Webinar

Change is Coming: Climate Risk Disclosures and Real Estate Investment (US/Europe)
Date: October 13, 2023

00:00:00 --> 00:00:03: Hello, everybody, and welcome to our webinar Today.
00:00:03 --> 00:00:06: Change is coming, climate risk disclosure and real estate investment.
00:00:07 --> 00:00:10: We'll be getting started in just a minute as we
00:00:10 --> 00:00:13: wait for the audience to slowly file in to this
00:00:14 --> 00:00:15: virtual meeting.
00:00:29 --> 00:00:33: So hello, everybody, and welcome to today's ULI Webinar.
00:00:33 --> 00:00:37: Change is Coming, Climate risk disclosure and real estate investment.
00:00:37 --> 00:00:41: I'm Billy Grayson, Chief Initiative Officer at the Urban Land
00:00:41 --> 00:00:42: Institute.
00:00:42 --> 00:00:45: We're really excited to have you join us for this
00:00:45 --> 00:00:48: exciting discussion today around climate, risk and real estate investment.
00:00:51 --> 00:00:57: Next slide mention.
00:00:57 --> 00:00:59: I'm Billy Grayson, great to see everybody today.
00:00:59 --> 00:01:03: I'm joined today by Laura Kraft, Global Head of Portfolio
00:01:03 --> 00:01:07: Strategies at Heitman and Shiva Rajkopal, the Kessler and Burns
00:01:08 --> 00:01:10: Professor at Columbia Business School.
00:01:12 --> 00:01:12: Next slide.
00:01:15 --> 00:01:18: So we're very excited to be bringing you a webinar
00:01:18 --> 00:01:23: on the 4th Climate Risk and real Estate Investment report
00:01:23 --> 00:01:25: partnership between ULI and Heidman.
00:01:26 --> 00:01:29: We began this collaboration in 2019 with what at the
00:01:29 --> 00:01:33: time was a catalyzing discussion on how to assess price
00:01:33 --> 00:01:37: and mitigate climate risk and real estate investment portfolios.
00:01:38 --> 00:01:41: Our second report together explored market level risk and how

00:01:41 --> 00:01:44: a city's climate risk and resilience strategy could impact outcomes

00:01:44 --> 00:01:46: for all the assets in our region.

00:01:47 --> 00:01:49: And our third report looked at the emerging trend of

00:01:49 --> 00:01:53: climate driven global migration and explored how investors in the

00:01:53 --> 00:01:56: public sector can better prepare and adapt for these changing

00:01:56 --> 00:01:57: demographic part patterns.

00:01:58 --> 00:02:02: You can find all these reports at knowledge.uli.org.

00:02:02 --> 00:02:05: It's it's a good binge read series, so I would

00:02:05 --> 00:02:08: encourage everybody to think about blocking out some time this

00:02:08 --> 00:02:08: weekend.

00:02:08 --> 00:02:11: It's a great beach read too, if it's still beach

00:02:11 --> 00:02:12: weather in your region.

00:02:13 --> 00:02:16: Our newest report looks at the acceleration of climate and

00:02:17 --> 00:02:20: ESG related regulations and the impact that these new regulations

00:02:20 --> 00:02:23: will have on transition risk, a growing component of the

00:02:24 --> 00:02:27: overall risk picture for climate risk and real estate investment.

00:02:32 --> 00:02:35: So we titled this report Changes coming, but I think

00:02:35 --> 00:02:38: a more appropriate title might be Changes upon us and

00:02:38 --> 00:02:40: more changes Changing every Changey day.

00:02:41 --> 00:02:45: This is a very dynamic topic right now as global

00:02:45 --> 00:02:52: regulations, national regulations and sub national regulations continue to accelerate

00:02:52 --> 00:02:57: as every government is looking to address the climate crisis

00:02:57 --> 00:03:02: and investors are asking for more transparency, more consistency and

00:03:02 --> 00:03:07: more disclosure and trends in climate risks and opportunities.

00:03:08 --> 00:03:11: I want to start with a couple observations about climate

00:03:11 --> 00:03:13: ESG regulations in the last few years as well as

00:03:13 --> 00:03:15: those that are on the horizon.

00:03:16 --> 00:03:20: ULI does an annual policy scan for our global ESG

00:03:20 --> 00:03:22: and climate policy database.

00:03:22 --> 00:03:26: We're currently tracking over 100 global, federal and sub federal

00:03:26 --> 00:03:30: policies, regulations and incentive programs connected to ESG disclosure and

00:03:30 --> 00:03:31: ESG performance.

00:03:32 --> 00:03:36: And for better or worse, this database is constantly out

00:03:36 --> 00:03:36: of date.

00:03:36 --> 00:03:39: It's usually out of date the minute that we release

00:03:39 --> 00:03:39: it.
00:03:39 --> 00:03:43: Just because the landscape is changing so fast, it doesn't
00:03:43 --> 00:03:46: mean it's not a valuable tool, but it means that
00:03:46 --> 00:03:49: it is incredibly difficult to keep up with this changing
00:03:49 --> 00:03:51: landscape of ESG regulation.
00:03:52 --> 00:03:56: A second observation is that policies are impacting real estate
00:03:57 --> 00:04:01: investors at every level and fund managers like Heitmann have
00:04:01 --> 00:04:03: it coming at them from every direction.
00:04:04 --> 00:04:08: Some policies are impacting the asset level, some impact the
00:04:08 --> 00:04:10: fund level, some the overall corporate level.
00:04:11 --> 00:04:14: Some policies are global, but most are national and sub
00:04:14 --> 00:04:17: national and will vary by the market that a real
00:04:17 --> 00:04:19: estate investor is focused on.
00:04:20 --> 00:04:23: And virtually all of these ESG policies fall into one
00:04:23 --> 00:04:24: of three major themes.
00:04:24 --> 00:04:28: Regulations that focus on data transparency and data quality.
00:04:28 --> 00:04:32: Regulations that indirectly are going to help enhance the green
00:04:32 --> 00:04:35: premium for high performing ESG companies funds and assets and
00:04:35 --> 00:04:39: also drive the brown discount, whether that's through fines or
00:04:39 --> 00:04:42: stricter construction standards for new buildings.
00:04:43 --> 00:04:46: And then also regulations that'll impact how you can talk
00:04:46 --> 00:04:49: about your ESG policies and performance, whether this is in
00:04:49 --> 00:04:52: marketing materials or how you characterize an investment fund that
00:04:52 --> 00:04:55: you're building or even what you can say on a
00:04:55 --> 00:04:57: public webinar about your ESG programs.
00:04:58 --> 00:05:01: Next slide, I want to take a semi deeper dive
00:05:01 --> 00:05:06: on a couple of regulations that are global or regional
00:05:06 --> 00:05:09: in nature and we believe are going to have a
00:05:09 --> 00:05:14: profound impact in the near term on how climate risk
00:05:14 --> 00:05:18: is disclosed and tracked by many of the global real
00:05:18 --> 00:05:22: estate developers and investors in our network.
00:05:22 --> 00:05:26: The first one is Task Force on Climate Related Financial
00:05:26 --> 00:05:29: Disclosures or TCFDTCFD by itself is a voluntary standard that
00:05:30 --> 00:05:35: helps companies align their climate reporting with integrated financial reporting
00:05:35 --> 00:05:35: standards.
00:05:36 --> 00:05:39: It requires specific disclosure on climate related risks and opportunities

00:05:39 --> 00:05:42: that your company or your asset will face, both in
00:05:42 --> 00:05:43: the short and long term.
00:05:44 --> 00:05:47: A TCSD is moving from what was a voluntary standard
00:05:47 --> 00:05:51: to a piece of a regulatory standard in most markets.
00:05:51 --> 00:05:55: The proposed SCC climate rule in the US reference references.
00:05:55 --> 00:06:00: TCFD&TCFD is either a recognized reporting framework or aligns closely
00:06:00 --> 00:06:04: with the national ESG reporting guidelines being released for publicly
00:06:04 --> 00:06:09: traded companies in Hong Kong, Switzerland, Singapore and Japan, as
00:06:09 --> 00:06:11: well as several other countries.
00:06:13 --> 00:06:16: A second regulation I want to introduce to the audience
00:06:16 --> 00:06:21: is the Sustainable Finance Disclosure Regulation or SFDRSFDR is in
00:06:21 --> 00:06:21: Europe.
00:06:22 --> 00:06:26: It's mandatory and it requires comprehensive ESG reporting at both
00:06:26 --> 00:06:28: the corporate and product level.
00:06:28 --> 00:06:31: And for those of us in real estate, product means
00:06:31 --> 00:06:33: asset or and or fund.
00:06:33 --> 00:06:36: It makes ESG reporting mandatory for all entities over a
00:06:36 --> 00:06:39: certain size headquartered in or doing business in the EU.
00:06:40 --> 00:06:43: And it requires fund managers to rate their funds based
00:06:43 --> 00:06:45: on a level of ESG strategy that a fund contains.
00:06:46 --> 00:06:49: And this data is disclosed to investors, many of whom
00:06:49 --> 00:06:55: are already increasingly requiring some level of sustainability integration into
00:06:55 --> 00:06:58: their fund strategy, which in SDR speak means a Level
00:06:58 --> 00:07:01: 8 or Level 9 as opposed to a Level 6.
00:07:02 --> 00:07:02: Next slide.
00:07:05 --> 00:07:08: So what is the new corporate reporting landscape look like
00:07:08 --> 00:07:10: with these emerging ESG regulations?
00:07:11 --> 00:07:14: We're we're moving from a business as usual that includes
00:07:14 --> 00:07:19: profit and loss statements, annual reporting, quarterly reporting and voluntary
00:07:19 --> 00:07:24: sustainability standards to whatever standard you choose or whatever standard
00:07:24 --> 00:07:27: your investors, tenants or other stakeholders ask for you to
00:07:27 --> 00:07:31: report to, to a future state that includes a business
00:07:31 --> 00:07:35: as usual financial reporting but also mandatory disclosure of verified
00:07:35 --> 00:07:40: greenhouse gas emissions, completion of physical climate

