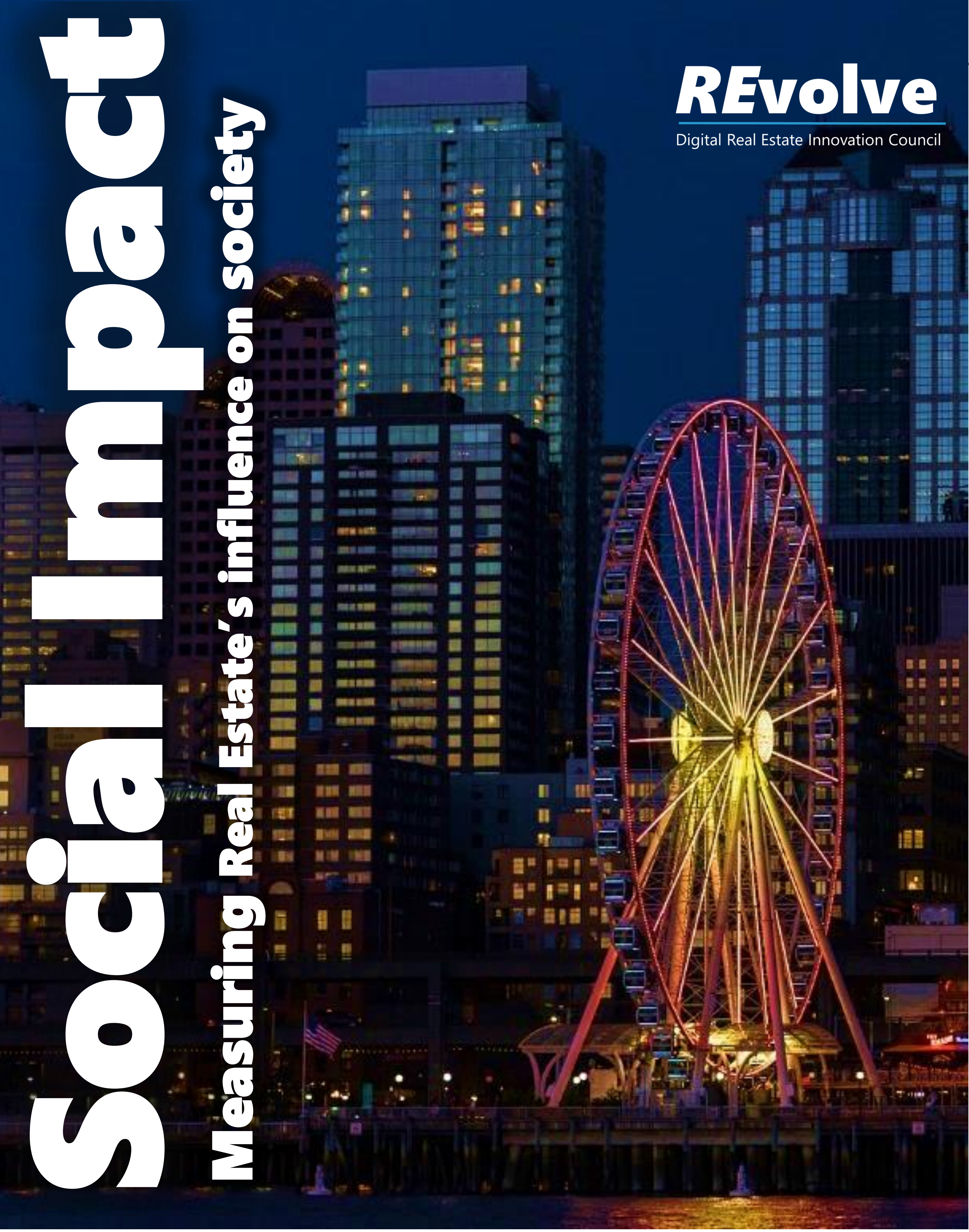
# Social Impact

## Measuring Real Estate's influence on society

**REvolve**

Digital Real Estate Innovation Council



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## Introduction

With people spending between 80% and 90% of their time indoors, it is no surprise that the built environment plays a significant role in shaping our lives. This influence extends beyond the buildings where we live and work to those that impact our local communities and society as a whole. When we consider how buildings and the Real Estate sector affects society, both positively and negatively, it is evident that it is a vast topic with many potential trade-offs. What might be positive for one 'society' may at the same time be negative for another.

With the rise of ESG reporting, whilst the environment has taken centre stage, the social impact of real estate has also climbed up the agenda. The social element of ESG can be less understood and harder to measure than the environmental, but it has gained significance as companies increasingly favour socially responsible practices and real estate funds focus more on the social outcomes of their investments.

While most sustainability efforts aim to minimise or prevent environmental harm, social impact initiatives focus on creating positive change, improving lives, and enhancing communities. What is less clear, is what this actually means in practice, how to measure social outcomes and how best to compare these activities so overall, the contribution of real estate to its communities and wider society is effective and positive. This paper examines the concept of social impact, how to measure it, the potential challenges organisations can encounter and the steps the sector should take to make further progress.

> **"We shape our buildings, and afterwards our buildings shape us.**
>
> **- Winston Churchill**

# Section 1

## Social impact - the terminology

When discussing social impact, it quickly transpires that real estate organisations use varied terminology when describing their impact on society, so a good place to start is with some definitions.

