real estate investment/development companies ('non-REITs') and listed Real Estate Investment Trusts ('REITs'), although it should be noted that determining differences between non-REITs and REITs was not a specific aim of the research.

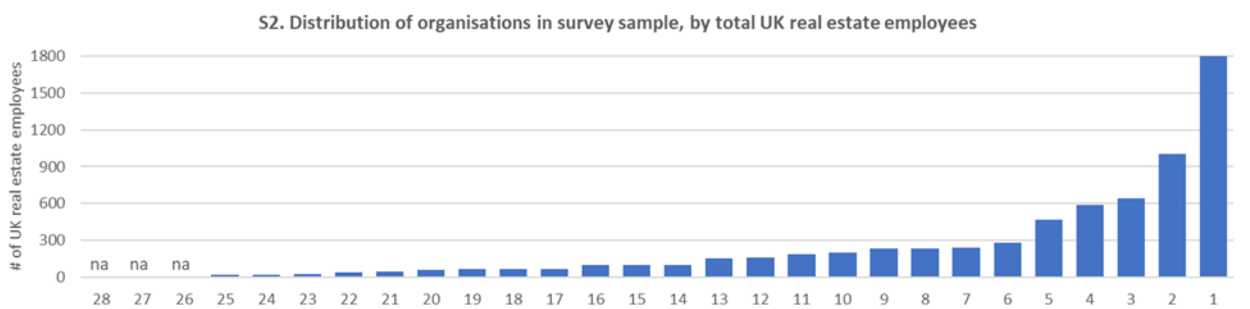
Surveys were completed by individuals from within the subject organisations, and generally those individuals were from specialist ESG/Sustainability teams with direct responsibility for managing, measuring and reporting on the delivery of social impact within their organisations. Data was also gathered for REITs through analysis of company sustainability reports and disclosures, annual reports and financial statements. Finally, interviews were conducted with industry experts in sustainability and social impact, including some of the survey respondents.

Organisations that participated in or contributed to this research are listed at the end of the report.

### The research survey sample

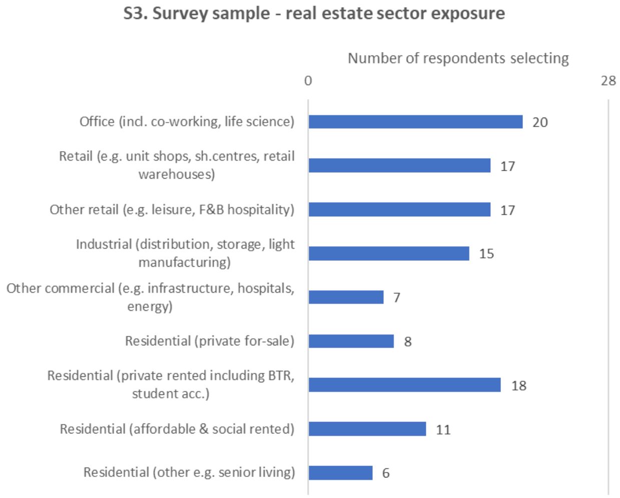
The survey sample is estimated to represent over £130 billion of real estate assets under management and almost 7,000 employees in the UK.[9] The distribution of AUM and employees across the sample is shown in charts S1 and S2, noting that the companies are ranked separately in each chart. The market capitalisation of the REITs in the sample was £31 billion, representing almost 65% of the total market capitalisation of the UK REIT sector at the time of the data collection.[10]

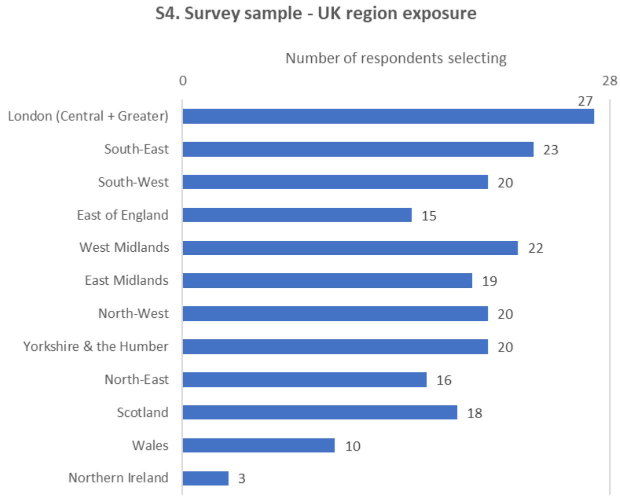



Breakdowns of the real estate sector and UK regional exposure of the research sample are shown in charts S3 and S4. Data insights from the survey was supplemented with interview feedback by individuals in the survey sample as well as other organisations. Interviews were conducted over the same period as the survey, by TPF Consulting Ltd.

[9] £ AUM and # of employees data is approximate based on survey and desktop research reported over the course of 2022-2023.
[10] Market capitalisation data is as at 18/10/23, sourced to London Stock Exchange.




## Limitations of the data

There are a number of important characteristics of the data to note when considering the data and findings in this report:

1. This is a limited sample of companies that were willing to participate on an anonymised basis in the survey and/or interview at a certain point in time.
2. The sample is oriented toward real estate asset owners with direct control and influence over asset, portfolio and fund strategies. Other participants in the real estate sector, such as advisory firms and lenders, were not approached.
3. Companies with little or no experience of social impact were generally more likely to decline the invitation to participate.
4. The survey asks about organisational circumstances at a certain point-in-time and therefore does not aim to provide an assessment of progress to date.

The survey asks respondents to focus on social impact themes, approaches and measurements within their organisations. Respondents were not presented with a prescriptive definition of ESG (environmental, social and governance) in order not to limit responses or make presumptions about company approaches. Indeed, one of the important findings of this research is that despite the growing weight of ESG regulation at national and international level, there is still a lot of variation amongst real estate companies in what constitutes ESG, and where exactly the boundaries lie between each factor.

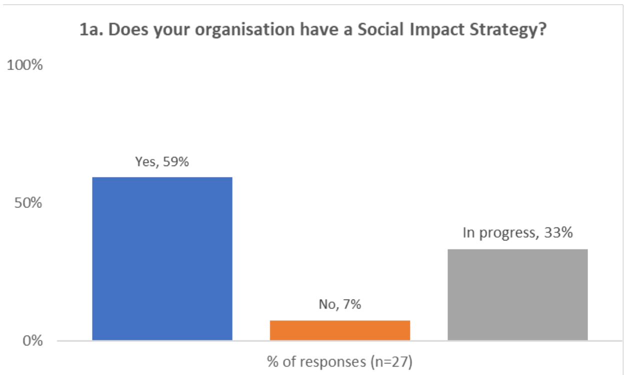
The survey design can be found in the appendix.

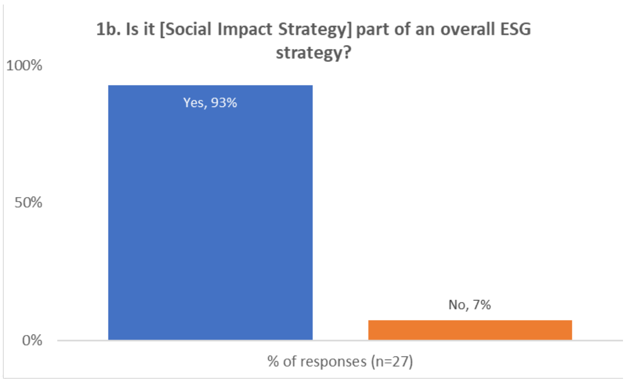
## Research findings

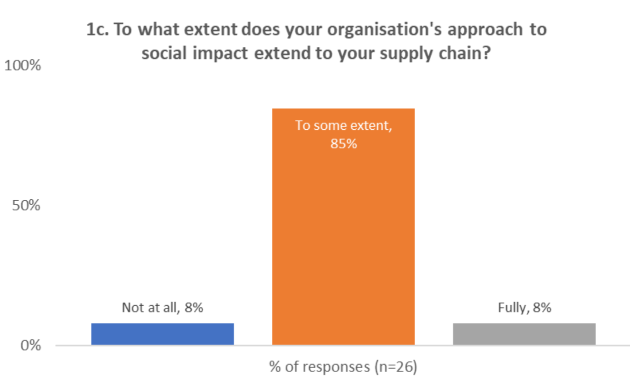
This section of the report presents the main findings from the research survey. Data is shown at an aggregate level to represent the whole sample where possible, however a split between REITs and non-REITs is also provided when considering the range of social impact measurements reported by organisations. The findings are organised to follow the flow of the survey which can be found in the appendix.

