UK GBC

Driving social value through real assets

A bite-sized briefing for asset managers

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With thanks to our Social Value Programme Partners:

ARGENT

AVISON YOUNG

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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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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.

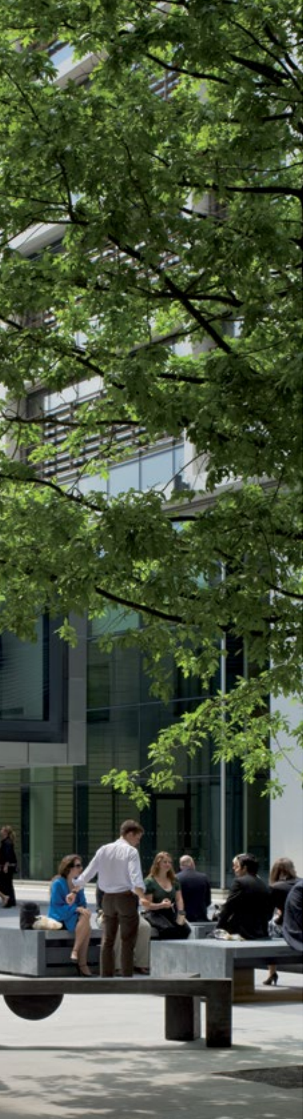
Impact investing

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 Governer of the Bank of England

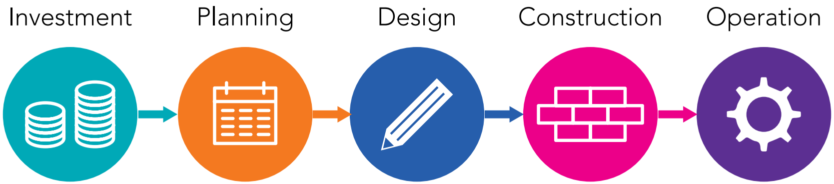


3. Social value outcomes from buildings and places

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.

Jobs and economic growth	Health, wellbeing & the environment	Strength of community
Decent jobs for local people, including hard to reach groups	Good accessibility and sustainable transportation	Strong local ownership of the development
Local people with the right skills for long-term employment	Resilient buildings and infrastructure	Existing social fabric is protected from disruption
School leavers with career aspirations of the industry	High-quality public and green spaces	The new community is well integrated into the surrounding area
The local supply chain is supported and grown	Good mental health	Thriving social networks
Residents have comfortable homes which are affordable to operate	Good physical health	Vibrant diversity of building uses and tenures
Thriving local businesses	Healthy local air quality	Strong local identity and distinctive character
	Limited resource use and waste	
4 Quality Education; 7 Affordable and Clean Energy; 8 Decent Work and Economic Growth	3 Good Health and Well-Being; 12 Responsible Consumption and Production; 15 Life on Land	10 Reduced Inequalities; 11 Sustainable Cities and Communities; 16 Peace, Justice and Strong Institutions

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 Engagement Hacked.
- Social value measurement should be in terms of the outcomes that result, rather that 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.

Delivering social value:

Understanding local needs / community engagement

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Selecting key outcomes

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Assessing the baseline

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Interventions to deliver more value

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Ongoing monitoring of 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.

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

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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