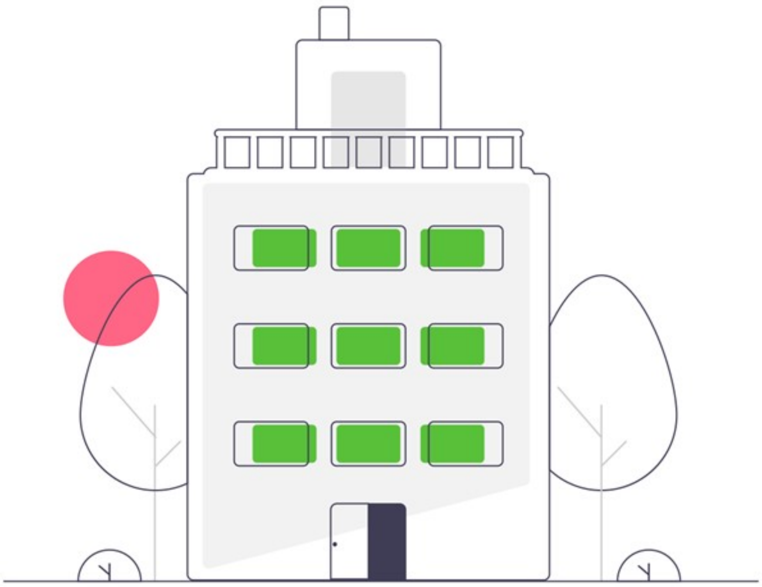
READING REAL ESTATE FOUNDATION

Sustainable Real Estate

A force for societal change in the UK



Henley Business School
UNIVERSITY OF READING

Where business comes to life

Reading Real Estate
Foundation

Additional material relating to the Real Estate Summit, including all presentation slides and further reading can be found at the event webpage here:

live.henley.ac.uk/events/91595

Acknowledgements

The Reading Real Estate Foundation worked with independent writer Felicity Francis (felicityfrancis.com) for the production of this research paper.

The document is a summary of notes taken during the Real Estate Summit, with additional commentary from our expert contributors.

WITH THANKS

Our hosts
Addleshaw Goddard
addleshawgoddard.com

The RREF Board of Trustees
For their instrumental role in bringing together our expert panels.

Foreword from the Reading Real Estate Foundation

Jean-Pierre Choulet
Executive Director
Reading Real
Estate Foundation

On behalf Reading Real Estate Foundation (RREF), it is my pleasure to present to you our report summarising the vital discussions held during our inaugural Real Estate Summit. RREF's work supports change and innovation by funding research, widening access to the sector, and equipping the next generation of professionals with the tools needed to thrive in the changing world of work.

This event brought together leading academics from the Department of Real Estate & Planning at Henley Business School, University of Reading, and a range of industry experts from a wide variety of firms.

Through the lens of the Summit, we can look to the challenges of the future, ensuring that sustainability within the industry is embedded, authentic and measurable, creating a positive force for change.

Opportunities such as the Summit are a crucial medium for nurturing and fostering the discussions, ideas and innovations that will have the potential to develop into the solutions the future needs, today.

By bringing people together, we hope to build the foundations of a community and network of expertise to challenge and change the perception of the industry among potential talent, and to grow the feedback loop and knowledge exchange between sector and academia.

Over the pages, you will fund a detailed and approachable summary of the proceedings, complete with quotes from our speakers. This is not the end of the discussion by any means. Rather, I hope this report will encourage you to join the conversation, and push for change, whatever your role and wherever you are in the world.

RREF will continue to bring people together around our core objectives, and I hope to see you at a future event.

SUSTAINABILITY
(noun)

The idea that goods and services should be produced in ways that do not use resources that cannot be replaced and that do not damage the environment.

Contributors

Drawn from academia and industry.

PANEL CHAIRS

Professor Andrew Baum
Emeritus Professor
Saïd Business School
University of Oxford

Professor Gianluca Marcato
Head of Real Estate & Planning
Henley Business School

Professor Kathy Pain
Real Estate & Planning
Henley Business School

Chris Taylor
Chief Executive of Real Estate &
Head of Private Markets
Federated Hermes

PANELLISTS

Paul Clark
Senior Investment Director
Australian Super

Professor Carlo Corradini
Real Estate & Planning
Henley Business School

Professor Neil Crosby
Emeritus Professor
Real Estate & Planning
Henley Business School

Marnix Elsenaar
Partner and Head of Planning
and Infrastructure Consenting
Addleshaw Goddard