### 1. Organisational approaches to social impact

More than half of the organisations surveyed reported they had a social impact strategy in place (SIS), with another one third saying progress was being made toward one. Those two groups were unanimous that their SIS sat within a broader ESG strategy. Only a very small proportion of respondents do not have or are not making any progress toward a SIS. (1a and 1b)





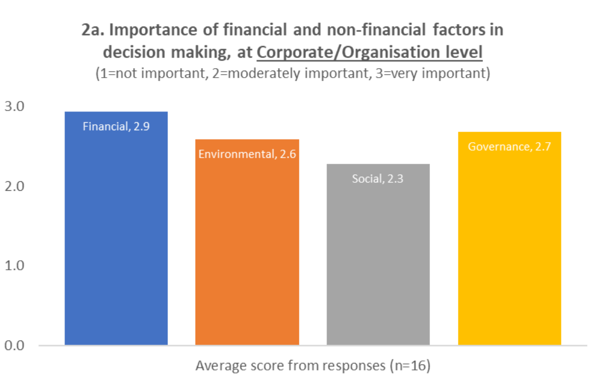
Examples mentioned under 'Other': ESG or Sustainability team and Director/Head of; Social Impact or ESG Committee, Executive or Working Group; Community Manager; Social Value Manager; Customer Experience team.

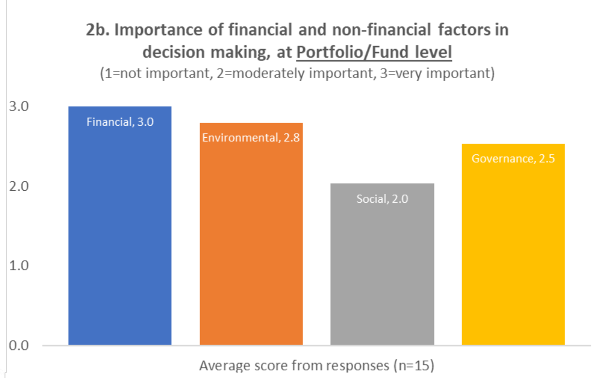
Most organisations include at least some part of their supply chain in their SIS. While few say their supply chain is not included, an equally small proportion say their SIS 'extends to their supply chain fully'. (1c)

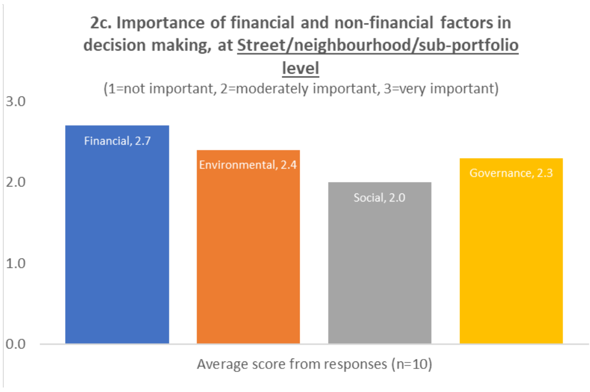
The responsibility for delivering social impact is seen as being broadly distributed across the organisations surveyed in this research. Business leaders were most commonly seen as having responsibility (92% of respondents saying yes). However, a clear majority also recognised that responsibility lies more widely across their organisations, particularly with building/asset managers (71%), portfolio/fund managers (63%) as well as other business support functions including ESG, Sustainability or Social Impact specialists and their teams (63%). (1d)

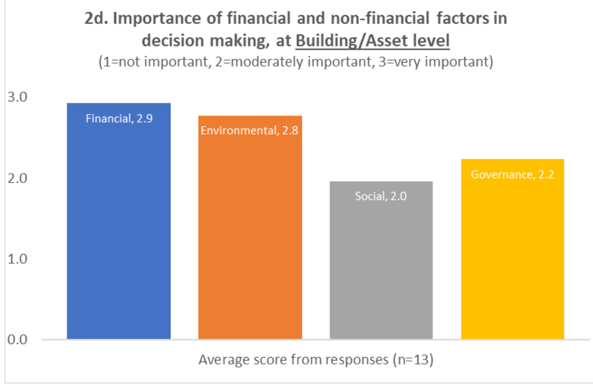
## 2. Social impact and real estate decision making

Respondents were asked to indicate the relative importance of financial and non-financial (i.e. ESG) considerations in their organisation's decision-making processes. Overall, social was regarded as being less important than other key factors, with financial the most important closely followed by environmental. Yet the data showed that 'mission-driven' organisations (for example those with 'B Corp' certification) rated social far higher, ahead of both financial and environmental.[11] (2a, 2b, 2c and 2d)

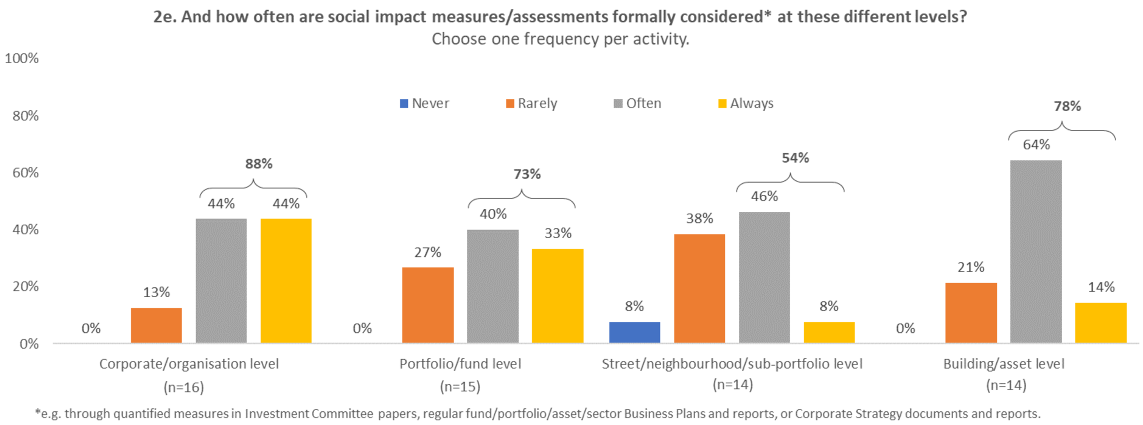



Nevertheless, most respondents were of the view that social factors were 'often' or 'always' formally considered within their organisations, notably at corporate level (88%), followed by building/asset level (78%). Interestingly, a noticeable drop-off in the proportion of respondents saying that social was 'always' considered was seen at the more granular sub-portfolio and asset levels. (2d)

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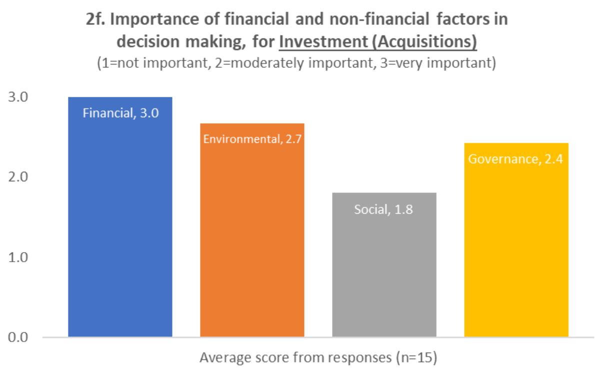
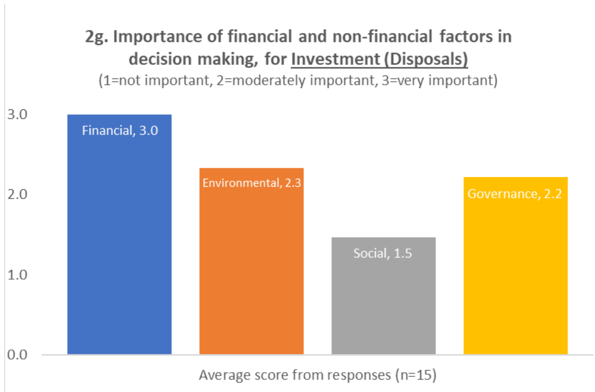
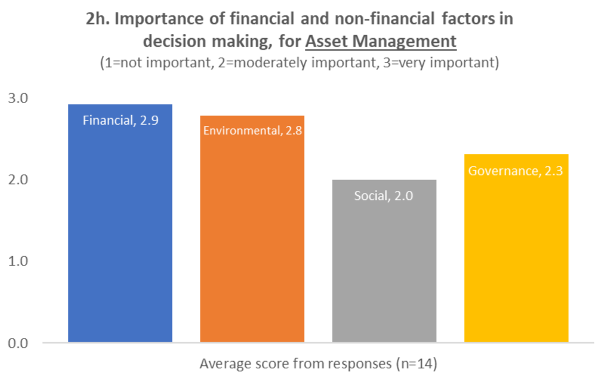
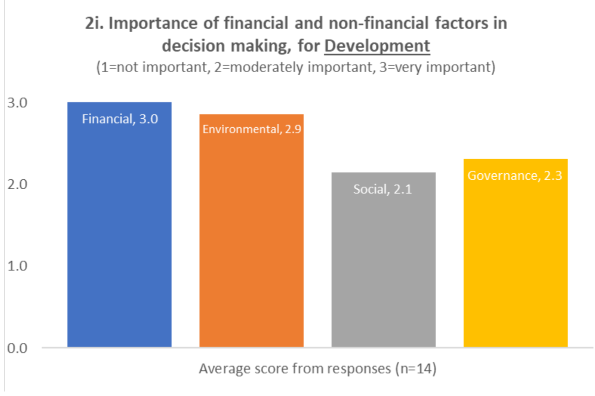
[11] A certification system that 'provides third-party authentication of a business's social and environmental performance. Businesses can become a B Corp if their performance on five dimensions — governance, workers, community, the environment, and customers — exceeds a certain threshold and they adopt a legal structure that mandates stakeholder considerations'. Source: Harvard Business Review.

