



Benchmarking Real Estate Investment Performance: The Role of ESG Factors
Invitation to Tender – October 2018

Background

Benchmarks in investment management provide the basis on which performance is monitored and judged. For real estate, challenges lie in developing and using market-based benchmarks arise from the nature of real estate investment markets, which inhibit the development of high frequency, price-based benchmarks and make it difficult for investors to hold representative portfolios.

The increased role that environmental, social and corporate governance (ESG) factors play in influencing investment decisions raises further issues, particularly within the context of increased internationalisation of real estate investment funds. This is an area that has seen rapid development in recent years and, consequently, the availability and consistency of market-based benchmarks vary across countries. This could affect the approach of international investors to benchmarking and lead to different measures being adopted for different markets.

The Brief

The IPF wishes to commission a major study to provide a comprehensive and critical analysis of existing ESG benchmarks and to consider their potential evolution, in terms of future use/application. In identifying measures currently in use, the research should examine a number of issues, including

- Why are ESG factors selected for application as benchmarks by investors? (10%)
- How do investors use ESG benchmarks within investment/disinvestment decision-making and are benchmarking services adequate in meeting investors' needs? (15%)
- How does the relevance of different elements of ESG vary across the different real estate sectors?
Over time, which ESG factors are expected to have the greatest impact on portfolio composition? (20%)
(15%)
- Given increasing international diversification in commercial real estate investment portfolios, how compatible are ESG benchmarks across different geographies and to what extent are they effective in enabling performance to be compared across jurisdictions? (20%)
- What evidence is there that ESG performance is a consideration in the remuneration of investment managers? (10%)
- How informed/engaged is the investment consultant community on ESG issues? What do they see as their role in this regard? Do they influence benchmark selection? (10%)

Approach and Scope

The methodology adopted is at the discretion of the research team, although this will be an important consideration in selecting the successful proposal. The study should be founded on a robust analysis of currently available data, commensurate with the expected output (see below).



Research Programme

To appeal to a wide audience, the research should extend to a consideration of real estate investments in a range of jurisdictions, as well as in order to address the matter of international compatibility.

Output

The IPF wishes to produce a major piece of research, with the findings presented in both a detailed report and a non-technical summary, in an accessible format that clearly conveys the practical implications of the study to general real estate investment practitioners.

In terms of relative importance, the research should be broadly weighted in accordance with the percentages noted for each of the issues described previously.

IPF-sponsored events will also be arranged to promote these reports on publication.

Research Monitoring

A Project Steering Group (PSG) will be appointed by IPF to oversee the research, the membership of which will include IPF Research Director, Pam Craddock, and other parties knowledgeable in the subject area. The PSG will meet with the appointed party periodically throughout the term of the project to act as a monitoring group but also to provide constructive support to the appointee. The PSG will also be responsible for approving the final report prior to publication.

Project Duration

It is estimated that up to six months may be required to execute the brief. The findings, to be incorporated into a final report, should be available for publication no later than **June 2019**.

Appointment Process

Proposals should be submitted to the IPF Research Director, Pam Craddock (pcraddock@ipf.org.uk) by close of business, **Monday 19 November 2018** in a format consistent with the IPF Research Submissions Guidelines, available via the [IPF website](#).

The IPF reserves the right not to proceed with any proposal, as well as to appoint a research contractor without conducting interviews.

It is intended that an appointment will be made within two to four weeks of the deadline for submissions, depending upon the number of proposals received.

Cost

A budget of between £45,000 and £60,000 plus VAT for research fees (including data acquisition but excluding publication and dissemination costs) may be made available for major projects of this nature. Please contact IPF Research Director, Pam Craddock, should you wish to discuss your research fee proposal.