



# The ESG Sentiment Survey

What's on the mind of ESG Leaders in Real Estate

March 2020

BUILDING  
PERFORMANCE.

UNLOCKING  
VALUE.

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# Welcome



## Friends and Colleagues,

We at RE Tech Advisors are pleased to share the results of our second annual “ESG Sentiment Survey.” Our goal with this effort is to take a barometer reading of leaders in sustainability in commercial real estate, and understand what issues, trends, hopes, and frustrations are influencing their work. This is the second year of our survey, and we are excited to track year-over-year changes and identify emerging ESG trends and focus areas.

The following pages summarize the results, including interesting quotes and direct statements from many of the respondents. We sent this survey to a select group of over 200 real estate professionals and received 43 responses. Based on this snapshot, 2020 looks to be a year of significant growth. Virtually every respondent reported maintaining or increasing their ESG budgets for 2020, and ESG continues to be seen as a strong career pathway (Page 6). Carbon emissions reduction efforts and related performance improvement programs like energy efficiency solidified their place as an industry priority (Page 7), while an array of new technologies and topics are under active investigation by respondents (Page 12).

Interestingly, respondents were proud of gains in organizational buy-in and stakeholder engagement, while also frustrated at the same time (Pages 4, 10, & 11). As ESG grows in importance among investment managers and their clients, coordinating different organizational silos and aligning ESG strategies across investment platforms (equities, fixed income, debt, real estate, etc.) presents new challenges. Not surprisingly, regulatory compliance and climate risk issues remain high on respondent’s agendas (Pages 7, 8, & 10). New topics of note include embodied carbon, climate equity, building electrification, and property condition assessments.

Data management receded a bit as a source of frustration, perhaps signaling genuine progress in solving ESG data issues, or acceptance that “it is what it is.” Yet reporting fatigue continues to grow (Page 11), with many respondents questioning the cost/benefit balance of GRESB participation (Page 9). As new reporting initiatives such as TCFD, Climate Action 100+, or the Net-Zero Asset Owner Alliance emerge, we suspect many of our colleagues will take a closer look at their reporting strategies, seeking greater alignment between actionable disclosure and what ESG metrics are material and of interest to stakeholders.

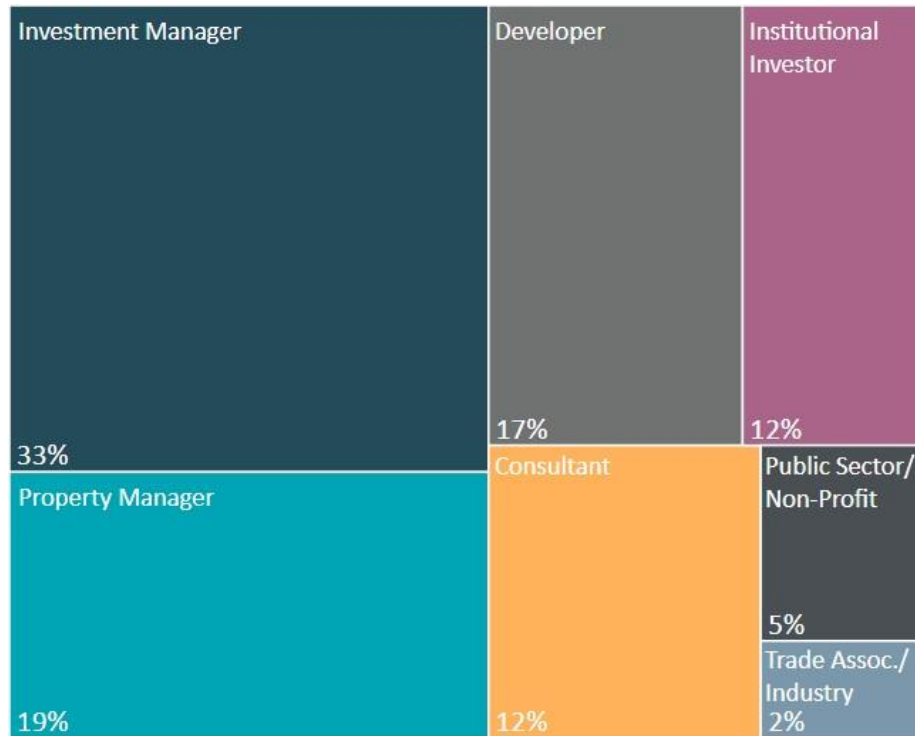
For those of you who participated, we thank you for your input and appreciate your insights. We believe 2020 represents a potential inflection point for ESG in commercial real estate, further solidifying its place in the mainstream. We look forward to collaborating with each of you in the year ahead.

Thank you,

**Deb Cloutier & Jack Davis**

# About the Respondents

Which of the following best describes your organization's primary function?