**Society** - According to the Cambridge Dictionary, Society is *"...a large group of people who live together in an organised way, making decisions about how to do things and sharing the work that needs to be done. All the people in a country, or in several similar countries, can be referred to as a society.*[1]*"*

**Social Sustainability** - The United Nations Global Compact, describes Social sustainability as *"identifying and managing business impacts, both positive and negative, on people. The quality of a company's relationships and engagement with its stakeholders is critical. Directly or indirectly, companies affect what happens to employees, workers in the value chain, customers and local communities, and it is important to manage impacts proactively.*[2]*"*

**Social Impact** – According to the World Green Building Council, Social impact in the Real Estate sector is *"the effects of built environment-related action or activity on people and communities, which can be positive or negative*[3]*."*

**Social Value** – The World Green Building Council define Social Value as *"a cumulative benefit of all social impacts from the built environment to individuals, communities and businesses, measured through added financial and wider non-financial metrics*[4]*."*

Whilst there are some subtle differences, the concepts above are similar and are often used interchangeably. For the purpose of this paper, we will consider how all of these concepts might be measured and understood but we will mostly refer to 'social impact' for continuity purposes.

Defining social impact is complex because real estate organisations vary widely in how they interpret and prioritise it. For some, it is about making building users happier or healthier and creating local jobs; for others it is about regenerating the surrounding area and providing community access to office facilities or green spaces. At its broadest, it can encompass a whole range of social goals and local outcomes. This leads to wide-ranging definitions and diverse impacts which makes it challenging for real estate to fully grasp and address the issue.

A good mantra when defining social impact is that any action should be intentional, additional and attributable – it is done with purpose, it is making a difference to the people affected and it can be linked back to the organisation or individual doing the activity. Ultimately, social impact is about making a positive difference to society.

***The Commercial Real Estate sector directly and indirectly supported more than 2.6 million jobs in 2022, the equivalent of one in every 12 jobs.***

**Source: BPF**

[1] Cambridge Dictionary
[2] https://unglobalcompact.org/what-is-gc/our-work/social#:~:text=Do%20business%20in%20ways%20that%20benefit%20society%20and%20protect%20people
[3] WGBC
[4] WGBC

# Section 2

# Measuring social impact

If defining social impact can be challenging, measuring it can be an even trickier path to navigate. The inconsistency around its definition leads to uncertainty over which metrics to use and there is no single common framework that fits the bill for everyone.

Measurement is also challenging because of the very nature of social impact; improving the quality of people's lives and their well-being or changing behaviours are qualitative changes which are much harder to measure than a more tangible or quantitative benefit. Social improvements can also happen over a long period of time and might not appear in measurement for months or even years ahead. Finally, stakeholder interests vary across real estate; the investor in a building might measure its social impact differently from the occupier or a member of the local community.

It could be argued, that if real estate organisations are doing their best to make a positive contribution to society, then measurement isn't really necessary; just trying to do good is enough. However, as management consultant Peter Drucker said: "*What gets measured, gets managed*." If companies don't measure their social impact, how can they determine whether it is effective and how do they report on their actions? Demonstrating a positive impact on society is becoming increasingly important to various stakeholders from building users to real estate investors.

***"What gets measured, gets managed."***

***- Peter Drucker***

However, whilst measuring activity that benefits society is important, comparing it to another activity is more challenging. How can a development that harms the local community, but benefits supply chain workers be compared with one that benefits the local community, but harms workers in the supply chain? This is why frameworks that provide consistency of measurement will become increasingly important as social impact reporting becomes the norm across real estate.

**Measurement frameworks and toolkits**

There are a number of formal frameworks and toolkits available that measure social impact using a combination of qualitative and quantitative metrics. For some larger companies, EU sustainability legislation requires the measurement of social impact e.g., the Corporate Sustainability Reporting Directive (CSRD) requires companies to report on the impact of corporate activities on the environment and society, and requires the audit (assurance) of reported information[5].

Choosing a measurement framework will be largely influenced by the individual circumstances of the organisation. Impact funds, that aim to generate financial returns while also supporting positive social and environmental outcomes, might choose an established, common framework so their social investments can be formally measured and compared. However, some organisations might choose to create their own informal framework based around their specific social objectives and set targets for what they want to achieve from a particular project or activity. For example, if the aim is to improve

[5] Source: KPMG

## Social impact of buildings and real estate

Social impacts are pervasive in the real estate sector and yet challenges around understanding the beneficial effects, whilst reducing harmful impacts, often place the ‘S’ of ESG at the bottom of the sustainability agenda.

Each stage of a project’s life cycle raises distinct issues. Owners and asset managers of existing properties are concerned with their use and management, and ensuring that occupiers have healthy, accessible work or living spaces is paramount. They may also want to provide meaningful benefits to the community around them and, as more technology is used in their buildings, they must also respect and safeguard digital rights. Construction activities raise other consideration for developers and funders such as the human rights impacts frequently associated with construction from rights of workers onsite to material supply chain issues.

In all of these cases, accurately identifying and measuring the positive impact of a project is complex, and assessing and mitigating negative impacts can be even more difficult as harmful effects can take numerous forms and be felt around the world, particularly when considering supply chain issues. If we take sourcing of bricks as an example, the use of child labour in India’s brick kiln industry has been publicised for ten years, but as of September 2022, the US Bureau of International Labor Affairs had reason to believe that bricks from Egypt, Brazil, Uganda and Russia were also produced by child or forced labour. [1] As geopolitical events and climate migration trigger the movement of people, high-risk jurisdictions change as vulnerable people are exposed to exploitation.

