Webinar

State of Green: Forging Ahead with the Business Case for Sustainability

Date: November 21, 2025

00:00:00 --> 00:00:01:	Good afternoon.
00:00:01 --> 00:00:04:	Welcome to today's webinar titled State of Green leading real
00:00:04 --> 00:00:07:	estate voices on the business case for sustainability.
00:00:07 --> 00:00:09:	My name is Blakely Jarrett.
00:00:09 --> 00:00:11:	I'm a Vice President at the Urban Land Institute and
00:00:11 --> 00:00:13:	the global lead for ULI Greenprint.
00:00:14 --> 00:00:15:	I'm also your moderator.
00:00:15 --> 00:00:15:	For the next hour.
00:00:16 --> 00:00:19:	This webinar is being recorded and both the slides and
00:00:19 --> 00:00:22:	the recording will be available on Uli's Knowledge Finder within
00:00:22 --> 00:00:23:	the next week or so.
00:00:25 --> 00:00:28:	Please submit questions using the Q&A function as we go,
00:00:28 --> 00:00:30:	and we'll answer as many as we can at the
00:00:30 --> 00:00:30:	end.
00:00:31 --> 00:00:31:	Next slide, please.
00:00:33 --> 00:00:35:	So let me quickly introduce our speakers and give you
00:00:35 --> 00:00:37:	some backgrounds on Greenprint.
00:00:37 --> 00:00:40:	I'm joined by my colleague Celeste Smith, who is a
00:00:40 --> 00:00:42:	manager at the Urban Land Institute.
00:00:42 --> 00:00:46:	I'm also joined by Linda Toss, the East Climate and
00:00:46 --> 00:00:50:	Sustainability Discipline team lead at Arup, Elena Alschuler, the Head
00:00:50 --> 00:00:55:	of Sustainability for the Americas at LaSalle Investment Management, and
00:00:55 --> 00:00:58:	Adam Slackman, the Managing Director and head of ESG for
00:00:58 --> 00:01:01:	the Americas at JP Morgan Asset Management.
00:01:02 --> 00:01:03:	Next slide.
00:01:05 --> 00:01:09:	So Greenprint is a global alliance of about 130 real
00:01:09 --> 00:01:13:	estate owners, developers and investors with a shared commitment to
00:01:13 --> 00:01:17:	cost effectively reducing energy, water, waste and emissions.

00:01:18 --> 00:01:21: LaSalle and JP Morgan are both Greenprint members and ARIP

00:01:21 --> 00:01:23: is one of our industry partners.

00:01:24 --> 00:01:28: Green Part member companies make progress on their decarbonization goals

00:01:28 --> 00:01:32: through knowledge sharing, benchmarking and collaborating on shared resources like

00:01:32 --> 00:01:35: utilize global Green building policy dashboard.

00:01:36 --> 00:01:39: Another thing we've done every year since 2009 is collected

00:01:39 --> 00:01:43: asset level environmental performance data from our Green Part members.

00:01:44 --> 00:01:46: That data gets rolled up into the State of Green

00:01:46 --> 00:01:49: Report as a benchmark of collective progress.

00:01:49 --> 00:01:52: And so today we'll share a few results from this

00:01:52 --> 00:01:55: year's State of Green Report, which is being published today,

00:01:55 --> 00:01:57: and we'll have each of our speakers share.

00:01:57 --> 00:02:00: Spend a few minutes sharing insights so you can see

00:02:00 --> 00:02:03: how the real estate is going about decarbonizing buildings.

00:02:04 --> 00:02:08: If you own, develop, or invest in buildings and you'd

00:02:08 --> 00:02:12: like to join Greenprint, please e-mail **** and we'd be

00:02:12 --> 00:02:15: delighted to chat and provide more information.

00:02:16 --> 00:02:19: We'll also include that e-mail account in the follow up

00:02:19 --> 00:02:22: to this webinar and Celeste has just helpfully included in

00:02:22 --> 00:02:23: the chat.

00:02:24 --> 00:02:26: So now I'm going to hand it off to Celeste

00:02:26 --> 00:02:28: to share some of the results from this year's report.

00:02:28 --> 00:02:28: So.

00:02:29 --> 00:02:33: These are high level results, but I'm really happy to

00:02:33 --> 00:02:37: present this year's ULI Greenprint environmental performance data.

00:02:38 --> 00:02:42: So even during a real estate market that's facing some

00:02:42 --> 00:02:48: headwinds, you like Greenpoint members, Whole building energy consumption decreased

00:02:48 --> 00:02:51: from or by .8% from 2023 to 2024.

00:02:51 --> 00:02:56: Notably, whole building carbon emissions dropped by 6.8%, reflecting the

00:02:56 --> 00:02:59: continued growth in renewable energy investment.

00:02:59 --> 00:03:03: This continues A downward trend as last year we also

00:03:03 --> 00:03:06: had a 6.3% reduction in carbon emissions.

00:03:07 --> 00:03:09: It's also notable that the decrease in carbon emissions has

00:03:10 --> 00:03:12: sustained even as ULI Green Prints membership has grown and

00:03:13 --> 00:03:13: diversified.

00:03:14 --> 00:03:17: You'll also notice that whole building water consumption increased this

00:03:17 --> 00:03:20: year while whole building landfill waste was reduced by a

00:03:20 --> 00:03:21: little less than 1%.

00:03:24 --> 00:03:27: So just to dive in a little bit more, ULI

00:03:27 --> 00:03:31: Greenprint has an optional net 0 by 2050 goal.

00:03:31 --> 00:03:35: So some members opt into this goal.

00:03:35 --> 00:03:38: And these data tables present the aggregate emissions for our

00:03:38 --> 00:03:41: net 0 liners broken up by scope as well as

00:03:41 --> 00:03:44: all forms of on site renewable energy and purchase green

00:03:44 --> 00:03:44: power.

00:03:45 --> 00:03:48: You'll also notice that we have intensities for each of

00:03:48 --> 00:03:51: those, those scopes included at the top of the slide.

00:03:52 --> 00:03:55: And something that we'd really like to point out is

00:03:55 --> 00:03:58: that on site renewable energy increased by a factor of

00:03:58 --> 00:04:00: four this year for our net 0 aligners, which is

00:04:01 --> 00:04:04: incredible and was more than 14% of total energy consumption.

00:04:05 --> 00:04:07: Carbon offsets also increased this year.

00:04:09 --> 00:04:12: So now we're going to launch a quick poll and

00:04:12 --> 00:04:14: I can launch that here.

00:04:16 --> 00:04:20: So hopefully you see a full on your screen.

00:04:20 --> 00:04:21: We encourage you to fill this out.

00:04:21 --> 00:04:24: We just want to know kind of what category you'd

00:04:24 --> 00:04:28: put your, your job, your profession into, so we better

00:04:28 --> 00:04:29: know who's in the room.

00:04:31 --> 00:04:34: You can also do the second poll, which is where

00:04:34 --> 00:04:36: is your company on its sustainability journey.

00:04:37 --> 00:04:38: So if you haven't started all the way up to

00:04:38 --> 00:04:39: being a market leader.

00:04:40 --> 00:04:44: So I will give that about 30 more seconds.

00:04:54 --> 00:04:55: It's fun to see all the the data come in.

00:04:55 --> 00:04:59: I feel very omniscient at the moment.

00:05:02 --> 00:05:05: All right, I'm going to end the poll and then

00:05:05 --> 00:05:07: you should be able to see the results on your

00:05:08 --> 00:05:08: screen.

00:05:08 --> 00:05:11: So it looks like overall we have a fair amount

00:05:11 --> 00:05:16: of architects and designers, consultants, developer owners and investors, as

00:05:17 --> 00:05:19: well as some urban planners and engineers.

00:05:19 --> 00:05:22: So a really a really good representation of your eyes

00:05:22 --> 00:05:23: global membership.

00:05:25 --> 00:05:27: And then also I think we have a really nice
00:05:27 --> 00:05:32: spread for where different companies are on their sustainability journey.
00:05:32 --> 00:05:35: You know, being at the beginning is not a bad
00:05:35 --> 00:05:35: thing.
00:05:35 --> 00:05:38: This is a great webinar for you to join regardless
00:05:38 --> 00:05:40: of where you are on the journey.
00:05:41 --> 00:05:43: But we're also very happy to be joined by folks
00:05:43 --> 00:05:46: who are hitting their stride or those market leaders.
00:05:47 --> 00:05:49: Alright, I'm going to stop sharing that.
00:05:50 --> 00:05:53: And now I'm, I think we've done enough talking.
00:05:53 --> 00:05:56: So I am delighted to pass it off to our
00:05:56 --> 00:05:58: first speaker today, Linda Toth of Arab.
00:06:00 --> 00:06:02: Everyone, great to be with you today.
00:06:02 --> 00:06:05: I'm gonna dive in a little bit related to the
00:06:05 --> 00:06:08: work we've been doing in partnership with Greenprint on the
00:06:08 --> 00:06:09: green building policy dashboard.
00:06:10 --> 00:06:13: Proud to have led this effort for for three years
00:06:13 --> 00:06:14: ongoing.
00:06:14 --> 00:06:17: So started with a smaller handful of jurisdictions that we
00:06:17 --> 00:06:20: started with a tool that was Excel based that many
00:06:20 --> 00:06:22: of you may have had your fingers into.
00:06:23 --> 00:06:26: This third update we've digitized and put it into a
00:06:26 --> 00:06:29: Power BI platform, hopefully made it a lot more user
00:06:29 --> 00:06:30: friendly for everyone.
00:06:31 --> 00:06:34: And also pretty excited that it now has 81 locations
00:06:34 --> 00:06:35: across the globe.
00:06:36 --> 00:06:40: Arup's really excited about the opportunity to work with this
00:06:40 --> 00:06:43: tool, tap into our global resources and experts around the
00:06:43 --> 00:06:47: globe that we can leave messages for overnight about the
00:06:47 --> 00:06:51: policies and regulatory drivers that they're seeing day-to-day in their
00:06:51 --> 00:06:54: local markets and make sure we get the right Intel
00:06:54 --> 00:06:57: to share with everyone to make this really useful to
00:06:57 --> 00:07:00: everyone for thinking about your development pipelines.
00:07:00 --> 00:07:03: So I wanted to share kind of some trends that
00:07:03 --> 00:07:06: we've been noticing in the market in our our work
00:07:06 --> 00:07:10: with clients as well related to these policy drivers.
00:07:11 --> 00:07:15: So year over year, we've seen across the globe just
00:07:15 --> 00:07:20: continued commitment to climate focused legislation within the tool.
00:07:20 --> 00:07:24: We track what's actually been fully enacted in different jurisdictions