Peter Freeman CBE
Chair
Homes England

Helen Gordon
Chief Executive
Grainger plc

Mary-Louise Gray
Chief Operating Officer
EMEA Occupier Services

Caroline Hill
Managing Director and
Head of ESG
Blackstone Real Estate

Julie Hirigoyen
Chief Executive
UK Green Building Council

James McCaffrey
Managing Director, Head of
UK-Europe and Board Member
Eastdil Secured

Professor Pat McAllister
Real Estate & Planning
Henley Business School

Peter Papadakos
Head of European Research
Green Street Advisors

Jeremy Plummer
Strategic Consultant and former
Global Chief Investment Officer
CBREIM

Marit van Rheenen
Head of ESG Europe and Asia
Pacific for Real Estate
Goldman Sachs Asset
Management

Our thanks to everyone who attended the event and contributed to the lively discussions during the panels, and in the session breaks.

The Premise

How as an industry can we authenticate the pivotal role of real estate in improving society and creating sustainable wealth?

In November 2022, a group of leading and enquiring minds from both the real estate sector and planning were brought together by the Reading Real Estate Foundation for our inaugural Real Estate Summit. The subject was **Sustainable Real Estate: A Force for Societal Change in the UK**.

Panellists and speakers came from many fields, bringing together public, private and third sector professionals and academics. Our aim was to approach the subject of sustainable real estate from all angles - financial, social, environmental and to discuss what the concept really means.

OUR CONCLUSION

That to generate the returns and prosperous society we seek, far more needs to be done and we need to do it together. It is not possible to separate the economy from environment, society and governance - these issues cannot be tackled either singly or by one part of the economy. We need to drive a unified response and holistic approach, bringing together the private and public sectors, government and academia.

During the summit, attendees were presented with examples of where a joined-up approach can deliver real, sustainable solutions - and where opportunities have been missed.

By laying out the current economic challenge, we can see how real estate may have contributed through past actions. A new value model could reduce economic risks or mitigate their impact.

At the same time, real estate needs to do its part to reduce inequality across the UK's regions if the country is to prosper. When the UK is compared to other countries there is a clear productivity gap, yet there is no clear plan to address this from any sector, including government.

Both now and in the future, a proper and tangible focus on environmental, social and governance (ESG) will be the foundation for real estate valuations and investment strategies. As presenters outlined, the relationship between the environment and financial performance can no longer be separated, but the industry needs to do far more in terms of measurement and reporting.

Societal impact is even harder to quantify - real estate investors increasingly require an understanding of social value, yet this can mean so many things. The future of real estate is being shaped by how properties meet the needs of people and businesses today, but to understand what those needs are requires joined-up thinking.

For too long, the commercial real estate sector has not been recognised by the government for the potential it has to create sustainable wealth. Real estate is not just a sector that responds to the economic barometer – it can set the barometer. The properties we create and manage are where business happens. Without the right real estate, people cannot drive economic growth. And the more ESG can be considered using robust data, the more the financial and use value of real estate can spur economic growth and deliver stability.

So our conclusion led us to ask two questions:

1) How can the real estate industry better demonstrate its role to the government?

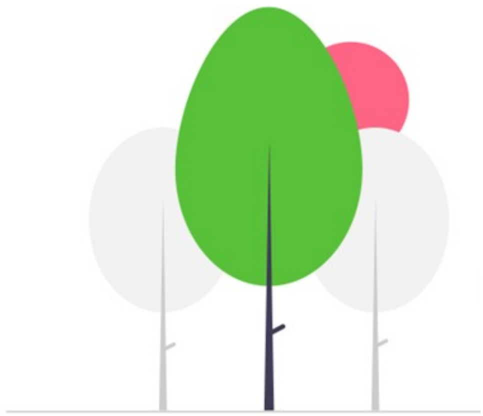
2) And how can it act as a pivotal conduit for delivering not just enhanced productivity for the economy but also lead to positive societal and environmental externalities?

To generate an answer, there is a role for all sectors to play. The private and public sectors need to collaborate to deliver the sustainable places that societies need to live, work and play in. But they need the work of academia to understand what success looks like - how to create it, measure it and report on it.

There are many examples, several of which were presented during the Summit, of where private sector capital can work with the public sector and the world of academia to be a powerful force for delivering sustainable wealth.

ESG continues to grow in importance, but we are not yet at a point where we fully understand what it means. The commercial real estate sector has a long way to go before we are collectively delivering properties that meet the level of sustainability required. Together, we can lay the path to get there.

This report details some of the insights generated, as well as how research from RREF and other industries is informing how the most high-profile institutions in the UK are shaping the future of real estate.