Measuring social impact is complex and costly. Effective stakeholder engagement is required to understand business’ impacts and meaningful data is inherently qualitative. As such, data is difficult to benchmark and detailed guidance on social standards is sparse. However, corporate regulation of ‘S’ issues is on the rise. EU sustainability legislation goes beyond existing modern slavery legislation affecting EU and non-EU businesses, for example reporting and auditing of broad social impacts is required under the Corporate Sustainability Reporting Directive; the sustainability of financial products is regulated by the Sustainable Finance Reporting Directive; the newly passed Corporate Sustainability Due Diligence Directive mandates due diligence on both human rights and environmental issues; and the proposed EU Forced Labour Regulation bans imports or exports to the EU made with forced labour. This supplements existing US customs’ measures targeting forced labour. The need to invest in and address challenges associated with tackling harmful impacts and enhancing beneficial impacts will soon be more than a nice to have – and will be required to avoid enforcement/regulatory action.

[1] https://www.dol.gov/agencies/ilab/reports/child-labor/list-of-goods?tid=All&field_exp_good_target_id=5754&field_exp_exploitation_type_target_id_1=All&items_per_page=All

healthcare in an area, the building owner or investor could choose Key Performance Indicators around their target social outcomes, such as increased square footage of health facilities or increased health professional appointments, and work towards those KPIs. This allows measurement against targets and sets a baseline for reporting on future activities.

Some of the formal frameworks and toolkits for measuring social impact or social value include:

- **Social Return on Investment (SROI)** – a framework for anyone interested in measuring, managing and accounting for social value or social impact, originally written by the Cabinet Office[6].
- **Real Estate Social Value Index (RESVI)** - a detailed, standardised reporting tool that helps measure, report, and improve the Social Value generated by 'in-use' real estate and infrastructure assets[7].
- **Impact Reporting and Investment Standards** (IRIS+) - impact accounting system that impact investors use to measure, manage, and optimize their impact[8].
- **Real Estate Impact Analysis Tool** - developed by the UN to enable financial institutions to holistically identify and assess the impacts associated with real estate investments and portfolios[9].
- **World Green Building Council position paper, '*Social Impact across the Built Environment: Prioritising People throughout the building life cycle'*** - provides a framework for how the building and construction sector can address social impact throughout the building life cycle[10] .

[6] Social Value UK
[7] RESVI
[8] IRIS
[9] UN Environment Programme
[10] WGBC

**The Growing Importance of Social Impact in Real Estate**

With 80-90% of people's time spent indoors, according to DEFRA [1], the built environment plays a significant role in social wellbeing and outcomes. However, there is little consensus on how to define, measure, and implement social strategies within real estate—and for some, how to justify these through costs and benefits.

Social is gaining significant traction in real estate, reflecting a recognition that the places we build shape communities, influence well-being, and profoundly affect quality of life. Social impact isn't just an add-on; it's a critical aspect that must be integrated into every stage of a building's lifecycle, from planning and design to construction and operation. The impact goes beyond the immediate project area, affecting quality of life, community cohesion, and social equity. The focus and goals of social impact are unique to each asset and investor, depending on local needs and organisational objectives, which complicates the valuation of these impacts in financial terms. Some investors choose not to monetise social impacts at all.

**Health & Wellbeing at the forefront**

As sustainability and responsible business practices gain importance, real estate investment is evolving. Traditionally evaluated on financial returns, this shift now places people, wellbeing, and communities at the centre, with social impact emerging as a key determinant of asset value. Building certifications focusing on health and wellbeing, such as WELL and Fitwel, are increasingly sought by developers and asset owners. Additionally, BREEAM certification, traditionally associated with environmental sustainability, now incorporates significant social and wellbeing elements. Our research indicates that BREEAM Outstanding can command a rental premium of up to 12% in prime central London offices. These certifications signal a commitment to higher standards of environmental and social responsibility, enhancing a property's market appeal and value.

**Moving Forward: Integrating Social Value**

To enhance the measurement of social impact in real estate, facilitate better decision-making, and foster greater accountability, a standardised measurement framework, which allows for differing goals, is required. Proposals like the "social taxonomy" by the Social Market Foundation and post-occupancy evaluations (POEs) focused on social outcomes are steps in the right direction. To fully harness social impact's potential, the real estate sector must embed social value into all operations. This includes attracting new talent, fostering community ownership, and ensuring social value is integral to every project.

**Key Steps for Progress:**

1. **Establishing a Stakeholder Forum:** Regular discussions to share best practices and align goals.
2. **Streamlining Processes:** Reducing the complexity and time required for implementing initiatives.
3. **Enhancing Communication and Education:** Improving understanding and implementation of social value principles.
4. **Integrating Social Value into Development Schemes:** Ensuring social outcomes are considered from the outset.
5. **Focusing on Outcomes and Accountability:** Shifting focus from measurement to actual outcomes and increasing accountability.
6. **Government Involvement and Clear Guidance:** Providing standardised practices and guidance.
7. **Transparency and Trust in Measurement:** Building trust through clear and accurate reporting of social impact metrics.

By addressing these aspects, the real estate sector can better understand, measure, and maximise its social impact, creating more sustainable, equitable, and thriving communities. The journey to integrating social value is ongoing, but with commitment and innovation, it holds the promise of significant benefits for all.