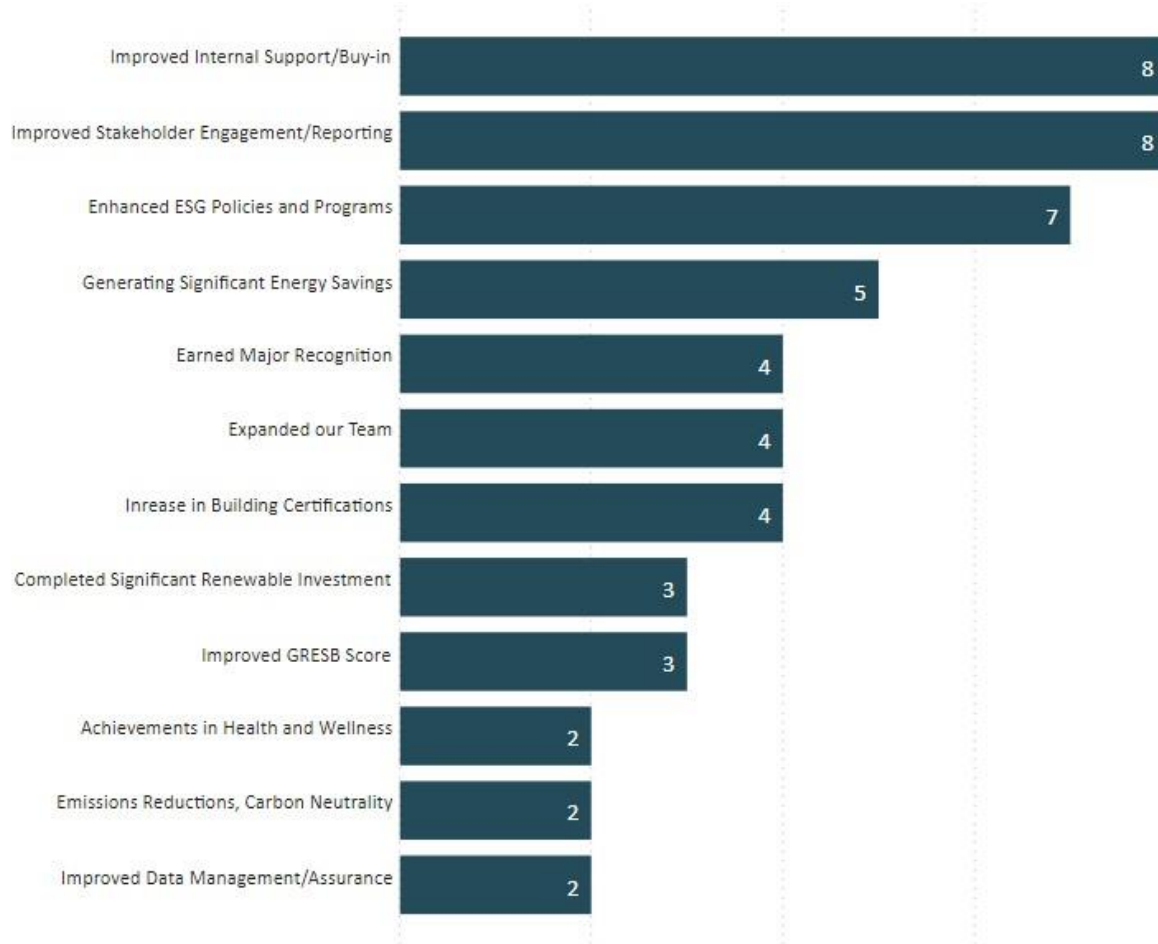


Which of the following best describes your role in your organization?



# What went well in 2019?

In a few words, describe your greatest success in the past year:



Top 3 Responses

*“Internal buy in!”*

*“Year over year energy reduction of ~6%...”*

*“Significant GRESB score improvement.”*

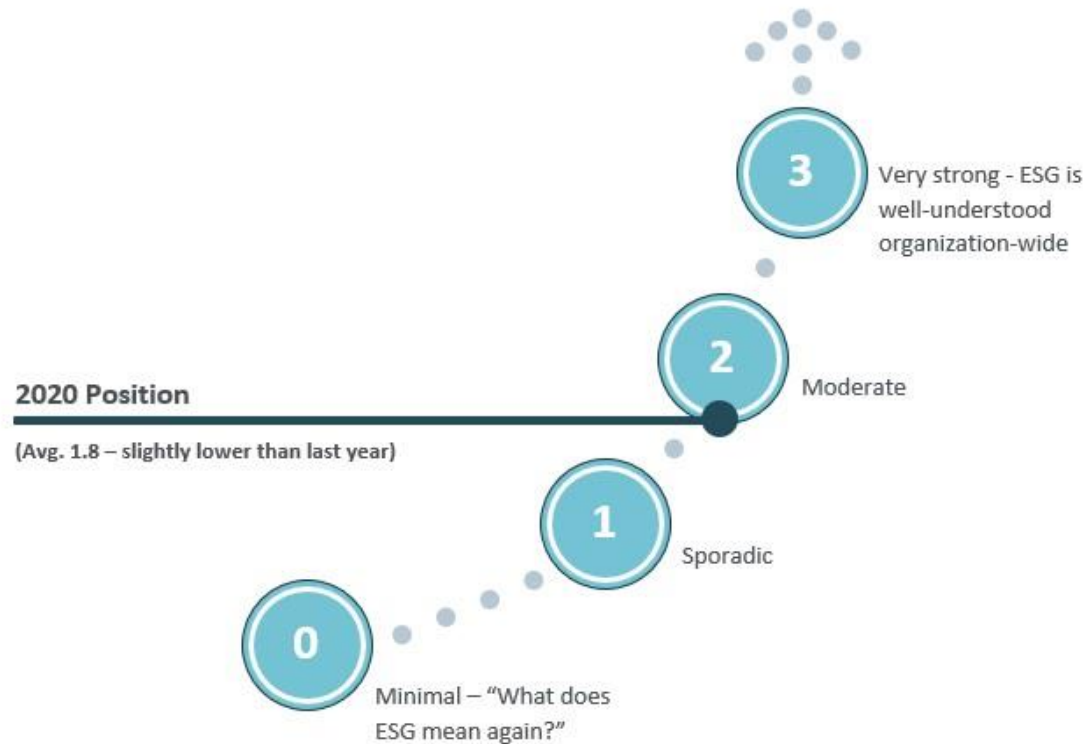
*“Improved internal ESG communications.”*

*“Achieving ENERGY STAR Partner of the Year for the first time.”*

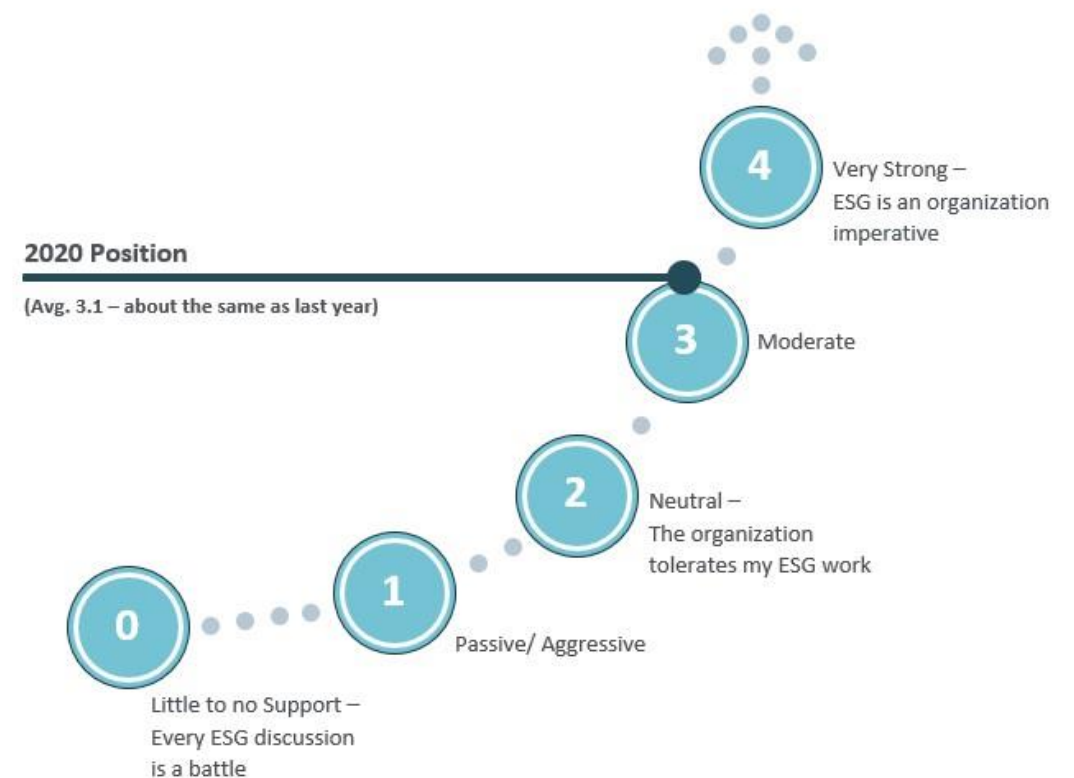
# of responses, categorized, multiple responses allowed

# Organizational Awareness and Support

How would you categorize the awareness of ESG initiatives within your organization or the organization you support?