risk assessments and
00:07:40 --> 00:07:42: fund classifications based on ESG criteria.
00:07:47 --> 00:07:50: As we talked to some of the forward thinking investors
00:07:50 --> 00:07:53: in compiling this report, we asked them how they were
00:07:53 --> 00:07:56: navigating this evolving market and these are the common themes
00:07:57 --> 00:07:59: that we heard in terms of best practices.
00:07:59 --> 00:08:04: It included developing A baseline to to track ESG impacts
00:08:04 --> 00:08:07: across a a portfolio and a fund all the way
00:08:07 --> 00:08:09: down to the asset level.
00:08:10 --> 00:08:13: A portfolio assessment for physical and transition risks in a
00:08:14 --> 00:08:18: new regulatory environment and mentioned that that assessment for transition
00:08:18 --> 00:08:22: risks is a big challenge, but it's an important component
00:08:22 --> 00:08:25: now of assessing risk from an ESG perspective.
00:08:25 --> 00:08:29: It's not just physical risk, Getting started with voluntary reporting
00:08:29 --> 00:08:32: standards and tools, whether this is TCFD which I reference
00:08:32 --> 00:08:36: the science based target initiative or a major reporting framework
00:08:36 --> 00:08:40: in real estate, the global real estate sustainability benchmark and
00:08:40 --> 00:08:44: then starting to proactively address climate and product offerings at
00:08:44 --> 00:08:48: the asset level with clear data-driven marketing and communications.
00:08:50 --> 00:08:52: Now I'm lucky to be joined by a couple of
00:08:52 --> 00:08:56: real estate investment experts who are navigating this regulatory landscape
00:08:56 --> 00:08:58: right now and I'd like to turn it over first
00:08:58 --> 00:09:01: to Laura Craft to talk a little bit about how
00:09:01 --> 00:09:04: Hytman is navigating the change that we're seeing in the
00:09:04 --> 00:09:04: market.
00:09:05 --> 00:09:05: Laura.
00:09:06 --> 00:09:07: Thanks, Billy.
00:09:07 --> 00:09:10: Appreciate that and thanks for setting the landscape.
00:09:10 --> 00:09:12: So Hytman, we are an investment manager.
00:09:12 --> 00:09:16: We have over 50 billion in assets under management around
00:09:16 --> 00:09:16: the globe.
00:09:17 --> 00:09:21: So we are paying close attention to the regulations that
00:09:21 --> 00:09:23: they are influx changing.
00:09:23 --> 00:09:26: This is our 4th report in the series and I
00:09:26 --> 00:09:27: would say this is our hardest.
00:09:27 --> 00:09:30: This was the hardest report to write just because when

00:09:30 --> 00:09:33: we would write something all of a sudden new regulations
00:09:33 --> 00:09:36: would come out, we would have to revise things.
00:09:36 --> 00:09:39: So changes is here and it will be into the
00:09:39 --> 00:09:40: foreseeable future.
00:09:41 --> 00:09:43: But I want to talk today about some of the
00:09:43 --> 00:09:44: regulation.
00:09:44 --> 00:09:47: Impacting the firm, the fund and the property level.
00:09:48 --> 00:09:52: So at the firm level, the SEC has proposed regulations
00:09:52 --> 00:09:57: or firm disclosures on material physical climate risk, greenhouse gas
00:09:57 --> 00:10:01: emissions, climate targets and transition plans.
00:10:01 --> 00:10:04: So from a real estate perspective, when you think about
00:10:04 --> 00:10:08: climate risk, they tend to be bucketed into two different
00:10:08 --> 00:10:09: types of climate risk.
00:10:10 --> 00:10:13: The physical climate risk and the transition climate risk.
00:10:13 --> 00:10:17: So real estate investment managers have portfolios of real estates
00:10:17 --> 00:10:20: and they are location based that can be impacted by
00:10:20 --> 00:10:23: extreme weather events, hurricanes, typhoons.
00:10:24 --> 00:10:27: Heat stress, water stress, flooding, you name it.
00:10:27 --> 00:10:29: So that's the physical component.
00:10:29 --> 00:10:33: The transitional component is those buildings are also susceptible to
00:10:33 --> 00:10:36: regulatory changes in the local market.
00:10:36 --> 00:10:40: Resource availability of energy and water The availability to get
00:10:40 --> 00:10:42: those resources to your building.
00:10:43 --> 00:10:46: The greenhouse gas emissions, How much that building is emitted.
00:10:47 --> 00:10:48: Increased cost.
00:10:48 --> 00:10:49: Operating costs such as.
00:10:50 --> 00:10:54: Insurance costs, as we know that insurance has been a
00:10:54 --> 00:10:57: changing landscape over the past few years.
00:10:57 --> 00:11:00: Insurance more than likely went up in most markets.
00:11:01 --> 00:11:04: We are also seeing higher taxes and with all of
00:11:04 --> 00:11:09: this analysis related to climate change, it's also changing behaviors
00:11:09 --> 00:11:13: related to where some investors want to make investments.
00:11:15 --> 00:11:16: So.
00:11:16 --> 00:11:18: So dive in a little bit deeper.
00:11:18 --> 00:11:21: I just mentioned the climate risk that could impact real
00:11:21 --> 00:11:25: estate, but how does that impact the financial statements?
00:11:26 --> 00:11:29: On the left hand side you'll see some of the

00:11:29 --> 00:11:34: activities such as reduce interest, investor interest, reduced exit values.

00:11:34 --> 00:11:37: Higher loan rates for riskier assets.

00:11:37 --> 00:11:40: So all of these things could occur, which could lead

00:11:40 --> 00:11:42: to lower property valuations.

00:11:42 --> 00:11:45: So when your discount rate goes up or your loan

00:11:45 --> 00:11:49: rates go up, that leads to lower property valuations at

00:11:49 --> 00:11:50: the property level.

00:11:50 --> 00:11:54: If you have less demand, renter demand for your assets,

00:11:54 --> 00:11:57: then you're achieving less rental revenue so that.

00:11:57 --> 00:11:58: Could go down.

00:11:59 --> 00:12:02: Additionally, these additional expenses could go up.

00:12:02 --> 00:12:07: So This is why real estate investment managers are very

00:12:07 --> 00:12:11: focused on the impacts of climate change, the impacts of

00:12:11 --> 00:12:15: climate events to our portfolio and how it could impact

00:12:16 --> 00:12:20: our underwriting and ultimately our in our returns.

00:12:24 --> 00:12:28: So leading investment managers, what we're seeing is that they're

00:12:28 --> 00:12:32: doing 3 levels of assessments when they're selecting an investment.

00:12:32 --> 00:12:34: They're looking at the asset itself.

00:12:34 --> 00:12:38: So the building level is the building susceptible to climate

00:12:38 --> 00:12:41: change, climate risk such as flooding, for instance.

00:12:42 --> 00:12:46: And that may trigger additional due diligence such as has

00:12:46 --> 00:12:46: that asset.

00:12:47 --> 00:12:49: Been elevated out of the flood zone.

00:12:49 --> 00:12:52: So it's doing analysis on the actual asset itself and

00:12:52 --> 00:12:55: and the potential risk of climate change.

00:12:56 --> 00:12:59: The next level of analysis is the market that the

00:12:59 --> 00:13:02: property may not be at risk to flooding, but let's

00:13:02 --> 00:13:04: just say the markets at risk to flooding and so

00:13:04 --> 00:13:08: that would also trigger a level of analysis to understand

00:13:08 --> 00:13:11: how the market is preparing for climate change or climate

00:13:11 --> 00:13:11: risk.

00:13:12 --> 00:13:14: Another good example is hurricanes.

00:13:14 --> 00:13:17: Markets tend to be over.

00:13:17 --> 00:13:20: Were all impacted by hurricanes and so how is a

00:13:20 --> 00:13:23: market preparing for the types of large scale events occurring?

00:13:25 --> 00:13:28: And then from an investment manager perspective, we're also looking

00:13:28 --> 00:13:30: at the portfolio level risk.