00:07:24 --> 00:07:26: as well as things that are in development to try
00:07:26 --> 00:07:29: and help demystify a little bit of that crystal ball,
00:07:29 --> 00:07:31: what might be coming down the road.
00:07:31 --> 00:07:35: Cause your projects obviously don't happen overnight and you need
00:07:35 --> 00:07:38: to have that foresight of what might be applicable on
00:07:38 --> 00:07:39: a certain timeline for them.
00:07:39 --> 00:07:43: So great that year over year, we're seeing just continued
00:07:43 --> 00:07:46: growth of what needs to be added to the tool
00:07:46 --> 00:07:49: and tracked within the tool in just about all locations.
00:07:50 --> 00:07:55: We're seeing the the most consistent growth happening in legislation
00:07:55 --> 00:07:59: around building performance standards and or the the initial step
00:07:59 --> 00:08:04: of benchmarking requirements that are aiming to lead towards a
00:08:04 --> 00:08:06: building performance standard.
00:08:07 --> 00:08:09: But with that I will say there, there is a
00:08:09 --> 00:08:13: notable lack of standardization with those regulations.
00:08:13 --> 00:08:15: Some of them are energy based, some of them are
00:08:15 --> 00:08:16: carbon based.
00:08:17 --> 00:08:19: They the good thing is they all for the most
00:08:19 --> 00:08:22: part in the United States at least use Energy Star
00:08:22 --> 00:08:23: portfolio manager.
00:08:24 --> 00:08:27: But there, there is a lot to be tracking of
00:08:27 --> 00:08:30: exactly what timeline you're on, what you need to be
00:08:30 --> 00:08:34: adhering to on a certain future trajectory for those.
00:08:36 --> 00:08:39: And then there's also been a lot of development year
00:08:39 --> 00:08:42: over year in strategies that are developed, plans that are
00:08:43 --> 00:08:46: developed, but often they don't have any, any regulatory basis
00:08:46 --> 00:08:48: behind them, right.
00:08:48 --> 00:08:51: So a lot of climate resilience plans, a lot of
00:08:51 --> 00:08:57: strategies around carbon neutrality, embodied carbon EV charging, some of
00:08:57 --> 00:09:02: those that that are planned but may be developed proactively.
00:09:02 --> 00:09:05: So that legislation might be part of that crystal ball
00:09:05 --> 00:09:07: into the future to give it a little bit more
00:09:07 --> 00:09:08: teeth in the future.
00:09:09 --> 00:09:12: So that's just a little snapshot we wanted to share
00:09:12 --> 00:09:15: of how we see this trickling into actual projects on
00:09:15 --> 00:09:18: the ground in just about every market that overlaps with

00:09:18 --> 00:09:20: with the locations in the dashboard.
00:09:21 --> 00:09:24: In the next slide, I'll talk a little bit more
00:09:24 --> 00:09:28: about some specific project examples that relate to the trends
00:09:28 --> 00:09:31: that we see in the green building policy dashboard.
00:09:32 --> 00:09:35: So these are the projects that are are becoming more
00:09:35 --> 00:09:39: real, right, because there's a regulatory driver making them happen
00:09:39 --> 00:09:42: and making the timeline more urgent for them.
00:09:43 --> 00:09:46: So we're seeing more work with our energy engineers in
00:09:46 --> 00:09:50: partnership with steam plant decarbonization projects, right?
00:09:50 --> 00:09:54: So quantifying greenhouse gas emissions, what their pipeline and what
00:09:55 --> 00:09:58: the trajectory is looking for over a timeline into the
00:09:58 --> 00:10:01: future, how that can start having a decline in carbon
00:10:01 --> 00:10:05: emissions, What the technical solutions are that go with those.
00:10:05 --> 00:10:09: Where are we on technology curves for different items that
00:10:09 --> 00:10:12: might be coming into the market but aren't fully tested
00:10:12 --> 00:10:16: or vetted or people aren't fully comfortable maybe trying them
00:10:16 --> 00:10:18: out, being the Guinea pigs for them yet to kind
00:10:18 --> 00:10:21: of keep everyone in the loop of how we can
00:10:21 --> 00:10:24: keep pushing innovation in this space and and get more
00:10:24 --> 00:10:27: test cases to decarbonize larger connected systems.
00:10:28 --> 00:10:31: We're also seeing a lot more climate resilience due diligence
00:10:31 --> 00:10:31: work happening.
00:10:32 --> 00:10:36: Some of this is driven from those those resilience plans
00:10:36 --> 00:10:37: that are are put out there.
00:10:37 --> 00:10:41: But we're also seeing more building codes have those appendices
00:10:41 --> 00:10:43: for, for flood requirements, right?
00:10:43 --> 00:10:46: Maybe you're touching a flood zone just slightly on your
00:10:46 --> 00:10:49: property and starting to get a little bit more prescriptive
00:10:49 --> 00:10:52: requirements of what your building's allowed to do with a
00:10:52 --> 00:10:54: stay in underground parking garage.
00:10:54 --> 00:10:56: And that just starts to raise the flags a little
00:10:56 --> 00:10:59: bit more than we previously were seeing about.
00:10:59 --> 00:11:01: Maybe we should do a little deeper dive into this
00:11:01 --> 00:11:04: site and what the risks are and making sure we
00:11:04 --> 00:11:07: have the right strategies on day one to protect our
00:11:07 --> 00:11:10: buildings and our assets from from these climate risks that
00:11:10 --> 00:11:11: are becoming more frequent.
00:11:12 --> 00:11:14: So the the building codes are driving a little bit

00:11:14 --> 00:11:15: more in the flood perspective.
00:11:15 --> 00:11:18: But because of that kind of raising all boats perspective
00:11:18 --> 00:11:22: of of the importance of climate resilience, we're also just
00:11:22 --> 00:11:25: seeing a greater uptick in multi hazard risk assessments for
00:11:25 --> 00:11:28: climate risk in all regions to again, just make sure
00:11:28 --> 00:11:32: the investments are right sized for where your properties are
00:11:32 --> 00:11:33: going to be long term.
00:11:34 --> 00:11:36: And then the last one I wanted to highlight was
00:11:36 --> 00:11:38: around existing buildings.
00:11:38 --> 00:11:41: And the challenges that come with working in existing buildings
00:11:41 --> 00:11:43: are much harder, obviously than when you're starting with a
00:11:43 --> 00:11:45: blank slate and your new construction projects.
00:11:46 --> 00:11:49: So regulations are driving electrification in our buildings.
00:11:49 --> 00:11:52: And sometimes that's easier or harder depending on the actual
00:11:52 --> 00:11:55: existing building that you're working with.
00:11:55 --> 00:11:58: So we do a lot of work with building owners
00:11:58 --> 00:12:02: from the energy side thinking about both electrification of HVAC
00:12:02 --> 00:12:06: systems, but also as there's an increasing demand for EV
00:12:06 --> 00:12:10: charging equipment in attached parking garages and parking lots for
00:12:10 --> 00:12:14: for buildings, which comes with capacity concerns from the actual
00:12:14 --> 00:12:18: amount of electricity that you're able to tap into for
00:12:18 --> 00:12:19: these projects.
00:12:19 --> 00:12:22: So we work with just general building assessments to see
00:12:22 --> 00:12:27: what's possible, help with utility coordination for upgrades and even
00:12:27 --> 00:12:30: some challenges maybe with what you're allowed to do with
00:12:30 --> 00:12:34: different utilities for on site generation of renewables.
00:12:35 --> 00:12:37: And then also want to just help make sure we're
00:12:37 --> 00:12:41: aligning with any applicable incentives or rebates that might be
00:12:41 --> 00:12:43: possible to help make this happen more quickly in the
00:12:44 --> 00:12:44: space.
00:12:45 --> 00:12:48: And then I wanted to close with just a little
00:12:48 --> 00:12:52: bit of inspiration of some of the projects driving innovation
00:12:52 --> 00:12:56: and really tapping into those voluntary commitments that companies are
00:12:57 --> 00:13:00: making and and doing before the regulations are are mandating
00:13:00 --> 00:13:02: it in some jurisdictions.

00:13:03 --> 00:13:07: So the two here are around biodiversity impact metrics.
00:13:07 --> 00:13:10: This is a little bit of a, a regulatory driven
00:13:10 --> 00:13:12: and not regulatory driven.
00:13:13 --> 00:13:16: Anyone with with portfolios in the UK or EU might
00:13:16 --> 00:13:20: know that there are some biodiversity net gain requirements there.
00:13:20 --> 00:13:23: And we're starting to see some global portfolio owners start
00:13:23 --> 00:13:27: thinking about how do we translate that across the globe
00:13:27 --> 00:13:30: since we already have to do it in certain locations.
00:13:30 --> 00:13:32: How do we make this a metric that still will
00:13:32 --> 00:13:35: tick the box where there is a regulation, but also
00:13:35 --> 00:13:38: push our projects forward in the areas that haven't yet
00:13:38 --> 00:13:39: mandated this?
00:13:39 --> 00:13:42: So we look at quantifying the existing conditions of the
00:13:43 --> 00:13:46: site for what the biodiversity habitats are before you do
00:13:46 --> 00:13:49: any of the development, what the impact will be after
00:13:49 --> 00:13:50: development.
00:13:50 --> 00:13:53: And then trying to close the gap to at least
00:13:53 --> 00:13:56: leave it as good as it was before the project,
00:13:56 --> 00:14:00: so that the habitat is not negatively affected by any
00:14:00 --> 00:14:04: creatures that might be currently using that within their their
00:14:04 --> 00:14:05: ecosystems.
00:14:06 --> 00:14:10: The second one is thinking about electrified construction equipment, again,
00:14:10 --> 00:14:12: from, from the European side.
00:14:12 --> 00:14:15: There's a little bit more traction on some of these
00:14:15 --> 00:14:18: projects and the availability of equipment here, But we're starting
00:14:19 --> 00:14:22: to see some proactive collaboration on our our projects that
00:14:22 --> 00:14:25: are in design and getting closer to construction.
00:14:25 --> 00:14:28: About engagement with the contractors, right?
00:14:28 --> 00:14:32: To talk to them about their experience and knowledge about
00:14:32 --> 00:14:37: switching certain equipment over to electrified options to reduce the
00:14:37 --> 00:14:39: the emissions during construction.
00:14:39 --> 00:14:42: As well as then what the appetite is from, from
00:14:42 --> 00:14:45: all parties and responsibilities on the team for actually putting
00:14:45 --> 00:14:49: some of those requirements into the project specifications to give
00:14:49 --> 00:14:51: it a little bit more teeth and make sure it
00:14:51 --> 00:14:54: really pulls through when the equipment starts, starts to hit
00:14:54 --> 00:14:55: the construction site.
00:14:56 --> 00:14:59: The way that we really try and help bring this

00:14:59 --> 00:15:02: through full circle on our projects then is to quantify
00:15:02 --> 00:15:03: the benefits, right?
00:15:03 --> 00:15:06: Making sure everybody understands the benefits, not just from the
00:15:07 --> 00:15:09: emissions on the construction site, right?
00:15:09 --> 00:15:12: But there's savings for fuel costs and there's reduced noise
00:15:12 --> 00:15:14: and the neighbors are typically happier when they they hear
00:15:14 --> 00:15:17: there's going to be less, less noise happening at the
00:15:17 --> 00:15:19: construction site next door for that.
00:15:19 --> 00:15:22: So just trying to make sure the the full circle
00:15:22 --> 00:15:25: of Co benefits is is widely documented when we're able
00:15:26 --> 00:15:29: to work on some of these proactive initiatives with projects.
00:15:29 --> 00:15:33: With that, I'll stop there so we can get to
00:15:33 --> 00:15:35: the rest of our great info today.
00:15:36 --> 00:15:37: Thank you, Linda.
00:15:38 --> 00:15:41: You made a really interesting point on, on the biodiversity
00:15:41 --> 00:15:44: where you know in global portfolios, although the regulations only
00:15:44 --> 00:15:47: exist and Europe, you're sort of seeing a ripple effect
00:15:47 --> 00:15:50: outside of Europe and portfolio sort of preparing for the
00:15:50 --> 00:15:51: future outside that region.
00:15:52 --> 00:15:54: Would love for you if you could do a just
00:15:54 --> 00:15:55: a double click on.
00:15:55 --> 00:15:57: What are some of the strategies that you're seeing for
00:15:58 --> 00:16:00: companies to to meet those biodiversity goals?
00:16:01 --> 00:16:01: Sure.
00:16:02 --> 00:16:02: Yeah.
00:16:02 --> 00:16:05: So what we are aiming to do is really have
00:16:05 --> 00:16:09: that early integration with the biodiversity assessment from a really
00:16:09 --> 00:16:10: high level.
00:16:10 --> 00:16:14: So this is all desktop assessment work, right, of just
00:16:14 --> 00:16:16: basic habitat classification.
00:16:16 --> 00:16:19: What might be living there on the site currently?
00:16:19 --> 00:16:21: What's the distinctiveness of it?
00:16:21 --> 00:16:22: How special is that?
00:16:22 --> 00:16:25: How and then what's the condition of it?
00:16:26 --> 00:16:30: So that we're, we're making sure that anything that's considered
00:16:30 --> 00:16:35: an irreplaceable habitat is really intentionally preserved and then thinking
00:16:36 --> 00:16:39: about building upon that in the development plans.
00:16:39 --> 00:16:42: So just showing what's possible, right?