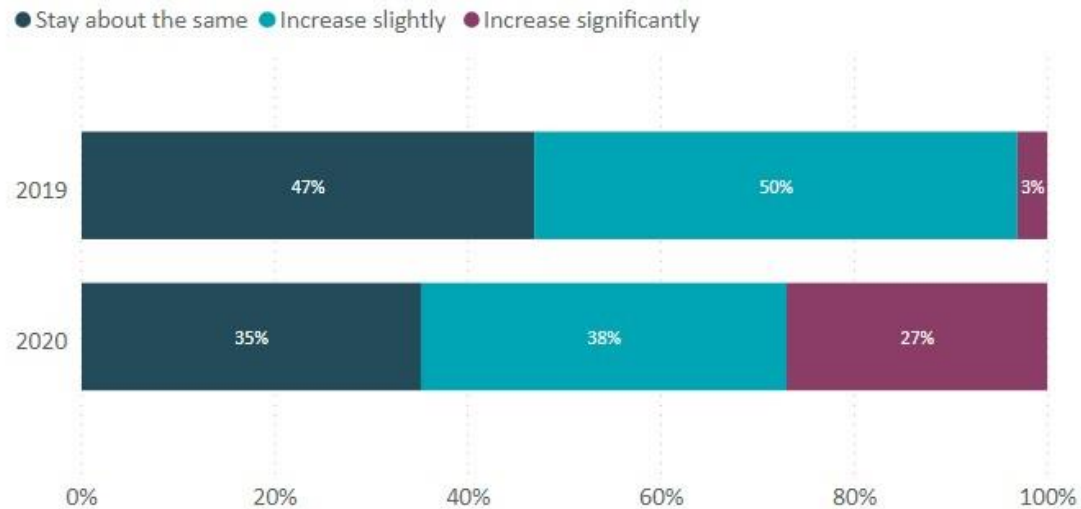


How would you categorize the support for ESG initiatives within your organization or the organization you support?

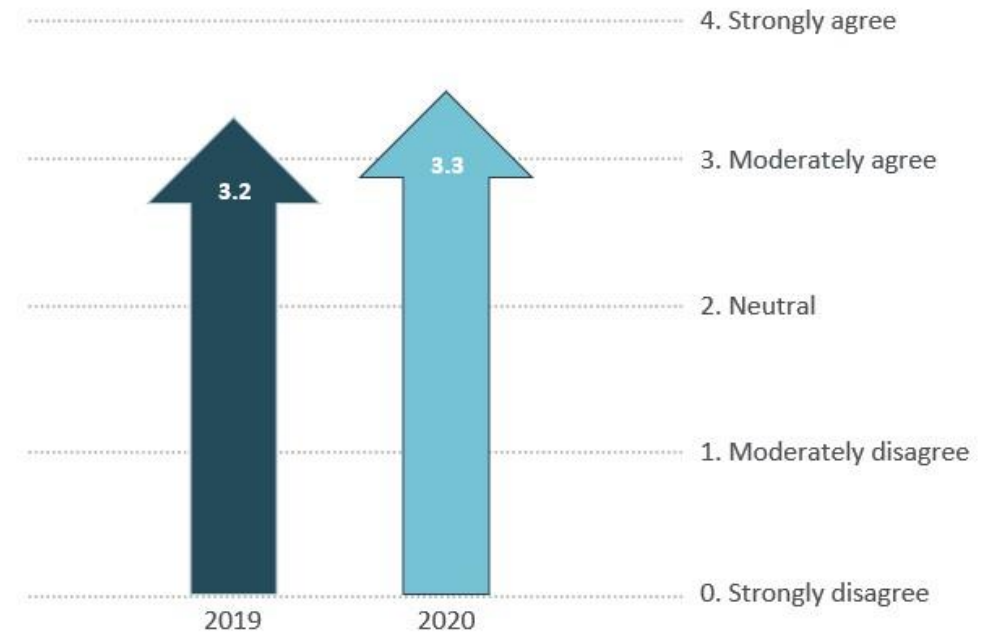


# Budget and Career Trajectories

Compared to 2019, do you expect your 2020 budget for ESG programs and activities to:

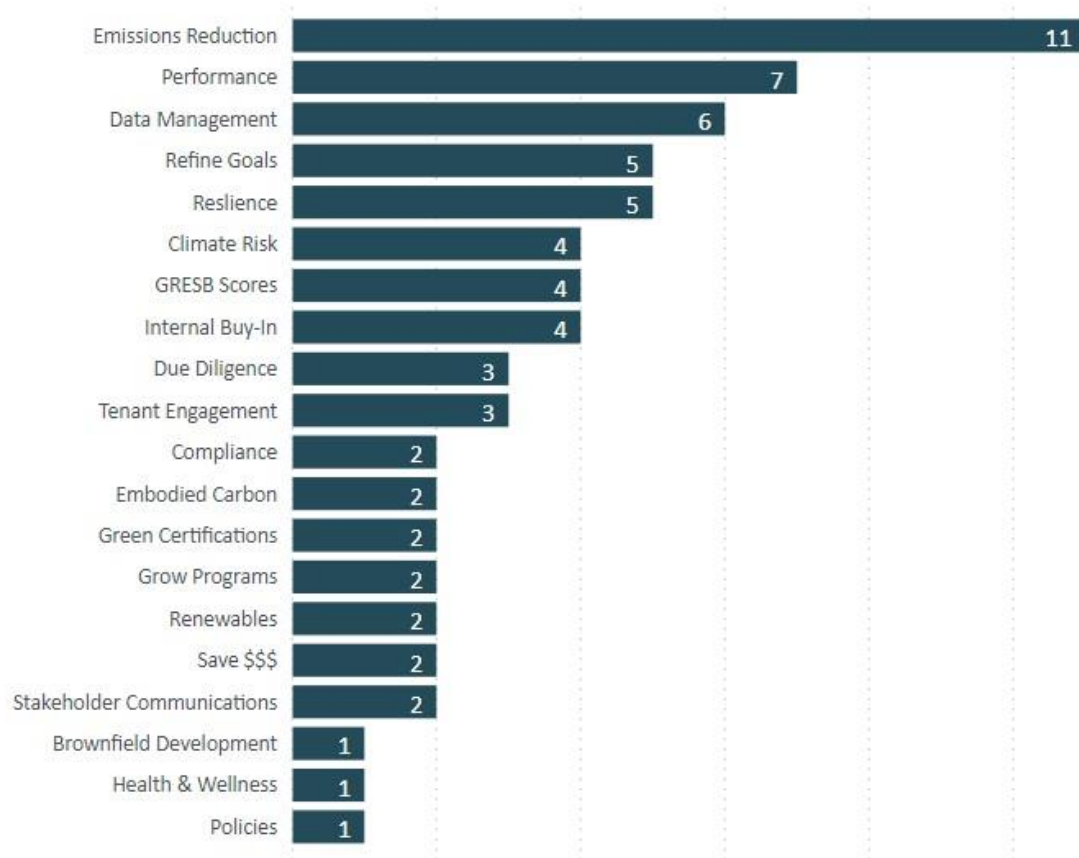


Please indicate the extent to which you agree/disagree with the following statement: "My focus on ESG has a positive impact on my future career trajectory."



# What is the focus for 2020?

In a few words, what is your top ESG priority for the next year?



*“Drive a formal emissions reduction target (that saves money)....”*

*“How we are going to evaluate resiliency?”*

*“Property condition assessments for clients...”*

*“Having the firm recognize what ESG is...”*

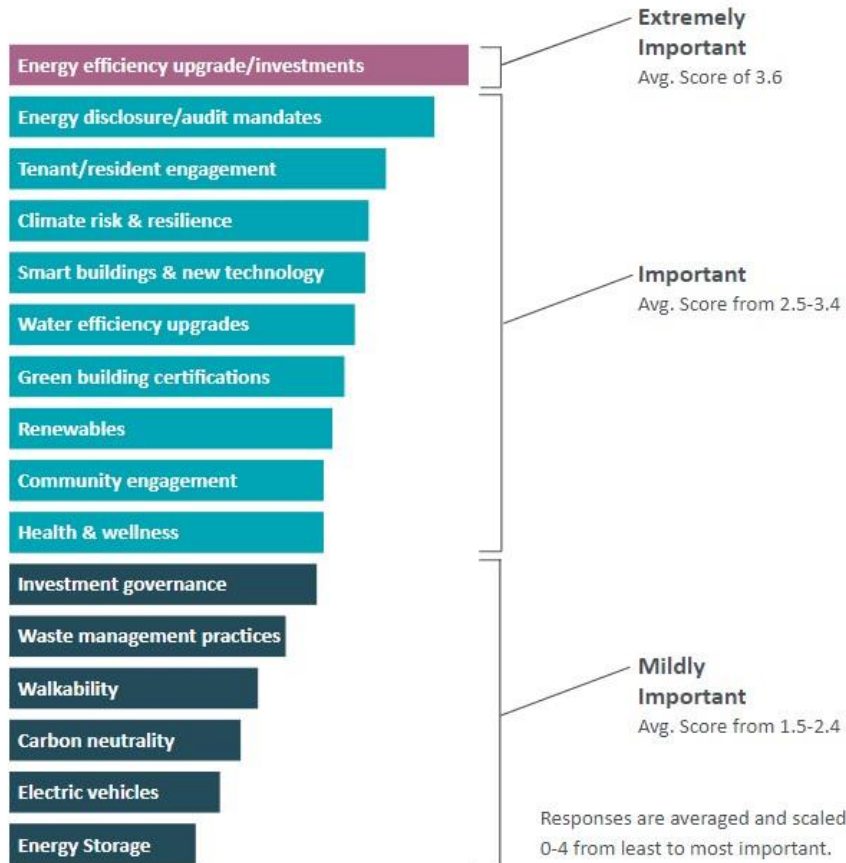
*“Ingrain ESG throughout our investment process.”*