Questions about any of our analysis?
Continue the conversation:
live.henley.ac.uk/news/1332144

The Economic Challenge

Prof. Gianluca Marcato (Chair)
Prof. Neil Crosby - Prof. Carlo Corradini
Jeremy Plummer - Marnix Elsenaar

INTRODUCTION

As the real estate industry faces increasing urgency to understand ESG, the UK has entered a deteriorating macroeconomic environment. Every advanced economy around the globe is suffering because of energy price hikes, the war in Ukraine, the impact of the pandemic and many more factors.

Certain characteristics of the UK economy and the balance of societies are amplifying the effects of the recession for many people. As the presentation and panel discussion during the Summit concluded, these imbalances could be addressed by embedding ESG deeper into the real estate industry.

"Real estate is a conduit to drive productivity and sustainable growth across the economy, but this is often ignored. We need to articulate to the government the sector's vital role in delivering positive outcomes. To this end, research is essential.

By understanding what we have done in the past, we can apply the principles of what will be successful and understand what hasn't been."

CHRIS TAYLOR

PRODUCTIVITY AND SKILLS

Inflation at a 40-year high, rising interest rates and a continued stark imbalance between productivity in London and the rest of the UK - these are just some of the factors that could deter real estate investment in the coming years and stifle economic growth. While the real estate sector will need to ride the economic wave, as it has done in the past, it can address regional imbalance through an embedded approach to ESG.

The UK lags behind many European countries in terms of productivity. There is a real need for all regions to move to an economy that requires diverse, high skills. Research shows that areas that lag in terms of productivity face low-skills traps; a low demand for skills leads to limited incentives to upskill.

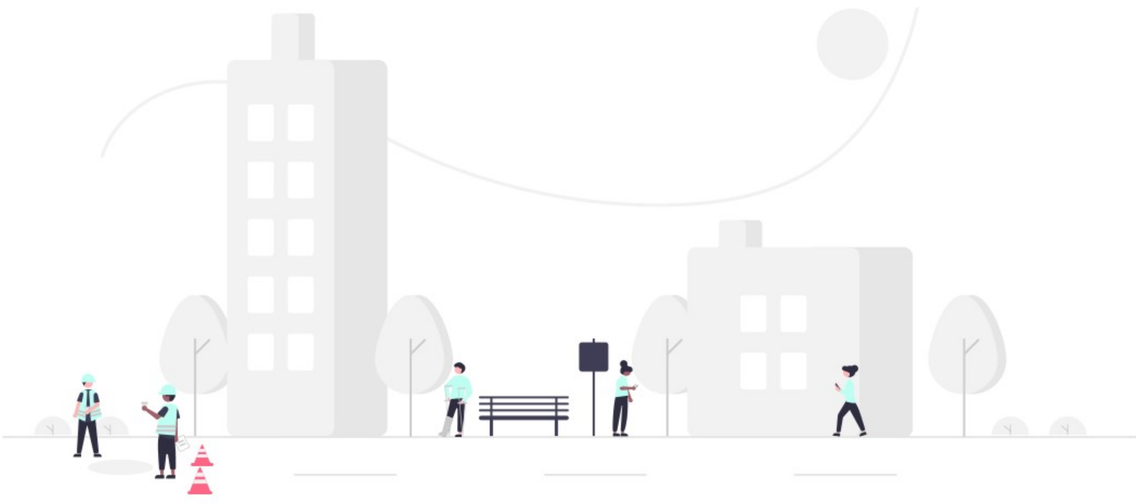
Real estate can play its part to boost productivity in every part of the UK. We can create the spaces that all industries need – industrial space, office, retail and housing – but these spaces need to be conducive to productivity. If you build an office or a warehouse designed to consider people's health and wellbeing, with natural light and places to relax, people are far more likely to enjoy work and be productive.

However, to make a real difference to levelling up the UK, the government needs to be clearer about where it wants to go. Its intention is to reduce inequality, judging by its publication of the **Levelling-up and Regeneration Bill** early in 2022. But we need greater focus on industrial policy and a strategy to reduce the skills gap.

The growth of ESG could provide some of the highly-skilled jobs regions need. The transition to a green economy, for example, will require people skilled in both energy and digital technologies. This will affect all industries, but care needs to be taken to ensure the growth of these industries benefits all regions.

To be successful, an integrated skills intervention within a regional development policy needs to be orchestrated by a cross-sector team.

We need stronger synergy between institutions working on regional development and private businesses in these areas. The result could be increased entrepreneurship in many fields and a greater likelihood of sustainable wealth creation.



A NEW VALUATION MODEL

Following the global financial crisis of 2007/2008, many commentators viewed real estate as part of the problem. Over-lending during the previous boom was followed by restricted lending in the downturn.