00:16:42 --> 00:16:45: Roughly how much area might be required for things like
00:16:46 --> 00:16:49: green roofs and green walls, If there's areas for maybe
00:16:49 --> 00:16:53: a wildflower Meadow on sites that aren't in super urban
00:16:53 --> 00:16:58: locations, making sure that those are are broadly quantified with,
00:16:58 --> 00:17:01: with an area metric to show a pathway to neutrality
00:17:01 --> 00:17:03: for biodiversity.
00:17:03 --> 00:17:06: And then for the larger sites, what a positive net
00:17:06 --> 00:17:08: gain might look like.
00:17:08 --> 00:17:11: So that then this is passed over to the landscape
00:17:11 --> 00:17:14: architects on the project with kind of a new project
00:17:14 --> 00:17:15: requirement, right?
00:17:15 --> 00:17:18: We don't want to tell them exactly where they have
00:17:18 --> 00:17:21: to put a green wall or a Meadow, but we
00:17:21 --> 00:17:24: want to show them exactly how it's possible to result
00:17:24 --> 00:17:28: in an ideally a net gain, biodiversity, net gain solution
00:17:28 --> 00:17:31: for the site that they can help pull through full,
00:17:32 --> 00:17:33: full construction.
00:17:35 --> 00:17:35: That's great.
00:17:36 --> 00:17:36: Thank you.
00:17:37 --> 00:17:39: So with that, I think I'll hand it off to
00:17:39 --> 00:17:40: Elena Alschuler.
00:17:42 --> 00:17:43: Hi, everyone.
00:17:43 --> 00:17:45: I'm just going to spend a minute or two just
00:17:45 --> 00:17:48: saying who the heck is LaSalle and how do we
00:17:48 --> 00:17:49: think about sustainability?
00:17:49 --> 00:17:52: And then I'll talk a little bit about some trends
00:17:52 --> 00:17:53: we saw this year.
00:17:54 --> 00:17:58: So just quickly, LaSalle, we're an investment manager, global investment
00:17:59 --> 00:18:03: manager, real estate only with about 80 billion assets under
00:18:03 --> 00:18:04: management globally.
00:18:05 --> 00:18:07: So we can just go ahead to the next slide.
00:18:09 --> 00:18:12: So this is our framework about how we think about
00:18:12 --> 00:18:13: sustainability.
00:18:13 --> 00:18:17: We are completely oriented around driving value or protecting against
00:18:17 --> 00:18:18: risk in our properties.
00:18:19 --> 00:18:21: The main thing I want to point out here is
00:18:21 --> 00:18:24: that this has not changed at all in the past
00:18:24 --> 00:18:25: couple years.
00:18:25 --> 00:18:28: We have always been within the bounds of fiduciary duty,
00:18:28 --> 00:18:32: focused on the things that either drive additional income like

00:18:32 --> 00:18:35: on site solar or rent premiums from tenants that care
00:18:35 --> 00:18:39: about sustainability or protecting against risk through climate risk.
00:18:39 --> 00:18:41: And the things that we're doing on the ground actually
00:18:41 --> 00:18:43: have not changed really at all.
00:18:43 --> 00:18:45: Let me go to the next slide.
00:18:47 --> 00:18:50: And so our approach is sustainability integration.
00:18:51 --> 00:18:53: So we think about it all the way from what
00:18:53 --> 00:18:56: is the strategy at the fund level.
00:18:56 --> 00:19:00: So whether it's a closed ended fund where we're going
00:19:00 --> 00:19:04: to be selling all the properties long term hold looking
00:19:04 --> 00:19:07: at overall exposure, you know across our funds we might
00:19:07 --> 00:19:12: have some that are have relatively higher or lower physical
00:19:12 --> 00:19:16: climate risk, relatively higher or lower exposure to BPS regulation.
00:19:16 --> 00:19:19: So we are looking at that and overall fund strategy
00:19:19 --> 00:19:23: level and different funds may also have different ambitions for
00:19:23 --> 00:19:26: the level or sort of pace and ambition of sustainability
00:19:26 --> 00:19:27: that we're going for.
00:19:27 --> 00:19:31: So we're having that strategic conversation at the vehicle level,
00:19:31 --> 00:19:34: then we're trying to get some critical information at the
00:19:34 --> 00:19:35: time of acquisition.
00:19:35 --> 00:19:38: So we've been very focused on learning what we can
00:19:38 --> 00:19:41: about buildings at the time of due diligence, identifying those
00:19:41 --> 00:19:44: risks and opportunities and getting them into the underwriting and
00:19:44 --> 00:19:47: then integrating and executing that through asset management.
00:19:48 --> 00:19:52: Next slide, we are really proud of having you can
00:19:52 --> 00:19:54: go to the next slide.
00:19:54 --> 00:19:57: Yep, a property sustainability plan for every single property.
00:19:58 --> 00:20:00: Again, I'm not going into detail here 'cause I think
00:20:01 --> 00:20:03: we're talking among folks who have more than like a
00:20:03 --> 00:20:05: one O 1 level knowledge already.
00:20:06 --> 00:20:08: But the idea is that at the property level we're
00:20:08 --> 00:20:11: checking each of these things every year and kind of
00:20:11 --> 00:20:12: tracking it over time.
00:20:12 --> 00:20:14: So if we did an energy audit a couple years
00:20:14 --> 00:20:17: ago and there were some things that were identified, they
00:20:17 --> 00:20:20: will sit in the in the sustainability plan for the
00:20:20 --> 00:20:23: property as identified but not approved and we can.

00:20:23 --> 00:20:26: Continue to look at them as the, you know, end
00:20:26 --> 00:20:29: of useful life happens with equipment or you know, for
00:20:29 --> 00:20:33: example, some properties might have more going on with on
00:20:33 --> 00:20:35: site solar or climate risk mitigation.
00:20:35 --> 00:20:37: But we want to be sure that we're kind of
00:20:37 --> 00:20:40: running down the list for every property to understand what
00:20:40 --> 00:20:43: the specific risks and opportunities are for each property.
00:20:43 --> 00:20:46: So that's just a quick overview of kind of how
00:20:46 --> 00:20:48: we think about sustainability at LaSalle.
00:20:49 --> 00:20:51: And hopefully that gives some context as to my 5
00:20:51 --> 00:20:52: themes here.
00:20:52 --> 00:20:57: If you go to the next slide, you lost my
00:20:57 --> 00:21:00: slide there it is.
00:21:00 --> 00:21:00: OK.
00:21:01 --> 00:21:05: So I think it's interesting hearing at Linda Go first,
00:21:05 --> 00:21:08: because I think you're sort of your themes were sort
00:21:08 --> 00:21:13: of the changes among the most leading edge actors globally,
00:21:13 --> 00:21:16: you know, and some of the sort of new construction
00:21:16 --> 00:21:20: themes as well, like, you know, sort of who's pushing
00:21:20 --> 00:21:26: the frontier on thinking about biodiversity or electric construction equipment
00:21:26 --> 00:21:27: and stuff like that.
00:21:27 --> 00:21:29: I think my themes are a little bit more of
00:21:29 --> 00:21:32: like what's happening in the middle market, you know what
00:21:32 --> 00:21:32: I mean?
00:21:32 --> 00:21:35: Or like the vast majority of the market, particularly in
00:21:35 --> 00:21:36: the US.
00:21:37 --> 00:21:39: And so I'll start with physical climate risk.
00:21:39 --> 00:21:42: I think just going back, you know, a couple years
00:21:42 --> 00:21:45: ago, people were still trying to get their arms around
00:21:45 --> 00:21:48: physical climate risk, how to make sense of the numbers.
00:21:48 --> 00:21:52: And it's been really impressive how quickly physical climate risk
00:21:52 --> 00:21:57: has been integrated into the investment process and investment decisions,
00:21:57 --> 00:22:00: both by owners and developers as well as our LP
00:22:00 --> 00:22:01: investors.
00:22:01 --> 00:22:03: And I will shout out the work that that you
00:22:03 --> 00:22:06: and I has done on this, both with LaSalle and
00:22:06 --> 00:22:08: with Heitmann on helping educate the market on how to
00:22:08 --> 00:22:11: make sense of physical climate risk analytics and how to
00:22:11 --> 00:22:13: incorporate that into underwriting.
00:22:13 --> 00:22:15: I do think if we think about what's moved in

00:22:15 --> 00:22:18: the past year that has really come to maturity in
00:22:18 --> 00:22:21: the market or is coming to maturity at least among
00:22:21 --> 00:22:23: the institutional owners and investors.
00:22:24 --> 00:22:27: The other thing that's been really going on is the
00:22:27 --> 00:22:30: very first regulations are really starting to hit.
00:22:30 --> 00:22:34: So BPS, the very first deadlines are coming up.
00:22:34 --> 00:22:40: New York City in 2025, Denver 2026, Boston 2026, Washington
00:22:40 --> 00:22:44: State 2026, Washington DC, 2027.
00:22:44 --> 00:22:46: So we've had these like BPS is coming for a
00:22:47 --> 00:22:49: while, but now like it's really going to be hitting.
00:22:50 --> 00:22:53: And so I think everyone's trying to figure out what
00:22:53 --> 00:22:57: their game plan is or coming to terms with potential
00:22:57 --> 00:22:57: fines.
00:22:57 --> 00:23:00: And also some jurisdictions are changing what their rules and
00:23:00 --> 00:23:03: regs are, what the fines are going to be or
00:23:03 --> 00:23:06: giving delays or removing the electrification requirement.
00:23:06 --> 00:23:08: We see like some movement around it.
00:23:08 --> 00:23:11: But All in all, they are kind of still moving
00:23:11 --> 00:23:14: forward in, in whole, you know what I mean?
00:23:14 --> 00:23:17: And so, so that's something to watch.
00:23:17 --> 00:23:20: There's also I think maybe has been not as much
00:23:20 --> 00:23:24: focus on the regulations that are coming into effect at
00:23:24 --> 00:23:25: the funds level.
00:23:25 --> 00:23:28: So in Europe, you know, even if we have AUS
00:23:28 --> 00:23:33: based fund, if we have European based investors, we're having
00:23:33 --> 00:23:37: to report funds level metrics in Europe now under SFDR
00:23:37 --> 00:23:39: and some of these other acronyms.
00:23:39 --> 00:23:43: And then you have the California reporting regulations, two out
00:23:43 --> 00:23:44: of three going into effect.
00:23:44 --> 00:23:46: One of them just got an injunction.
00:23:47 --> 00:23:49: You have a new Canadian greenwashing law that has to
00:23:49 --> 00:23:52: do with fund marketing coming into effect.
00:23:52 --> 00:23:56: So the regulatory environment is really tightening around everybody.
00:23:56 --> 00:23:58: So I would I would call that a theme as
00:23:58 --> 00:23:58: well.
00:24:00 --> 00:24:03: Energy efficiency never goes out of style.
00:24:03 --> 00:24:09: You know, I think there's there is a political shift
00:24:09 --> 00:24:15: or a public discourse shift somewhat away from talking about
00:24:15 --> 00:24:17: climate goals.