00:13:30 --> 00:13:34: So within a portfolio, where are the assets located and

00:13:34 --> 00:13:37: is there a concentration of risk?
00:13:37 --> 00:13:40: Such that if an if an event happened that a
00:13:40 --> 00:13:43: large proportion of the portfolio would be impacted.
00:13:44 --> 00:13:47: So these are the types of of analysis that investment
00:13:47 --> 00:13:51: managers are taking when it comes to climate risk to
00:13:51 --> 00:13:54: to try to mitigate the risk either at the asset
00:13:54 --> 00:13:58: level, the portfolio level or understand how the market has
00:13:58 --> 00:13:59: mitigated the risk.
00:14:00 --> 00:14:03: And all of these decisions could lead to additional or
00:14:03 --> 00:14:08: changes in the underwriting and decisions potentially not to proceed
00:14:08 --> 00:14:10: with particular investments.
00:14:13 --> 00:14:16: So as a guidance, where do firms start?
00:14:16 --> 00:14:18: And TCFD is a good guidance.
00:14:18 --> 00:14:22: It's endorsed by a number of countries around the world.
00:14:23 --> 00:14:26: It's broad enough, but also there's enough.
00:14:26 --> 00:14:28: There's a lot of examples out there that firms are
00:14:29 --> 00:14:30: using this and they publicly report it.
00:14:31 --> 00:14:35: It's it's centered around 4 different issues, government strategy, risk
00:14:35 --> 00:14:38: management metrics and targets and as best practice.
00:14:39 --> 00:14:44: It's probably important for firms to have sustainability teams, senior
00:14:44 --> 00:14:49: leadership oversight, Make sure that ESG climate risk is integrated
00:14:49 --> 00:14:54: into annual business planning analysis of investments, and that you
00:14:54 --> 00:14:58: have a process in place to analyze physical transition risk
00:14:58 --> 00:15:03: and implement opportunities, as well as setting targets and metrics
00:15:03 --> 00:15:07: for your firm to make sure that you are progressing
00:15:07 --> 00:15:08: and making progress.
00:15:09 --> 00:15:13: Against trying to mitigate risk and strive for opportunities within
00:15:14 --> 00:15:16: your portfolio to drive investment returns.
00:15:20 --> 00:15:25: So beyond the firm level disclosure requirements, there are proposed
00:15:25 --> 00:15:30: fund level requirements from the SEC and then there are
00:15:30 --> 00:15:32: standing requirements.
00:15:32 --> 00:15:37: In Europe, related to SFDR and article or fund categorization.
00:15:37 --> 00:15:40: So all funds marketed in the EU must be categorized
00:15:40 --> 00:15:44: and they have to be categorized under article 6-8 or
00:15:44 --> 00:15:44: nine.
00:15:45 --> 00:15:48: Article 6 means that sustainability may be part of the

00:15:48 --> 00:15:48: strategy.
00:15:49 --> 00:15:53: But it's not being promoted as a fund that's that's
00:15:53 --> 00:15:57: focused on sustainability or ESG issues.
00:15:57 --> 00:16:02: Article 8 products promote either an environmental or social characteristic
00:16:02 --> 00:16:04: as part of the fund strategy.
00:16:04 --> 00:16:10: And Article 9 has sustainable investment as the product objective
00:16:10 --> 00:16:14: and that is based on the EU taxonomy definition of
00:16:14 --> 00:16:16: sustainable investment.
00:16:17 --> 00:16:19: In the SEC, this is like I said change is
00:16:19 --> 00:16:20: coming.
00:16:20 --> 00:16:24: This was just a few weeks ago got announced that
00:16:24 --> 00:16:28: funds with ESG or Sustainability in the funds name that
00:16:29 --> 00:16:32: it will now be under the names role which would
00:16:32 --> 00:16:36: mean that if you have ESG in the funds name
00:16:36 --> 00:16:38: 80% of the assets within that fund.
00:16:39 --> 00:16:42: Should and must align with the funds name.
00:16:42 --> 00:16:46: So this is the SEC's response to try to make
00:16:46 --> 00:16:50: sure that there is not green washing or that there's
00:16:50 --> 00:16:53: backup for if a fund marketed as an ESG fund
00:16:53 --> 00:16:57: with its ESG and the titling that there there are
00:16:57 --> 00:17:00: metrics to support the funds name.
00:17:03 --> 00:17:07: So moving beyond the fun level regulations, there are also
00:17:07 --> 00:17:12: a number of building level regulations and this is categorizing
00:17:12 --> 00:17:15: at a high level what we're seeing in each of
00:17:15 --> 00:17:16: the regions.
00:17:16 --> 00:17:19: So in North America, we're seeing a lot of the
00:17:19 --> 00:17:24: regulations focused on energy disclosure and benchmarking requirements, so disclosing
00:17:24 --> 00:17:27: the energy and the carbon emissions of buildings.
00:17:28 --> 00:17:32: Where we're seeing advanced regulations is in certain areas like
00:17:32 --> 00:17:33: New York and Boston.
00:17:34 --> 00:17:37: Where there could be carbon limit, where there there will
00:17:37 --> 00:17:39: be carbon limit and fines.
00:17:39 --> 00:17:43: So a building cannot emit over a specified amount of
00:17:43 --> 00:17:47: carbon and if they do then they are then fines
00:17:47 --> 00:17:49: will be imposed.
00:17:49 --> 00:17:52: So we're we're seeing it on kind of a North
00:17:52 --> 00:17:56: America very much on the the carbon emissions emitted of
00:17:56 --> 00:17:57: buildings.
00:17:58 --> 00:18:00: In Europe, what we're seeing is that each building in

00:18:00 --> 00:18:03: Europe has an energy performance certificate.
00:18:03 --> 00:18:04: It's a letter grade.
00:18:04 --> 00:18:08: So you got a BCDEFA being the the strongest, the
00:18:08 --> 00:18:13: most efficient, energy efficient building and then you go down
00:18:13 --> 00:18:14: the list.
00:18:14 --> 00:18:19: And what we're seeing in some countries is a minimum
00:18:19 --> 00:18:23: requirement of an EPC rating of a C in order
00:18:23 --> 00:18:26: to lease an asset in 2023 the Netherlands.
00:18:27 --> 00:18:32: Put this rule into effect and we're seeing that the
00:18:32 --> 00:18:35: UK has proposed ruling of an EPC rating of a
00:18:35 --> 00:18:37: C starting in 2025.
00:18:37 --> 00:18:42: So that limits an investments investment managers ability to to
00:18:42 --> 00:18:46: lease an asset if it's not efficient enough under these
00:18:46 --> 00:18:47: standards.
00:18:47 --> 00:18:50: In Asia Pacific, what we're seeing is that there are
00:18:50 --> 00:18:55: energy disclosure and benchmarking requirements, so disclosing how much energy
00:18:55 --> 00:18:58: a property is using and the carbon emissions of particular
00:18:58 --> 00:18:59: assets.
00:18:59 --> 00:19:03: But what we're we're seeing kind of the the advanced
00:19:03 --> 00:19:08: local regulations is around new construction and renovations we're seeing
00:19:08 --> 00:19:11: in Australia and and Singapore and in Japan.
00:19:12 --> 00:19:17: That new construction and renovations have to meet minimum energy
00:19:17 --> 00:19:22: ratings or or efficiency levels in order for the the
00:19:22 --> 00:19:26: building to get approval or or to have that occupancy
00:19:26 --> 00:19:30: final sign off from construction approval process.
00:19:31 --> 00:19:34: So that's where we're seeing each of the regions take
00:19:34 --> 00:19:37: building regulations in a slightly different way.
00:19:41 --> 00:19:41: So what?
00:19:42 --> 00:19:44: Could all this mean for an owner?
00:19:45 --> 00:19:49: If a building doesn't meet an energy efficiency standard in
00:19:49 --> 00:19:54: one of these region, it could trigger additional unexpected capital
00:19:54 --> 00:19:58: expenditure to bring the building up to higher efficiency standards,
00:19:58 --> 00:20:01: to be able to lease the building or to not
00:20:01 --> 00:20:04: have to pay a fine, or to be able to
00:20:04 --> 00:20:07: get the final sign offs of your new construction or
00:20:07 --> 00:20:09: major renovation.
00:20:09 --> 00:20:12: We're also seeing that it could lead to less liquidity