However, the sector was not generally factored into the solution. Despite the opportunity to learn many lessons, the property valuation model remains the same. Here we are again, on the precipice of a recession and potentially a lengthy fall in the value of real estate across all asset classes.

There could be a solution. For example, Basel III, a concept of a prudent valuation regime, is now being debated for implementation in the EU, monitored by the Bank of England.

Basel III is an internationally agreed set of measures developed by the Basel Committee on Banking Supervision in response to the financial crisis of 2007-2009. The concept suggests valuations must exclude expectations of price increases and instead consider the potential for the current market price to be above what could be sustained over the whole life of a loan. In short, it looks to the long-term, not the short-term, gain.

The Basel III concept throws up many questions, such as:

- Should regulators intervene in booming real estate markets to restrict lending?
- Would a prudent valuation regime identify a looming financial crisis?
- How could it be delivered?

The Universities of Reading and Cambridge are currently working on long-term valuation models, supported by the Property Industry Alliance and the Bank of England and funded by the Investment Property Forum. To date, the research has created valuable insights, including that long-term value modelling would have given a two-year early warning system in both 1990 and 2007 as it was clear that commercial real estate was significantly over-priced. While episodes such as the pandemic cannot be predicted, a model could stress test such scenarios.

BASEL III

Main Features

Increase the level and quality of capital	Enhance risk capture	Constrain bank leverage	Improve bank liquidity	Limit procyclicality

Purpose

"The Basel III framework is a central element of the Basel Committee's response to the global financial crisis. It addresses a number of shortcomings in the pre-crisis regulatory framework and provides a foundation for a resilient banking system that will help avoid the build-up of systemic vulnerabilities. The framework will allow the banking system to support the real economy through the economic cycle."

bis.org/bcbs/basel3.htm

WHERE CAN WE FIND SUSTAINABLE GROWTH TODAY?

The economic turbulence of the autumn of 2022 brought about swift changes in real estate values. As real estate yields plummeted, it was only a short matter of time before values had to fall for property to deliver the returns required by investors. Major British landlords and developers quickly announced reduced profits, even losses.

The real estate sector is unlikely to see capital growth in the short term. So where do we find growth in this context? This was the subject of the panel discussion at the Summit.

One argument put forward is that investment needs to focus on regional growth in industries that are both resilient and increasing in value. Among these sectors are green energy and life sciences.

A second argument focused on creating value models based on factors other than capital growth. As well as rental income, a property's value can be measured through its contribution to people's wellness and its value to the society surrounding it. Prosperity drives productivity, which will place the UK on a stronger footing.

It is not only the government that needs to act to level up skills and opportunities across the UK. UK industries such as real estate can boost skills across the country by providing opportunities, such as investing in social infrastructure. If we can break out of the circle of only training for skills in the areas where they already exist, the country will become a more attractive investment destination.

In turn, the benefits to the UK-wide economy would be significant. By creating the space that people need to create productive industries and employ skilled people, the real estate sector can drive sustained economic growth for everyone.

Environmental Opportunities

Prof. Kathy Pain (Chair)
Peter Papadakos - Prof. Pat McAllister - Marit van Rheenen
James McCaffrey - Julie Hirigoyen

INTRODUCTION

The relationship between the financial and environmental performance of real estate assets is deepening for three key reasons.

First, tenants will increasingly turn away from property that does not meet their own environmental standards. This could create stranded assets that an owner struggles to lease or sell very quickly.

Second, the investment market is also starting to turn away from assets that don't have good environmental performance. Fund managers are tasked with creating portfolios of assets that are either net zero carbon or are on the way to being so.

Third, governments around the world are likely to start penalising those who own substandard property in terms of environmental performance. In the UK, this has already begun; all property that is leased out must have an EPC rating of B or above by 2025. Undoubtedly, more regulations will follow.

Good environmental performance is no longer a nice-to-have, but the real estate sector is still coming to terms with this fact. At the Summit, panellists discussed the real need to understand environmental performance in valuations and how the sector needs to get to grips with measurement if it is to make the necessary difference to real estate worldwide.