00:24:17 --> 00:24:21: It's become a little bit more fraught, those conversations in
00:24:21 --> 00:24:22: the current environment.
00:24:22 --> 00:24:28: But energy efficiency, affordability and reliability have never gone out
00:24:28 --> 00:24:30: of style, and they still are.
00:24:30 --> 00:24:34: And then the conversation about value creation is even more
00:24:34 --> 00:24:38: important in the context of increasing energy costs and increasing
00:24:38 --> 00:24:40: energy demand that we're seeing.
00:24:41 --> 00:24:44: And so I just want to reiterate like that has
00:24:44 --> 00:24:45: not changed.
00:24:45 --> 00:24:48: And if anything, I think people have are doubling down
00:24:48 --> 00:24:49: on performance metrics.
00:24:50 --> 00:24:53: So like, let's actually look at the actual energy performance
00:24:53 --> 00:24:56: of a building relative to ashtray 100 or year over
00:24:56 --> 00:25:00: year reduction as opposed to something more abstract like a
00:25:00 --> 00:25:01: grasp score.
00:25:01 --> 00:25:03: I think grasp scores are still useful and net 0
00:25:03 --> 00:25:04: commitments.
00:25:04 --> 00:25:06: Some people have them, some people don't.
00:25:06 --> 00:25:09: But I, I, I sense a shift back towards let's
00:25:09 --> 00:25:13: really focus on these energy metrics that are very concrete
00:25:13 --> 00:25:14: and tied to value.
00:25:15 --> 00:25:17: So that's something that I would continue to watch into
00:25:17 --> 00:25:17: next year.
00:25:19 --> 00:25:24: My 4th theme is increasing importance of property teams.
00:25:24 --> 00:25:26: So I I know this is again one that we
00:25:26 --> 00:25:29: keep returning to, but even at LaSalle like as our
00:25:29 --> 00:25:32: business gets more complex, we did go back this year
00:25:32 --> 00:25:37: and renegotiate our property management agreements and really made our
00:25:37 --> 00:25:39: expectations of property teams more robust.
00:25:39 --> 00:25:41: And if you go back 5 or 10 years, the
00:25:41 --> 00:25:45: amount that we're asking property teams to be engaged on
00:25:45 --> 00:25:50: managing data, thinking about efficiency, proposing capital projects, managing certifications,
00:25:50 --> 00:25:53: it really is a change in the level of sophistication
00:25:53 --> 00:25:57: expectations that we're expecting of our property teams and facility
00:25:57 --> 00:26:00: staff and they are so critically important to everything we're
00:26:00 --> 00:26:01: doing.
00:26:02 --> 00:26:05: Finally, the last one is the changing landscape for on
00:26:05 --> 00:26:05: site solar.

00:26:05 --> 00:26:07: We all know the ITC went away.
00:26:07 --> 00:26:10: I think with all the sort of political dialogue going
00:26:10 --> 00:26:13: on right now, it can get a little bit confusing
00:26:13 --> 00:26:15: of like what has actually changed on the ground.
00:26:16 --> 00:26:18: And I think probably the most material change on the
00:26:18 --> 00:26:20: ground has been the change in the tax incentives.
00:26:21 --> 00:26:24: And so a lot of folks are rushing to get
00:26:24 --> 00:26:27: projects done before those incentives go away.
00:26:27 --> 00:26:30: And then I think it's a big question mark for
00:26:30 --> 00:26:34: 2026 and onward, whether any individual, you know, states or
00:26:34 --> 00:26:39: other jurisdictions step up more on their own to encourage
00:26:39 --> 00:26:40: on site solar.
00:26:40 --> 00:26:42: So I think that that the landscape of where it
00:26:42 --> 00:26:45: makes sense to do solar is going to continue to
00:26:45 --> 00:26:45: evolve.
00:26:46 --> 00:26:48: So those are my, those are my 5 themes.
00:26:48 --> 00:26:51: I'm, I'm curious if others agree or disagree or think
00:26:51 --> 00:26:52: I missed something.
00:26:53 --> 00:26:54: But I'll, I'll hand it off to Adam to give
00:26:54 --> 00:26:55: his take.
00:26:56 --> 00:26:56: Thanks, Elena.
00:26:56 --> 00:26:58: Before we switch to Adam, I'd love to get a
00:26:58 --> 00:27:01: little more detail from you on the the property team
00:27:01 --> 00:27:03: work that you mentioned and you know any wins that
00:27:03 --> 00:27:06: you'll have from the last year so that you'd like
00:27:06 --> 00:27:06: to share.
00:27:07 --> 00:27:08: Yeah, happy to.
00:27:08 --> 00:27:11: So we've done a couple of things.
00:27:12 --> 00:27:14: We had a separate initiative that was not driven by
00:27:15 --> 00:27:19: sustainability to renegotiate and standardize our property management agreements this
00:27:19 --> 00:27:22: past year, which was just, it was due to be
00:27:22 --> 00:27:25: done like, you know, just needs to be cleaned up
00:27:25 --> 00:27:26: every now and then.
00:27:26 --> 00:27:30: And we did take the opportunity to expand the expectations
00:27:30 --> 00:27:33: for property teams and just articulate them more clearly.
00:27:33 --> 00:27:36: We went from like a paragraph to 2 pages just
00:27:36 --> 00:27:39: in terms of like the level of detail, right?
00:27:39 --> 00:27:42: It used to say like help us with sustainability things
00:27:42 --> 00:27:46: and now it's like OK, certifications, benchmarking requirements, you know,
00:27:47 --> 00:27:49: capital projects, etcetera, etcetera.

00:27:50 --> 00:27:52: And I do think we need to recognize that we're
00:27:52 --> 00:27:55: asking that those teams to step up and skill up.
00:27:56 --> 00:28:00: We are also doing a quarterly facility manager training that
00:28:00 --> 00:28:03: has a different theme every quarter and it's tied into
00:28:03 --> 00:28:04: a competition.
00:28:04 --> 00:28:07: We have a biggest loser competition every year and it's,
00:28:07 --> 00:28:10: it's one of my favorite things I have to say.
00:28:10 --> 00:28:15: And our winners this past year, they are our winners
00:28:15 --> 00:28:19: for office top 326 percent, 25 percent, 17% year over
00:28:20 --> 00:28:25: year and our multifamily 17/27/20 and 10% year over year.
00:28:25 --> 00:28:29: And the interesting thing about these properties is it's a,
00:28:29 --> 00:28:33: it really was a combination of capital measures and smart
00:28:33 --> 00:28:37: operations in all cases, like changing the HVAC schedule, LED
00:28:37 --> 00:28:43: lighting, RTU start and stop time adjustments, controllers, seasonal management
00:28:43 --> 00:28:47: of equipment, boiler management software like this is like the
00:28:47 --> 00:28:51: nitty gritty that really moves the needle in buildings.
00:28:51 --> 00:28:54: And it's really impressive to see our teams when they
00:28:54 --> 00:28:58: really, you know, put their focus to it, being able
00:28:58 --> 00:29:01: to drive that level of movement in the properties.
00:29:02 --> 00:29:03: That's awesome.
00:29:03 --> 00:29:05: I love hearing about the nuts and bolts of of
00:29:05 --> 00:29:06: getting the work done.
00:29:06 --> 00:29:08: Well, I wanna say one other thing too.
00:29:08 --> 00:29:09: Go for it.
00:29:09 --> 00:29:11: We did a pool policy this year.
00:29:12 --> 00:29:16: Reducing the temperature of your outdoor pools by 1?? saves
00:29:16 --> 00:29:20: about $2000 a month and shutting them down in the
00:29:20 --> 00:29:24: winter, like when no one is using them, can save
00:29:24 --> 00:29:26: between 15,000 and $55,000 a year.
00:29:26 --> 00:29:29: So just not alone that initiative this year, which is
00:29:29 --> 00:29:32: the operational initiative, focus on pools is going to have
00:29:32 --> 00:29:33: huge savings for us.
00:29:34 --> 00:29:34: That's awesome.
00:29:36 --> 00:29:37: Great.
00:29:37 --> 00:29:38: So let's hand it off to Adam.
00:29:40 --> 00:29:42: Do I just say like Amen after that and we
00:29:42 --> 00:29:44: move on, that was good.
00:29:44 --> 00:29:48: So Linda and Elena set this up perfectly.
00:29:48 --> 00:29:49: All right.
00:29:49 --> 00:29:52: So I had sustainability for real estate Americans for JP

00:29:52 --> 00:29:56: Morgan Asset Management, which is our fiduciary business similar to
00:29:56 --> 00:29:57: LaSalle.
00:29:57 --> 00:30:00: We're about 85 billion of global AUM, the bulk of
00:30:00 --> 00:30:03: that being in the US, but a growing in sizeable
00:30:03 --> 00:30:05: chunk in Europe and Asia Pacific.
00:30:05 --> 00:30:07: Let's let's keep rolling to the next slide.
00:30:09 --> 00:30:12: So Elena touched on a lot of this.
00:30:12 --> 00:30:15: I mean, these are so the business justifications for why
00:30:15 --> 00:30:19: we think about decarbonization and physical risk and sustainability more
00:30:19 --> 00:30:19: broadly.
00:30:19 --> 00:30:20: So I'm not going to go through them.
00:30:21 --> 00:30:24: I'll just say kind of like more so on state
00:30:24 --> 00:30:27: of Green, like in a broader perspective, I will say
00:30:27 --> 00:30:31: like there and, and yeah, I probably have a bias
00:30:31 --> 00:30:34: toward green print for for various reasons.
00:30:34 --> 00:30:37: But like this group I think is relatively unique, you
00:30:37 --> 00:30:41: know, being part of the JP Morgan organization more broadly,
00:30:41 --> 00:30:44: right, where we play into all kinds of different aspects
00:30:44 --> 00:30:47: as the largest financial institution in the world.
00:30:47 --> 00:30:50: It's like there's a lot of thought leadership and a
00:30:50 --> 00:30:52: lot of research, but there is a there is a
00:30:52 --> 00:30:55: great deal fewer of us that are focused on execution
00:30:55 --> 00:30:56: within the space.
00:30:56 --> 00:30:59: And I think I find it really interesting that when
00:30:59 --> 00:31:03: I get approached by our climate risk team, our, our,
00:31:03 --> 00:31:06: our, you know, climate tech venture teams, like they look
00:31:07 --> 00:31:10: at us as opportunities to actually get real world feedback
00:31:10 --> 00:31:13: because they don't always see it, right?
00:31:13 --> 00:31:15: We're not focused on public policy, at least my team
00:31:15 --> 00:31:16: isn't.
00:31:16 --> 00:31:18: I'm not focused on advocacy, like my team is very
00:31:18 --> 00:31:22: focused on execution and actually generating return and value for
00:31:22 --> 00:31:22: our clients.
00:31:22 --> 00:31:25: So, so let's go to the next slide, the next
00:31:25 --> 00:31:27: couple slides, I'm going to talk about examples of what
00:31:27 --> 00:31:29: we're, how we're approaching this.
00:31:30 --> 00:31:32: So I can need a heart to my leadership that
00:31:32 --> 00:31:36: decarbonization is not a cost, it's an investment.