00:20:12 --> 00:20:14: from investors and lenders.
00:20:14 --> 00:20:18: Investors are starting to take note of the energy efficiency,
00:20:18 --> 00:20:20: the ratings of particular buildings.
00:20:20 --> 00:20:23: And if there are regulations that buildings have to meet
00:20:23 --> 00:20:27: a minimum threshold, then investors may not want to invest
00:20:27 --> 00:20:30: in those buildings where they know that there's work that
00:20:30 --> 00:20:32: needs to be done in order to to, you know,
00:20:33 --> 00:20:34: use the building as intended.
00:20:35 --> 00:20:38: There also could be a lot less demand from tenants
00:20:38 --> 00:20:40: with their own sustainability goals.
00:20:40 --> 00:20:44: We're seeing in the USA number of corporate tenants have
00:20:44 --> 00:20:49: sustainability corporate goals and they're wanting to locate in buildings
00:20:49 --> 00:20:53: that match those goals that are energy efficient because the
00:20:54 --> 00:20:58: building's emissions there will go on their corporate balance sheet
00:20:58 --> 00:21:00: of their energy usage.
00:21:00 --> 00:21:04: And so they're wanting to make sure that they're able
00:21:04 --> 00:21:07: to hit their own corporate goals and then you may
00:21:07 --> 00:21:11: lost your ability to lease or sell an asset again
00:21:11 --> 00:21:15: if you do not hit these certain building regulation in
00:21:15 --> 00:21:16: the various markets.
00:21:17 --> 00:21:21: And then lastly, it could cost additional time and consulting
00:21:21 --> 00:21:24: fees and reputational risk if you have to pay fines
00:21:24 --> 00:21:27: that your buildings aren't meeting certain levels.
00:21:30 --> 00:21:33: So how are investors using this data or how have
00:21:33 --> 00:21:35: we seen investors use this data?
00:21:35 --> 00:21:40: We've seen certain investors decide and determine where to deploy
00:21:40 --> 00:21:45: capital based on fund categorization or based on property level
00:21:45 --> 00:21:47: certifications or ratings.
00:21:47 --> 00:21:51: We've also seen particularly in Europe that there are at
00:21:51 --> 00:21:56: times green premium for properties that achieve higher levels of
00:21:56 --> 00:21:58: energy efficiency standards.
00:21:59 --> 00:22:03: This is also a way that certain investment managers can
00:22:03 --> 00:22:07: classify properties and and put them in various funds.
00:22:08 --> 00:22:11: And you know ultimately the the goal of this is
00:22:11 --> 00:22:15: to be able to have greater transparency and comparability between
00:22:15 --> 00:22:17: firms, funds and properties.
00:22:18 --> 00:22:22: On the negative side, what this could do is, is
00:22:22 --> 00:22:26: identify assets that could be stranded or you know need

00:22:27 --> 00:22:30: additional capital to bring them up to standards.

00:22:31 --> 00:22:34: And in the US we're seeing at times that this

00:22:34 --> 00:22:38: could create some brown discount for properties that are not

00:22:38 --> 00:22:41: staying up to speed with the market standards.

00:22:41 --> 00:22:45: So ultimately all of this data is leading to potentially

00:22:45 --> 00:22:48: different outcomes and decision making.

00:22:51 --> 00:22:53: So I want to wrap up by saying that change

00:22:53 --> 00:22:54: is coming.

00:22:55 --> 00:22:58: Be aware of the various regulations happening at the firm

00:22:58 --> 00:23:01: level, the fund level and the property level.

00:23:02 --> 00:23:05: Be able to have a system in place at your

00:23:05 --> 00:23:09: company to underwrite this risk and have a process to

00:23:09 --> 00:23:12: manage the rest of strategy and be able to disclose

00:23:12 --> 00:23:15: and report these results back to investors.

00:23:16 --> 00:23:20: You know, I think that this is a journey there.

00:23:20 --> 00:23:23: There's this has been very much in flux of you

00:23:23 --> 00:23:26: know how do we get comparability between companies and I

00:23:26 --> 00:23:30: think that we're really in the beginning stages of that,

00:23:30 --> 00:23:34: but this is where companies need to start, starts on

00:23:34 --> 00:23:36: how they're collecting all this data.

00:23:36 --> 00:23:40: And at some point in time in the future hopefully

00:23:40 --> 00:23:44: we have greater comparability between investment managers and buildings and

00:23:44 --> 00:23:48: and greater clarity on pricing and climate risk back into

00:23:48 --> 00:23:50: investment decision making processes.

00:23:51 --> 00:23:54: So with that, I will turn it back to Billy.

00:23:59 --> 00:24:00: Shiva, over to you.

00:24:00 --> 00:24:03: What are you seeing in this changing climate and ESG

00:24:03 --> 00:24:05: regulatory market?

00:24:05 --> 00:24:06: Oh, thank you.

00:24:06 --> 00:24:07: Thank you, Billy, and thank you, Laura.

00:24:08 --> 00:24:12: So I think Billy, you did a great job laying

00:24:12 --> 00:24:16: out what's on the menu, the regulatory domain.

00:24:16 --> 00:24:20: And Laura, you added a lot in terms of granular

00:24:20 --> 00:24:23: thinking about what an investor wants, so.

00:24:24 --> 00:24:26: I'm going to take all this to the next level

00:24:26 --> 00:24:28: in the following sense, right?

00:24:28 --> 00:24:30: So let's go back to the basics.

00:24:30 --> 00:24:32: As an investor, what am I looking for?

00:24:33 --> 00:24:36: A, is climate risk material for a real estate business

00:24:36 --> 00:24:39: And bear with me if that sounds like a silly

00:24:39 --> 00:24:41: question because it's not.

00:24:42 --> 00:24:47: And two, is climate risk priced assuming it's material and
00:24:47 --> 00:24:51: you know, assuming that I'm buying a fund or?
00:24:52 --> 00:24:55: I'm consuming publicly available reports.
00:24:56 --> 00:24:59: Am I anywhere close to getting answers to that question?
00:24:59 --> 00:25:02: The answer is absolutely not okay and here's my thought
00:25:03 --> 00:25:03: experiment.
00:25:04 --> 00:25:09: So I picked 2 REACH real estate investment trusts which
00:25:09 --> 00:25:10: have.
00:25:10 --> 00:25:12: A lot of coastal properties, you know, on the East
00:25:13 --> 00:25:14: Coast and the West Coast.
00:25:14 --> 00:25:17: And I tried running these two ideas by, you know,
00:25:17 --> 00:25:19: can can I a, make sense of is climate risk
00:25:19 --> 00:25:20: a big deal?
00:25:20 --> 00:25:22: Well, it must be because there are lots of coastal
00:25:22 --> 00:25:25: properties here sitting in Boston, various parts of California, New
00:25:25 --> 00:25:26: York and so on, and Florida.
00:25:28 --> 00:25:30: And B, can I even begin to get a sense
00:25:30 --> 00:25:33: for the physical risk, let alone transition?
00:25:33 --> 00:25:34: That's a deeper conversation.
00:25:35 --> 00:25:37: And you know, by and large.
00:25:38 --> 00:25:42: These two reads put out the glassy sustainability reports.
00:25:42 --> 00:25:43: Nice pictures.
00:25:44 --> 00:25:48: Occasionally they have some conversation about installing flood doors and
00:25:48 --> 00:25:52: gates, which is all great, but virtually nothing else.
00:25:52 --> 00:25:55: But thankfully, as you know, reads give you addresses.
00:25:55 --> 00:25:58: So I got I pulled out these addresses of the
00:25:58 --> 00:26:01: buildings, found a consulting firm to do some work on
00:26:01 --> 00:26:03: telling me are these in a floodplain?
00:26:03 --> 00:26:06: You know what's the fire hazard risk like etcetera.
00:26:07 --> 00:26:09: And they came back to me with some data which
00:26:10 --> 00:26:12: does suggest that there is some risk.
00:26:12 --> 00:26:15: But then as an investor, I by and large no,
00:26:15 --> 00:26:16: nothing, you know.
00:26:16 --> 00:26:19: So for instance, I need to know, you know, what
00:26:19 --> 00:26:23: are likely to be, say you know, the physical damage
00:26:23 --> 00:26:25: to these buildings.
00:26:25 --> 00:26:29: What might increased operating costs look like due to maintenance?
00:26:29 --> 00:26:32: What might repairs and insurance premiums look like?
00:26:33 --> 00:26:36: You know, are you likely to have reduced occupancy rates
00:26:36 --> 00:26:37: and tenant demand?

00:26:37 --> 00:26:40: I don't know, you know, what might the impact of
00:26:40 --> 00:26:43: all the regulatory changes that Laura and Billy talked about
00:26:43 --> 00:26:45: have on these properties.
00:26:45 --> 00:26:48: You know, is there likely to be a market shift
00:26:48 --> 00:26:51: to maybe resilient or more sustainable locations?
00:26:51 --> 00:26:54: That's the transition risk part, you know and if you
00:26:54 --> 00:26:55: have.
00:26:55 --> 00:26:59: Let's say going beyond residential rates, if you have a
00:26:59 --> 00:27:03: commercial rate and let's say Amazon has a distribution center
00:27:03 --> 00:27:07: there, what's the, you know, risk of business interruption to
00:27:07 --> 00:27:08: an Amazon?
00:27:08 --> 00:27:11: So it goes beyond just the physical risk because the
00:27:11 --> 00:27:13: there's a multiplier effect, right.
00:27:13 --> 00:27:17: So it's going to hurt Amazon's business, you know, is
00:27:17 --> 00:27:20: there, is there any implication for the liability on the
00:27:20 --> 00:27:20: rate?
00:27:22 --> 00:27:24: How much more by way of CapEx, the point that
00:27:24 --> 00:27:27: Laura talked about, will these firms have to spend to
00:27:27 --> 00:27:28: respond to some potential damage?
00:27:29 --> 00:27:31: And more important, you know, will they just flip the
00:27:31 --> 00:27:32: properties?
00:27:32 --> 00:27:35: So, you know, maybe all this is not important because
00:27:35 --> 00:27:38: they'll just sell the properties and leave before the actual
00:27:38 --> 00:27:39: climate damage hits.
00:27:39 --> 00:27:43: So bottom line, as an investor, you know, I'm looking
00:27:43 --> 00:27:45: for answers to these questions.
00:27:46 --> 00:27:49: In my mind, the current state of disclosure is, frankly,
00:27:49 --> 00:27:49: is awful.
00:27:50 --> 00:27:51: It's really, really hard to know anything.
00:27:53 --> 00:27:56: And let's now go to will these regulations fix anything,
00:27:56 --> 00:27:56: right.
00:27:57 --> 00:27:59: A lot of these regulations are going to push us
00:27:59 --> 00:28:02: to tell us to say a little bit more about
00:28:02 --> 00:28:04: the inputs and that's a great start.
00:28:04 --> 00:28:07: But the ideal, you know, alternative that I need as
00:28:07 --> 00:28:09: an investor is what does that mean in terms of
00:28:09 --> 00:28:12: future cash flows, You know, so a lot of the
00:28:12 --> 00:28:15: regulations so far will give you a little bit about
00:28:15 --> 00:28:18: what goes into hopefully some kind of risk assessment model.
00:28:19 --> 00:28:21: What does that mean in terms of actual output, in