[1] https://uk-air.defra.gov.uk/assets/documents/reports/cat09/2211011000_15062022_Indoor_Air_Quality_Report_Final.pdf

## How LandAid, the property industry charity, measures its social impact

*"At LandAid, we aim to strike a balance between being able to learn from, and celebrate the impact of, the projects we support, without over-burdening charity partners with reporting requirements. Our strategy aims to create at least £150 million in social value by 2029 and to have positively supported 10,000 young people by providing homes, jobs and skills.*

*To measure success, we look at outputs such as the total number of young people housed and/or moved into employment through projects we fund. We track outcomes focussed on young people's wellbeing and social connections, whilst collecting case stories to share with our supporters.*

*We also measure the social value of the support we provide to youth homelessness charities through our Social Value calculator, developed for us by HACT. This allows us to predict the social value of grant applications, and monitor the progress of the projects we fund to further our understanding of the value generated by different approaches.*

*Our calculator produces two values:*

· ***Wellbeing Value*** *- this measures the positive impact from outcomes such as young people moving from temporary to secure accommodation or from unemployment to employment. This is described as 'the amount of money that has the same impact on life satisfaction as the change measured'.*

· ***Exchequer Value*** *– this measures other positive impacts from these outcomes, such as 'the amount of money saved for the public purse'.*

*When we combine these two values we have the* ***Total Cumulative Social Value*** *of a project."*

***Paul Morrish - CEO, LandAid***

## UK Government 'happiness' index

The UK's approach to measuring happiness and well-being in society is conducted through the Office for National Statistics (ONS) under the framework of Measuring National Well-being. This initiative tracks a broad set of indicators that go beyond economic measures like GDP, focusing on quality of life, happiness, and overall well-being.

The ONS launched the National Wellbeing programme in 2010, which collects data on a range of indicators including life satisfaction, happiness, anxiety, hope for the future and fair treatment. The results are published quarterly and shown as a Well-being Dashboard, which tracks how different aspects of life are improving or worsening.

The UK's well-being data feeds into global indices such as the World Happiness Report, published by the UN.

*Source: GOV.UK*

**Putting people at the heart of buildings**

Social impact is often the least well-defined of the ESG trio. This often leads to it being overlooked when discussed at industry events, in news outlets or on LinkedIn feeds. This is because social impact means something different to each organisation.

Social impact is a uniquely human factor, so while we feel comfortable debating governance and regulation, or trying to build efficiencies for energy consumption, companies can be less eager to dive into this topic. That being said, most organisations are thriving on their own unique social stage.

For our sector, this is all about putting people at the heart of our buildings. While we can use tech to pull up data and give us the hard facts about how sustainable a project or building will be, social impact requires a far more qualitative approach for reporting. It’s about getting into the minds of the people within an organisation and understanding how they feel, what they would like to see more of and how your company can drive genuine impact in the local area.

As our industry embraces digital transformation, we’re seeing more and more cases of where technology is being used in the CRE sector as an enabler for connectivity and thus social impact. By connecting occupiers, end-users and landlords through workplace apps, we’re seeing social initiatives put front and centre. Organisations now have a platform to engage people in a way that’s native to them. This helps the workforce to become empowered to attend events, charitable initiatives and take note of key announcements which benefit the local community.

Beyond just having a platform for direct communication and engagement with their workforce, organisations now have the ability to understand how their employees actually view their social impact. NPS surveys are a great tool for this. This means that execs and investors no longer have to guess about how they perform, they can ask their occupiers and workforce directly.

Often, teams are filled with people who are deeply passionate about social impact. Their feedback can be used to directly impact those in the local community. Through an ongoing and direct dialogue with those occupying a building, workplaces can become a force for good with their social footprint. This takes them beyond simply being a place that people have to work, but instead somewhere they choose to work.

**Benchmarking**

The Real Estate sector has long relied on performance benchmarking, a practice that has gained even greater importance with the rise of ESG reporting. However, it is more challenging to benchmark social impact because of the lack of consistency in measurement which can make comparison less valuable. There is also a sentiment that some organisations don't want to make social impact activities competitive, they would prefer a collaborative approach.

However, as measurement becomes more widespread, comparisons will become easier. For example, GRESB[11] is a commonly used benchmarking tool in the Real Estate sector for ESG performance. It now endorses RESVI as a full-points certification for its Real Estate Assessment, covering the S in ESG.

**Embodied social impact**

In the field of measuring carbon, there is a concept of embodied carbon and operational carbon and real estate organisations may need to consider the same approach for social impact. Whilst this will be a further complication in its measurement and comparison, it might give a more holistic picture. For instance, if a development had a negative impact on a local area and its supply chain during its construction, but once occupied improves the lives of local people, how do we measure this positive and negative trade-off over time? Much in the same way that embodied carbon measures the historic carbon impact of real estate, real estate professionals may need to also consider how its 'embodied social value' is captured.

[11] https://www.gresb.com/nl-en/

We define social impact as the intentional, additional, and attributable economic, social and environmental outcomes to communities as a result of our investments. We adopt a place-based approach. This means taking an asset-level view as to how we could intentionally contribute, deliver, and catalyse positive outcomes that address local needs.

The communities in which we operate face different challenges, have different wants and needs – some areas are facing homelessness, others are facing challenges around ageing demographics. It's therefore essential that the measurement of impact is adapted and flexed to consider the specific asset, and its context. While delivering positive outcomes for local communities is key, it's also vital that this impact aligns with our commercial objectives, protecting and improving our investors' investments.