Respondents were also asked to rate the relative importance of these financial and ESG factors across for different real estate activities. Overall, a similar theme emerged as with organisational differences, with social factors considered to be least important across all activities. Financial factors were once again the most important followed by environmental and governance. (2f, 2g, 2h and 2i)

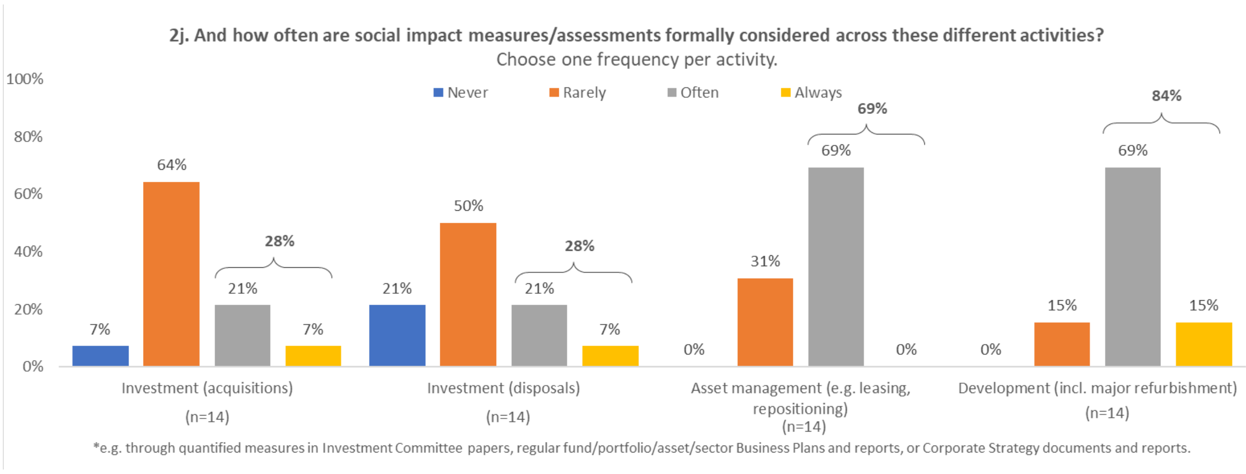


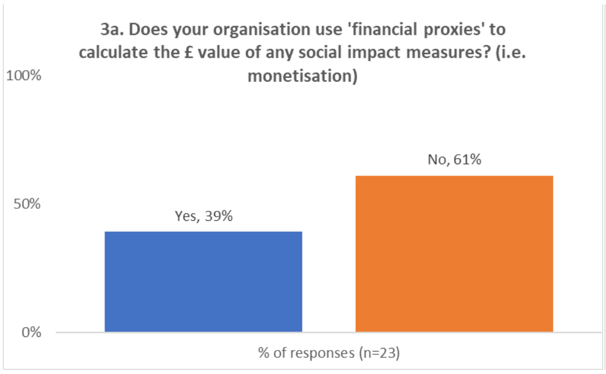



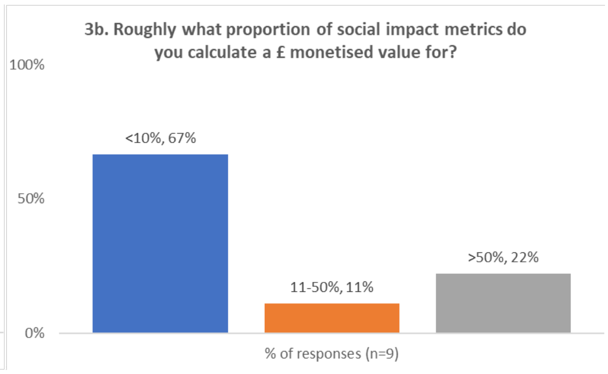

There was a clear divergence in the frequency with which social factors are considered across different activities. A large majority stated that social factors were 'often' or 'always' formally considered for asset management and development decisions. However, most respondents thought social factors were 'rarely' or 'never' formally considered as part of investment decisions (i.e. acquisitions and disposals). (2j)

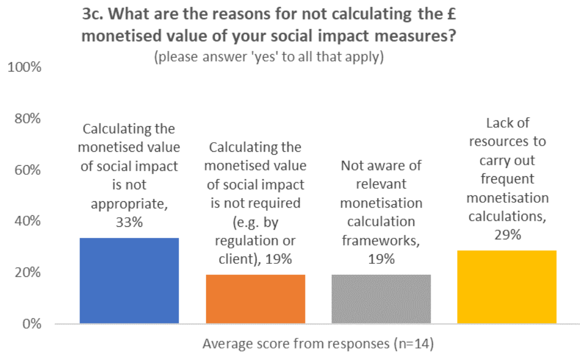


## 3. Social impact monetisation, targets and benchmarking

Respondents were asked about three aspects of how they measure social impact, namely if and how they use financial proxies (monetisation), quantifiable targets and benchmarks. Fewer than 40% said they use financial proxies as part of measuring their social impact, and that monetisation represented only a small proportion (<10%) of their overall social impact metrics. A perceived lack of appropriateness and limited resources to carry out complex monetisation calculations were the most frequently cited reasons for not using financial proxies. (3a, 3b, 3c)

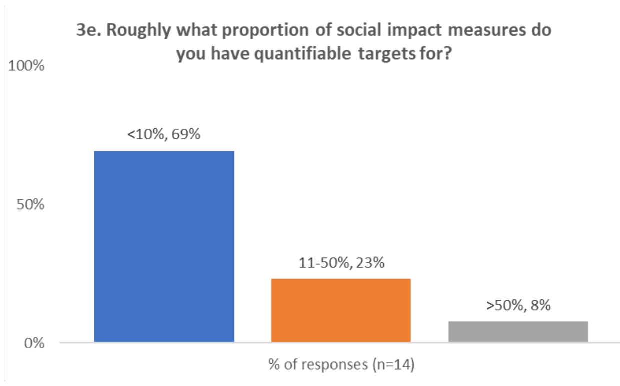


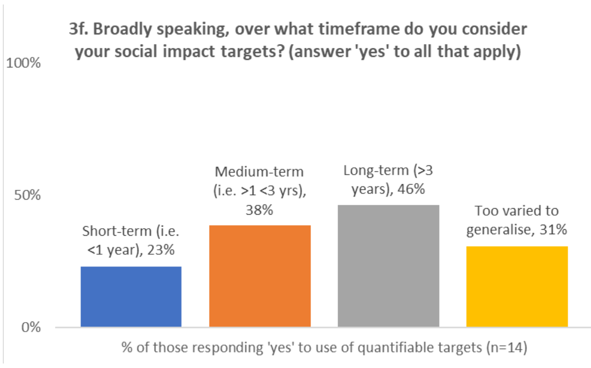



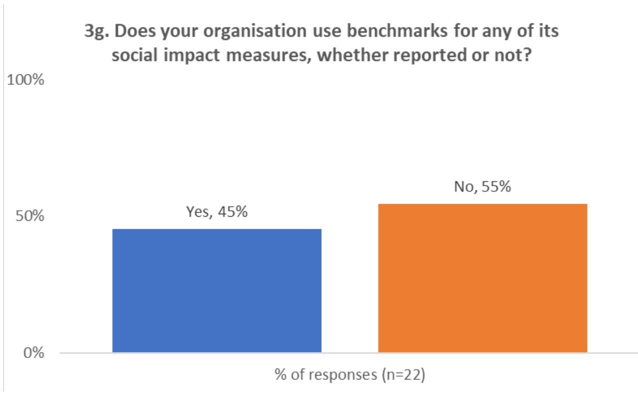

Other reasons given include:
"Uncertainty over what to do with the monetised figures and how to make decisions off the back of it", "Calculations are difficult and in general lack credibility", "concerns over monetisation increasing risk of 'socialwashing'", "Belief that proxies are misleading", "reliability & relevance".

