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The Counselors of Real Estate examine environmental, social and governance practices

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Chicago, IL Environmental, social and governance (ESG) practices are no longer an emerging trend, but a critical component of real estate investment integrated into investment decision-making, according to a report from The Counselors of Real Estate. COVID-19 has further cemented this paradigm shift as risk management, resiliency, transparency, and social engagement—key

components of ESG—take center stage.

Michel Couillard

“While COVID-19 has underscored the importance of ESG issues, this shift is a result of trends already underway, including dramatically changing acceptance of the risks of climate change, innovations in the measurement and tracking of ESG performance, new innovative ESG investment alternatives, the growing influence of millennial investors, and rapidly expanding business acceptance,” said Michel Couillard, CRE, 2020 chair of The Counselors of Real Estate.

According to the report, “2020-2021 Top Ten Issues Affecting Real Estate,” recent market forces and industry initiatives such as the Task Force on Climate-related Financial Disclosures (TCFD) are encouraging property owners to assess and publicly disclose climate risks to investors and other stakeholders.

Within real estate investing, ESG requires a more conscious focus on stakeholders and different perspectives from investors, tenants, residents, building staff, and contractors. Issues of equity, sustainability, health and wellness, and diversity all filter into decision-making.

The report states the role of resilience and control of operating costs is more important as investors and operators navigate the blow of near-term rental revenue losses, especially for the hospitality, entertainment, and retail sectors. The Counselors of Real Estate concludes ESG has been established as a prudent risk mitigation strategy that will contribute to long-term value creation that real estate has historically enjoyed.

“Perhaps most explicitly, issues of climate change and the associated risks to investors has snapped into focus within the ESG lens. In recent years there has been a shift in American, Australian, EU, and Asian perspective on ESG and climate change, with a World Economic Forum poll finding a majority of Americans feeling climate change should be a top priority for the government, a 14% rise from four years ago. Nearly two-thirds of Americans ranked protecting the environment as a policy priority, echoing similar sentiments from Australians. Almost one-half of Europeans and nearly three-quarters of Chinese people consider climate change a major threat,” said Couillard.

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