00:28:21 --> 00:28:24: terms of range of physical, you know, future cash flows
00:28:24 --> 00:28:25: is what I ideally want.
00:28:25 --> 00:28:28: So bottom line, these are all great steps and when,
00:28:28 --> 00:28:32: when, when folks are thinking about writing these sustainability reports.
00:28:33 --> 00:28:35: It's hard, I know, but play the role of a
00:28:35 --> 00:28:36: critical investor.
00:28:36 --> 00:28:38: Start with the basics.
00:28:38 --> 00:28:40: I want to understand this climate, risk, price.
00:28:40 --> 00:28:44: What data points do I need to get there and
00:28:44 --> 00:28:45: help me help you?
00:28:46 --> 00:28:48: It would be where I would close this and happy
00:28:48 --> 00:28:49: to take questions.
00:28:49 --> 00:28:49: Thank you.
00:28:53 --> 00:28:56: Shiva, yeah, I would love to ask our panelists a
00:28:56 --> 00:28:57: couple questions.
00:28:57 --> 00:28:59: I'd also like to remind the audience that we'd love
00:28:59 --> 00:29:01: to have your questions.
00:29:01 --> 00:29:04: So please drop them into the Q&A and we will
00:29:04 --> 00:29:08: answer them as fast and as accurately as we can.
00:29:09 --> 00:29:11: Laura, question for you.
00:29:12 --> 00:29:16: As you're looking to comply with SFDR and prepare Hytman
00:29:16 --> 00:29:20: for the SEC climate rule, what challenges are you encountering,
00:29:20 --> 00:29:23: either in data collection or reporting?
00:29:23 --> 00:29:24: And how are you navigating them?
00:29:28 --> 00:29:30: You know, I think that part of the challenges is
00:29:30 --> 00:29:33: that a lot of these regulations are just coming out.
00:29:33 --> 00:29:36: SFDR came out in 2021.
00:29:37 --> 00:29:40: So when we started launching funds in 2021, we had
00:29:40 --> 00:29:43: to make sure that our property, our, our funds would
00:29:43 --> 00:29:45: be compliant in that.
00:29:45 --> 00:29:48: And so I think it was catching up to speed,
00:29:48 --> 00:29:52: staying up to speed with what was required to categorize
00:29:52 --> 00:29:52: funds.
00:29:53 --> 00:29:56: And then in in recent weeks that you hear that
00:29:56 --> 00:29:59: SFDR is doing a consultation.
00:29:59 --> 00:30:04: And potentially changing some of those regulations related to fund
00:30:04 --> 00:30:06: classifications and disclosures.
00:30:06 --> 00:30:09: And so I think that part of the issue is
00:30:10 --> 00:30:12: that these regulations are in flux.
00:30:13 --> 00:30:17: The SEC rules are all proposed, nothing has been finalized.

00:30:18 --> 00:30:22: So I think from my perspective it's not looking so
00:30:22 --> 00:30:26: much of what are what regulations are in place, but
00:30:26 --> 00:30:28: what do we need to do as a firm to
00:30:28 --> 00:30:32: be able to answer any regulations that come out.
00:30:33 --> 00:30:36: So that's where we believe that it's an it's an
00:30:36 --> 00:30:40: internal process to make sure that you're answering what it's
00:30:40 --> 00:30:43: the true risk to your portfolios and being able to
00:30:44 --> 00:30:46: track that within the portfolio.
00:30:46 --> 00:30:50: So, so that's how I would answer it is that
00:30:50 --> 00:30:53: you know you need to follow a framework and we
00:30:53 --> 00:30:56: do like TCFD kind of at a broad level that
00:30:56 --> 00:31:00: that gives generalized guideline on on how companies can begin
00:31:00 --> 00:31:05: to think about this and incorporate back into their businesses.
00:31:05 --> 00:31:10: So they can answer any regulations that do get finalized
00:31:10 --> 00:31:11: and stay finalized.
00:31:13 --> 00:31:17: Yeah, it's, it's interesting, I think about the investment cycle
00:31:17 --> 00:31:19: catching up to the regulatory cycle.
00:31:19 --> 00:31:21: It must be even harder for debt investors who have
00:31:21 --> 00:31:25: a 10/20/30 year interest in these properties to make sure
00:31:25 --> 00:31:26: that they're complying.
00:31:27 --> 00:31:29: Shiva, question for you.
00:31:30 --> 00:31:33: You touched on this a little bit in your remarks,
00:31:33 --> 00:31:36: but what's life going to look like for you and
00:31:36 --> 00:31:41: for investment analysts, professionals when you have more data, theoretically
00:31:41 --> 00:31:42: it's more consistent?
00:31:43 --> 00:31:47: And there's something audit quality or quote UN quote verified
00:31:47 --> 00:31:48: about it.
00:31:48 --> 00:31:52: Is that gonna change calculations and how people purchase this
00:31:52 --> 00:31:54: data in their investment analysis?
00:31:55 --> 00:31:59: For sure, that's why I tried to go through what
00:31:59 --> 00:32:01: my ideal life would look like.
00:32:02 --> 00:32:05: My worry, Billy, going back to the regulation idea, you
00:32:05 --> 00:32:07: know, I know we're all worried about regulation.
00:32:07 --> 00:32:11: Regulation at best is probably going to be A1 size
00:32:11 --> 00:32:17: fits all, lowest common denominator response to a difficult problem,
00:32:17 --> 00:32:17: right.
00:32:18 --> 00:32:18: So.
00:32:19 --> 00:32:22: You know, and I would encourage everybody on the call

00:32:22 --> 00:32:26: to worry less about compliance and worry more about become
00:32:26 --> 00:32:28: becoming truly investor friendly.
00:32:28 --> 00:32:31: So ask yourself, what would I need?
00:32:31 --> 00:32:33: What would a good analyst or an investor need, going
00:32:33 --> 00:32:36: back to your point to help us bound some of
00:32:36 --> 00:32:39: the risks, Because the worry when you don't see this
00:32:39 --> 00:32:42: in a sustainability report is that is management even thinking
00:32:42 --> 00:32:42: about this.
00:32:43 --> 00:32:45: That's the biggest signal that I'm getting right.
00:32:45 --> 00:32:49: But you know, if you don't know, clearly, you know,
00:32:49 --> 00:32:51: the confusion kind of shows up.
00:32:51 --> 00:32:54: Either management hasn't thought about this and or doesn't want
00:32:54 --> 00:32:56: to disclose this and they're both bad signals.
00:32:57 --> 00:33:02: So in an ideal world and it frankly there may
00:33:02 --> 00:33:04: be no climate risk okay.
00:33:04 --> 00:33:08: I'm being very agnostic and being academic about this.
00:33:08 --> 00:33:09: This is not a political conversation.
00:33:09 --> 00:33:12: It's about investment and if this is not a concern
00:33:12 --> 00:33:13: for you.
00:33:13 --> 00:33:14: Great.
00:33:14 --> 00:33:16: You've done the work and you tell me it's not
00:33:16 --> 00:33:18: a concern because my horizon as you said is like
00:33:18 --> 00:33:20: not 20 years, it's probably five years.
00:33:21 --> 00:33:22: And I've done some careful modeling.
00:33:23 --> 00:33:26: So all one is looking for is some kind of
00:33:26 --> 00:33:32: acknowledgement, you know, a deeper understanding from management whether this
00:33:32 --> 00:33:34: is a concern or not, some modeling.
00:33:35 --> 00:33:37: And I'm not saying show us everything.
00:33:37 --> 00:33:39: I know you have proprietary cost concerns, but give us
00:33:39 --> 00:33:40: enough to work with.
00:33:41 --> 00:33:44: Right now the the state of ESG disclosure is frankly
00:33:44 --> 00:33:47: very, very behind compared to the state of say financial
00:33:47 --> 00:33:48: reporting disclosure.
00:33:49 --> 00:33:52: You know that the controls are not there, the rigor
00:33:52 --> 00:33:55: is missing, compatibility is a problem and everybody is waiting
00:33:55 --> 00:33:58: with with bated breadth for a regulator in shining armor
00:33:59 --> 00:34:00: to come and solve the problem.
00:34:01 --> 00:34:02: That's not going to happen.
00:34:02 --> 00:34:03: It I think Lara made this point.