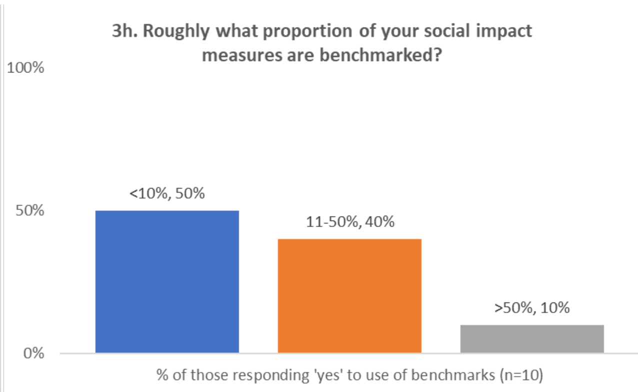
Over 60% of respondents said they have quantifiable targets in place for social impact, albeit only in relation to a small proportion of measures (<10%). The proportion of companies using quantifiable targets for more than half of their social impact measures was very low at only 8%. The research suggested social impact targets were considered by companies across various timeframes, with long- and medium-term time horizons selected more commonly than short-term. (3d, 3e, 3f)

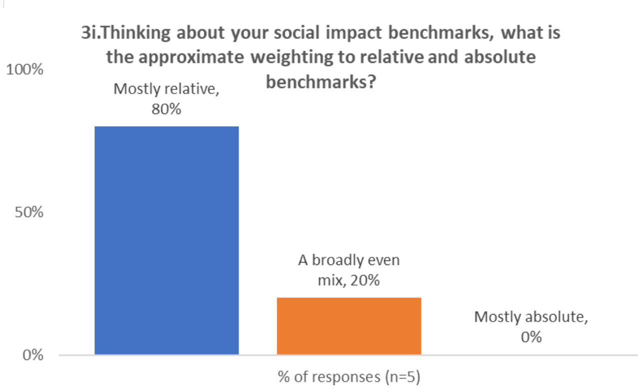



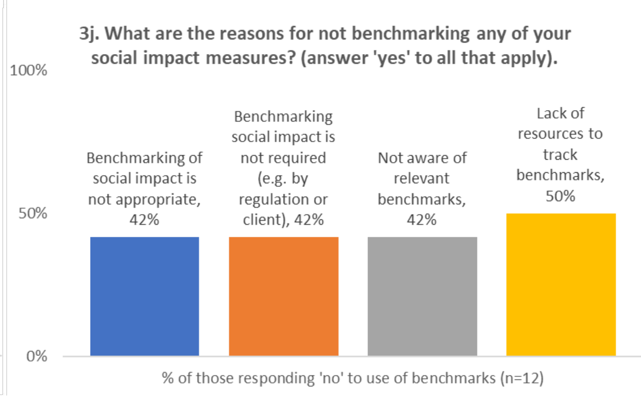



The use of social impact measurement benchmarks was slightly skewed toward respondents saying 'no'. Those respondents gave a broadly even mix of reasons for not benchmarking, including a lack of resourcing or awareness, and a belief that benchmarking social impact was either not appropriate or not required (for example by regulation or client). (3g, 3j)



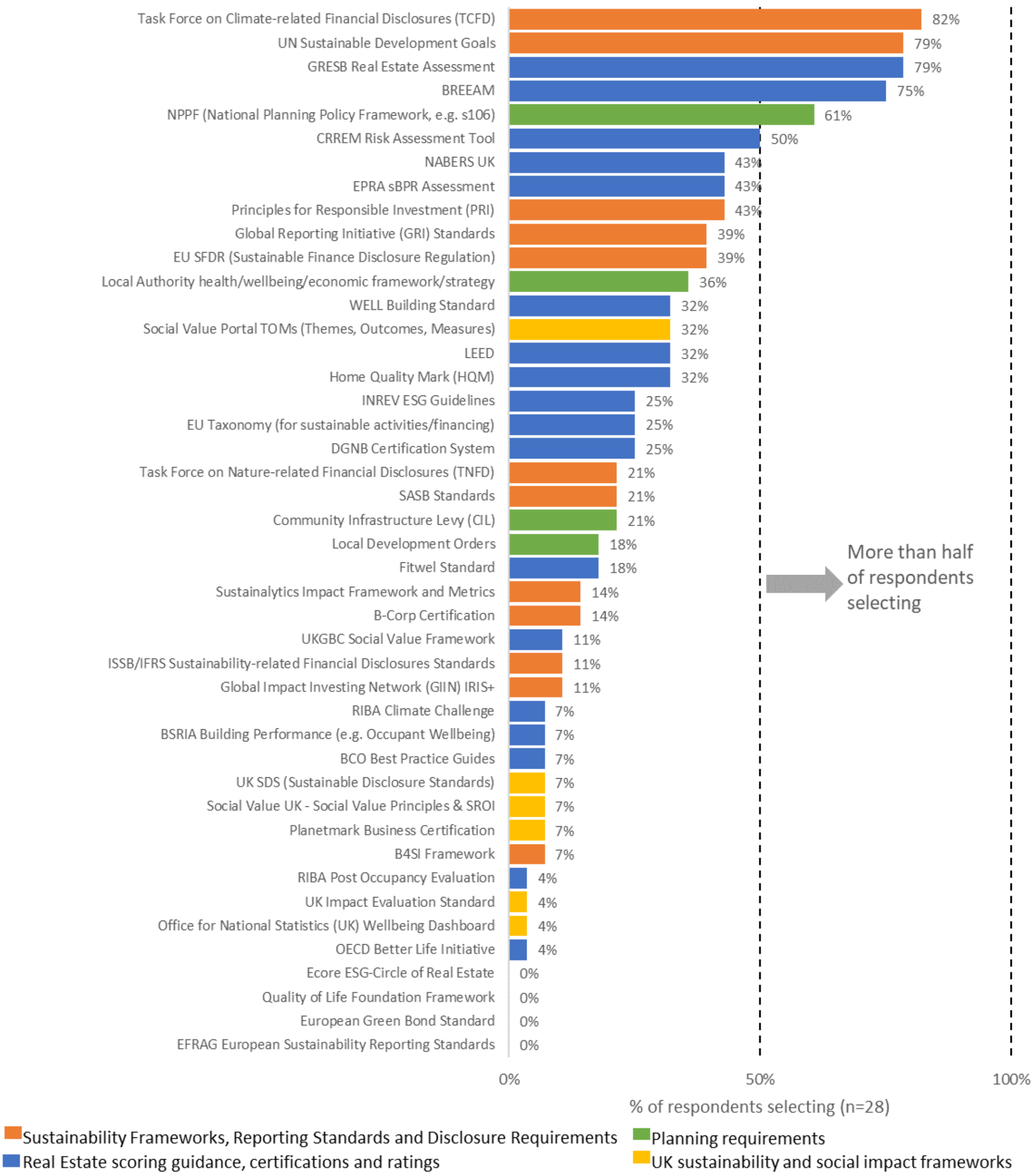




Half of those saying 'yes' to the use of social impact benchmarks said it was undertaken for a low proportion of their social impact measures (i.e. less than 10%). A further 40% of respondents said they use benchmarks for between 10% and 50% of social impact measures, and only one company reported that over half of its measures were benchmarked. Most benchmarks used were relative in nature as opposed to absolute. (3h)

## 4. Frameworks, certifications, reporting standards and disclosure requirements

Respondents were asked to indicate which have had a meaningful influence on the organisation's approach to social impact. 'Meaningful influence' was defined as '*for example through a regulatory requirement to comply, a voluntary adoption of or signature to, closely aligning your social impact approach or strategy to it, publicly stating support or alignment to it through your organisations' corporate brand/purpose statements'.* The lists provided were not intended to be exhaustive and respondents were given the opportunity under each heading to add others.