Measuring social impact in a consistent manner across the industry remains challenging, albeit not insurmountable. We would welcome more collaboration in this area. We focus on measuring both qualitative and quantitative outcomes. Qualitative reporting typically involves case studies, interviews or surveys with local community individuals, organisations and businesses. Our quantitative approaches do not focus on monetary measures of social 'value', which we believe can become opaque, may not align with local needs and fails to reflect that many positive social outcomes do not have a financial value. Instead, we utilise a database of over 200 metrics and choose a small number of key performance indicators that align with the asset's social impact strategy. Metrics include job creation, spend with local suppliers, affordable workspace, health outcomes, community outreach events etc.

An example of where we have adopted this approach is at The Dolphin Community and Shopping Destination in Poole. In partnership with the NHS, we welcomed the first outpatient assessment clinic in a shopping centre, to help tackle long patient waiting lists, treating over 15,000 patients in its first 14 months of opening. Meanwhile, our Kingland initiative (providing ten retail units, rent and rates-free for two years) has transformed a once vacant section of the high street into an eclectic mix of Dorset-based independent retailers, selling a range of goods from plants to fish, coffee to restored furniture. Through our intervention, these small businesses have been given the support they need to establish and grow, contributing to an ecosystem at The Dolphin, which also includes a flexible office and co-working facility, wellbeing hub and events space. All of this is underpinned by our Community Partnership, a group of local stakeholders who represent some of the needs of the local community , who have helped to co-create solutions addressing local issues such as anti-social behaviour, loneliness and unemployment. Members include charities, the NHS, local education institutions and the local council.

# Section 3

## Social impact – the financial value

One of the most commonly used metrics in business and the Real Estate sector is money. It is routine to measure things in pounds and pence, both the return and cost of an investment or activity allowing a return on investment (ROI) to be calculated. From a Real Estate sector perspective, this might include value to a business or to a project. We have seen that whilst measuring activity that impacts society is important, comparing it can be difficult, so there is a strong argument to convert everything into a financial metric.

A financial assessment of social impact is increasingly needed for ESG reporting and impact investments. A social value enables building owners, occupiers, and property managers to evaluate the social impact of their real estate and incorporate this into their investment decisions.

However, there are contrasting views across the sector about whether social impact outcomes should be assigned a monetary value. Some organisations, including some large asset managers, choose not to attach a pound value to their social impact activity because the number could be misleading, misunderstood or lack transparency. For example, it is not always possible to identify which stakeholder of a building has created the positive impact; it could be the tenant, the owner, or the developer.

Attaching a financial value to social improvements can also be a complex process. For instance, when a new office development focuses on the redevelopment and improvement of the public spaces around it, this is likely to increase the value of the surrounding public buildings and housing. But some local residents might be displaced from the area if they are unable to afford the higher priced properties and that displacement would be seen as a negative social impact. The positive influence on local property prices can be calculated, but the potential displacement of local communities is much more difficult to gauge.

There is clearly a financial benefit of businesses and buildings that make a positive social impact, and converting activity into a financial ROI allows better comparisons. However, today, with limited availability of data and the vast scope of societal activity, measuring on an individual building or business basis is challenging and in some cases may be misleading.

***It is estimated that there is potential to generate an additional £30 billion per annum in social value in the built environment.***

*The Social Value Portal and National Social Value Taskforce*

**The valuation process**

The Royal Institute of Chartered Surveyors (RICS) has recognised the influence of ESG factors, including social value, on the valuation process and has incorporated this into its guidance on valuations.

According to RICS guidance, *'the financial implications of social value should be implicit to the valuation. The need to reflect non-financial impacts and all impacts to other stakeholders (including public impacts) will depend on the nature of the instruction, valuation purpose and basis. In some jurisdictions and for some purposes such as development there may be specific* *requirements to take account of financial and non-financial elements of social value."* [12]

Social risks are also becoming factored into property valuations. To quote the RICS, "*Properties with negative social reputations, such as those associated with poor labour practices or environmental damage, may be viewed as higher risk by investors and other market participants, and therefore may command a lower market value.*"[13]

Whilst this is positive, incorporating social value and social risks into valuations will still be relatively difficult to do without strong and consistent market evidence and data.

***Maximising social value can lead to a 5% uplift in the market value of a real estate asset.***

***Social Market Foundation***

12 https://www.rics.org/content/dam/ricsglobal/documents/standards/january2022_sustainability_and_esg_guidance_note.pdf

13 The Future of Real Estate Valuations: the impact of ESG

**Building Bonds: How Technology Shapes Social Spaces in the Built Environment**

*"First we shape the cities—then they shape us."* **– Jan Gehl**

At the core of every city are its people, the foundation upon which structures are built. Communities don't just house individuals; they foster social interaction, collective well-being, and fundamental human rights. ESG (Environmental, Social, and Governance) discussions are everywhere, yet the social impact of buildings—encompassing inclusivity, resource access, and community engagement—whilst significant, is often sidelined. What does social impact truly mean in this context? How do we measure it? Is there a blueprint for its delivery? And why should we care? Technology may hold the key, just as it has for the "E" and "G," offering a deeper understanding of how our built environments can reflect and enhance the social fabric of our communities

**Unpacking social impact**

Social impact reflects how buildings influence individuals and communities, spanning well-being, inclusivity, and engagement, but is challenged by the lack of standardised definitions and metrics. JLL reports that 49% of workers value spaces that foster social connections[1], and CBRE finds 80% of employees believe their workplace significantly affects their well-being and productivity[2]. Without clear metrics, social value remains underappreciated in decision-making, leaving its true impact unmeasured.