00:31:36 --> 00:31:39: So there is a cost and there is potentially AJ
00:31:39 --> 00:31:42: curve to that return, but we will see, we will
00:31:42 --> 00:31:44: see value creation coming out of it.
00:31:44 --> 00:31:46: If we're intelligent about how we approach this.
00:31:47 --> 00:31:50: The top 1 is really we've all seen whether it's
00:31:50 --> 00:31:53: a KREM curve or something similar, but we've all kind
00:31:53 --> 00:31:55: of seen these emission scenarios, you know to 2050.
00:31:56 --> 00:31:58: And in this case it happens to be an operating
00:31:58 --> 00:32:00: multi family property in New York City.
00:32:00 --> 00:32:03: So there was local law 97 finds associated with it.
00:32:04 --> 00:32:06: And then you can kind of on the right hand
00:32:06 --> 00:32:08: side see what we went through to try to, you
00:32:08 --> 00:32:11: know, create an actual decarbonization road map for this property.
00:32:11 --> 00:32:13: And some of it, you know, is kind of a
00:32:13 --> 00:32:16: phase three or phase 4, right?
00:32:16 --> 00:32:19: Like a shark wastewater heat recovery system could work in
00:32:19 --> 00:32:22: multifamily, but it's something that from a, you know, financial
00:32:22 --> 00:32:25: perspective is less of a return than, you know, replacing
00:32:25 --> 00:32:26: T tax with heat pumps.
00:32:27 --> 00:32:31: So again, decarbonization is the first part and to that
00:32:31 --> 00:32:35: point like energy efficiency to Elena's point that she made
00:32:35 --> 00:32:38: earlier, like that is always going to be a good
00:32:38 --> 00:32:39: investment.
00:32:39 --> 00:32:41: We always look at how it compares to the discount
00:32:41 --> 00:32:44: rate being achieved at the building and you know what
00:32:44 --> 00:32:46: are the return on cost thresholds and I'll talk more
00:32:46 --> 00:32:48: about the financial metrics in a minute.
00:32:48 --> 00:32:52: But when you can get past the energy efficiency piece,
00:32:52 --> 00:32:55: the on site renewables continues to be an opportunity.
00:32:56 --> 00:32:58: We're we've been doing a bunch in solar, some behind
00:32:58 --> 00:33:00: the meter, some front of the meter.
00:33:00 --> 00:33:02: The one, the picture you're seeing is a before and
00:33:02 --> 00:33:04: after of a warehouse in New Jersey.
00:33:04 --> 00:33:06: If you, you've gone from New York to New Jersey,
00:33:06 --> 00:33:08: you probably passed this warehouse.
00:33:08 --> 00:33:10: Honestly, the highway rolls right by it.
00:33:12 --> 00:33:15: I, I think we'll continue to focus on solar, but
00:33:15 --> 00:33:19: it's not just that we're looking at geothermal, we're looking
00:33:19 --> 00:33:23: at battery storage systems, really anything, anywhere where it's kind
00:33:23 --> 00:33:24: of relevant.

00:33:24 --> 00:33:27: If we can do it economically and there's a return
00:33:27 --> 00:33:30: to our clients, then we've seen whether it's blue state,
00:33:30 --> 00:33:33: RedState International, honestly, they've pretty much always said, yes, if
00:33:33 --> 00:33:36: we can justify the economics of the renewable energy system.
00:33:37 --> 00:33:39: And that's, that's across the board.
00:33:39 --> 00:33:41: I've, I've never had an issue from an equity investor
00:33:41 --> 00:33:42: on the side.
00:33:43 --> 00:33:44: Next slide.
00:33:45 --> 00:33:47: I'm going to talk about the, the third part of
00:33:47 --> 00:33:49: this, which is the physical risk piece.
00:33:50 --> 00:33:53: I think to Elena's point, like what we used to
00:33:53 --> 00:33:55: see a lot of is like a score, which I
00:33:56 --> 00:33:59: don't quite know what you do with that, this property,
00:33:59 --> 00:34:01: the 45 out of 100 or it's a, it's a
00:34:01 --> 00:34:04: yellow light on the traffic light system.
00:34:04 --> 00:34:06: And so we, we've tried to go a little more
00:34:06 --> 00:34:08: sophisticated on this and I think we've all come to
00:34:09 --> 00:34:12: understand that there's different methodologies based on the different providers
00:34:12 --> 00:34:15: that are in the market and there's divergences and, and
00:34:15 --> 00:34:16: maybe the outputs of them.
00:34:17 --> 00:34:21: So we've gone to more of a probabilistic methodology within
00:34:21 --> 00:34:24: our platform and and we're lucky that we have climate
00:34:24 --> 00:34:27: scientists in house and and consultants and a lot of
00:34:27 --> 00:34:28: help on this front.
00:34:29 --> 00:34:32: You know, we look at, I won't go into primary
00:34:32 --> 00:34:35: and secondary modifiers unless there's questions on this, but but
00:34:35 --> 00:34:38: we've, the way we're incorporating this is kind of three
00:34:38 --> 00:34:38: ways.
00:34:38 --> 00:34:41: So we look at this probabilistic methodology.
00:34:41 --> 00:34:43: And I will say, if you're in sustainability and you're
00:34:43 --> 00:34:46: focused on physical risk in some sort, there are certain
00:34:46 --> 00:34:47: key terms you need to learn.
00:34:47 --> 00:34:50: So like exceedance probabilities, NGVD and Abd like FFD, all
00:34:50 --> 00:34:53: these things are like actual acronyms that you need to
00:34:53 --> 00:34:54: start to know.
00:34:54 --> 00:34:56: And I think if you talk to a structural engineer,
00:34:56 --> 00:34:58: they, they've been talking about some of this stuff on
00:34:58 --> 00:34:59: the earthquake side for years and years.

00:34:59 --> 00:35:02: And now we're starting to apply the same methodology to
00:35:02 --> 00:35:04: just other types of acute and chronic risks that that
00:35:05 --> 00:35:06: our real estate could be exposed to.
00:35:07 --> 00:35:09: We incorporated into all of our acquisitions.
00:35:10 --> 00:35:12: We can almost start this at pre due diligence because
00:35:12 --> 00:35:15: we really just need some very basic information like latitude,
00:35:15 --> 00:35:17: longitude, some very basic property characteristics.
00:35:17 --> 00:35:20: And as we go through diligence, we may scratch some
00:35:20 --> 00:35:23: things off because there's mitigating, there's mitigating factors to the
00:35:23 --> 00:35:25: risk and it all gets incorporated into our IC.
00:35:25 --> 00:35:27: Now if there is a high risk property and you're
00:35:27 --> 00:35:30: not and we're not mitigating those risks in some way,
00:35:30 --> 00:35:32: that is definitely in the IC remote.
00:35:32 --> 00:35:34: And it is a discussion topic that continues to come
00:35:34 --> 00:35:37: up and especially lately there was an article that popped
00:35:37 --> 00:35:40: up last night for me like hail for some reason
00:35:40 --> 00:35:42: is like something that every insurer is asking.
00:35:43 --> 00:35:47: I, I should say that our insurance program also sits
00:35:47 --> 00:35:49: on my team for various reasons.
00:35:49 --> 00:35:52: So we do all the coverage for our property casualty
00:35:52 --> 00:35:56: and environmental insurance and all the insurers through the interviews,
00:35:56 --> 00:35:58: we're very much focused on on hail, a little bit
00:35:58 --> 00:36:01: on flooding, very little on wildfire at this point, which
00:36:01 --> 00:36:02: was interesting.
00:36:02 --> 00:36:05: And then of course there's earthquake which is kind of
00:36:05 --> 00:36:06: carved out.
00:36:06 --> 00:36:08: So that was the insurance piece and then research.
00:36:08 --> 00:36:12: So the next the next side or the next phase
00:36:12 --> 00:36:15: of this is can we actually use this to either
00:36:15 --> 00:36:19: make Dyspo recommendations or to further look at how we
00:36:19 --> 00:36:22: make kind of portfolio management decisions.
00:36:22 --> 00:36:25: So not just one off acquisitions which we are doing,
00:36:25 --> 00:36:28: but actually like are there certain areas that can both
00:36:29 --> 00:36:32: combine resilience and alpha financial alpha into creating kind of
00:36:33 --> 00:36:37: a more resilient portfolio that also creates sustainable financial returns.
00:36:38 --> 00:36:41: So physical risk will continue to be a huge topic
00:36:41 --> 00:36:44: and one I think that even in the current political
00:36:44 --> 00:36:47: environment is is relatively accepted like this is, this is
00:36:47 --> 00:36:49: business as usual now.

00:36:50 --> 00:36:53: Next slide, I think I have something similar to Elena's
00:36:53 --> 00:36:53: here.
00:36:53 --> 00:36:57: So some key takeaways from my perspective.
00:36:57 --> 00:37:00: So the material things today, in my opinion.
00:37:00 --> 00:37:03: So when I was on the fund management and acquisition
00:37:03 --> 00:37:06: side, it was always location, location, location.
00:37:06 --> 00:37:08: And I think for us, it's all about performance.
00:37:09 --> 00:37:12: Like if you're in sustainability, you need to be executing,
00:37:12 --> 00:37:17: you need to be showing case studies, examples, broader performance,
00:37:17 --> 00:37:21: how you're impacting capital markets in terms of liquidity, like
00:37:21 --> 00:37:23: upon disposition, things like that.
00:37:23 --> 00:37:25: So it will always come back to performance.
00:37:25 --> 00:37:26: And I think that's how we're gauged.
00:37:26 --> 00:37:28: I will also say compared to a lot of other
00:37:28 --> 00:37:32: folks within like real estate broadly, we have like we
00:37:32 --> 00:37:33: can measure ourselves in KPIs.
00:37:33 --> 00:37:36: So don't get away from like the value creation, the
00:37:36 --> 00:37:39: OpEx saved, the ancillary revenue created, things like that.
00:37:39 --> 00:37:42: I think those are all good KPIs that justify what
00:37:42 --> 00:37:43: we're doing here.
00:37:44 --> 00:37:46: Physical risk, I mentioned like we need to get more
00:37:46 --> 00:37:47: sophisticated on this.
00:37:47 --> 00:37:48: This is probabilistic.
00:37:48 --> 00:37:51: I think the question every on every acquisition we answer
00:37:51 --> 00:37:53: is what is the 10 year probability of whatever the
00:37:53 --> 00:37:56: relevant risk is incurring and what's my potential average annual
00:37:56 --> 00:37:58: loss from an insurance perspective.
00:37:58 --> 00:38:01: So that is what we're answering on every acquisition on
00:38:01 --> 00:38:01: a go forward basis.
00:38:03 --> 00:38:07: Energy like this is a topic irrespective of sustainability.
00:38:07 --> 00:38:09: Is there enough energy for this property?
00:38:09 --> 00:38:10: Can we get more?
00:38:10 --> 00:38:12: Because if you can get more, can you lease it
00:38:12 --> 00:38:15: to a different type of user, whether that's, you know,
00:38:15 --> 00:38:19: more manufacturing, you know, heavier, heavier last mile logistics in
00:38:19 --> 00:38:22: terms of EV charging, what's the supply of the energy?
00:38:24 --> 00:38:26: If you were in New York Climate Week, you know,
00:38:26 --> 00:38:28: Amazon had an event where they basically said like we
00:38:29 --> 00:38:31: they're not pulling back from their 2040 net zero target,
00:38:31 --> 00:38:32: right?

