Driving social value through real assets

A bite-sized briefing for asset managers

APRIL 2020

With thanks to our Social Value Programme Partners:
INTRODUCTION

This bite-sized briefing summarises UKGBC’s work on social value, highlighting some key considerations for real estate assets managers.

This resource aims to help asset managers understand the potential social value of real assets, report key information to investors and to take steps to deliver greater value to communities.

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• Shifting expectations of investors
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For more information on the Social Value Programme, please contact Sophia Cox: sophia.cox@ukgbc.org
1. Social value in the built environment

Social value is a term for the economic, environmental and social benefits that are experienced by people. To understand their worth, these benefits are often measured, and sometimes assigned a financial figure. Social value has become an increasingly prominent concept in the UK, primarily thanks to the introduction of the 2012 Public Services (Social Value) Act.

In the context of the built environment, UKGBC’s approach understands social value as the benefits that built places provide to their local communities, where the local community could include existing and future residents, local businesses or anyone who interacts with that place, now or in the future.

Within this context social value can look like many different things. Our guide to Social value in new development explores some of these outcomes, and demonstrates that the way that places are planned, maintained, built and operated can create jobs and bolster economic growth, improve local health and wellbeing or strengthen the community.
2. Shifting expectations of investors

It’s been widely publicized that the millennial generation is demanding more ethical credentials for their investments and pension contributions. Yet there is a wider, intergenerational shift in our expectations of business that has cemented ESG reporting as a critical part of asset management. This shift is also reflected in the rise of impact investing and the prevalence of the Global Goals.

Impact investing
The concept of socially responsible investing, and in particular ‘impact investing’, has been rapidly gaining momentum within the financial community. According to a report by The UK National Advisory Board on Impact Investing, 'The Rise of Impact', we are at a tipping point with mainstream institutional investors now looking at how they can incorporate impact funds within their portfolios.

The Global Goals
The UN Sustainable Development Goals or “Global Goals” are proving to be an effective communication and reporting mechanism for delivering value to society. The Business and Sustainable Development Commission have estimated that there is $12 trillion in commercial value to be created from investing in assets that are aligned with the goals.

“Fundamentally the traditional drivers of value have been shaken, new ones will gain prominence, and there’s a possibility that the gulf between what markets value and what people value will close.”

Mark Carney, Former Governor of the Bank of England
3. **Social value outcomes from buildings and places**

The first step in understanding social value in new development is recognising the importance of local context. The relative importance of different outcomes will be completely dependent on the needs of the local area. The table below details a spectrum of positive outcomes that local communities can potentially gain from a new development and how they align with the Global Goals.

<table>
<thead>
<tr>
<th>Jobs and economic growth</th>
<th>Health, wellbeing &amp; the environment</th>
<th>Strength of community</th>
</tr>
</thead>
<tbody>
<tr>
<td>Decent jobs for local people, including hard to reach groups</td>
<td>Good accessibility and sustainable transportation</td>
<td>Strong local ownership of the development</td>
</tr>
<tr>
<td>Local people with the right skills for long-term employment</td>
<td>Resilient buildings and infrastructure</td>
<td>Existing social fabric is protected from disruption</td>
</tr>
<tr>
<td>School leavers with career aspirations of the industry</td>
<td>High-quality public and green spaces</td>
<td>The new community is well integrated into the surrounding area</td>
</tr>
<tr>
<td>The local supply chain is supported and grown</td>
<td>Good mental health</td>
<td>Thriving social networks</td>
</tr>
<tr>
<td>Residents have comfortable homes which are affordable to operate</td>
<td>Good physical health</td>
<td>Vibrant diversity of building uses and tenures</td>
</tr>
<tr>
<td>Thriving local businesses</td>
<td>Healthy local air quality</td>
<td>Strong local identity and distinctive character</td>
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<tr>
<td></td>
<td>Limited resource use and waste</td>
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</tbody>
</table>
4. Driving social value across the lifecycle of an asset