**Smart buildings as social architects**

We've all walked into spaces that feel right—where people naturally gather, chat, and work together. Now, imagine buildings designed to encourage these moments, leveraging technologies like real-time occupancy sensors and AI-driven design to create environments that encourage social interaction. These innovations enhance "bonding moments" and align designs with human needs, leading to improved productivity and satisfaction. Smart environments can boost productivity by up to 20% and employee satisfaction by 8%[3], with 85% of executives believing technologies enhances workplace culture and engagement[4], highlighting the tangible benefits of integrating technology into building design.

**Well-being through curious design**

Buildings that make you smile aren't just about aesthetics; they're about how spaces make us feel. Technology enables spaces; from adaptive lighting synced with circadian rhythms, to sensors monitoring air quality and noise levels. Organisations with strong social dimensions in their ESG programmes create 12% more value[5], underscoring the financial benefits of investing in social impact.

**Finding balance: Measuring social value with technology**

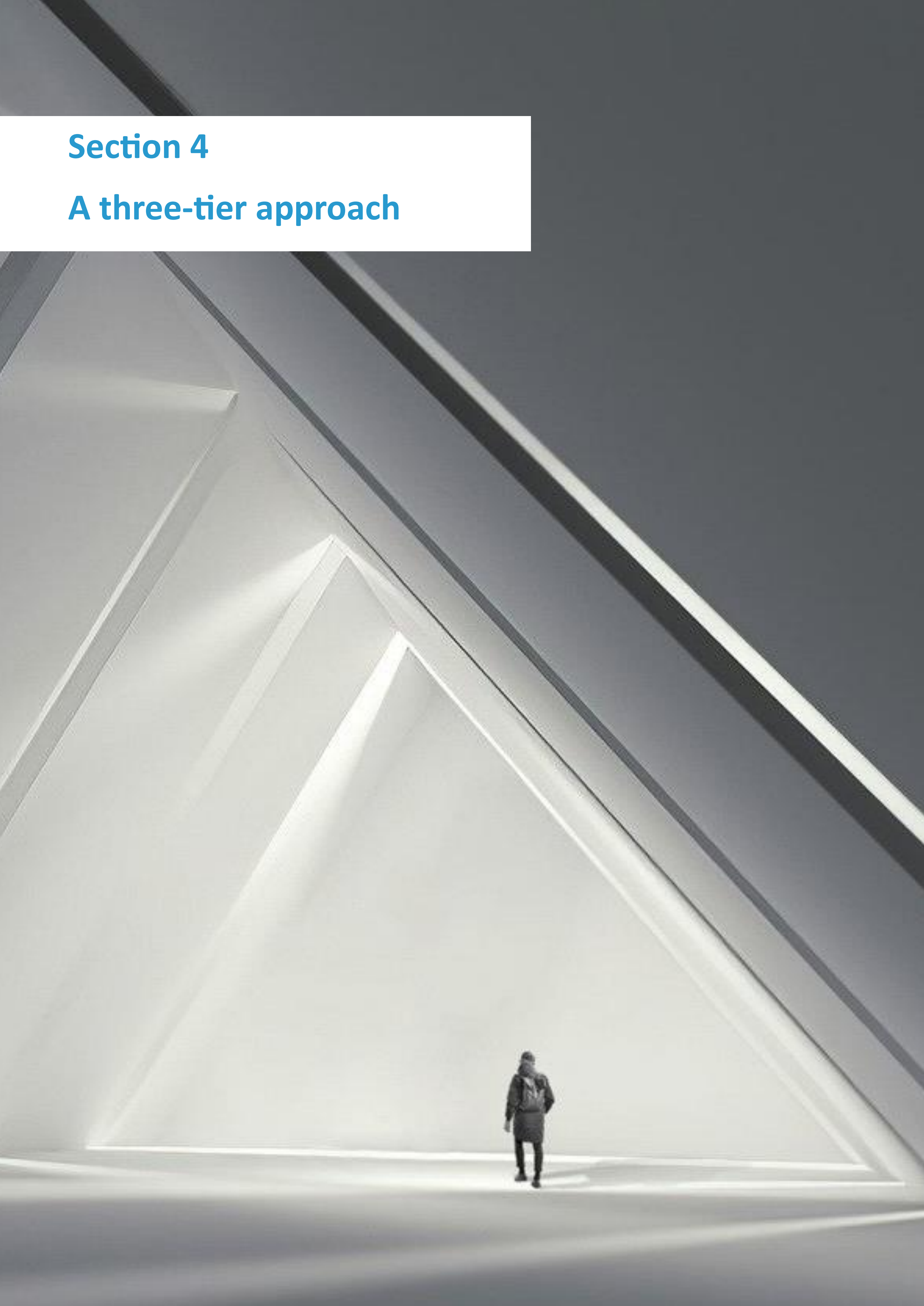
What if success in building management was measured by connections made, not just kilowatts saved? Metrics like occupancy, dwell time, well-being sensors, and interaction analytics are key. Buildings designed for social impact can see 30% higher occupier satisfaction[6], while strong ESG profiles achieve a 7% rental premium[7]. By capturing and analysing this data, property managers can integrate social value into decision-making.