00:38:32 --> 00:38:33: They made that crystal clear.
00:38:33 --> 00:38:36: And they basically said, like, if you're a landlord of
00:38:36 --> 00:38:38: ours, you better work with us on this because there's
00:38:38 --> 00:38:40: going to come a time very soon where like you
00:38:40 --> 00:38:42: will not be a landlord of ours if you can't
00:38:42 --> 00:38:43: work on this with us.
00:38:45 --> 00:38:47: Data, You know, we all gripe about the amount of
00:38:47 --> 00:38:51: time we spend dealing with data, filling in data, reporting
00:38:51 --> 00:38:53: on data quality, assuring data.
00:38:53 --> 00:38:55: And I hate to tell you, like having been on
00:38:55 --> 00:38:59: portfolio management for, you know, about six years at Heinz,
00:38:59 --> 00:39:02: like it's the same in the other sides of the
00:39:02 --> 00:39:02: business.
00:39:02 --> 00:39:06: So like, don't, don't overthink the data.
00:39:06 --> 00:39:09: Because if you talk to your counterparts and research fund
00:39:09 --> 00:39:13: management, acquisition, even asset management, the bulk of their time
00:39:13 --> 00:39:17: is spent reading reports, collating data and then serving a
00:39:17 --> 00:39:19: backup to clients in particular formats.
00:39:19 --> 00:39:21: Like it's not unique to sustainability.
00:39:21 --> 00:39:22: We need to do it.
00:39:22 --> 00:39:23: It is important.
00:39:23 --> 00:39:26: It'll help justify the performance measures earlier on and then
00:39:26 --> 00:39:28: dealing with alternative property types, right?
00:39:28 --> 00:39:31: I think if it was sustainability 10 years ago, it
00:39:31 --> 00:39:32: was a lot easier.
00:39:32 --> 00:39:34: It's like how are we going to decarve the next,
00:39:34 --> 00:39:35: you know, gross lease office?
00:39:35 --> 00:39:37: How are we going to decarve like the high rise
00:39:37 --> 00:39:38: multifamily now?
00:39:38 --> 00:39:41: It's how are we thinking about industrial outdoor storage?
00:39:41 --> 00:39:43: How are we thinking about single family rental?
00:39:43 --> 00:39:45: How are we thinking about data centers?
00:39:45 --> 00:39:48: How are we thinking about heavy manufacturing or more kind
00:39:48 --> 00:39:50: of private equity sale leaseback property types?
00:39:50 --> 00:39:52: These are much more complicated.
00:39:54 --> 00:39:57: They take an entire other level of business justification.
00:39:57 --> 00:40:00: So I would start thinking about that if you're not
00:40:00 --> 00:40:02: on these property types yet, you probably will be soon.
00:40:03 --> 00:40:05: And then I want to talk very briefly about execution
00:40:05 --> 00:40:06: and change management.

00:40:08 --> 00:40:11:	You'll always find your rock stars at the property management
00:40:11 --> 00:40:14:	level, the accounting level, the engineering level.
00:40:14 --> 00:40:15:	You still need top down support.
00:40:16 --> 00:40:18:	Like make sure your leadership is engaged.
00:40:18 --> 00:40:20:	Doesn't have to be every day but like most of
00:40:21 --> 00:40:23:	them are hearing it from their kids candidly like the
00:40:24 --> 00:40:24:	topics support.
00:40:24 --> 00:40:27:	And at this point they should be generally supportive even
00:40:27 --> 00:40:29:	if they may not be able to speak the same
00:40:29 --> 00:40:30:	language.
00:40:31 --> 00:40:33:	And that's also why I would recommend like engagement with
00:40:33 --> 00:40:34:	your investment teams.
00:40:35 --> 00:40:37:	You need to be able to speak their language even
00:40:37 --> 00:40:38:	if they can't speak yours.
00:40:38 --> 00:40:41:	If you don't know, you know your impact on NOI,
00:40:41 --> 00:40:44:	if you don't know how cap rates work, if you've
00:40:44 --> 00:40:46:	never done a deal, I recommend you like shadow an
00:40:46 --> 00:40:50:	acquisitions team or an asset management team through the budget
00:40:50 --> 00:40:53:	process one year and just start to understand like how
00:40:53 --> 00:40:55:	they're thinking about these things.
00:40:55 --> 00:40:57:	There's reasons like we complain like well, why aren't you
00:40:57 --> 00:41:00:	underwriting this building performance standards?
00:41:00 --> 00:41:02:	You know, this building could have $10,000 a year.
00:41:03 --> 00:41:05:	There are reasons they may not be underwriting that.
00:41:06 --> 00:41:06:	I would go talk to them.
00:41:06 --> 00:41:08:	They're and it's not just because they're not aware.
00:41:08 --> 00:41:11:	They could say this is a $50 million operating budget.
00:41:11 --> 00:41:14:	We're not underwriting anything under $50,000, right.
00:41:14 --> 00:41:18:	You should understand like what their critical thresholds are when
00:41:18 --> 00:41:21:	we go do energy efficiency opportunities and buildings.
00:41:21 --> 00:41:24:	It's like what's the return on cost per metric?
00:41:24 --> 00:41:27:	It's the threshold for this particular building within this investment
00:41:27 --> 00:41:28:	strategy.
00:41:28 --> 00:41:31:	It varies by building and fund and separate account.
00:41:31 --> 00:41:34:	So really engage with the investment teams, understand their business
00:41:35 --> 00:41:38:	and then they'll start understanding yours, understand your core business.
00:41:38 --> 00:41:40:	Our core business is real estate.

00:41:40 --> 00:41:42: We need to make money from NMI and cash flow.
00:41:42 --> 00:41:45: So know how you intersect with that and engaging with
00:41:45 --> 00:41:47: clients and tenants.
00:41:47 --> 00:41:49: It's like the more you do that, the more top
00:41:49 --> 00:41:51: down support you'll get, right?
00:41:51 --> 00:41:54: If your, if your clients and and major tenants are
00:41:54 --> 00:41:57: talking to your head of real estate, your CIO, your
00:41:57 --> 00:42:00: head of asset management like you're head of capital markets
00:42:00 --> 00:42:03: or investor relations like that comes back to you with,
00:42:03 --> 00:42:07: with feedback like those create opportunities for you.
00:42:08 --> 00:42:10: That was that was all I think I had.
00:42:10 --> 00:42:11: So I can end there.
00:42:11 --> 00:42:14: And if there's questions likely from you or others?
00:42:15 --> 00:42:15: Yeah.
00:42:15 --> 00:42:15: Thank you.
00:42:15 --> 00:42:18: Adam, you mentioned I think a slide ago or so
00:42:18 --> 00:42:21: that you are continuing to deploy renewables where it makes
00:42:21 --> 00:42:22: sense.
00:42:22 --> 00:42:25: There's obviously been a lot of chatter on the recent
00:42:25 --> 00:42:27: budget bill, the rollback of the IRA and kind of
00:42:27 --> 00:42:29: implications on renewables.
00:42:30 --> 00:42:32: So be curious if you could provide sort of any
00:42:32 --> 00:42:34: insights on how your strategy is shifting?
00:42:36 --> 00:42:37: The strategy is not shifting.
00:42:37 --> 00:42:40: So I have an entire bucket within my strategy that
00:42:40 --> 00:42:42: I kind of call like sustainable innovation.
00:42:42 --> 00:42:46: And that's basically anything where there's like ancillary revenue opportunities
00:42:46 --> 00:42:49: that people also think, hey, that's kind of cool leveraging
00:42:49 --> 00:42:50: any kind of technology.
00:42:50 --> 00:42:54: You know, most of that's on the E energy side.
00:42:55 --> 00:42:59: You know, we all know that the investment tax credits
00:42:59 --> 00:43:02: and depreciation benefits are going away kind of end of
00:43:02 --> 00:43:04: 20, like July 4th, 26.
00:43:04 --> 00:43:06: And then there's some stuff that continues on.
00:43:06 --> 00:43:08: If you can get safe harbor at that point and
00:43:08 --> 00:43:09: that's fine.
00:43:09 --> 00:43:11: I don't think many of us are doing large wind
00:43:11 --> 00:43:14: turbines on our buildings or all kinds of other issues.
00:43:14 --> 00:43:17: But solar like we're going to continue to push.
00:43:19 --> 00:43:20: I don't think solar will go away, but it will

00:43:20 --> 00:43:22: likely drop off a Cliff for a little bit and
00:43:22 --> 00:43:23: we'll figure it out.
00:43:23 --> 00:43:26: You know, I'm a, I'm also a fan of like
00:43:26 --> 00:43:27: a level playing field.
00:43:27 --> 00:43:29: I don't mind that solar tax credits go away.
00:43:29 --> 00:43:32: I think, and I've had this debate internally as like,
00:43:32 --> 00:43:35: I think we overlook like because it's been there for
00:43:35 --> 00:43:36: so long.
00:43:36 --> 00:43:38: But the oil and gas industry does have like they
00:43:38 --> 00:43:40: call them IDC's, right?
00:43:40 --> 00:43:43: And tangible drilling costs and they have depreciation tax deductions
00:43:43 --> 00:43:44: that have been baked in for so many decades.
00:43:44 --> 00:43:46: Like this isn't a subsidy.
00:43:46 --> 00:43:47: It's like, no, no, that is a subsidy.
00:43:47 --> 00:43:49: If you want to level the playing field, let's do
00:43:49 --> 00:43:51: it all across the board and see who wins at
00:43:51 --> 00:43:51: that point.
00:43:51 --> 00:43:54: So I don't think that's going to happen anytime soon,
00:43:54 --> 00:43:56: but like this needs to happen.
00:43:56 --> 00:43:58: Do I think solar could come down 20% in price
00:43:58 --> 00:44:00: over the next few years?
00:44:00 --> 00:44:01: It probably will.
00:44:01 --> 00:44:04: And then like you know, 20% gets you really close
00:44:04 --> 00:44:07: to the 30% investment tax credit that that these developers
00:44:07 --> 00:44:10: are doing separate from that like geothermal and battery storage.
00:44:10 --> 00:44:14: Those credits are still scheduled to expire in 2032.
00:44:14 --> 00:44:15: So there's opportunity there.
00:44:17 --> 00:44:19: So we're, we're looking at everything.
00:44:20 --> 00:44:23: There's opportunities locally like Mass Save in Massachusetts.
00:44:23 --> 00:44:25: We're looking at doing all kinds of things for property
00:44:25 --> 00:44:27: where we have major innovations going on.
00:44:27 --> 00:44:30: So keep looking at the opportunities and if if solar
00:44:30 --> 00:44:33: doesn't work for a year or two then move on
00:44:33 --> 00:44:35: to the other stuff.
00:44:37 --> 00:44:38: Appreciate that.
00:44:41 --> 00:44:41: Great.
00:44:41 --> 00:44:43: So thank you all for those presentations.
00:44:43 --> 00:44:46: We heard clear threads of the business case through all
00:44:46 --> 00:44:47: three of your presentations.
00:44:47 --> 00:44:50: But I just want to sort of start with that