**4a. Which of the following ESG/social impact frameworks/guidance/certification/regulations have a meaningful influence on your organisation's approach to social impact?**




As chart 4a shows, companies in this sample indicated a broad range of frameworks as being influential on their approach to social impact, with only six chosen by 50% or more. Those included TCFD, UN SDGs, GRESB, BREEAM, NPPF and CRREM – many of which are focused on environmental factors. Another five were selected by around 4 in 10 respondents, including NABERS UK, EPRA sBPR, PRI, GRI and SFDR (EU).

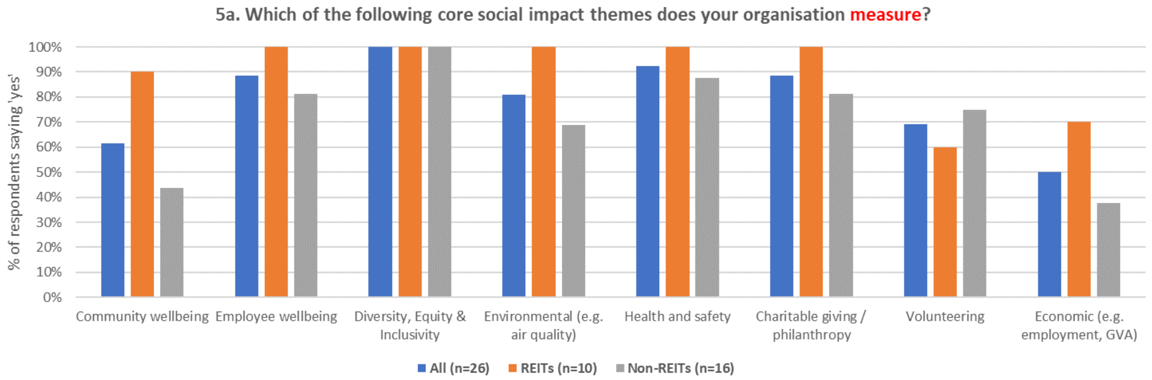
The most frequently cited of the social impact specific frameworks listed was the 'National TOMs' approach, developed by the National Social Value Task Force and promoted by companies such as Social Value Portal and others. However, at only 32%, this was considerably lower than some of the broader sustainability frameworks and certifications previously mentioned. Possibly that is because the TOMs approach is specific to the UK, rather than having a multi-jurisdictional perspective, but it also reflects the hesitancy of respondents in this sample toward the monetisation, as previously highlighted.

Table 4b shows a list of other ESG measurement frameworks, corporate reporting standards, real estate certifications and local economic/social performance indicators that were either mentioned by survey respondents or noted in the desktop research. The list includes environmental and corporate governance focused frameworks and disclosures, perhaps highlighting that real estate companies are using an integrated approach for ESG measurement and reporting to ensure consistency and reliability.

| **4b. Other frameworks/standards/certifications/requirements mentioned:** | |
|---|---|
| Better Buildings Partnership (BBP) - Climate Change Commitment | MSCI sustainability rating |
| BiodivCITY Life | Passivhaus Standard |
| Biodiversity Net Gain commitments | Place-Based Impact Investing (The Good Economy) |
| BRAVE | Real Estate Environmental Benchmark (BBP) |
| BRE Home Quality Mark | REGO |
| Carbon Disclosure Project | RGGO |
| Considerate Constructors Scheme | RICS Whole Life Carbon Guidance |
| Code for Sustainable Homes | RIDDOR |
| Dow Jones Sustainability Indices (DJSI 2023) | s172 (Companies Act 26) |
| EU Energy Efficiency Directive | s414CB (Companies Act 26 governing sustainability disclosures) |
| FTSE4Good | SBTi (Science-Based Targets initiative) |
| Green Mark | SECR (Streamlined Energy and Carbon Reporting) |
| Housing our Ageing Population Panel for Innovation (HAPPI) | Stonewall Workplace Equality Index |
| Impact Management Project (impact classification system) | UK Energy Savings Opportunities Scheme |
| Internal Social Impact scorecard | UK government (BEIS) Conversion Factors for Company Reporting |
| Investors in People | UK Government Green Book |
| ISO 141 (environmental management) | UK Index of Multiple Deprivation (IMD) |
| ISO 451 (H&S management) | UK Stewardship Code |
| ISO 51 (energy management) | UKGBC Whole Life Carbon roadmap |
| ISS ESG 2023 | UN Race to Zero |
| Living Wage Accredited Employer | WDi (Workforce Disclosure Initiative) |
| Local Authority social value charter | WGBC Net Zero Commitment |
| MEES EPC ratings | WRI/WBCSD GHG Protocol |
| Moody's Analytics | |

## 5. Social impact measurement and reporting

Respondents were asked about how their organisations categorise and report on social impact, and to list examples of social impact measurements they use under various category headings.[12]




Overall, the categories provided were well aligned with how respondents in this sample consider social impact. Every category was reported to be measured by at least 65% of respondents, except 'Economic' at 45%. Measurement examples given for this category included employment and GVA (gross value added). The proportion of REITs measuring social impact was higher than non-REITs in most of the categories presented, and this disparity was even more obvious when considering external reporting. (5a, 5b)

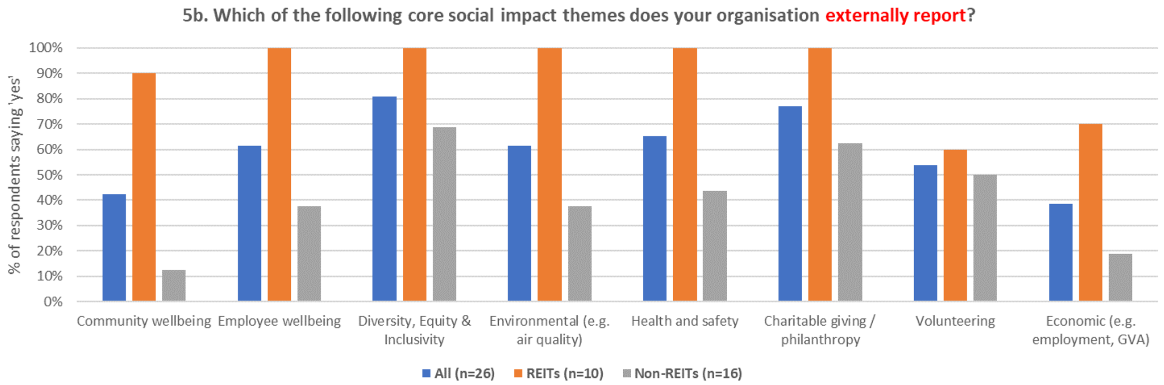



Chart 5c shows a comparison of the distribution of measures in each category that were reported by REITs and non-REITs in the research sample.[13] The data shows that REITs gave a higher weighting to environmental, health and safety (H&S), employee wellbeing and economic categories than non-REITs. Other categories were less well represented for REITs compared to non-REITs, especially community wellbeing which was the lowest-weighted category for REITs but the third highest for non-REITs.