*“Develop net zero carbon pathway.”*

# of responses, categorized, multiple responses allowed

# General focus rankings for 2020

How important are the following to the success of your ESG strategy in the next year?



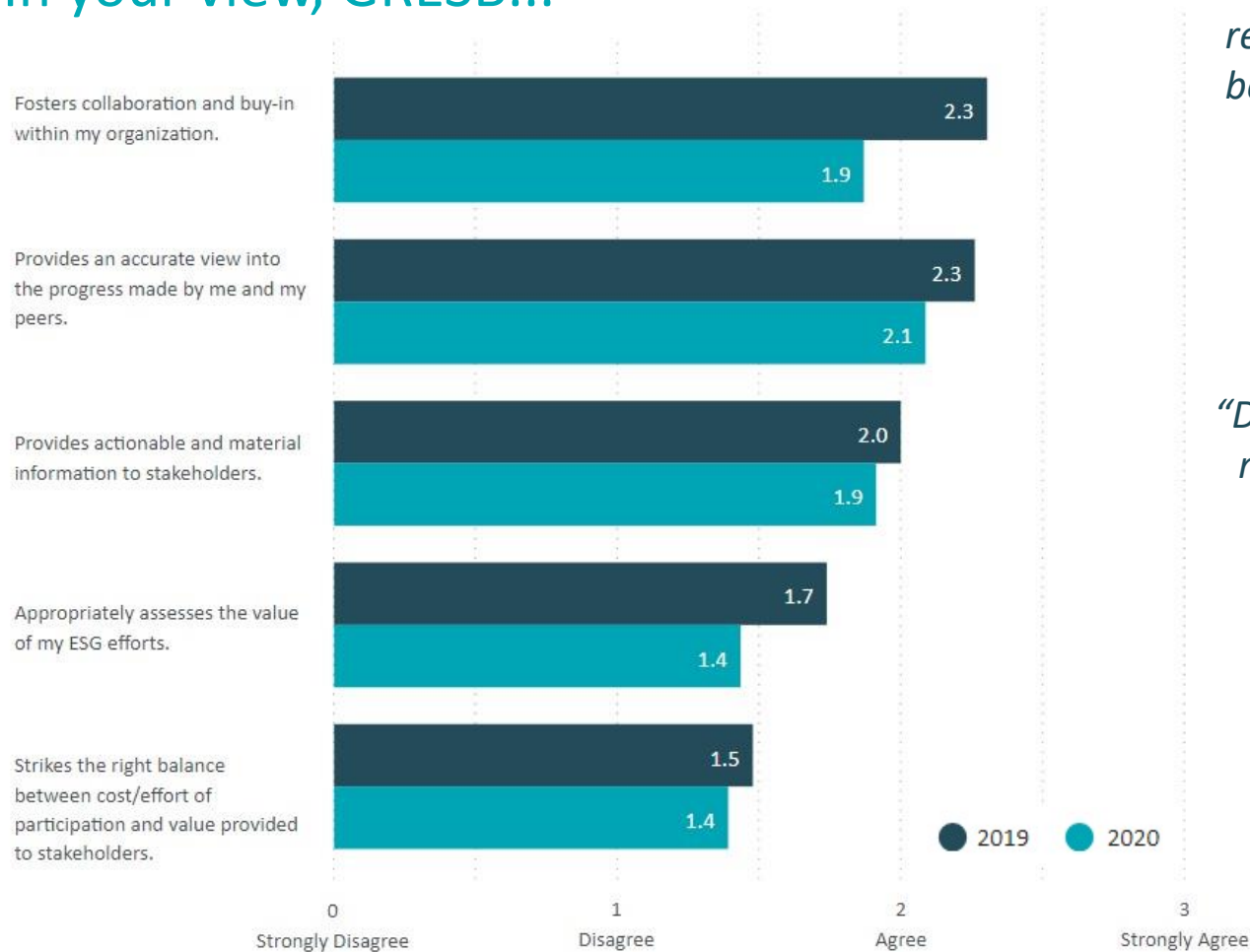
## OTHER RESPONSES OF NOTE:

- *Negotiating a marketplace with few real solution providers...*
- *Internal/external ESG communications*
- *Embodied carbon*
- *Social equity*
- *Building electrification*
- *Philanthropy*
- *Industry association participation and leadership*



# What about GRESB?

## In your view, GRESB...



*“I don't think it's always an accurate representation on ESG efforts, primarily because of the peer comparison factor.”*

*“...level of time investment required is taxing...”*

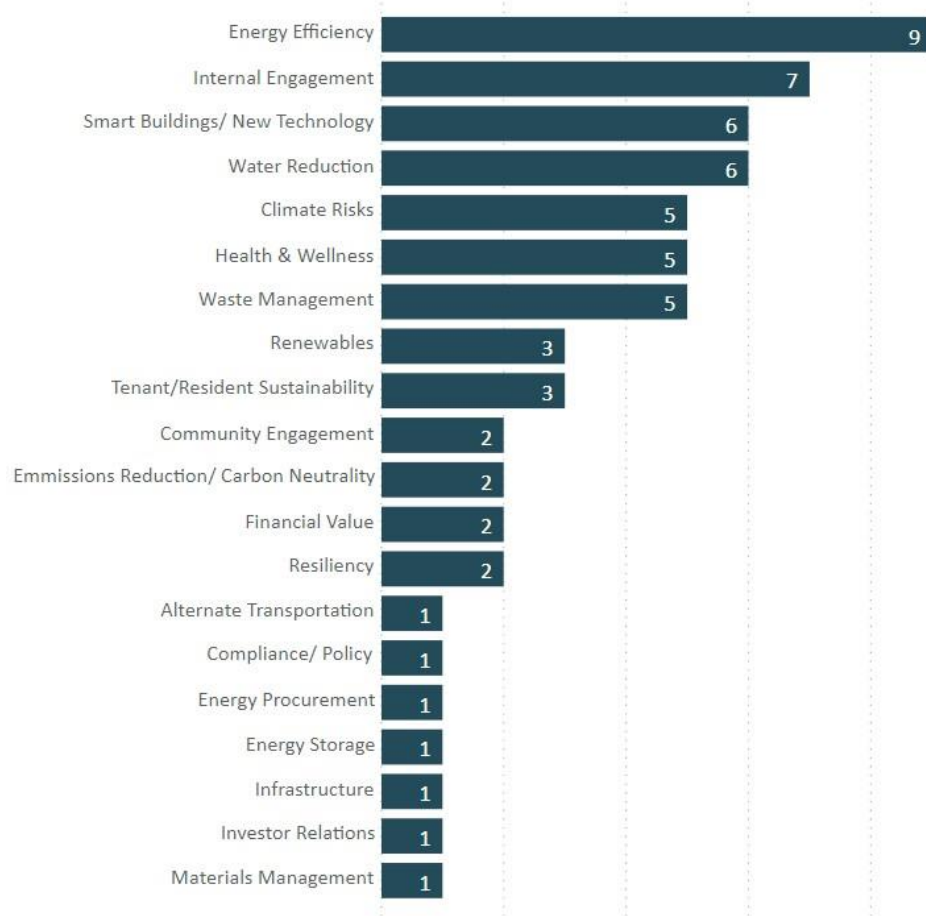
*“Doesn't appropriately recognize portfolio mix and tenant control...”*

*“...spend so much time and cost on reporting instead of focusing on action...”*

*“GRESB needs to collect feedback from all types of stakeholders, recognizing the real estate community is made of a lot of unique players...”*

# Favorite focus areas

What ESG issues do you personally feel the most passionate about or enjoy working on?



*“Climate risk.”*

*“Improving buildings to meet long term competition.”*

*“Transportation alternatives...”*

*“Climate adaption/preparation and issues of social equity...”*

*“Getting people to realize that even the small efforts they can make matter.”*

*“Resiliency & well-being.”*

# of responses, categorized, multiple responses allowed

# Areas of frustration

## What ESG issues cause you the most frustration?

### Top 5 ESG Frustrations

Rank	Issue	Change From 2019
1	Reporting Burden	+1
2	Data Issues	-1
3	Business Case/ Documenting Value	+1
3	Waste Management	+2
5	Internal Alignment	+4

*“Reporting to myriad frameworks, many of which do not accurately assess our ESG performance.”*

*“Bridging communication between asset managers, property teams and investors/partners.”*

*“Reporting and DDQ responses...”*

*“Data quality, data transparency, whole-building data.”*

*“...working with tenants who don't care about energy and water efficiencies...”*

*“Working with developers on anything...”*

# What's new?

What new technology, building amenity, or real estate innovation are you most excited about at the moment?