00:34:04 --> 00:34:06: It has to be management and it has to be
00:34:06 --> 00:34:07: your discipline.
00:34:09 --> 00:34:12: Yeah, Laura, I mean, you're, you're going to be a
00:34:12 --> 00:34:14: reporter, but you're also going to have this treasure trove
00:34:15 --> 00:34:15: of data.
00:34:16 --> 00:34:18: Is there anything you're excited about in terms of what
00:34:18 --> 00:34:21: asset level data you'll have or the quality of that
00:34:21 --> 00:34:23: data compared to what you've had in the past?
00:34:24 --> 00:34:29: Yeah, you know, and talking about climate change in particular,
00:34:29 --> 00:34:33: you know, back up 10 years, the ESG sustainability world
00:34:33 --> 00:34:37: was very much focused more on carbon emissions and less
00:34:37 --> 00:34:39: so on physical climate risk.
00:34:39 --> 00:34:42: That's why we started this ULI hype and series reports
00:34:42 --> 00:34:46: is we wanted to understand where the industry was at
00:34:46 --> 00:34:50: with understanding physical climate risk within the portfolios.
00:34:50 --> 00:34:54: And that report when we released it in 2019 was
00:34:54 --> 00:34:57: one of the first reports to dive into that topic.
00:34:58 --> 00:35:01: So I think that this is relatively a new topic
00:35:01 --> 00:35:05: that many real estate investment managers and owners are thinking
00:35:05 --> 00:35:05: about.
00:35:06 --> 00:35:11: 10 years ago there weren't forward-looking models to understand a
00:35:11 --> 00:35:16: property's risk to to hurricanes into the future or to
00:35:16 --> 00:35:17: flooding.
00:35:17 --> 00:35:20: We were very much reliant on FEMA maps, which in
00:35:20 --> 00:35:24: the US in particular, which tend to be outdated and
00:35:24 --> 00:35:26: they're binary in nature.
00:35:26 --> 00:35:30: So you know, in our 2019 report, we were trying
00:35:30 --> 00:35:34: to survey the market on what is best practice for
00:35:34 --> 00:35:38: understanding true climate risk within portfolios.
00:35:38 --> 00:35:41: And that was when data companies were just starting to
00:35:41 --> 00:35:42: come out.
00:35:42 --> 00:35:47: There was maybe only a handful of companies that could
00:35:47 --> 00:35:52: pinpoint your assets from Longitude Latitude and tell you you're
00:35:52 --> 00:35:56: a rest of the the historical looking rest, but also
00:35:56 --> 00:36:00: the future rest on a number of perils to your
00:36:00 --> 00:36:00: asset.
00:36:01 --> 00:36:03: So if we think that we've only had this data
00:36:04 --> 00:36:06: for the past five years or so, I think we're
00:36:06 --> 00:36:09: in the infancy of trying to figure out how it

00:36:09 --> 00:36:13: really funnels down into decision making and what is our
00:36:13 --> 00:36:14: time horizon.
00:36:15 --> 00:36:19: The other factor which I think is, is really coming
00:36:19 --> 00:36:21: to light is insurance.
00:36:22 --> 00:36:25: When we first did our report in in 2019, a
00:36:25 --> 00:36:29: lot of investment managers said, well I've got insurance for
00:36:29 --> 00:36:30: climate risk.
00:36:30 --> 00:36:32: I'm not as concerned.
00:36:32 --> 00:36:36: And what we're seeing now is that insurance pricing in
00:36:36 --> 00:36:39: the past year has dramatically increased.
00:36:39 --> 00:36:42: And we're also seeing in the US certain insurers pull
00:36:42 --> 00:36:43: out of markets.
00:36:43 --> 00:36:46: If you can't get insurance, can you get a loan
00:36:46 --> 00:36:48: on that property.
00:36:48 --> 00:36:51: I think these are some of the the the risk
00:36:51 --> 00:36:55: factors that real estate managers are having to grapple with
00:36:55 --> 00:36:58: and it's not something that we had to grapple with
00:36:58 --> 00:37:01: 10 years ago or it wasn't quite as in our
00:37:01 --> 00:37:02: face as it is now.
00:37:02 --> 00:37:05: So I think the landscape has changed and we have
00:37:05 --> 00:37:07: to take this more seriously.
00:37:07 --> 00:37:12: Costs are going up, the insurers that will provide insurance
00:37:12 --> 00:37:15: and markets is going down.
00:37:15 --> 00:37:18: You know we're seeing insurance renewals.
00:37:18 --> 00:37:21: I know there was a number of studies done that
00:37:21 --> 00:37:25: insurance that didn't even have claims went up maybe by
00:37:25 --> 00:37:29: 50%, even double the insurance premiums and then insurance that
00:37:29 --> 00:37:33: was impacted, you know you could see those rates go
00:37:33 --> 00:37:34: up even more.
00:37:35 --> 00:37:38: So I think that that's going to have a material
00:37:38 --> 00:37:43: impact on investment managers cash flows and it's something that
00:37:43 --> 00:37:45: we have to take seriously.
00:37:47 --> 00:37:47: Thanks, Laura.
00:37:47 --> 00:37:51: So the questions have been rolling in and they're not
00:37:51 --> 00:37:54: easy questions, so I'm going to throw them out there
00:37:54 --> 00:37:54: recognizing.
00:37:55 --> 00:37:57: It's possible that none of us will be able to
00:37:57 --> 00:37:59: answer some of them, but hopefully one of us will
00:37:59 --> 00:38:01: be able to answer most of them.
00:38:02 --> 00:38:06: First question, How are climate risks impacting real estate taxes

00:38:07 --> 00:38:07: and where?
00:38:09 --> 00:38:12: Any thoughts I can try to answer this one.
00:38:12 --> 00:38:16: So our report to which focused on market level risk,
00:38:16 --> 00:38:21: we wanted to understand how markets were responding to climate
00:38:21 --> 00:38:22: risk.
00:38:22 --> 00:38:26: And part of that is, is how are how are
00:38:26 --> 00:38:32: certain cities or local jurisdictions funding infrastructure upgrades.
00:38:32 --> 00:38:36: And a lot of those infrastructure upgrades, they could be
00:38:36 --> 00:38:38: funded through real estate taxes.
00:38:38 --> 00:38:41: And so if you're investing in a market that and
00:38:41 --> 00:38:46: where that market needs to protect itself, they need to
00:38:46 --> 00:38:51: spend capital to harden the infrastructure to protect against flooding
00:38:51 --> 00:38:55: or to protect against sea level rise, then that's where
00:38:55 --> 00:38:59: an investor we, we want to understand how are those
00:38:59 --> 00:39:02: those capital upgrades being funded?
00:39:02 --> 00:39:05: Is it through increasing property taxes?
00:39:07 --> 00:39:13: Yeah, even just in, in Florida and Mexico, we've seen
00:39:13 --> 00:39:14: every strategy.
00:39:14 --> 00:39:18: We've seen an increase in resort taxes and fees we've
00:39:18 --> 00:39:18: seen.
00:39:19 --> 00:39:22: Taxes associated with real estate transactions.
00:39:22 --> 00:39:25: We've seen sales taxes and a portion of a sales
00:39:25 --> 00:39:28: tax being carved off to help pay for these infrastructure
00:39:28 --> 00:39:31: improvements and many of these cities and and Miami Beach
00:39:31 --> 00:39:32: is a great example.
00:39:32 --> 00:39:36: So that they don't have to increase taxes, they indirectly
00:39:36 --> 00:39:40: will float a a bond to pay for infrastructure investment,
00:39:40 --> 00:39:43: which in an era of low interest rates can be
00:39:43 --> 00:39:46: a really amazing low cost way for a city to
00:39:47 --> 00:39:48: distribute the cost.
00:39:49 --> 00:39:53: Of these infrastructure upgrades more broadly, it's becoming harder to
00:39:53 --> 00:39:56: issue those resilience bonds at a favorable interest rate these
00:39:56 --> 00:39:59: days compared to three or four years ago.
00:40:00 --> 00:40:02: There's a question for Shiva.
00:40:02 --> 00:40:05: Shiva, have you seen any reporting standards that that you
00:40:05 --> 00:40:08: think have been helpful in assessing climate risk in a
00:40:08 --> 00:40:09: way that's helpful for an investor?
00:40:11 --> 00:40:12: And then?