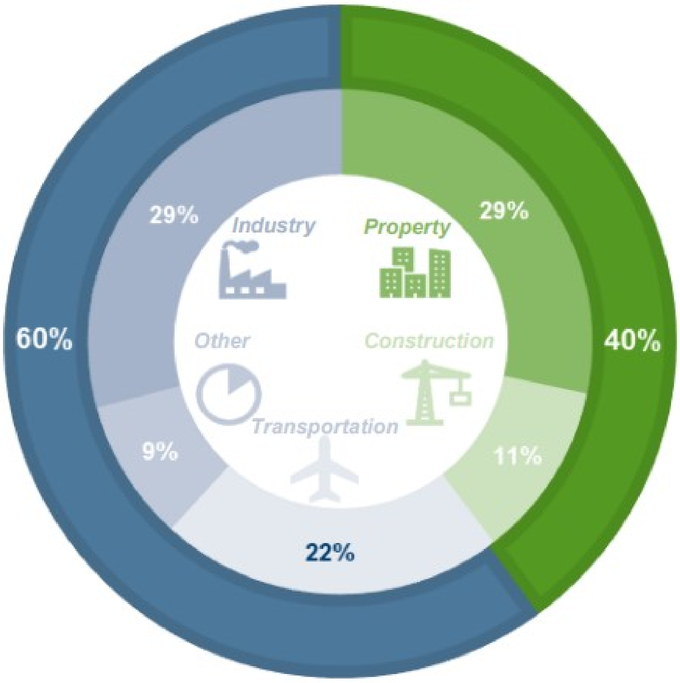
WHY DOES 'E' MATTER FOR REAL ESTATE?

It is a widely shared statistic that real estate accounts for 40% of the world's carbon emissions. It is less widely understood how each individual real estate asset - be that a home, an office, a warehouse or restaurant - contributes to this total. In some respects, it is easier to see the problem as a whole rather than understand what we need to change on an individual level.

At the Summit, panellists and attendees discussed what is really driving the commercial real estate sector to focus on environmental performance.

This can be summarised as :

- **Market-level regulations:** what do properties have to adhere to?
- **Market-level efficiency:** how does energy efficiency compare from market to market?
- **Sector-level sensitivity:** are some sectors more environmentally risky than others?
- **Portfolio-level efficiency:** why are some more efficient than others?



SHARE OF CO2 EMISSIONS BY INDUSTRY

Share of other industry emissions

Share of real estate emissions

Note: real estate can make up ~70% in highly urban environments

Source: World Economic Forum, UNEPFI, Fifth Wall, Oxford Economics, Climate Watch Data

These factors vary considerably around the globe. In terms of net zero, for example, the US lags behind the EU but is now aiming to catch up. In terms of renewable energy, the Nordics are far advanced while the UK needs to create a greener national grid. All this has an impact on environmental performance and values.

If the real estate sector is to cut its environmental impact as much as is required to meet global targets, far more needs to be done. Governments know this; regulations are being introduced at speed that can be challenging to navigate when creating new developments or long-term investment strategies. A portfolio that is compliant today may not be in five years' time.

WHERE FINANCE AND THE ENVIRONMENT MEET

For the real estate sector to improve environmental performance at the rate required, the returns need to be clear. Valuations need to take into account long-term sustainability, not just how a real estate asset performs today.

However, property valuers face an enormous challenge. Today, in the face of climate change, they are being asked how environmental factors affect what investors care about - returns, lower void costs, reduced risk premium and, at the end of it all, increased value.

Environmental factors alone are hard to quantify. A valuer can assess operational performance, building fabric and services, but also the effect that voluntary and compulsory certifications have on values - think of BREEAM, EPC ratings and NABERS to name a few. Putting all this into a cash flow model is not a straightforward task, particularly as many are moving targets.

There is a body of academic research addressing these subjects. While a conflict of approach exists - academics look back at what has passed, while the industry looks forward at what is to come - it has been possible to gain insights into how improved environmental performance can have a positive impact on values. This is encouraging and will go some way to further motivating the wider real estate industry to improve assets' environmental credentials.

Moving forward, academia needs the input of the private and public sectors to create valuation models that are better able to consider moving goalposts. We need a strong evidence base, with honest reporting from all those in the value chain.

NEW FINANCIAL MODELS AND MEASUREMENT

Currently, research shows there is little correlation between environmental attributes and financial performance. Although this will undoubtedly change, it is not spurring on the financial industry to fund the environmental improvements that most real estate assets require.

Panellists discussed the need for academia, lenders, asset owners and - importantly - the government to create the incentives required. It will cost the real estate industry billions to reach net zero carbon, if it is indeed possible; it must be incentivised to make that journey. Understanding the total cost will reduce uncertainty and provide opportunities to make deliverable strategies.

To get to this point means tackling another challenge faced by the real estate industry: greenwash. It has become common for real estate owners and investors to make environmental claims that can't be substantiated due to a lack of certification in that area. It is also becoming common for businesses to hold back information about environmental performance for fear of it being labelled greenwash. This is an unhelpful circle.

What the sector needs are robust methods to measure the different elements of environmental performance.

