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Social Value in European real estate



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• Definition • Measurement • Case studies

Social value in real estate

An effective Environmental, Social and Governance (ESG) strategy has become top priority for all business leaders in the real estate industry globally. Socially responsible investing is big part of it.

Sustainability has been an important consideration within the built environment for a number of years, focusing mainly on climate risks and carbon neutrality, in other words the “E” of ESG. Green buildings increasingly account for a significant share of investment and development projects and this is expected to grow further in the coming years. Internationally recognised standards and certifications, such as LEED, BREEAM and others, although not fully uniform, they support the trend towards sustainable design. These assessments provide occupiers and investors with a benchmark to understand and compare the performance of their assets.

Recently, the concept of socially responsible investing has been rapidly gaining momentum within the investment community. In real estate we have also seen a momentous shift in attitude when it comes to the “S” of ESG. The pandemic has highlighted the importance of considering social value, not just when making business decisions, but across all facets of everyday life. From a real estate perspective, this is not just about financial outcomes. Crucially, it is about reducing inequality, promoting wellbeing and

decreasing our impact on the environment by working collaboratively and continuously engaging with stakeholders.

The aim of this report is to define the meaning of ‘social value’ in real estate, to discuss how it is applied and measured and to provide real examples of social value ‘in action’.

Defining Social value in real estate

When we talk about ‘social value’ in real estate we talk about the impact that properties have on local communities and society as a whole, and how we can create more positive impact. According to the definition by the UK Green Building Council “social value is created when buildings, places and infrastructure support environmental, economic and social wellbeing, and in doing so improve the quality of life of people.”

Social value can be created and delivered throughout every stage of a building’s life cycle. For developers, this means ensuring that the development addresses community needs (i.e. affordable homes, community space, etc.) as well and opportunities during construction (employment opportunities

for local people and for people with disadvantages, work experience for young people, etc.).

For asset managers, the focus is more towards employment, working with occupiers and the supply chain to maximise opportunities, as well as working with local community groups/charities to address local needs. Occupiers are an essential part of the community and they can develop a community engagement programme and contribute through their procurement and supplier decisions.

Overall, creating social value means taking into consideration not just economic value, but also the benefit that properties bring to the local community and society as a whole when they affect/impact community wellbeing.

The importance of collaboration between the different stakeholders

A key characteristic of social value is that what generates value depends on the project’s location and the community impacted by it, so understanding and addressing the needs of the community is essential to



Source: Better Buildings Partnership

“The pandemic has highlighted the importance of considering social value, not just when making business decisions, but across all facets of everyday life”

maximise social value. According to UKGBC, social value is about improving people’s quality of life by supporting environmental, economic and social wellbeing outcomes. These outcomes change from project to project, building to building, as the communities around them change. Social value also incorporates diversity and inclusion, affordability considerations and accessibility.

Social value enables building owners and occupiers to improve the impact of their buildings, when they align their activities with the local context and stakeholder needs. To achieve this the needs of the local community need to be regularly assessed and addressed.

Once the needs are understood, different property stakeholders such as owners, managing agents, occupiers and suppliers can work together to deliver initiatives that benefit the local community. The stakeholders can come together to identify needs, priorities and strengths, ensuring the best possible resource allocation and aiming for long term interventions.

There can be challenges to this. Occupiers may have their own CSR (Corporate Social

Responsibility) programme and joining the building’s social value initiatives may require a diversion of resources from their own programme, for which they have full recognition. That is why a shared understanding of social value and a strategy that takes into account all organisations’ priorities is essential. The building manager can coordinate a programme that considers the expertise of service providers and occupiers to take advantage of what each organisation does best. In properties where occupiers work in the same industry, for example, the building manager can encourage work placements that span more than one occupier.

Working with external stakeholders can help save a lot of time and effort. The local authority, for example, is well placed to understand what the area’s challenges are and where social value focus should be. They are very likely to welcome corporate support for interventions that they’ve already identified as required, but haven’t had the opportunity or resources to implement. Similarly, non-governmental organisations exist to address specific needs. Property

teams can engage with local charities and community groups to understand what they (and the local community) need help with, lending their knowledge or resources to make delivery easier.