00:40:13 --> 00:40:14: The questioner also says that.
00:40:14 --> 00:40:16: Seems like the answer may be no.
00:40:16 --> 00:40:17: Well, maybe not.
00:40:17 --> 00:40:17: It's not.
00:40:17 --> 00:40:20: You know, if I if I sounded too pessimistic, I'm
00:40:20 --> 00:40:20: sorry.
00:40:20 --> 00:40:22: But you know, the hope is to get to a
00:40:22 --> 00:40:22: better place.
00:40:22 --> 00:40:27: But let me give you 222 role models, arguably both
00:40:27 --> 00:40:32: surprising, I would imagine one Exxon Mobil, the the energy
00:40:32 --> 00:40:33: company, right.
00:40:33 --> 00:40:37: So you know, we often accuse American companies of being
00:40:37 --> 00:40:38: myopic and so on.
00:40:39 --> 00:40:44: Exxon actually gives out a scenario for where that business
00:40:44 --> 00:40:48: might go or where would revenue come from by 2050.
00:40:49 --> 00:40:51: Now by definition these are scenarios and so on, but
00:40:51 --> 00:40:53: still it's super insightful.
00:40:53 --> 00:40:56: So they say that even maybe in 2040 or 2050,
00:40:56 --> 00:40:59: half of our energy consumption is still going to be
00:40:59 --> 00:41:02: oil and gas, more gas, perhaps less oil because it's
00:41:03 --> 00:41:05: a transition field and all that.
00:41:05 --> 00:41:08: But most of the money would still be would be
00:41:08 --> 00:41:12: made through chemicals, you know, So I'm guessing before the
00:41:12 --> 00:41:15: whole ESG climate revolution, I'm guessing no U.S.
00:41:15 --> 00:41:18: company actually wrote 30 year plans or 40 year plans.
00:41:18 --> 00:41:21: So that's a road model where whether you agree or
00:41:21 --> 00:41:24: disagree, at least there's a management view out there on
00:41:24 --> 00:41:27: what they intend to do, which I think is very
00:41:27 --> 00:41:30: helpful and I hope somebody in real estate picks that
00:41:30 --> 00:41:30: up.
00:41:30 --> 00:41:34: The other example at a more tactical level is actually
00:41:34 --> 00:41:37: a tobacco company which the ESG people obviously don't like.
00:41:38 --> 00:41:41: It's the, it's Philip Morris, you know Philip Morris if
00:41:41 --> 00:41:44: you go pull up their data is amazing.
00:41:44 --> 00:41:46: They have 18 KPIs on ESG.
00:41:46 --> 00:41:49: It sounds like a lot, but everybody has line item
00:41:49 --> 00:41:53: responsibility at a divisional level for some KPI.
00:41:53 --> 00:41:54: They're paid on that.
00:41:54 --> 00:41:59: They actually take ESG seriously in terms of integrating that
00:41:59 --> 00:42:00: with strategy.
00:42:00 --> 00:42:02: See, that's the that's the number one problem, right.

00:42:02 --> 00:42:06: If you don't integrate this with your strategic thinking, it's
00:42:06 --> 00:42:07: always going to look disjointed.
00:42:07 --> 00:42:10: The sustainability report is never going to talk to the
00:42:10 --> 00:42:14: 10K and people are going to accuse your brainwashing, maybe
00:42:14 --> 00:42:15: legitimately so.
00:42:15 --> 00:42:19: So SO2SO2 ideas there and the bigger practical take away
00:42:19 --> 00:42:24: think about integrating this in your strategic thinking, right, Maybe
00:42:24 --> 00:42:27: that's the only real way for the organization to to
00:42:27 --> 00:42:29: kind of move forward?
00:42:32 --> 00:42:34: I think indirectly Shiva, you're also suggesting that the real
00:42:34 --> 00:42:37: estate industry may want to look to other forward thinking
00:42:37 --> 00:42:40: Fortune 5 hundreds in other industries who may have absolutely
00:42:40 --> 00:42:41: there are Rd.
00:42:41 --> 00:42:42: models out there.
00:42:42 --> 00:42:44: And if you want a third example, maybe you don't
00:42:44 --> 00:42:46: want this, but look at AXA, this is an insurance
00:42:46 --> 00:42:48: company and this is kind of the opposite of what
00:42:49 --> 00:42:50: Laura was saying, right?
00:42:50 --> 00:42:51: Let's look at what they are doing.
00:42:52 --> 00:42:54: So of course they're increasing prices for us as real
00:42:54 --> 00:42:57: estate people, but that's their revenue.
00:42:57 --> 00:42:59: And are they really covering their cost?
00:42:59 --> 00:43:02: Turns out not because the Europeans are more worried because
00:43:02 --> 00:43:04: they're active in the reinsurance market.
00:43:04 --> 00:43:07: The US property casualty insurance companies are frankly in my
00:43:08 --> 00:43:10: mind not super, you know, when they don't have a
00:43:10 --> 00:43:13: lot of skin in the game because they're effectively running
00:43:13 --> 00:43:16: a cost plus model when when losses go up, they
00:43:16 --> 00:43:18: simply spread that over the rate base and they move
00:43:18 --> 00:43:19: on with the profit.
00:43:20 --> 00:43:22: So you want to look at the Europeans and AXA.
00:43:22 --> 00:43:25: AXA is a is a is a fabulous role model
00:43:25 --> 00:43:27: if you're looking for role models.
00:43:30 --> 00:43:33: So a tough question about the future of cities.
00:43:33 --> 00:43:36: Do you foresee climate change slim areas forming or more
00:43:36 --> 00:43:39: of them forming due to buildings not being able to
00:43:39 --> 00:43:42: improve to meet climate change performing targets?
00:43:42 --> 00:43:44: Do it due to something that we've talked about our

00:43:44 --> 00:43:48: previous webinar, these buildings being stranded assets that it's going
00:43:48 --> 00:43:50: to cost more to bring them up to.
00:43:50 --> 00:43:53: Code or standards then the building is actually work.
00:43:55 --> 00:43:56: Is this a?
00:43:56 --> 00:43:57: Is this a real risk?
00:43:57 --> 00:43:59: Is it something that you all are tracking?
00:44:00 --> 00:44:04: I think there is a risk for buildings not being
00:44:04 --> 00:44:08: in compliant local law 97 for instance that it goes
00:44:08 --> 00:44:09: into effect 2024.
00:44:09 --> 00:44:13: It was going to be a fine and it sounds
00:44:13 --> 00:44:15: like in the recent week that.
00:44:16 --> 00:44:19: There could be a an opportunity to to showcase how
00:44:20 --> 00:44:23: you plan to reduce energy and carbon and maybe you
00:44:23 --> 00:44:26: won't be hit with a fine in 2024.
00:44:26 --> 00:44:29: So I think that some of these rules that are
00:44:29 --> 00:44:32: coming out that that may have a lot of teeth
00:44:32 --> 00:44:34: in them are potentially being rolled back slightly.
00:44:36 --> 00:44:38: So in terms of this being imminent, I do think
00:44:38 --> 00:44:40: it's very important.
00:44:41 --> 00:44:43: And I do think that there could be an opportunity.
00:44:43 --> 00:44:47: There may be a pricing reset for assets that are
00:44:47 --> 00:44:50: not compliant or are heavy carbon emitters.
00:44:51 --> 00:44:54: And there could be an opportunity for an investor to
00:44:54 --> 00:44:57: come in and buy that asset at a lower cost
00:44:57 --> 00:45:00: basis and make upgrades and turn that into a value
00:45:00 --> 00:45:01: add asset.
00:45:01 --> 00:45:05: So reposition the asset through capital upgrades.
00:45:07 --> 00:45:10: So Billy, if I may, just a quick 32nd, you
00:45:10 --> 00:45:11: know, a point to add here.
00:45:12 --> 00:45:16: So I think last month Columbia ran a conference on
00:45:16 --> 00:45:17: managed retreat.
00:45:17 --> 00:45:21: You know, it sounds awful, but it's a it's a
00:45:21 --> 00:45:21: reality.
00:45:22 --> 00:45:24: You know, at some point we just have to, you
00:45:24 --> 00:45:26: know, I'm just very pessimistic about us fixing anything frankly.
00:45:27 --> 00:45:29: I think the only option we really have is to
00:45:29 --> 00:45:29: adapt.
00:45:29 --> 00:45:33: And 11 strategy associated with adaptation is just we just
00:45:33 --> 00:45:34: have to retreat.
00:45:35 --> 00:45:37: So this is, this sounds like science fiction.

00:45:37 --> 00:45:39: It's it's probably not science fiction.
00:45:39 --> 00:45:40: It's going to happen.
00:45:41 --> 00:45:43: So you know, and folks in your audience probably might
00:45:43 --> 00:45:44: want to think about that.
00:45:46 --> 00:45:50: Yeah, we've, I mean we've seen places like Jakarta and
00:45:50 --> 00:45:54: DACA and Manila and Cairo already starting to do just
00:45:54 --> 00:45:56: that out of necessity.
00:45:56 --> 00:45:59: And it's not unlikely that this is going to happen
00:45:59 --> 00:46:01: in more communities in the United States.
00:46:01 --> 00:46:03: I mean, there is even a little bit of this
00:46:04 --> 00:46:07: happening along the Gulf Coast and then and there are
00:46:07 --> 00:46:10: states that have pretty proactive programs already like New York
00:46:10 --> 00:46:13: and New Jersey that are being very thoughtful about how
00:46:13 --> 00:46:15: they incentivize managed retreat.
00:46:16 --> 00:46:19: When I think that that was something we were trying
00:46:19 --> 00:46:22: to head on with report three is climate migration.
00:46:22 --> 00:46:26: Are people taking climate risks into account when they make
00:46:26 --> 00:46:27: decisions on where to locate?
00:46:28 --> 00:46:30: You know, and I think we got some mixed results
00:46:30 --> 00:46:31: from that.
00:46:31 --> 00:46:33: You can't just look at climate risk and say people
00:46:33 --> 00:46:35: are not going to move towards climate risk.
00:46:35 --> 00:46:38: What we found is people are thinking about the cost
00:46:38 --> 00:46:39: of living and quality of life.
00:46:40 --> 00:46:41: So you know at what point do.
00:46:42 --> 00:46:45: Do those two factors tip to where people choose to
00:46:45 --> 00:46:46: move somewhere else?
00:46:47 --> 00:46:49: And I think that that's when you're going to start
00:46:49 --> 00:46:50: to see the real manage retreat.
00:46:53 --> 00:46:55: I mean, I have three good questions.
00:46:55 --> 00:46:57: They're probably more, but I want to get through all
00:46:57 --> 00:46:59: three of these and get both of your opinions on
00:46:59 --> 00:46:59: this.
00:46:59 --> 00:47:04: So the first one's about green certifications, building level certifications
00:47:04 --> 00:47:05: such as lead.
00:47:05 --> 00:47:10: I'd also add in Energy Star, Bream Neighbors.
00:47:10 --> 00:47:13: Can you talk about the future role that these third
00:47:13 --> 00:47:16: party certifications will play in eliminating some of the risks
00:47:16 --> 00:47:17: from Laura's presentation?
00:47:18 --> 00:47:20: What's the future role of of lead and other asset
00:47:20 --> 00:47:23: level standards and and helping to comply with these