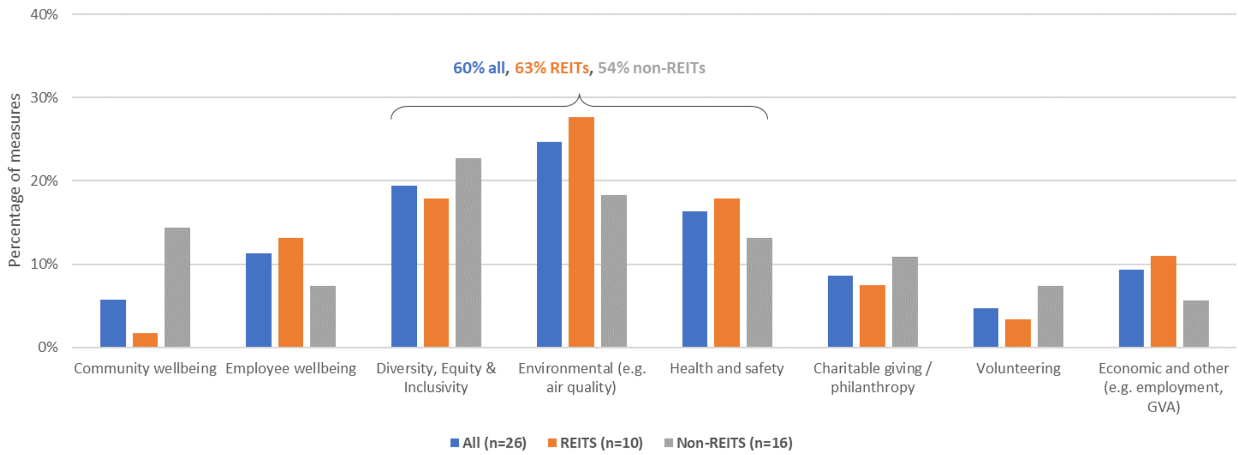
Of the 700+ metrics reported by companies in this sample, either through surveys or noted in the desktop research, 25% were in the environmental category (28% for REITs, 18% for non-REITs), 19% in DE&I (18% for REITs, 23% for non-REITs) and 16% in H&S (18% for REITs, 13% for non-REITs). While this comparison should be treated with a degree of caution, given differences in how the measurement data was collected in the REIT and non-REIT samples, it nonetheless shows the extent to which real estate organisations are

[12] The headings provided were informed by analysis of commonly used ESG and social measurement frameworks and 'landscape reviews' of ESG frameworks produced by industry bodies such as the UK Green Building Council, Urban Land Institute and Impact management Platform referred to at the end of this report.

[13] It should be noted that the REIT data was largely drawn from desktop research of publicly available reports, which generally set out very detailed lists of ESG metrics especially environmental, through their TCFD, GRESB and/or EPRA sBPR disclosures. The non-REIT data mostly came from completed surveys which included some detailed lists but on the whole more descriptive entries for ESG metrics.

prioritising Environmental and Governance ahead of categories that lean more toward Social (i.e. 60% for the whole sample, 63% for REITs and 54% for non-REITs, as shown in the chart below). The low proportion of measures in Community Wellbeing and Economic categories highlights the extent to which social impact strategies are mainly internally rather than externally focused.

5c. Distribution of measures reported by organisation type and social impact category



## Observations and discussion points

The following section discusses some of the key findings from the survey and desktop research.

### Social impact is a 'hot topic' but progress varies between organisations

An impressive 9 in 10 respondents across the research sample said they either have a Social Impact Strategy in place or are progressing towards one. It's also a positive sign that responsibility for social impact is seen as being shared across organisations rather than remaining solely with business leaders and ESG/Social Impact teams. Asset owners are also starting to incorporate parts of their supply chains into Social Impact Strategies, which is extremely positive given the sector's considerable ability to influence more widely.

However, the research also shows that the breadth and depth of those strategies varies considerably, with uneven progress and no clear consensus on a common standard for measuring social impact. Real estate's reputation for heterogeneity, whereby 'no two assets are the same', is undoubtedly a factor here, with complex local social conditions often resulting in a 'horses for courses' rather than a common approach to social impact. Respondents highlighted other factors that were holding progress back:

1. **A lack of consistency and clarity over social impact terminology and definitions**. This was a recurring theme in the interviews, particularly among companies looking for 'generic' approaches they can apply across portfolios and individual buildings in multiple jurisdictions. The 'alphabet soup' facing companies is causing 'aggregate confusion' regarding social impact frameworks and measures.[14] Although respondents regard the UK favourably in this context, some noted that regional discrepancies—for example between local authority impact frameworks, toolkits and planning statements—were not helping.

2. **A lack of confidence in qualitative measures of social impact.** Respondents said real estate owners focused more on quantitative *inputs* (i.e. the things people and companies do or provide, such as donations, free floorspace, employee volunteering) rather than qualitative *outcomes* (i.e. the things driven by their actions, such as improved tenant and community wellbeing). This has been recognised in the literature, and it may help explain why progress on social impact lags behind environmental which generally leans more toward quantitative measurement.[15]

3. **Wariness about 'social-washing'**. A lot of concern was voiced about the risk of reputational damage from perceptions of 'social impact overclaiming'. Some suggested there was still too much scope for companies to 'game' their social impact credentials, reflecting a similar view expressed in the academic literature.[16] Others expressed concerns about over-loading tenants and suppliers with measurement initiatives, and some even suggested resistance was building amongst some investors toward ESG investment criteria.

4. **Hesitancy in a fast-moving social and political landscape.** Interviewees said they expected policy and regulations on social impact to develop in the coming years. Some also spoke of a desire to move away from a standardised ESG-based strategy in favour of a more thematic approach to responsible investment, reflecting shifting social, environmental and geopolitical forces.

For some, this is undermining confidence and slowing progress toward developing strategies and measurement approaches for delivering social impact.

[14] As mentioned in 'Amplifying the 'S' in ESG: Investor Myth Busting', ESG Working Group, April 2021.
[15] As noted by Samuel & Watson: '…it is difficult to include intrinsic value in the spreadsheets that dominate the value management of our built environment, which is why it is so frequently omitted…'
[16] As mentioned by Raiden & King: 'even well-intended concepts such as social value can be manipulated and mutated to suit a variety of stakeholder interests'.

## Social impact is a complex challenge that requires greater resourcing

Interviewees considered the delivery of positive social impact as a more complex undertaking than financial, environmental or governance. Several mentioned the lack of specialist skills and knowledge of social impact within their organisations, pointing out that to date the focus of ESG agendas has been on environmental and governance, rather than social. Mobilising enough resource to encourage and help supply chains look at their social impact is also proving challenging. Furthermore, the lack of reliable and robust datasets on social impact means it is harder to make the financial case for socially impactful investment.

Owners of large-scale, mixed-use regeneration schemes—which are generally underpinned by detailed assessments of local need and community engagement connected the planning process—were considered to be ahead of others on social impact, especially those with disparate single-asset portfolios. Yet interviewees had mixed opinions about how well social impact best practices had been shared within the leading organisations. For some, there was a sense that social approaches were specific to certain sectors or fund strategies and would be difficult to apply elsewhere. Others found social impact assessment pilot projects had mixed success, and while some had been helpful for generating ideas in other assets, the cost of implementing widely across portfolios was considered prohibitive.

Respondents observed a lot of goodwill across the sector to 'do the right thing' on social impact. However, many are still lacking sufficient resources or impetus from capital providers to formalise impact processes and embed them within their organisations. Nevertheless, there was a belief that a shift toward social was starting to occur, echoing trends being reported more widely.[17]

## Social impact is not yet materially influencing decision-making

This helps explain why the research shows social lagging behind financial, environmental and governance in terms of importance to real estate decision-making processes. This trend is not specific to real estate, however, as recent studies show that large institutions continue to prioritise financial returns above ESG considerations.[18] Those institutions cited difficulties measuring or evidencing positive impact as the biggest risk to investing in sustainable real assets.

Building a rich evidence base of social impact performance in real estate is therefore vital to ensuring capital flows to the sector for impactful purposes as well as financial. It should help real estate owners to empirically prove (or not) the many and varied theory-of-change approaches for delivering positive social impact in the built environment. It should also help them better understand the benefits and trade-offs between financial and non-financial performance, and the relative value of the social impact levers available to them. That should in turn support greater use of social impact measures in decision-making, and give confidence to capital allocators.

Other reports have pointed to the negative feedback loop between perceptions that social impact is difficult to measure, and the dearth of evidence regarding the link between financial and social performance.[19] What is especially encouraging is that impact investors have experienced strong financial and impact performance. According to the Global Impact Investing Network, 79% of investors reported

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[17] ULI's 'Emerging Trends in Real Estate 2024 – Europe' reports that over 57% of investors surveyed expected 'social impact/'value' contribution' to increase in importance to real estate investors over the next 3-5 years, and 70% expected 'health and well-being of occupiers and users' to increase in importance.

[18] According to Aviva Investors' Real Asset Survey 2024, only 17% of institutional investors (with over £20 billion of assets under management) see ESG/sustainability as a critical and deciding factor in real estate investment decisions.

[19] Source: 'Amplifying the 'S' in ESG: Investor Myth Buster', ESG Working Group, April 2021. The report noted that 'the implications of social considerations have not been considered easily measurable and, therefore…the link to investor returns has been under-explored'.

the financial performance of their impact investments was in line with or above expectations, while 88% said the impact performance was at or above expectations.[20]

All of this reinforces the need for real estate owners to develop tried-and-tested social impact measurement tools, and to incorporate them into their decision-making processes while establishing a robust evidence base.