By collaborating with others, property owners/managing agents can provide their expertise and resources (such as space, job opportunities, funding, exposure, etc.) in return for the expertise of the organisations that engage with the local community day-to-day. Collaboration helps share local knowledge and create a local network of people who can work together toward the same objectives, benefiting from each other’s expertise.

How can it be applied and measured – The UK approach

Despite growing awareness there is still a lack of understanding of how (social) value is created and how it can be measured. In the UK, social value measurement is becoming increasingly standardised through the adoption of the National TOMs Measurement Framework.

“The National Social Value Measurement Framework – or National TOMs for short – is a

UN Sustainable Development Goals

The Sustainable Development Goals are a call for action by all countries – poor, rich and middle-income – to promote prosperity while protecting the planet. They recognize that ending poverty must go hand-in-hand with strategies that build economic growth and address a range of social needs including education, health, social protection, and job opportunities, while tackling climate change and environmental protection. More important than ever, the goals provide a critical framework for COVID-19 recovery



Source: United Nations



method of reporting and measuring social value to a consistent standard. It provides the golden thread between an organisation's overarching strategy and vision, to the delivery of that vision.

The TOMs framework (Themes Outcomes and Measures) groups social value outcomes under the following headings:

Jobs and Skills: Interventions may include mentoring programmes, skills based volunteering, offering work experience and internships to students from local schools and colleges.

Supporting growth of responsible business: Examples include local and/or socially led procurement, creative use of space for start-ups, young enterprise and cultural groups, active promotion of wellbeing and support of mental health.

Healthier, safer and more resilient communities: there are various ways to support local communities, through setting up partnerships with local charities, organising events that support local diversity, inviting youth panels for discussions and debates.

Decarbonising our world and protecting our habitats: the act of planting trees and plants and engagement with wildlife protection programmes can provide health benefits and support the drive to promote and protect biodiversity of the community. Green transport schemes are a great way for people to contribute to environmental effort and improve

their health and wellbeing.

Measuring the progress of social value programmes is important and should be part of the planning. Capturing quantifiable numbers such as number of volunteers, hours volunteered and surveys, as well as qualitative insights and communication of the results are ways to achieve this.

The National TOMs also include a set of 'proxy values' that allows users to assess the financial impact that any Measure will make. Indicators can refer to the number of local employees, apprenticeships in the supply chain, local spend created, space provided to the community and even the number of volunteering hours undertaken by staff. All these things are then taken into account and given a monetary value by proxy. This proxy comes from predetermined national 'themes, outcomes and measures' (TOMs,) which subsequently draw on a wide range of databases such as the Office for National Statistics. Each economic value is then added up to provide a total social value for a property or portfolio.

Summary and Recommendations for investors and developers

There has been a marked shift in investor mindset, with an expectation that businesses and investors will make a positive contribution to society, through 'impact investing'.

Despite the lack of measurability and standardisation around Social value in real estate, this should not hold back investors from demonstrating impact considerations in their strategies. The UN Sustainable Development Goals is a high level framework that is becoming a tool of common understanding amongst stakeholders of how to deliver value to the society.

In real estate, investors and developers should consider what is good for the community and the society around a building/development. Buildings should enhance the safety, health, well-being and the positive prospects of inhabitants and surrounding places. Understanding local socioeconomic needs requires an analysis of the local economy and demographics and engagement with local authorities and residents.

New development projects may have some negative impacts on the surrounding communities, such as gentrification, disruption to the existing social fabric and exclusion. When design and operational principles serve a social purpose, development can support the interests of the community. Some of the positive outcomes that can be achieved include: new jobs and internships for local people, affordable homes, high quality public and green spaces, thriving local businesses.

A social value approach is a process that requires ongoing monitoring of outcomes. This should be based on a selection of measurable indicators relevant to the specific building and its surrounding community, such as employment creation, hours volunteered, mentoring programmes, sustainable transport, health and wellbeing, amenities and infrastructure.

Organisations that prioritise the social value of their investments, they support effectively the viability of their operations, even in uncertain times. During Covid-19 we have witnessed a change in the way businesses operate, with greater attention towards long-term collaboration between stakeholders and an increased focus on environmental and social impact. As these qualities of the assets become more measureable, and more data become available, we believe that a "social value premium" is likely to emerge.