00:44:50 --> 00:44:51: as a point upfront.
00:44:52 --> 00:44:55: You know, given all of the the things that are
00:44:55 --> 00:44:57: have been changing the last couple of years the the
00:44:58 --> 00:45:01: geopolitical context, I'm curious to hear you speak to how
00:45:01 --> 00:45:04: the the drivers of your business case for your D
00:45:04 --> 00:45:07: carb or your resilience investments have shifted over time, if
00:45:07 --> 00:45:08: at all.
00:45:11 --> 00:45:12: We can start with you, Adam.
00:45:13 --> 00:45:13: Yeah, I can.
00:45:13 --> 00:45:16: I can, I mean, Elena mentioned like I, I think
00:45:16 --> 00:45:18: if you've done this for a while, you always had
00:45:19 --> 00:45:20: to make the business case.
00:45:20 --> 00:45:22: Maybe it's more prominent now, but like I don't think
00:45:22 --> 00:45:23: it's shifted.
00:45:23 --> 00:45:25: It's what's what's your return on cost, what's your NPV,
00:45:25 --> 00:45:28: what's like, what are the relative what, what are the
00:45:28 --> 00:45:31: relevant financial performance metrics and like you'll justify them as
00:45:31 --> 00:45:32: part of what you're doing.
00:45:33 --> 00:45:36: Yeah, I, I think I totally agree.
00:45:36 --> 00:45:38: Like what we're doing hasn't changed.
00:45:39 --> 00:45:42: The only things that are have changed is where the
00:45:42 --> 00:45:44: market has actually changed.
00:45:44 --> 00:45:46: Like we're evaluating the business case and the business case
00:45:46 --> 00:45:47: has changed, right?
00:45:47 --> 00:45:49: Like the business case is changing for solar.
00:45:50 --> 00:45:53: I think for heat pumps, heat pumps are more affordable
00:45:53 --> 00:45:55: and work better and more climates.
00:45:55 --> 00:46:00: And like there's been kind of a tipping point of
00:46:00 --> 00:46:06: sometimes electrification actually made tenants and residents costs go up,
00:46:06 --> 00:46:07: right.
00:46:07 --> 00:46:10: So like as that equipment becomes more efficient, more cost
00:46:10 --> 00:46:13: effective, it changes the business case, right.
00:46:13 --> 00:46:17: So it's not like we're changing how we evaluate, it's
00:46:17 --> 00:46:21: that the actual inputs into the evaluation themselves might be
00:46:21 --> 00:46:22: changing.
00:46:23 --> 00:46:27: I will also say the other place where there's market
00:46:27 --> 00:46:29: shifts is the value of certifications.
00:46:30 --> 00:46:34: And I think there have been some real conversations internally
00:46:34 --> 00:46:36: about who cares about certifications and where and when

and
00:46:37 --> 00:46:37: why.
00:46:38 --> 00:46:40: And you know in a tighter environment you're not just
00:46:40 --> 00:46:42: going to certify every building.
00:46:43 --> 00:46:45: But that said we may, we are and I think
00:46:46 --> 00:46:50: other peers are doing more certifications in industrial that we're
00:46:50 --> 00:46:55: seeing an uptick in specific markets and types of industrial
00:46:55 --> 00:46:58: tenants who want high performing buildings.
00:46:58 --> 00:47:01: So again, but I would say that we are making
00:47:01 --> 00:47:05: decisions on certifications based on the market conditions of where
00:47:05 --> 00:47:06: there's demand.
00:47:06 --> 00:47:09: So it's not that our view has changed, it's our
00:47:09 --> 00:47:11: assessment of the value levers has changed.
00:47:14 --> 00:47:16: When does that resonate with what you're hearing from clients?
00:47:17 --> 00:47:20: Yeah, I think there's still a spectrum right to the
00:47:20 --> 00:47:23: latest kind of some are, some are still all in
00:47:23 --> 00:47:26: on certifications, some are backing off a little bit, some
00:47:26 --> 00:47:30: are market specific or property type specific of how they
00:47:30 --> 00:47:31: evaluate all these things.
00:47:31 --> 00:47:35: So I think there's some really helpful ways that we've
00:47:35 --> 00:47:40: developed kind of criteria decision making matrices per SE, right,
00:47:40 --> 00:47:43: to help make sure that everybody up front is on
00:47:43 --> 00:47:47: the same page about different values that that hold clout,
00:47:48 --> 00:47:53: whether they're actually have a direct financial or indirect financial
00:47:53 --> 00:47:55: driver for making them happen.
00:47:56 --> 00:47:58: And maybe Linda, let's stick with you for a second.
00:47:59 --> 00:48:01: You know, so you spoke to the the roll out
00:48:01 --> 00:48:04: of various benchmarking and building performance standards around the country.
00:48:05 --> 00:48:08: How are you seeing client shift their D carb strategies
00:48:08 --> 00:48:11: to to navigate that sort of patchwork of regulation?
00:48:12 --> 00:48:15: And I'm also curious kind of, you know, you work
00:48:15 --> 00:48:18: with clients that are making long term investment decisions.
00:48:18 --> 00:48:21: How are they sort of navigating that in the context
00:48:21 --> 00:48:24: of policies that get delayed and challenged and rolled back
00:48:24 --> 00:48:27: and change and kind of navigating all of that?
00:48:28 --> 00:48:30: Yeah, I think for the most part, not everyone, but
00:48:30 --> 00:48:33: I would say generally no one's going to hold their

00:48:33 --> 00:48:35: breath and hope that think that delays are going to
00:48:35 --> 00:48:38: happen or that rollbacks are going to happen.
00:48:38 --> 00:48:41: So we've, we've definitely seen the shift that that took
00:48:41 --> 00:48:45: a few years after the initial first couple of building
00:48:45 --> 00:48:49: performance standard legislations were enacted for people to really kind
00:48:49 --> 00:48:53: of figure out what the funding streams were to, to
00:48:53 --> 00:48:56: rethink how they plan long term for meeting these standards
00:48:56 --> 00:49:01: and avoid financial penalties for buildings that they've, they've known
00:49:01 --> 00:49:05: for a long time, right, are, are underperforming within their,
00:49:05 --> 00:49:06: their asset mixes.
00:49:07 --> 00:49:10: So the, the trickier part, right, is then if you're,
00:49:10 --> 00:49:13: if we're working with a client that's responsible for a
00:49:13 --> 00:49:18: portfolio of buildings across all these different regulations, right, that's
00:49:18 --> 00:49:21: where making sure that we're building the right tracking tool
00:49:21 --> 00:49:25: to try and help streamline, even though the metrics and
00:49:25 --> 00:49:27: the timelines might be slightly different.
00:49:28 --> 00:49:31: Giving them one source of truth that they can turn
00:49:31 --> 00:49:34: to for how they're doing for reporting back to whoever
00:49:34 --> 00:49:37: they have to report back to, to whoever they have
00:49:37 --> 00:49:40: to then go make the case to get the financial
00:49:40 --> 00:49:43: investment to do the capital projects for to try and
00:49:43 --> 00:49:47: help streamline the whole messiness of all the different regulations.
00:49:47 --> 00:49:50: With this, I can tap into a little bit of
00:49:50 --> 00:49:53: a one of the questions that's in the the Q&A
00:49:53 --> 00:49:56: to around the public policy values and incentives.
00:49:56 --> 00:50:02: I think shout out informally to the state of Maryland's
00:50:02 --> 00:50:03: regulations.
00:50:05 --> 00:50:09: They're really simple and they didn't get overly prescriptive in
00:50:09 --> 00:50:11: what you have to do.
00:50:11 --> 00:50:13: It was in there initially and they they kind of
00:50:13 --> 00:50:16: scrubbed it out to just make sure that legislators understood
00:50:16 --> 00:50:19: what they were passing because most of our politicians do
00:50:19 --> 00:50:23: not have development backgrounds, architectural backgrounds, right?
00:50:23 --> 00:50:26: Don't don't know what different metrics per square foot for
00:50:26 --> 00:50:29: an EUI or carbon emissions factor means.
00:50:30 --> 00:50:32: So it was really kind of interesting at first when
00:50:32 --> 00:50:33: I saw it past.
00:50:33 --> 00:50:37: But now that we're actually working with properties and

portfolios
00:50:37 --> 00:50:40: in Maryland, it's actually helpful that it's a little bit
00:50:41 --> 00:50:44: more simple and we can work with the portfolio owner
00:50:44 --> 00:50:46: to find the right path for them to just comply
00:50:46 --> 00:50:50: with the overarching regulation of carbon neutrality by 2040 for
00:50:50 --> 00:50:51: for their assets.
00:50:53 --> 00:50:55: Let's stick with that theme for a second, but I'd
00:50:55 --> 00:50:58: like to hear from Elena and Adam as practitioners.
00:50:58 --> 00:51:00: You know, as we're getting to sort of the point
00:51:00 --> 00:51:02: of, of these laws actually being in effect and the
00:51:02 --> 00:51:03: fines coming into play.
00:51:04 --> 00:51:06: If you were to sort of look back on the
00:51:06 --> 00:51:10: last several years, are there any lessons learned from regulations
00:51:10 --> 00:51:12: that rolled out and maybe didn't quite go as well
00:51:12 --> 00:51:14: as policy makers had had planned?
00:51:15 --> 00:51:17: Sort of lessons learned that we could pass to policy
00:51:17 --> 00:51:18: makers in the future.
00:51:20 --> 00:51:21: Yeah.
00:51:21 --> 00:51:25: I mean, I think we're just dying under all the
00:51:25 --> 00:51:28: variation of the regulations.
00:51:28 --> 00:51:32: So we have dozens of properties that fall under BPS
00:51:32 --> 00:51:35: in most of the major jurisdictions.
00:51:35 --> 00:51:39: And the fact that they're all different is just a
00:51:39 --> 00:51:41: killer and they're so overly complicated.
00:51:41 --> 00:51:45: Like some jurisdictions have two or three different ways to
00:51:45 --> 00:51:45: comply.
00:51:45 --> 00:51:47: And if you're going to comply this way, you calculate
00:51:47 --> 00:51:47: it like this.
00:51:47 --> 00:51:49: And if we're going to comply that way, you calculate
00:51:49 --> 00:51:50: it like that.
00:51:50 --> 00:51:52: And if you wanted to do option three, you were
00:51:52 --> 00:51:54: supposed to request that two years ago or whatever.
00:51:54 --> 00:51:57: And so I think just that is dry.
00:51:57 --> 00:52:00: It's like keeping all the consultants in business, like we're
00:52:00 --> 00:52:03: so deep just on consulting costs to figure out how
00:52:03 --> 00:52:03: to comply.
00:52:03 --> 00:52:06: It does start to take away from the money and
00:52:06 --> 00:52:08: effort of actually doing the work.
00:52:08 --> 00:52:12: So I've been really heartened to see the IMT project
00:52:12 --> 00:52:17: around standard alternate compliance pathways go forward.
00:52:18 --> 00:52:20: I love the idea that like there could be 1,