Evolving the sector requires shared standards and data transparency, recognising that human experiences defy simple metrics. Integrating social metrics into valuation models through technology can unlock potential, encouraging investment in social value as a measurable, impactful facet of building performance. While some aspects of connection resist measurement, we must preserve what it means to truly connect. The next generation of smart buildings won't just be efficient—they'll be vibrant hubs where people feel connected and valued. Isn't that the ultimate performance metric?

[1] JLL's *5 ways employees now thinking differently about the workplace* (2024)
[2] CBRE GWS' *Global Workplace & Occupancy Insights* (2023-2024)
[3] JLL Is Hybrid Really Working (2023)
[4] JLL *Do Smarter Buildings Make Employees Happy?*
[5] McKinsey *The ESG Premium: New Perspectives on Value & Performance* (2020)
[6] UKGBC *A Guide for Delivering Social Value on Built Environment Projects* (2022)
[7] *CBRE's Is Sustainability Certification in Real Estate Worth It?* (2023)

# Section 4

# A three-tier approach



With all the different definitions, approaches and measurement tools, it is easy to overcomplicate social impact. Ultimately, the main objective is for real estate to have a positive impact on people and taking a simplified, human centric approach would help some organisations to begin their measurement journey; starting somewhere is better than doing nothing.

One approach is to categorise social impact activity into three broad levels and consider how real estate is affecting people within those groups:

**Tier 1 – 'MICRO'**

The people using the building – impact on their happiness, health, well-being and productivity.

**Tier 2 – 'MESO'**

The people in the local area surrounding the building – impact on community well-being, placemaking, public use of facilities and economic contribution.

**Tier 3 – 'MACRO'**

People in wider society – impact on wider communities, supply chains and the planet.

Breaking down activity into these three areas can be a helpful starting point for any real estate organisation looking to measure social impact.

In order to obtain a holistic view of social impact, all three tiers should be considered. If an investment or activity improves one tier, but has a detrimental impact on another, there should be questions around the validity of that activity.

## Role of technology

The Real Estate sector has taken great strides in recent years to adopt new technologies and collect and share performance data. In the same way that this has helped organisations measure and improve their performance around sustainability, it should facilitate social impact activity and measurement across the three tiers.

Whilst there is a greater qualitative element to social outcomes, information on building users' well-being, health, productivity and satisfaction can be collected via building sensors and apps. In the wider area, community-based apps can help local people by providing wayfinding for new developments, booking systems for community use of office and public spaces and conducting surveys around community well-being. Constant communication and feedback with building users and the communities they surround is a vital part of measurement and technology helps facilitate that process. Any data that is created around social outcomes can be supplemented with case studies of positives social outcomes.

# Section 5

# Challenges with measuring social impact

Whilst measuring social impact is a positive step forward, there are some challenges that need to be considered.

- **Risk of 'social washing'** – some fear that by trying to standardise 'S' there is a risk of it becoming a tick box exercise and the requirement to measure and report it will take away from the reason for doing it in the first place and the benefits it can bring. The Real Estate sector is naturally inclined to tie everything to performance and monetary value but flexibility is needed for social impact activities.

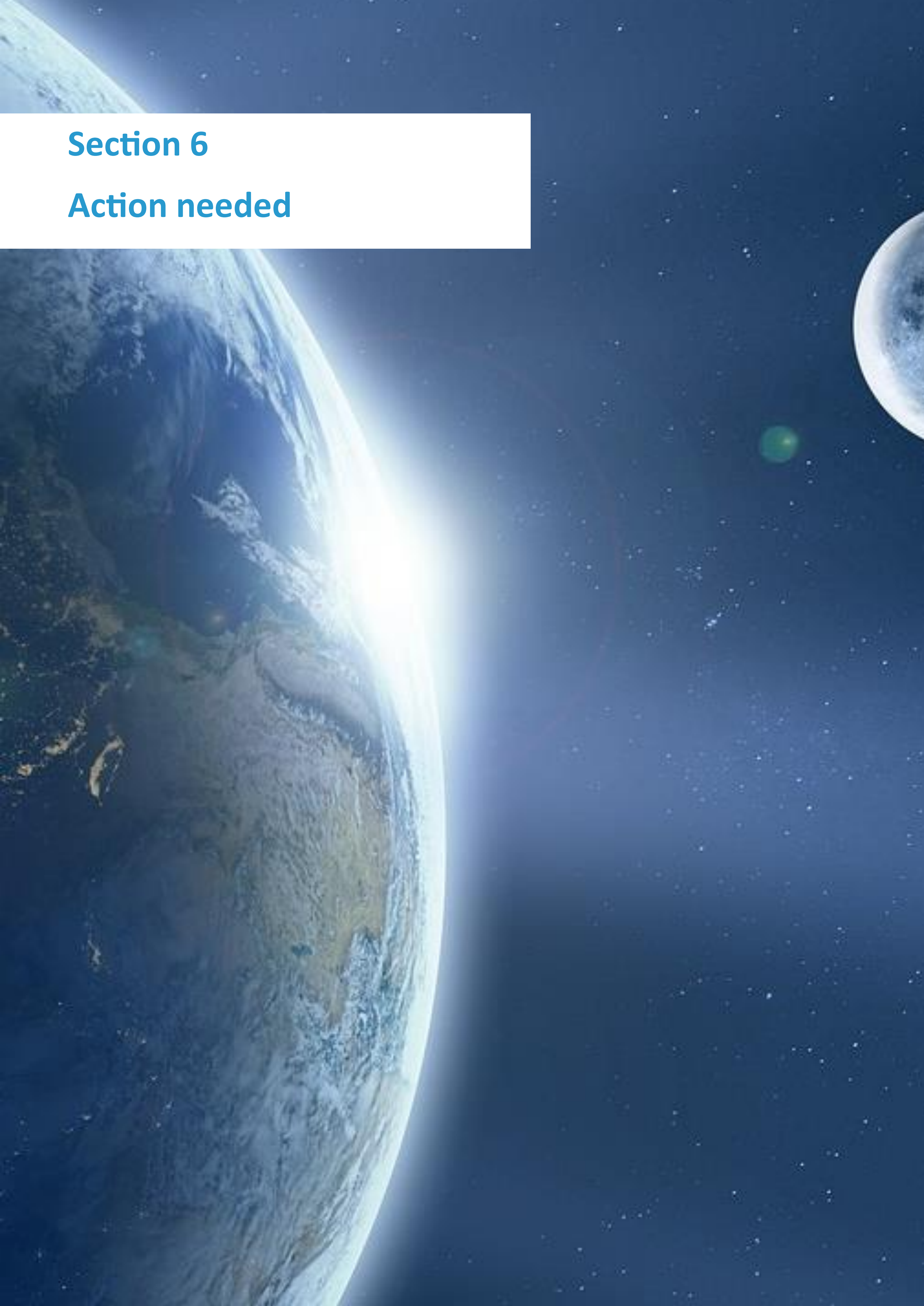
- **Setting parameters** – sometimes social impact is really far reaching and so knowing how far to measure the impact of real estate is a challenge. When drawing up parameters, where does the line stop? For instance, should it be in the building's local postcode, a few miles outside or much further afield. When setting targets, how many people should the project directly affect? Is it better to set an arbitrary figure and start measuring rather than not measuring at all? In the same vein, it is not always easy to assess whether changes in a local community are attributable to one project or whether they are also affected by others, leading to potential double counting.