Advanced Controls and Analytics	<ul style="list-style-type: none"> <li>BAS Analytics</li> <li>Configurable Building Automation Systems</li> <li>Fault Detection and Diagnostics</li> <li>Monitoring Based Commissioning</li> <li>Nantum</li> <li>Predictive Analytics and Advanced Building Controls</li> <li>Smart Thermostats</li> </ul>
Emerging Technologies	<ul style="list-style-type: none"> <li>Advanced Sensors</li> <li>AI Learning Platforms</li> <li>Demand Response</li> <li>Digital Twin Technology</li> <li>IoT</li> <li>Power over Ethernet</li> <li>Smart Buildings</li> </ul>
Equipment and Materials	<ul style="list-style-type: none"> <li>Advances in Materials Science</li> <li>Cross-Laminated Timber Construction</li> <li>Green Roofs</li> <li>New Multifamily Amenities</li> </ul>
Data	<ul style="list-style-type: none"> <li>Advancements in Data Capture</li> <li>Online Energy Tracking Tools</li> <li>The Embodied Carbon in Construction Calculator (EC3)</li> </ul>
Targeted Programs and Tools	<ul style="list-style-type: none"> <li>Climate Resilience Financing Tools</li> <li>Neighborhood Curated Networks</li> <li>Passive Design/Passive House Certification</li> </ul>
Increased Efficiency	<ul style="list-style-type: none"> <li>LED Lighting</li> <li>Long-Distance Heating and Cooling Technologies</li> <li>Variable Flow Refrigerant Systems</li> </ul>
Clean and Renewable Energy	<ul style="list-style-type: none"> <li>Electric Vehicles</li> <li>Renewables</li> </ul>
Infrastructure	<ul style="list-style-type: none"> <li>EV Charging Stations</li> </ul>

What topic(s) do you feel need further research, analysis, or investigation in order to advance your work?

ESG Strategies and Resources	<ul style="list-style-type: none"> <li>Better Ways to Collect ESG Data</li> <li>Human Behavior</li> <li>Managing ESG in Supply Chains</li> <li>Residential Green Leasing</li> <li>Strategies to Advance ESG in Secondary Markets</li> </ul>
Clean and Renewable Energy	<ul style="list-style-type: none"> <li>Approaches for Emissions Reductions across a Portfolio</li> <li>Fuel-Switching to All-Electric for Commercial Buildings</li> <li>Renewables and Grid Integration</li> <li>True Costs to Achieve Net Zero Certification</li> </ul>
Climate Risk and Resilience	<ul style="list-style-type: none"> <li>Coastal Resiliency</li> <li>Insurance Response to Climate Risk</li> <li>Measure and Value of Resiliency</li> <li>Measuring Market Resilience</li> </ul>
Financial Mechanisms	<ul style="list-style-type: none"> <li>Achieving Longer-Term Expense Savings</li> <li>Analyzing Financial Pro Forma Impacts of ESG Issues</li> <li>Financing Solutions</li> <li>Locating Incentives and Rebates</li> </ul>
Compliance, Certification, and Reporting Programs	<ul style="list-style-type: none"> <li>Green Building Regulatory Compliance</li> <li>Relationship of Certifications to Asset Value</li> <li>TCFD and Reporting Standardization</li> </ul>
Emerging Technologies	<ul style="list-style-type: none"> <li>Energy Storage in Multifamily Buildings</li> <li>Passive House</li> <li>Whole Building Smart Systems</li> </ul>
Advanced Controls and Analytics	<ul style="list-style-type: none"> <li>BAS / BMS Integration</li> <li>BMS for Residential Buildings</li> <li>Smart Meter Solutions to Secure Whole Building Data</li> </ul>
Health and Wellness	<ul style="list-style-type: none"> <li>Business Case for Health and Wellness for Owners</li> </ul>
Increased Efficiency	<ul style="list-style-type: none"> <li>Energy Efficiency in Seniors Housing</li> </ul>
Waste Management	<ul style="list-style-type: none"> <li>Business Case for Waste Management</li> </ul>

# Industry Group ESG Power Rankings

How influential are each of the following reporting frameworks, industry benchmarks, and organizations to your work in ESG?



(Avg. score: 2.8)



(Avg. score: 2.1)



(Avg. score: 1.8)



(Avg. score: 2.7)



(Avg. score: 2.0)

Top 5 Responses by average score, where 3 = "Very Influential" and 0 = "No Influence"

## Other organizations receiving mention:

BOMA, DJSI, Green Lease Leaders, GRI, Fannie Mae/Freddie Mac, Institute for Real Estate, Inc. (IREI), IREM, MSCI, NAREIM, National Apartment Association, National Multifamily Housing Council, Pension Real Estate Association, TCFD, UNPRI, UNSDGs, Well and Fitwell.