Currently, the subject of carbon emissions is the only quantifiable aspect, and even this is hard to report with accuracy. An office may have been designed to be net zero carbon, but once a tenant moves in, how does it perform? This is an area that all markets around the globe must tackle if real estate's impact on the environment is to be reduced.

Soon, legislation will require the financial sector to measure and report on environmental performance more thoroughly. The EU's **Sustainability Related Financial Disclosure Regulation** will ask financial institutions to evaluate and disclose sustainability-related data; once this is in force, the real estate industry will be under pressure to embed consideration for the environment more deeply into financial models and valuations.

"There's real difficulty in trying to capture evidence of environmental sustainability. Real estate is a global sector today, with strategies created by investors that have global portfolios spanning markets. How can they reduce risk by factoring in sustainability when like-for-like measurement is impossible?

Even granular evidence on carbon emissions is extremely hard to find. We need to put our heads together - the commercial sector, government, academia - to find a way to account for environmental factors where data is even less available."

PROF. KATHY PAIN

SOCIETAL IMPACT

Chris Taylor (Chair)
Helen Gordon - Paul Clark - Prof. Kathy Pain

INTRODUCTION

It's easy to talk about 'ESG' while accidentally focusing on the 'E'. The 'S' is harder to define and measure. Often, real estate struggles to create solutions to the hard questions posed by the built environment - specifically, creating real estate for everyone that can provide the landscape a society needs to prosper.

However, in a way the 'S' could be considered where the financial and environmental elements come together. If real estate can generate sustainable wealth and reduce its impact on the environment, the result will be a healthy society.

At the Summit, attendees were presented with many research projects and findings that make it clear how important it is to generate social impact from real estate.

Joined up thinking that considers all angles of development and regeneration can bring tangible benefits.

If an investor or property owner isn't clear now how important it is to consider the wider social impact of real estate, as well as the wellness of the people using a specific property, they will soon. To create risk-adjust returns will mean creating real estate that is fit for purpose. Increasingly, investors will make decisions based on wellness as much as environmental impact.

If a property is not currently fit for purpose, an investor or owner needs to know how it will need to be repurposed in the future - and who will pay for that. Increasingly, regulations will ask for long-term valuations and impact, with evidence to show what has been considered, including societal wellbeing.

Real estate suffers from the general public's misconception that it is a private sector where the players are in it only for the money. In reality, the sector is made of many different organisations, including the private sector, and most are in it to create amazing places. We need to work together to find a better way to communicate the social value generated through regeneration, development and investment.

The following themes stood out during the Summit, painting a picture of the breadth of societal impact that the commercial real estate sector must understand to create a sustainable future for everyone.

THE IMPORTANCE OF PUBLIC/ PRIVATE SECTOR PARTNERSHIPS

There is a clear need to regenerate town centres across the UK. Already, some excellent work is being carried out where sectors come together to design flexible spaces that create social, cultural and environmental value. In these cases, sectors cannot work alone – the public sector might own the site and needs to give planning approval, while the private sector has the capital and skills to generate economic value.

At the Summit, attendees heard about research into the £240 million regeneration of Bracknell town centre. This project highlighted the value of multi-sectoral partnerships guided by a shared vision. In particular, research into the project determined the importance of well-designed and flexible spaces that create social, cultural and environmental value while providing a diverse set of retail, leisure and food and beverage uses.

Public/private sector cooperation is essential to ensure real estate delivers social value. It's not possible to create successful real estate without the right infrastructure. This is where the government and local councils must play a vital role, ensuring that private sector investment is possible in the right locations.

Boosting connectivity can play a vital role in generating social uplift. Research presented at the Summit examined the re-use of vacant retail units in Reading town centre to support regeneration, active travel and net zero.

The project demonstrated the value that can be generated locally by linking the active travel and net zero baron agendas to regeneration policy. In particular, cycle parking as an under-explored factor in supporting more sustainable transport choices.

CASE STUDY: BRACKNELL REGENERATION

Two New Town specialists (Victor Nicholls and Emma Street) led a series of research into the 2017 redevelopment of Bracknell's town centre.

Project outputs for this series so far include two reports. The first, **The Lexicon – Making it Happen**, focusses on the period from 2001 onwards and culminating in the opening of The Lexicon, a retail-led regeneration scheme, in September 2017. The second, **The Lexicon – Understanding success in major town centre regeneration** is a reflective study based on conversations with the individuals involved in delivering the redevelopment.

Headline results include the importance of building and proactively managing a stable project team that is committed to achieving shared goals over the longer term. Having a coherent and consistent regeneration vision, developed through formal modes of collaborative working (such as the extensive masterplanning needed for The Lexicon), is key to this. Planning for obsolescence – or at least anticipating a context of ongoing flux – is also important.