- **Winners and losers** – social impact at source is not necessarily the same as further afield. One of the advantages of using a three-tier approach is that real estate owners and managers can look at the bigger picture and consider the impact of their building or project on people within the building, in the local community and on a much wider scale. For example, if an organisation provides a tax efficient electric car scheme for employees, this will have a positive impact at a 'micro' level with staff benefiting from the scheme and potentially better air quality. At a 'meso' level, people in the local area should benefit from reduced levels of air pollution. But what about the wider 'macro' picture? If there are problems in the supply chain with worker conditions or child labour, or the batteries deplete precious resources, can the social impact still be considered as a positive? This is when organisations must make judgment calls on their activities.

- **Data availability** – comparing social impact activity is more challenging than for instance environmental impacts because the outcomes are so diverse and the availability of robust, high quality and readily available data is low. Whilst individual activities can more easily be measured, comparing activity across the sector accurately and fairly is very difficult.

# Section 6

# Action needed



The Real Estate sector is moving in the right direction when it comes to social impact: it recognises its importance, aspires to make a positive difference, and understands the value of measuring social outcomes. The next step is refining this measurement process and helping organisations enhance their social impact initiatives. Whilst a three-tiered approach provides a solid foundation, there is potential for broader, sector-wide action to strengthen and elevate the overall approach to social impact.

Recommended activity includes:

1. **Adopt measurement frameworks** – where possible investigate and adopt formal measurement frameworks. Consistency of measurement will help produce benchmarking data, compare social activity and value, and drive-up standards across the sector.

2. **Build a data strategy** – every real estate organisation and building should have a detailed data strategy. It is important that this includes collecting data that measures social initiatives – existing measurement frameworks can help provide a steer in this direction.

3. **Take a three-tier approach** – consider the outcomes of social impact at 'micro', 'meso' and 'macro' levels. Where possible, measure the outcomes on people within all three tiers but at the very least, make sure that the pros and cons of an activity are considered at all three levels.

4. **Collaborate** – social impact is an area where collaboration is key, whether it is joint initiatives with peers, sharing case studies, ongoing engagement with communities or collaboration around data sharing, an open and collaborative approach is vital.

Ultimately, any activity that benefits society is to be encouraged and embraced. Considering the impact on all levels of society is important and making sure there are frameworks in place to measure effectiveness is essential. Today, this may mean qualitative metrics, but it is also important that as a sector we collaborate to work towards better use of quantitative metrics and availability of data.

# About REvolve

## About REvolve

REvolve is an Alpha Property Insight initiative. Members of REvolve consist of leading names in the real estate sector which come together to provide unique perspectives on a particular topic. Membership of REvolve demonstrates the members' thought leadership and willingness to explore some of the most pressing challenges that the real estate sector faces in a collaborative way.

Membership does not imply agreement with or endorsement of all of the views expressed in the report. Members provide their own 'Expert View' on the topic.

Each paper is written by Alpha Property Insight and is based on both extensive desk research and a round table discussion with members.

## REvolve Members

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1 Source: L&G Annual Report and Accounts, 31 December 2023. Worldwide total assets under management include LGIM AUM and other group assets not managed by LGIM. The AUM includes the value of securities and derivatives positions.

2 Source: LGIM Real Assets. AUM data as at 31 December 2023.

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smartspaces.

**Smart Spaces**

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