### Opportunity for real estate to shine a brighter light on positive social impact

The research revealed a sense of frustration about the missed opportunity to tell a more convincing and cohesive story about the social impact that real estate delivers, drawing on the many examples from across the sector. That could be because of fears about 'social-washing'—another recurring theme—but it may also reflect uncertainty about how to measure and report those social impact successes, and a lack of understanding about 'how much impact is enough'.

Typically, these focus on a specific social theme, such as the availability of social or affordable housing, and embed detailed impact criteria within governance structures and investment processes. Some adopted accepted definitions and principles of impact investing, such as those from the Global Impact Investing Network.[21]

**Impact Investment definition - Global Impact Investing Network (GIIN)**

Impact investments are investments made with the **intention** to generate **positive**, **measurable** social and environmental impact alongside a financial return.

Impact investments can be made in both emerging and developed markets, and target a range of returns from below market to market rate, depending on investors' strategic goals.

Being clear and confident about the value that real estate and the built environment can bring to society is fundamental to the sector's future growth. Investors from across the spectrum are allocating more of their capital towards impactful investments, with social infrastructure as well as social/affordable housing amongst their top priorities.[22] What this research shows is that more work is needed to make sure the sector speaks with clarity about its impact if it wants to harness that opportunity.

[20] Source: GIIN (2023) 2023 GIINsight: Impact Investing Allocations, Activity & Performance.
[21] 'Core Characteristics of Impact Investing', GIIN, 2024.
[22] According to Aviva Investors' Real Assets Study 2024, Social Infrastructure (investments in health and education) and Social Housing/Affordable Housing Schemes were ranked second and third respectively as 'appealing real asset investments for impact'.

# Conclusion

***'It is possible, and necessary, to focus the creativity and innovation that today is driven by financial returns on increasing the well-being of everyone in society and regenerating the climate and nature on which we depend.'*** [23]

The need to consider the social impact of an organisation's activities is not going to go away. Rather, it is increasingly seen as a critical element of how they should be led.[24] This research provides a snapshot of how real estate companies are embracing this challenge through a variety of approaches for delivering social impact. It also reveals that more work is needed to speed up that delivery. By providing high quality evidence of the link between real estate actions and impact, through a common set of measurement standards, the sector can instil confidence and attract capital for impact purposes.

To help make this happen the IPF and its membership is encouraged to consider the following key messages emerging from this research:

1. **More training and education about social impact is needed** across organisations, including at Board level, for example about using blended quantitative and qualitative methods for social impact measurement.
2. **A set of common standards and principles is also needed**. At present, the 'alphabet soup' of impact frameworks, regulatory standards and voluntary certifications and measurements is causing confusion. Coordinated, proactive representation from real estate associations on future social impact regulation is vital to ensure the right balance is struck between providing investors with clarity (e.g. through investment labels) and meeting the specificity of local needs.[25]
3. **Improve the sector's social impact evidence base and share learnings better** to advance understanding of how financial, environmental, social and governance performance factors interact, at building, portfolio and company levels. Researchers and real estate professionals should add to a growing evidence base of social impact in the built environment, to help development and investment professionals create more effective asset and portfolio social impact strategies, and companies tell more convincing and cohesive narratives about their social impact. This should inform the development of social impact training, education and evidence base mentioned above.
4. **Step up efforts to engage with tenants, suppliers and communities on social impact**, recognising the sector's considerable reach and influence enable it to make an outsized contribution to achieving a 'just transition' to a net zero world.
5. **Actively participate in the social impact policy-setting landscape**, for example through cross-industry collaboration to promote policies, common standards and measurements that best capture the positive social impact generated by the sector and its supply chain.

[23] 'The future of Social Value in the United Kingdom', Social Enterprise UK, February 2023.
[24] According to the 2024 Edelman Trust Barometer, which is a global survey of over 32,000 people: '71% believe the primary responsibility of a CEO is to work for the benefit of all their company's stakeholders, including its employees, customers, and the communities in which it operates, in addition to its shareholders/owners'.
[25] For example, a working group of associations submitted views on best practice principles and metrics for the real estate sector, in connection with proposals for investment labels and disclosure requirements under the Sustainability Disclosure Requirements (SDR).

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## Respondents

I am extremely grateful to individuals at the following organisations (and those preferring not to be mentioned) for taking the time to complete the research survey and for agreeing to be interviewed by me:

**abrdn**

**Barings Real Estate**

**Big Society Capital**

**British Land**

**Columbia Threadneedle Real Estate Partners**

**DWS Alternatives Global Ltd**

**Federated Hermes Ltd**

**Fiera Capital**

**Grosvenor Property UK**

**Heitman**

**J.P. Morgan Asset Management**

**Knight Frank Investment Management**

**Legal & General Investment Management Real Assets**

**Newcore Capital**

**Nuveen Real Estate**

**PGIM Real Estate**

**Savills Investment Management**

**Stanhope PLC**

**The Arch Company**

**The Howard de Walden Estate**

**Thriving Investments**

Data and information from the surveys and interviews was supplemented with desktop research on the following companies:

**Big Yellow**

**Derwent London**

**Hammerson**

**Landsec**

**Primary Health Properties**

**Segro**

**Shaftesbury Capital**

**Tritax Big Box**

**Unite**

# Appendix – Research Survey

## Social Impact in UK Commercial Real Estate - research survey

This research has been kindly funded by the Investment Property Forum through its Research Programme 2023 Grant Awards.
The survey should take around 20 minutes to complete and your participation is greatly appreciated.
**ALL SURVEY RESPONSES WILL BE TREATED IN STRICT CONFIDENCE, AND NOTHING WILL BE DIRECTLY ATTRBUTED TO YOU OR YOUR COMPANY.**

**1. Respondent details**

| | |
|---|---|
| Name | |
| Role | |
| Organisation | |

**2. About your organisation***

| **Approximate numbers are fine* | **Based in the UK only** |
|---|---|
| Number of employees | |
| Real estate £ value under management | |
| Real estate sqft under management | |
| Number of properties under management | |

UK real estate sectors active (please answer 'yes' to all that apply)

| | |
|---|---|
| Office (incl. co-working, life science) | |
| Retail (e.g. unit shops, sh.centres, retail warehouses) | |
| Other retail (e.g. leisure, F&B hospitality) | |
| Industrial (distribution, storage, light manufacturing) | |
| Other commercial (e.g. infrastructure, hospitals, energy) | |
| Residential (private for-sale) | |
| Residential (private rented including BTR, student acc.) | |
| Residential (affordable & social rented) | |
| Residential (other e.g. senior living) | |

==> UK locations active (please answer 'yes' to any that apply)

| | |
|---|---|
| London (Central + Greater) | |
| South-East | |
| South-West | |
| East of England | |
| West Midlands | |
| East Midlands | |
| North-West | |
| Yorkshire & the Humber | |
| North-East | |
| Scotland | |
| Wales | |
| Northern Ireland | |

Continued over

Which of the following ESG/social impact frameworks/guidance/certification/regulations have a *meaningful influence** on your organisation's approach to social impact? (please answer 'yes' to all that apply and feel free to add any others - the lists are not exhaustive).