Making effective use of quantitative performance measures, including indicators of commercial performance, is flagged as vital to tracking a town centre's health. Just as important is having sight of more subjective measures of success, such as residents' sense of pride in their regenerated town centre.

Find out more: **henley.ac.uk/research/centres/real-estate-planning-research/projects/the-lexicon-making-it-happen**

THE HALO EFFECT OF THE MANAGED ESTATE

Where public and private sector collaboration is successful, it's possible to create a scheme that has the effect of pushing uplift out through the surrounding area. One such example is the regeneration of King's Cross, a scheme that demonstrates what can be achieved through a focus on sustainable wealth generation.

A mosaic of factors have led to the success of King's Cross. To bring the scheme to reality many elements were considered: infrastructure, public realm, wider community engagement, culture, education, mixed uses and heritage. Overall, long-term capital aligned with the public sector with a focus on inclusivity and social value.

The result has been the creation of the 'halo' effect of a single managed estate. King's Cross has become a destination for attracting and retaining talent, which in turn has secured global capital.

The critical success factors at play throughout the regeneration of King's Cross can be applied to other places. The question for the real estate sector to focus on is: how can we create a framework for assessing the societal and environmental externalities as well as the financial outcomes as part of our valuation methodology and appraisal process?

CASE STUDY: KINGS CROSS

"Over the past 20 years, what was an underused industrial site has been transformed and rejuvenated with new streets, squares and parks, homes, shops, offices, galleries, bars, restaurants, schools, and even a university.

The location, the connections, the canal-side setting, the heritage, an exciting cultural scene, a thriving business community, and a strong sense of local community. All these things come together at King's Cross to make it unique and really quite special. But this wasn't always the case.

The historic Coal Drops have been redeveloped as a unique shopping destination and companies such as Google, Facebook, Universal Music and Havas have chosen to locate here.

New public streets, squares and gardens have opened, among them Granary Square with its spectacular fountains, Lewis Cubitt Park and Square and Gasholder Park. King's Cross is now a much-loved part of London and a popular destination for locals and visitors from further afield."

*Extract from "About the development", accessible at **kingscross.co.uk/about-the-development** along with a complete overview report.*

HOMES AND EDUCATION

Social housing has been in the spotlight recently, for good reason. The cost-of-living crisis is affecting millions of people and many live in substandard conditions already. During the Summit, panellists discussed how cross-sector collaboration is essential to delivering the homes people need.

Research shows that if people live in a safe, quality home, their prospects are improved and the whole area will benefit. Creating a productive workforce starts with providing decent housing and the entire real estate sector has a part to play in delivering it.

To boost productivity and improve societies across the UK, panellists also discussed the vital role of education. Across the UK, schools and universities need to foster curiosity in people and inspire them to be productive. Education needs to look to the sectors that are set to grow, and real estate needs to provide the space for this to happen.

"There's no point building an IT industry where there are no skills. If you have a good university training people for skills, businesses will want to be near that.

Look at Silicon Valley - it's clear that industry will chase skills and infrastructure and whole regions can be uplifted."

PROF. GIANLUCA MARCATO

"I can't think of a better authentication than the creation of a place that creates and supports better talent.

If you make a place that gives the impression that it is doing good, you pull talent to you. And then you become hubs drawing talent. These places become centres of civic pride."

CHRIS TAYLOR

CREATING A SENSE OF CIVIC PRIDE

Real estate is an integral conduit to creating a sense of civic pride. By providing beautiful buildings and a well-considered public realm, people will be more productive.

To create such spaces, it is vital to engage the community. Consulting with a wide pool of stakeholders will greatly increase the chances of success for a regeneration project. This involves talking to current residents, schools, organisations and businesses. These are the people who know what is needed in an area for it to thrive and will make it a success by buying in.

When a place is planned, research shows that bringing in heritage and culture improves stakeholder buy-in. It is a way to connect people with the world around them and give them a sense of ownership.

THE FUTURE OF REAL ESTATE

Prof. Andrew Baum (Chair)
Caroline Hill - Mary-Louise Gray
Prof. Kathy Pain - Peter Freeman

INTRODUCTION

Whether or not the real estate sector is yet getting ESG right, there has been an explosion in interest. Today, all large investment firms and property companies have a head of ESG; many were present at the Summit and spoke about the increasing weight of ESG at board level.