Case studies

We present a few examples where developers and investors have incorporated Social Value initiatives in their schemes with direct and measurable benefits to the local community

White City Place: West London - UK

White City Place is West London's creative campus. It's where the 1908 Olympics games were held and it has a long heritage of BBC broadcasting. There are six completed buildings and 2 currently under construction, as well as consent for a tower to be built in the future. The estate management team has developed a long term community engagement programme, including partnership with a local school and biodiversity initiatives.

The management team partnered with the Royal College of Art, a tenant on the estate, to create a temporary art exhibition. The winning artist of a competition between students was commissioned to develop a large scale public art piece and has since been shortlisted for awards and offered a teaching position at the college.

The White City Place team has a long term partnership with the Jack Tizard School, a local school for children with severe learning difficulties. Over the years, initiatives implemented include:

- Animal pop-up event for the children to meet different animals.
- Screening of a children's film as part of the Summer Big Screen.
- Provided support during the school's sports day.
- A day of free ice cream to students and parents.
- For Christmas, they donated space to hold a pop-up market where the students were able to sell sweet treats and gifts they created, raising £1,600 towards a new mini-bus for the school.



- In January 2020, they launched a work experience programme to allow the students an opportunity to experience life at work. This has provided them the chance to trial different services across the property industry including reception, cleaning, security and landscaping.
 - Due to Covid in 2020, support was adapted to focus on providing maintenance services and cleaning support, including high level areas that require specialist equipment to be accessed.
- White City Place has had incredible feedback from the school. Engagement included tenant and supply chain participation and all stakeholders are willing to take part in future initiatives.
- White City Place also has a strong biodiversity programme, which includes:
- plants grown on site, reducing the emissions generated by bringing larger plants to site
 - the use of closed-loop compost
 - the installation of bird boxes, bug hotels and beehives.
- They have even trialled a crop-hopper device developed by a tenant to reduce the use of weed killer. In the future, an education programme is planned where the landscaping team will teach children from the Jack Tizard school how to grow vegetables, which they'll cook and serve to their parents as part of an annual dinner party. The management team is also looking to secure an additional area to install more planters to be used by this education programme and to create a community garden for the estate occupiers. The management team regularly engages with the tenants and supply chain to make sure the social value programme is long lasting and has as much positive impact as possible.

Here East: Olympic Park, Hackney - UK

Here East is a successful regeneration project based in Queen Elizabeth Olympic Park in east London. The site was the former international Press and Broadcast Centre for the London 2012 Summer Olympics.

As a re-use scheme, the team worked hard with the design, to maintain as much of the existing infrastructure as possible to minimise waste, capture locked-in carbon and deliver an efficient building for the future. Our operational objectives ensure our environmental impact is mitigated as much as we are able. In 2019, 4,500 people worked and studied onsite and the campus was visited by about 95,000 people. Since 2016, the Here East team has carefully curated a targeted tenant mix and has become synonymous with awards in design, architecture, marketing and FM Services. Here East leads its diverse mix of tenants to participation which creates real social value. Some of the programmes the team has run in collaboration with its tenants and local institutions include:

- Insights days to raise young people's awareness about the career opportunities within Here East, focusing on gaming, artificial intelligence and creative and digital technology
- Engineer Here, series of educational events and activities to showcase the exciting growth and development of new technologies and innovation taking place on the Here East campus and across Queen Elizabeth Olympic Park. In 2018, 17 events were hosted as part of this initiative with over 3,000 people

engaged

- EAST education summer school, where the site welcomed young people aged 13-16 who live in four local authorities nearby for a programme with classes, hands-on workshops and sessions on campus. The programme is run in partnership with many other organisations, and several tenants provided visits and insights into their businesses.

