

Executive Summary

As real estate investors and investment managers contend with a complex and rapidly changing financial landscape, frameworks to guide decision-making are ever critical.



“What is the S in ESG? A Guide for Real

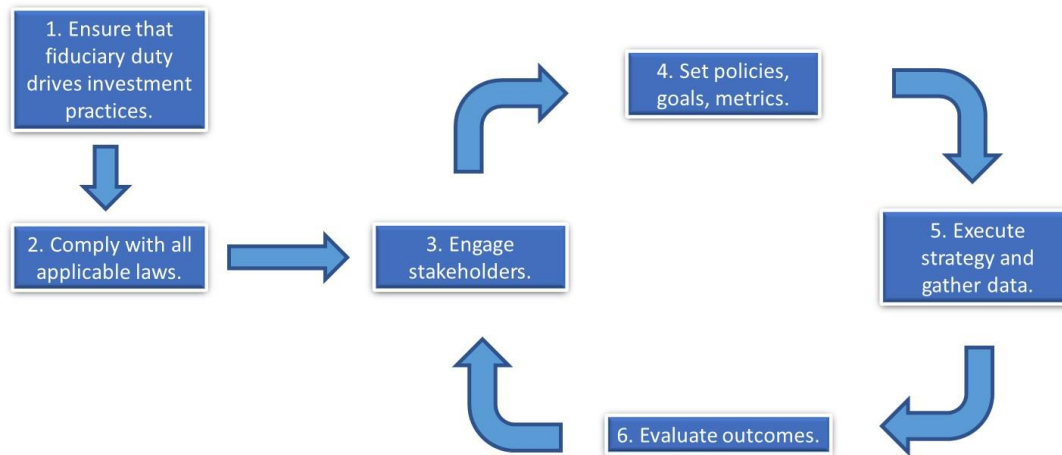
Estate Investors” offers practical guidance and framework development suggestions for those endeavoring to apply a social lens to their investment practice. This “primer”, produced by an interdisciplinary working group born from the PREA Social Impact Committee, can help PREA members understand the context through which social considerations have entered the main stage of real estate investing. Accordingly, the primer provides:

- Definitional review of ESG investing and impact investing, with a focus on which and how social factors may be considered in a range of real estate investment contexts.
- Introduction to how social factors can be aligned with strong investment performance.
- Rationale for employing a fit for purpose framework to guide decision-making in social strategy implementation, and overview of some key questions to consider (The ‘5 Ws’ approach).
- Overview of some of the key metrics and tools for defining and measuring success within social impact such as the [UN SDGs](#), [IRIS+](#), [GRESB](#), [Impact Frontiers](#), and others, along with foundational information sources available to PREA members.
- Links to additional resources that may help organizations develop the details of their approach.

Some real estate investors and investment managers may prioritize a moral or philosophical rationale for attending to the social risks and opportunities germane to a specific investment or portfolio, while others may assert that doing so is outside of their purview as an investment manager. Regardless, **a well-developed and clearly articulated approach to socially aware investing can be fully aligned with and drive strong financial performance, regardless of philosophical orientation.** This primer endeavors to make clear that investing with a lens focused on social factors is *not a concessionary strategy* (i.e., financial performance suffers in some way), rather, it can be *an accretive and risk-reducing approach*. This primer focuses primarily on asset and investment management during the hold period, while recognizing that effective implementation is often born during investment due diligence and still relevant in preparation

for a timely exit. At all phases of the investment cycle, well-conceived social strategies require focus and ongoing refinement to succeed (see Steps in Effective Implementation below).

Steps in Effective Implementation



Today, a wide array of market forces, including investor pressure, tenant demand and rising awareness that real estate plays an important role in healthy and thriving communities, are driving the evolution of socially aware and socially accountable investing. It is reasonable to expect that, in the not-too-distant future, the regulatory environment could become an additional forcing mechanism. Rather than allowing external pressure to push them into awkward attempts to address societal needs, investment managers can proactively consider and integrate social factors into their investment process, alongside the economic and financial considerations that traditionally drive decision making. Real estate investors and investment managers who lay plans now, will stay ahead of the curve. This primer offers a place to start.

A collaborative effort of the PREA Social Impact Committee and valued external reviewers - though not reflective of any one individual or organization's view - "*What is the S in ESG?*" makes clear that there is not one way to approach social factor integration. Each market participant must develop their own approach based on their priorities and goals, which will shape their strategy and metrics of success, though all are advised to leverage the validated, existing tools the market has to offer, such as those referenced in the primer. As the 'S' becomes better understood and more deeply embedded within real estate investing, questions and issues will arise within organizations and across the industry. We hope this primer can help the industry respond to these concerns and more effectively integrate the multifaceted and complex social considerations which are relevant to them, ultimately improving outcomes for investors and for the communities in which their investments are situated.