Each organisation focuses on a different element of ESG, driven by pressure from both shareholders and property occupiers. Understandably, the 'E' often takes precedence as it is easier to quantify. Emerging laws such as the Anti Money Laundering Act and Modern Slavery Act are pushing organisations to establish good governance - the 'G'. Though 'S' is trickier to quantify, organisations are indeed looking more to their societal impact.

All these different approaches to ESG can be shared. To shape the real estate of tomorrow that brings in all elements of ESG, it will take a coalition of best practices, investor models that look to the long term and research to understand how to quantify real estate's impact. ESG can be the common ground that brings everyone involved in real estate together.

The growing global appreciation of ESG gives the commercial real estate sector a platform to voice the impact that it has on economic growth. Real estate can provide long-term solutions to many challenges faced by societies and be designed to help people reduce their environmental impact.

"The sector is on the path to getting ESG right. The question is whether it will get it right fast enough.

The answer is to bring everyone together. However, there are many embedded divides in place and it will take a lot of effort to align motivations."

PROF. ANDREW BAUM

THE RISE OF MIXED-USE

Increasingly, developers and investors are finding opportunities to develop mixed-use schemes in the middle of towns and cities. They are bringing together residential with office space and retail in a reflection of how people live and work today. The lines that previously separated elements of our lives have blurred for many people.

This is an opportunity to introduce elements that do not necessarily generate high financial returns, but provide social value. For example, a developer can create affordable co-working space for SMEs, perhaps even with a rent-free programme to help growing businesses to become established.

Just as the UK needs more social housing, we need space to allow people to develop their skills and be productive. While the value of this is hard to demonstrate on a balance sheet in the short term, if investors take a long-term view the potential returns could be high. The halo of the scheme or area will attract skilled and talented workers, which will in turn attract more businesses. From here, a whole ecosystem can be created, enhanced by considerate placemaking.

PLANNING FUTURE REAL ESTATE

Fifty years ago, the biggest factor shaping how towns and cities were created was the motor car. The biggest driver today and for the next 20 years will be the transition to net zero.

The commercial real estate sector therefore needs to gain a better appreciation of how many assets need to be repurposed over the next few decades. On top of this, planning needs to take into account what future towns and cities need to look like to help us all reduce our environmental impact.

Where cities have been designed around the use of cars, full of roads and car parks, they will need to consider new forms of transportation - electric buses and self-driving cars, for example.

The world could become more local as mixed -use schemes reduce the need for people to travel to another place. Communities will become more important, and perhaps easier to create.

THE FUTURE IS ESG

The UK has entered a tough economic period. The cost of living continues to rise along with inflation and the economy has entered a recession. The challenge will be for all sectors to maintain their ESG agendas over the next few years.

It is more important than ever to champion real estate as a force to drive economic growth, as well as provide societies with what people need to be productive and live safely and happily. This can be done if we put forward a collective voice.

FINAL THOUGHT

The commercial real estate sector can be a catalyst for growth - growth in wealth, in civic pride, in people's quality of life. We all have a role to play to make this happen and there is still time on the clock to make a real difference.

ABOUT THE READING REAL ESTATE FOUNDATION

CONNECTING INDUSTRY AND ACADEMIA FOR POSITIVE SOCIAL IMPACT

20 years after it was founded in 2002, the Reading Real Estate Foundation (RREF) continues to facilitate the exchange of knowledge between academia and practice, striving to move the Real Estate industry forward.

Positioned within Henley Business School and aligned to one of the top Real Estate & Planning centres in Europe, RREF is uniquely positioned to support and develop new talent, through teaching and research, that has the capacity to inform both policy and practice.

We do this by encouraging diverse talent to join the industry; supporting early career researchers to explore new ideas; and connecting academics with industry professionals to inform future research that enables the industry to positively impact society.

Increasing Diversity

Our Pathways to Property project aims to widen access to the real estate profession by raising awareness of and aspirations about the vast range of careers available within the sector.

Developing Talent

Through our financial support and student engagement programme we strive to ensure that the same opportunities are available to all students with the talent and ability to study at Henley Business School, regardless of their personal circumstances.

Exploring New Ideas

We support the internationally recognised, cutting-edge research from the Department of Real Estate & Planning at Henley Business School through PhD funding for new talent; seed funding for new lines of enquiry; and funding of new innovations in teaching and learning.

To learn more and find out how you or your organisation can get involved with our work, visit our website:
rref.henley.ac.uk

Henley Business School
UNIVERSITY OF READING

RREF
Reading Real Estate Foundation

For more information, please contact:

Reading Real Estate Foundation

Henley Business School
University of Reading
Whiteknights
Reading
Berkshire
RG6 6UD

+44 (0)118 378 4195
RREF-development@henley.ac.uk

Charity Number 1092627