00:52:20 --> 00:52:24: if you have a challenge property that needs a custom
00:52:24 --> 00:52:27: plan, there could be one template for that that you
00:52:27 --> 00:52:29: fill out in all jurisdictions.
00:52:29 --> 00:52:33: Or like even if all the jurisdictions have different options
00:52:33 --> 00:52:37: of ways of complying, if there's one option that's always
00:52:38 --> 00:52:42: available or something like that, like just the standardization across
00:52:43 --> 00:52:45: markets would be incredibly helpful.
00:52:47 --> 00:52:49: And and then like, I feel like the variations don't
00:52:49 --> 00:52:52: matter as much as the fact that there are variations,
00:52:52 --> 00:52:53: if that makes sense.
00:52:55 --> 00:52:58: Yeah, 2 two things 1 is like every three or
00:52:58 --> 00:53:02: four years, it feels like we're all advocating to keep
00:53:02 --> 00:53:04: Energy Star portfolio manager alive.
00:53:05 --> 00:53:08: So like just be careful what like what vascular putting
00:53:08 --> 00:53:09: your eggs in.
00:53:09 --> 00:53:11: I like Energy Star portfolio manager.
00:53:11 --> 00:53:14: There's flaws to it, but like, and I get they're
00:53:14 --> 00:53:17: doing it because it's free, but at the same time
00:53:17 --> 00:53:18: it could go away.
00:53:18 --> 00:53:20: Like you're relying on a public policy decision at a
00:53:20 --> 00:53:23: federal level and the federal level doesn't always agree with
00:53:23 --> 00:53:24: the municipal level.
00:53:24 --> 00:53:28: The second thing is, and I realize this, doing strategies
00:53:28 --> 00:53:31: here in Heinz is like if you're gonna create a
00:53:31 --> 00:53:36: regulatory framework that requires fines to be levied, please make
00:53:36 --> 00:53:39: sure you resource staff and IT resources to actually levy
00:53:39 --> 00:53:43: those fines or you will continue to push out when
00:53:43 --> 00:53:44: you begin the program.
00:53:44 --> 00:53:46: Like, you know, Denver is doing.
00:53:46 --> 00:53:49: So yeah, those are my two biggest issues.
00:53:50 --> 00:53:50: Great.
00:53:51 --> 00:53:54: I'm going to dive into some of the Q&A because
00:53:54 --> 00:53:55: we we have a few lining up.
00:53:56 --> 00:53:59: So Elena for you, there's a question around your property
00:53:59 --> 00:53:59: operations.
00:54:00 --> 00:54:03: Are you all directing your vendors and maintenance providers to
00:54:03 --> 00:54:07: deliver solutions that sustain and improve performance versus sort of
00:54:07 --> 00:54:08: status quo band aids?
00:54:09 --> 00:54:09: Yeah.

00:54:09 --> 00:54:13: So we have done energy audits on most of our
00:54:13 --> 00:54:14: properties.
00:54:14 --> 00:54:18: So that's helped us identify potential things ahead of capital
00:54:18 --> 00:54:19: replacements.
00:54:20 --> 00:54:23: The other thing that we did this past year was
00:54:23 --> 00:54:28: we developed an energy efficiency CapEx guideline and what we
00:54:28 --> 00:54:32: figured out is basically any CapEx project, any piece of
00:54:32 --> 00:54:36: equipment that you might install, you could either select an
00:54:36 --> 00:54:40: Energy Star labeled piece of equipment or you could ask
00:54:41 --> 00:54:44: that that equipment meets the ASHRAE 90.1 standard.
00:54:45 --> 00:54:48: And so we basically say like for these equipment, consider
00:54:48 --> 00:54:52: Energy Star label for these equipment, make sure you look
00:54:52 --> 00:54:54: at an option that's Ashford 90.1.
00:54:54 --> 00:54:59: And then we can't always, you know, the individual property
00:54:59 --> 00:55:02: may not go ahead with that, but at least we're
00:55:02 --> 00:55:06: making sure that they are looking at that alternative.
00:55:07 --> 00:55:09: And it's a very clear thing that we can tell
00:55:09 --> 00:55:13: the asset manager, the property team, tell your HVAC person
00:55:13 --> 00:55:16: to show us an option that's Ashley 90.1 meets Ashley
00:55:16 --> 00:55:19: 90.1 in addition to the baseline like for like replacement.
00:55:19 --> 00:55:21: And then at least we have the options and the
00:55:21 --> 00:55:22: pricing in front of us.
00:55:23 --> 00:55:25: And so I think having that guideline document has been
00:55:25 --> 00:55:28: really helpful and we're going to continue to roll that
00:55:28 --> 00:55:29: out.
00:55:30 --> 00:55:31: That's great.
00:55:32 --> 00:55:36: We also have a question about how y'all think about
00:55:36 --> 00:55:40: the sort of balance between purchasing offsets and sort of
00:55:40 --> 00:55:42: measurable on site investments?
00:55:44 --> 00:55:48: I just answered this one privately, but I'll say it
00:55:48 --> 00:55:52: to everybody, which is we have, you know, there's fiduciary
00:55:52 --> 00:55:57: issues with buying offsite green power and carbon offsets.
00:55:57 --> 00:56:02: So unless it's something explicitly directed by the investors or
00:56:02 --> 00:56:06: tenants, it's not going to accrue value to the property.
00:56:06 --> 00:56:10: So Lasalle's position is that we do not do that.
00:56:11 --> 00:56:11: Except.
00:56:12 --> 00:56:15: In cases where investors have have like explicitly said it,
00:56:15 --> 00:56:16: sorry, go ahead.
00:56:16 --> 00:56:18: Yeah, no, I agree.
00:56:18 --> 00:56:19: I mean, I'll make it easier.
00:56:19 --> 00:56:21: Like you might as well light the money on fire

00:56:21 --> 00:56:24: because it's a fiduciary and makes zero sense unless an
00:56:24 --> 00:56:27: investor in a separate account has explicitly told you to
00:56:27 --> 00:56:27: go do that.
00:56:27 --> 00:56:29: Investors can go do it on their own too.
00:56:29 --> 00:56:31: By the way, I will say I was talking with
00:56:31 --> 00:56:34: a portfolio manager for a timberland fund and they do
00:56:34 --> 00:56:38: play in the nature based offset market because they just
00:56:38 --> 00:56:39: have lots of forests.
00:56:39 --> 00:56:42: And so they can do that and they can sell
00:56:42 --> 00:56:46: the credits on the market and return that into, you
00:56:47 --> 00:56:50: know, the into the distributions for investors.
00:56:51 --> 00:56:54: They can do that option or they offer investors another
00:56:54 --> 00:56:57: option, which is would you like to take these offsets
00:56:57 --> 00:57:00: and use them for your own, you know, investment portfolios?
00:57:01 --> 00:57:02: Most of the investors were European.
00:57:02 --> 00:57:04: Almost all of them said they wanted the money.
00:57:04 --> 00:57:06: So that alone gives you an idea of like as
00:57:07 --> 00:57:08: a fiduciary, they want the money.
00:57:08 --> 00:57:11: They want you to invest on a value added way
00:57:11 --> 00:57:14: to get to decarbonization, but offsets are not the way
00:57:14 --> 00:57:14: to do it.
00:57:16 --> 00:57:18: I'll, I'll chime in just one point on this I
00:57:18 --> 00:57:19: find interesting.
00:57:19 --> 00:57:21: I agree with all of that and we make generally
00:57:21 --> 00:57:24: the same recommendations as consultants in this space of we'd
00:57:25 --> 00:57:27: rather help you to go do something on your actual
00:57:27 --> 00:57:27: property.
00:57:29 --> 00:57:32: But when we are working maybe more, you know, some
00:57:32 --> 00:57:35: higher education campus wide initiatives and things like that, we
00:57:35 --> 00:57:39: really challenge people to think about if you're going to
00:57:39 --> 00:57:42: commit money to being purchasing offsets, especially around scope 1
00:57:42 --> 00:57:46: emissions, try and purchase something that is aligned with the
00:57:46 --> 00:57:48: actual emissions you're trying to offset.
00:57:48 --> 00:57:53: So if you're trying to offset something from transportation emissions,
00:57:53 --> 00:57:56: buying cook stoves in Africa, right is a little bit
00:57:56 --> 00:57:59: hard to draw a clear line between offsetting your diesel
00:57:59 --> 00:58:03: bus emissions right locally where your where your campus is
00:58:03 --> 00:58:04: located.

00:58:04 --> 00:58:07: So we have had some projects right where we've switched
00:58:07 --> 00:58:11: where you know they offset some of their initial upfront
00:58:11 --> 00:58:16: embodied carbon emissions by investing in offsets for continued research
00:58:16 --> 00:58:19: in lower emission insulation products, right.
00:58:19 --> 00:58:22: So it's a one for one of offsetting the actual
00:58:22 --> 00:58:25: emissions of your upfront construction of the building with better
00:58:25 --> 00:58:28: products that are going to be available in the market
00:58:28 --> 00:58:29: in the future for your next one.
00:58:31 --> 00:58:33: That's a nice point about the parallelism there, Linda.
00:58:33 --> 00:58:34: I appreciate it.
00:58:35 --> 00:58:37: So with one minute left to go, I'd love to
00:58:37 --> 00:58:39: do just a quick lightning rounds like what is 1
00:58:39 --> 00:58:42: sustainability topic that you all think we'll be talking about
00:58:42 --> 00:58:44: on this webinar next year that is not quite as
00:58:44 --> 00:58:45: mainstream this year?
00:58:48 --> 00:58:50: Energy reliability.
00:58:54 --> 00:58:55: Linda.
00:58:55 --> 00:58:59: Well, maybe half answer your question and maybe say more
00:58:59 --> 00:59:03: specific project examples in the biodiversity space continuing from what
00:59:03 --> 00:59:05: I kind of plugged on this one this year.
00:59:08 --> 00:59:08: Yeah.
00:59:08 --> 00:59:10: I mean, we didn't talk about cost of energy, which
00:59:11 --> 00:59:12: goes to Elena's point as well.
00:59:12 --> 00:59:13: And those are related.
00:59:13 --> 00:59:14: Cost and reliability.
00:59:14 --> 00:59:14: Yeah.
00:59:14 --> 00:59:16: I think that's, yeah, we're hearing a lot more about
00:59:16 --> 00:59:18: affordability and reliability and reliability.
00:59:20 --> 00:59:20: Great.
00:59:20 --> 00:59:21: Well, that brings us to the hour.
00:59:21 --> 00:59:24: Thank you all so much for for sharing with us
00:59:24 --> 00:59:24: today.
00:59:24 --> 00:59:25: And thanks to our audience for joining.
00:59:26 --> 00:59:29: If y'all enjoyed this type of content, Uly also puts
00:59:29 --> 00:59:33: out a global sustainability outlook annually, and we're hosting A
00:59:33 --> 00:59:35: webinar for this year's report in January.
00:59:35 --> 00:59:37: So stay tuned for that invite.
00:59:37 --> 00:59:40: We'll share the top five sustainability issues that we've collected

00:59:40 --> 00:59:41: from interviews around the world.
00:59:42 --> 00:59:44: So with that, I will close today's webinar.
00:59:44 --> 00:59:45: Thank y'all.