- During the pandemic, Here East provided free storage space to the local hospital to store PPE and donated car parking spaces to support key workers, particularly those working at Homerton Hospital. The Here East shuttle bus was repurposed to take workers to the hospital from the car park and vice versa. The Here East team regularly engages with local community groups to understand what the community needs from the campus, working with the community to deliver interventions. They hold regular meetings attended by representatives from the 4 local authorities encompassed by the campus, as well as local school heads, the police and all tenants, including universities. When tenants are working on new projects and need to find partners to work with, they first attempt to work with other tenants and the students from the universities on the campus. All tenants advertise jobs on the Here East website, making it easier for people living in the local area to hear about employment opportunities on the campus. It's a very ambitious, well managed programme that fosters long term collaboration.



Savills Investment Management: Galeria Katowicka, shopping centre - Poland

Galeria Katowicka is a shopping centre in Poland with 50,000 sqm and 200 occupiers, managed by Savills Investment Management. The centre is visited annually by over 16 million customers and has made active environmental, social and governance considerations throughout, most pointedly socially. The social needs of customers are a primary consideration of the operations of Galeria Katowicka, and it is the first shopping centre in Europe to introduce a comprehensive programme for autistic visitors. The World Health Organization revealed there are 5 million people with ASD in Europe alone, who are socially excluded due to their disorder. Shopping centres were identified as the most inaccessible place due to an excess of visual and auditory stimuli. The shopping centre aims to provide a safe environment for autistic visitors' by creating soundproofed silent spaces, soft lighting and limiting music played inside stores to help create a calm environment. 'Silent Hours' have been introduced during opening hours to aid autistic visitors shopping experience and to raise awareness. The facade of the shopping centre is also illuminated in blue on international autism awareness day. Occupier engagement and involvement was crucial for the

implementation of the autism programme, and over 100 tenants have adopted the autism stimuli amendments within their stores and undergone specialised training.

As well as supporting social outcomes, energy savings have been made by replacing all lighting with LEDs and adding motion sensors to all escalators. Advanced heating and cooling systems were installed to manage heat consumption, with a 42% heat energy saving per year. Bicycle stands, repair stations and e-charging stations for electrical vehicles are available in the shopping centre car park.



Hibernia REIT: Windmill Quarter Dublin - Ireland

The Windmill Quarter is a vibrant business and cultural district, regenerated by Hibernia, which also contains Hibernia's head office. The Quarter already includes a large gym with public access in one of the buildings redeveloped by Hibernia. To improve the space's offering around health and wellbeing further, a wellness hub, which offers staff and occupiers the opportunity to partake in daily mindfulness sessions as well as yoga practice, is being added. This multifunctional space is also due to be made available to the local community for their use. Hibernia runs periodic online wellbeing programmes for its staff to encourage a healthy work and life balance and to provide support as we transition out of the pandemic. Hibernia's interest in the wellbeing of its staff extends beyond its own operations and into its procurement processes with an existing modern slavery statement and supplier code of conduct which sets standards for the stakeholders that it chooses to engage with. The Windmill Quarter has always been focused on working with the local community to deliver social gains, with the arts a central theme of this, given the area's history as the former home of a major recording studio. The Townhall, used during working hours for

staff and occupiers, and with a coffee shop also open to the public, is regularly used in the evenings for gigs and movie nights. Hibernia has brought Dublin-based photographer, Jeanette Lowe, into its buildings as an artist in residence. Jeanette's work, which explores the relationships between people places and culture, and has been predominantly focused on the local community for several years, is particularly fitting for Hibernia. The Townhall in the Windmill Quarter has also been used as exhibition space for local groups such as the Dublin Painting and Sketching Club, as well as rehearsal space for the Dublin Youth Choir and the Royal Irish Academy of Music (RIAM). The partnership with the RIAM involves exposing young people from disadvantaged communities to classical music. Hibernia is also looking to install rooftop garden allotments for the tenants at the Windmill Quarter and to install more beehives. These amenities offer a way to encourage our tenants to gain a better understanding of ecosystems, ecoservices and biodiversity.





Savills Commercial Research

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Research

Eri Mitsostergiou

European Research
Director
+30 (0) 694 650 0104
emitso@savills.com

Sustainability

Maria Garcia

CPM Sustainability
Principal Sustainability Consultant
+44 (0) 207 877 4636
mgarcia@savills.com

Mariana Goncalves

CPM Sustainability
Sustainability Consultant
+44 (0) 797 727 9387
mariana.goncalves@savills.com