- There are opportunities for delivering social value throughout all stages of a development lifecycle.
- For investors and asset managers, most of these opportunities exist during operation, or when assets are being bought or sold.
- We cannot deliver social value without understanding local needs and fully engaging with local communities. For a selection of inspiring ways to better engage communities see our report, *Delivering Social Value: Community Engineering Hacked*.
- Social value measurement should be in terms of the outcomes that result, rather than the activity (or input) undertaken to reach that end and should invest in long term monitoring.
- A social value approach is more about a process than a set of interventions or even outcomes.
5. Measurement and reporting

Measuring and reporting on social value across portfolios is becoming an increasingly important practice. Indicators should be selected on the basis of how easy they are to collect and aggregate. The table below provides a selection of potentially useful measures.

<table>
<thead>
<tr>
<th>Measure</th>
<th>Metric</th>
<th>Data gathering</th>
</tr>
</thead>
<tbody>
<tr>
<td>Decent jobs</td>
<td>% of staff on Living Wage</td>
<td>Tenants</td>
</tr>
<tr>
<td>Skills development</td>
<td>No. of people in apprenticeship schemes</td>
<td>Facilities management</td>
</tr>
<tr>
<td>Air quality</td>
<td>% of sites meeting WHO guidelines</td>
<td>Installing sensors</td>
</tr>
<tr>
<td>Sustainable transport</td>
<td>Av. % of visits to site by sustainable transport means</td>
<td>Occupier surveys</td>
</tr>
<tr>
<td>Biodiversity</td>
<td>Av. % biodiversity net gain across sites</td>
<td>Environmental consultants</td>
</tr>
<tr>
<td>Public realm</td>
<td>Sq. ft. of public realm under management</td>
<td>Asset data</td>
</tr>
<tr>
<td>Resource use</td>
<td>% sites operating with zero waste to landfill</td>
<td>Environmental reporting</td>
</tr>
<tr>
<td>Health and wellbeing</td>
<td>% of sq. ft. certified by health and wellbeing standards</td>
<td>WELL, fitwell etc.</td>
</tr>
<tr>
<td>Community engagement</td>
<td>No. of local stakeholders engaged with</td>
<td>Consultations &amp; activities</td>
</tr>
<tr>
<td>Sense of belonging</td>
<td>Av. % increase in resident sense of belonging</td>
<td>ONS data</td>
</tr>
<tr>
<td>Satisfaction with area</td>
<td>Av. % increase in resident satisfaction with local area</td>
<td>ONS data</td>
</tr>
</tbody>
</table>

While it is possible to provide financial equivalents for the amount of social value generated, it is important that that expression is meaningful. For more information on calculating Social Return on Investment or conducting a Cost-Benefit Analysis please see our report, Delivering Social Value: Measurement.
6. Principles for a real estate impact fund

Too often real estate funds are deemed to be “impact funds” if the assets inherently provide a benefit to society, for example, social housing funds. Impact investing should be about delivering over and above business as usual. The below provides some key principles of impact investing for real estate.

1. Addressing a need
   Funds should seek to address real world problems. For example, a fund that seeks to impact health outcomes must be able to demonstrate that the communities the fund will impact have poor health and wellbeing. As societal issues can be very localised, a detailed understanding of the local needs is required across investments.

2. Intentionality
   Funds should be explicit about the impact that it is intending to deliver. It is Important to articulate a theory of change which describes how the investment along with other interventions will create the impact desired.

3. Additionality
   Impact should be assessed within the context of the changes that might have happened anyway. The impact that is measured should be what has happened in addition to business as usual.

4. Holistic
   Although the fund may be addressing a particular need, the impact that it has on society should be approached holistically. Impact funds should have social or environmental investment criteria that are of equal significance to traditional financial criteria.

For more information on impact investing please refer to the Global Impact Investing Network’s guidance and INREV’s Spectrum for Impact Investment.
WITH THANKS

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