**e.g. through a regulatory requirement to comply, a voluntary adoption of or signature to, closely aligning your social impact approach or strategy to it, publicly stating support or alignment to it through your organisations' corporate brand/purpose statements.*

***Sustainability Frameworks, Reporting Standards and Disclosure Requirements***

| | |
|---|---|
| B4SI Framework | |
| B-Corp Certification | |
| EFRAG European Sustainability Reporting Standards | |
| EU SFDR (Sustainable Finance Disclosure Regulation) | |
| EU Taxonomy (for sustainable activities/financing) | |
| European Green Bond Standard | |
| Global Impact Investing Network (GIIN) IRIS+ | |
| Global Reporting Initiative (GRI) Standards | |
| B/IFRS Sustainability-related Financial Disclosures Standards | |
| OECD Better Life Initiative | |
| Principles for Responsible Investment (PRI) | |
| Quality of Life Foundation Framework | |
| SASB Standards | |
| Sustainalytics Impact Framework and Metrics | |
| Task Force on Climate-related Financial Disclosures (TCFD) | |
| Task Force on Nature-related Financial Disclosures (TNFD) | |
| UN Sustainable Development Goals | |
| Others | |

***Real Estate scoring guidance, certifications and ratings***

| | |
|---|---|
| BCO Best Practice Guides | |
| BREEAM | |
| BSRIA Building Performance (e.g. Occupant Wellbeing) | |
| CRREM Risk Assessment Tool | |
| DGNB Certification System | |
| Ecore ESG-Circle of Real Estate | |
| EPRA sBPR Assessment | |
| Fitwel Standard | |
| GRESB Real Estate Assessment | |
| Home Quality Mark (HQM) | |
| INREV ESG Guidelines | |
| LEED | |
| NABERS UK | |
| RIBA Climate Challenge | |
| RIBA Post Occupancy Evaluation | |
| UKGBC Social Value Framework | |
| WELL Building Standard | |
| Others | |

***UK Sustainability and social impact frameworks***

| | |
|---|---|
| Office for National Statistics (UK) Wellbeing Dashboard | |
| Planetmark Business Certification | |
| Social Value Portal TOMs (Themes, Outcomes, Measures) | |
| Social Value UK - Social Value Principles & SROI | |
| UK Impact Evaluation Standard | |
| UK SDS (Sustainable Disclosure Standards) | |
| Others | |

***Planning requirements***

| | |
|---|---|
| NPPF (National Planning Policy Framework, e.g. s106) | |
| :al Authority health/wellbeing/economic framework/strategy | |
| Local Development Orders | |
| Community Infrastructure Levy (CIL) | |
| Others | |

Continued over

Which of the following core social impact themes* does your organisation measure and/or report? (please answer 'yes' to all that apply)

*The themes stem from analysis of a range of social impact assessment frameworks - however, please provide an alternative name for any themes that your organisation uses, and additional themes not captured l*

| Theme | *(Alternative name)* | Measured | Internally reported | Externally reported |
|---|---|---|---|---|
| Community wellbeing | | | | |
| Employee wellbeing | | | | |
| Diversity, Equity & Inclusivity | | | | |
| Environmental (e.g. air quality) | | | | |
| Health and satefy | | | | |
| Charitable giving / philanthropy | | | | |
| Volunteering | | | | |
| Economic (e.g. employment, GVA) | | | | |
| Other | | | | |
| Other | | | | |

In the tables below, please list the social impact measures that your organisation measures and/or reports. The tables are organised per the themes listed above, but feel free to add under 'others' if you are unsure which grouping is most appropriate. Where relevant please also add units* for each measure, and insert additional rows

**e.g. Carbon emissions, kg or tCO2e*

| Community wellbeing measures | Employee wellbeing measures | Diversity, Equity & Inclusivity measures | Environmental measures (e.g. air quality) |
|---|---|---|---|
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Continued over

| Health and safety measures | Charitable giving / philanthropy measures | Volunteering measures | Economic measures | Other measures |
|---|---|---|---|---|
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Who has *direct responsibility* * for delivering social impact in your organisation? (please answer 'yes' to all that apply)

**e.g. via specific personal objectives to deliver clearly defined social impact goals or make a direct contribution toward a social impact target(s)*

| | |
|---|---|
| Executive/Business Area Head | |
| Portfolio/Fund/Sector Manager | |
| Street/Neighbourhood/Sub-Portfolio Manager | |
| Building/Asset/Property manager | |
| Other non-real estate professionals (e.g. Legal, Finance) | |
| Other business support functions (e.g. HR, IT) | |
| *[Other - respondent defined]* | |

Continued over

**The following questions ask about social impact within the context of real estate decision making, measurement, reporting and benchmarking processes in your organisation.**

**Please answer from the perspective of the dominant fund/portfolio under management and if appropriate please indicate which in cell G149** ------------------------------------

## 4. Social impact and real estate decision making

Thinking about decision making at different levels of your real estate organisation, how would you rate the importance* of financial and non-financial measures?

** Please rate each category of measure separately on a 1-3 scale, where 1=not important, 2=moderately important and 3=very important.*

| ***Decision making level…*** | **Financial** | **Environmental** | **Social** | **Governance** |
|---|---|---|---|---|
| Corporate/organisation level | | | | |
| Portfolio/fund level | | | | |
| Street/neighbourhood/sub-portfolio level | | | | |
| Building/asset level | | | | |

And how often are social impact measures/assessments *formally considered** at these different levels? Choose one frequency per activity.

**e.g. through quantified measures in Investment Committee papers, regular fund/portfolio/asset/sector Business Plans and reports, or Corporate Strategy documents and reports.*

| ***Decision making level…*** | **1 = Never** | **2 = Rarely** | **3 = Often** | **4 = Always** |
|---|---|---|---|---|
| Corporate/organisation level | | | | |
| Portfolio/fund level | | | | |
| Street/neighbourhood/sub-portfolio level | | | | |
| Building/asset level | | | | |

Thinking about decision making within your organisation across the following real estate activities, how would you rate the relative importance* of financial and non-financial measures?

** Please rate each category of measure separately on a 1-3 scale, where 1=not important, 2=moderately important and 3=very important.*

| ***Decision making activity…*** | **Financial** | **Environmental** | **Social** | **Governance** |
|---|---|---|---|---|
| Investment (acquisitions) | | | | |
| Investment (disposals) | | | | |
| Asset management (e.g. leasing, repositioning) | | | | |
| Development (incl. major refurbishment) | | | | |

And how often are social impact measures/assessments *formally considered** across these different activities? Choose one frequency per activity.

**e.g. through quantified measures in Investment Committee papers, regular fund/portfolio/asset/sector Business Plans and reports, or Corporate Strategy documents and reports.*

| ***Decision making activity…*** | **1 = Never** | **2 = Rarely** | **3 = Often** | **4 = Always** |
|---|---|---|---|---|
| Investment (acquisitions) | | | | |
| Investment (disposals) | | | | |
| Asset management (e.g. leasing, repositioning) | | | | |
| Development (incl. major refurbishment) | | | | |

Continued over

**5. Social impact measurement, reporting and benchmarking**

Does your organisation use '*financial proxies*' to calculate the £ value of any social impact measures? (i.e. monetisa

*[If yes to monetisation…]*

Roughly what proportion of social impact metrics do you calculate a £ monetised value for?

| <10% | 11-50% | >50% |
|---|---|---|
| | | |

*[If no to monetisation…]*

What are the reasons for not calculating the £ monetised value of your social impact measures? (please answer 'yes' to all that apply and specify the main reason if answering 'other').

| | |
|---|---|
| Calculating the monetised value of social impact is not appropriate | |
| Calculating the monetised value of social impact is not required (e.g. by regulation or client) | |
| Not aware of relevant monetisation calculation frameworks | |
| Lack of resources to carry out frequent monetisation calculations | |
| Other | |

Does your organisation have any quantified *targets* * for its social impact measures?

**i.e. a stated number (£, %, # etc.) rather than a qualitative objective such as "to improve", "to increase", "to establish or develop".*

*[If yes to quantified targets…]*

Roughly what proportion of social impact measures do you have quantifiable targets for?

| <10% | 11-50% | >50% |
|---|---|---|
| | | |

Broadly speaking, over what timeframe do you consider your social impact targets?

| Short-term (i.e. <1 year) | Medium-term (i.e. >1 <3 yrs) | Long-term (>3 years) | Too varied to generalise |
|---|---|---|---|
| | | | |

Does your organisation use benchmarks for any of its social impact measures, whether reported or not?

*[If yes to benchmarking…]*

Roughly what proportion of your social impact measures are benchmarked?

| <10% | 11-50% | >50% |
|---|---|---|
| | | |

Thinking about the social impact benchmarks you use, what is the approximate weighting toward relative and absolute benchmarks*?

**relative means compared to an equivalent measure for a different area/portfolio; absolute means compared to a fixed level/score.*

| Mostly relative | A broadly even mix | Mostly absolute |
|---|---|---|
| | | |

*[If no to benchmarking…]*

What are the reasons for not benchmarking any of your social impact measures? (please answer 'yes' to all that apply and specify the main reason if answering 'other').

| | |
|---|---|
| Benchmarking of social impact is not appropriate | |
| Benchmarking social impact is not required (e.g. by regulation or client) | |
| Not aware of relevant benchmarks | |
| Lack of resources to track benchmarks | |
| Other | |

**Final thoughts**

*Please feel free to add any comments or observations about the role of social impact within your organisation, or more generally across the real estate industry.*

RESEARCH

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