emerging
00:47:23 --> 00:47:24: regulations?
00:47:26 --> 00:47:29: So I do think that there is a place for
00:47:29 --> 00:47:33: lead operations, but the, you know their lead has a
00:47:33 --> 00:47:38: certification for new construction and then a certification for operations
00:47:38 --> 00:47:39: and management.
00:47:39 --> 00:47:43: I think it's important to develop a green friendly building,
00:47:43 --> 00:47:46: but I think it's it's almost more important to run
00:47:46 --> 00:47:47: your asset very efficiently.
00:47:48 --> 00:47:52: So if we're talking about the operational component, I think
00:47:52 --> 00:47:57: that that's very important to get operational efficiency, green energy
00:47:57 --> 00:48:01: stars ratings, a high rating and certifications that can backstop
00:48:01 --> 00:48:05: all your data and make sure that your building is
00:48:05 --> 00:48:07: running as efficiently as possible.
00:48:07 --> 00:48:10: And I tend to think that certifications can be a
00:48:10 --> 00:48:11: great.
00:48:12 --> 00:48:16: Best practice for property management on site on things that
00:48:16 --> 00:48:17: they should be doing.
00:48:17 --> 00:48:20: It's just, it can be a reminder of you know.
00:48:20 --> 00:48:22: Here's a set of best practice.
00:48:24 --> 00:48:27: Do you have any thoughts on this role of lead
00:48:27 --> 00:48:29: Energy Star Neighbors increase in this new.
00:48:29 --> 00:48:30: Yeah.
00:48:30 --> 00:48:33: So I'm gonna comment this more slightly different angle that,
00:48:33 --> 00:48:36: you know, I like the fact that audit as a
00:48:36 --> 00:48:40: function is getting decentralized with my worry is that the,
00:48:40 --> 00:48:43: the big four, you know, I'm sure people in the
00:48:43 --> 00:48:46: audience have opinions about how effective they are.
00:48:47 --> 00:48:50: At least there are other auditors now in this domain,
00:48:50 --> 00:48:51: which is good.
00:48:51 --> 00:48:54: You know, competition is not a bad thing and they're
00:48:54 --> 00:48:58: specialists as opposed to having, you know, the big four
00:48:58 --> 00:49:00: pretty much a point on everything.
00:49:00 --> 00:49:01: So that's the that's that's nice.
00:49:01 --> 00:49:05: So there's democratization of the audit process which is which
00:49:05 --> 00:49:08: is what I like about the the emerging certifications and
00:49:08 --> 00:49:08: so on.
00:49:09 --> 00:49:11: But having said that, it's also death by NGOs.
00:49:11 --> 00:49:14: I mean this is an area where there are like

00:49:14 --> 00:49:17: gazillion 4 four letter NGOs writing standards, right.
00:49:18 --> 00:49:22: You you mentioned a few TCFDT and FDGRI biases etcetera,
00:49:22 --> 00:49:22: etcetera.
00:49:23 --> 00:49:25: So how does one manage that proliferation is the cost.
00:49:26 --> 00:49:28: But the the benefit is, you know, I like the
00:49:29 --> 00:49:32: democratization idea, so all power to good certifiers.
00:49:35 --> 00:49:38: I have a great question from Kristen and Kristen and
00:49:38 --> 00:49:41: I apologize if I don't paraphrase this completely correctly.
00:49:41 --> 00:49:45: Kristen's A consultant working on climate assessment and adaptations, but
00:49:45 --> 00:49:48: she's seen owners not progress with this work because of
00:49:48 --> 00:49:51: cost or potential liability that the challenge of we knew
00:49:51 --> 00:49:53: the risk and didn't fix it.
00:49:53 --> 00:49:55: So I mean, are you seeing?
00:49:55 --> 00:49:59: Owners, I've I've personally seen a lot more legal counsel
00:49:59 --> 00:50:02: showing up in our climate risk and resilience conversations than
00:50:02 --> 00:50:04: I ever saw in other ESG conversations.
00:50:05 --> 00:50:08: Is this a challenge that we're facing in the market,
00:50:08 --> 00:50:10: That people don't even want to know their climate risk
00:50:10 --> 00:50:12: because then they will feel they have a legal responsibility
00:50:12 --> 00:50:13: to fix it?
00:50:16 --> 00:50:16: Yeah, sure.
00:50:16 --> 00:50:18: Cuz I don't know if Laura wasn't coming on that.
00:50:19 --> 00:50:20: Well, I don't mind.
00:50:20 --> 00:50:23: You know, I'm a tenure professor, so I'm reasonably immune
00:50:23 --> 00:50:24: to getting fired.
00:50:24 --> 00:50:27: But having said that, this reminds me of, you know,
00:50:27 --> 00:50:30: not, not not going to your annual physical hoping that
00:50:30 --> 00:50:32: something doesn't get discovered right?
00:50:33 --> 00:50:37: Yeah, but it's, it's real, but it's probably not the
00:50:37 --> 00:50:40: best long term health strategy.
00:50:40 --> 00:50:42: Well, if you intend to flip your property, well, I
00:50:42 --> 00:50:44: can't flip my body, but if you intend to flip
00:50:44 --> 00:50:46: your property, it's great, right?
00:50:47 --> 00:50:49: And I worry that that's totally fine.
00:50:49 --> 00:50:51: If that's your strategy, that's totally fine.
00:50:51 --> 00:50:53: Yeah, I know there's a risk.
00:50:53 --> 00:50:55: I don't want to quantify it because I'd rather sell
00:50:56 --> 00:50:57: the property in the next three years.
00:50:59 --> 00:51:02: Yeah, I will point out that ULI did execute a
00:51:02 --> 00:51:06: partnership with the First Read Foundation on Risk Factor

Pro.
00:51:06 --> 00:51:09: And one of the great things about tools like Risk
00:51:09 --> 00:51:13: Factor is it's now available to every every residential user
00:51:13 --> 00:51:16: of realtor.org and for a very small fee it's available
00:51:17 --> 00:51:19: to folks to assess commercial properties.
00:51:20 --> 00:51:23: So even if you're as an owner not disclosing this
00:51:23 --> 00:51:27: risk, it it is becoming easier and easier for potential
00:51:27 --> 00:51:30: buyers to to assess these risks on their own.
00:51:31 --> 00:51:32: Yeah, no, I find it.
00:51:32 --> 00:51:35: I find it really interesting because we wanna know the
00:51:35 --> 00:51:38: risk, we wanna understand how we can mitigate it.
00:51:39 --> 00:51:42: So I I think it's important for like Billy, like
00:51:42 --> 00:51:45: you said, the information is out there now.
00:51:45 --> 00:51:48: 10 years ago, maybe not, but now it's out there.
00:51:49 --> 00:51:52: Can I answer a quick footnote to that comment, Billy?
00:51:52 --> 00:51:54: You know, somebody mentioned brown discount.
00:51:54 --> 00:51:56: Has anybody actually seen a brown discount?
00:51:56 --> 00:51:58: I mean, I've been looking hard.
00:51:58 --> 00:52:00: So if you have evidence of brown discounts, people say
00:52:00 --> 00:52:02: it's there in Europe.
00:52:02 --> 00:52:03: And I don't follow you up too much, but please
00:52:03 --> 00:52:04: send it to me.
00:52:04 --> 00:52:05: You know, you can just Google my name.
00:52:06 --> 00:52:07: I'm looking for a brown discount.
00:52:07 --> 00:52:09: I can't find it, you know, but there should be
00:52:09 --> 00:52:10: a brown discount.
00:52:11 --> 00:52:13: I think the the place to look until a couple
00:52:13 --> 00:52:16: weeks ago would have been New York City because.
00:52:17 --> 00:52:19: It was very easy for people to assess the cost
00:52:19 --> 00:52:22: of the fine for non compliance and the cost of
00:52:22 --> 00:52:26: mitigation to come into compliance with Local law 97.
00:52:26 --> 00:52:29: Now if things have been relaxed a little bit, maybe
00:52:29 --> 00:52:33: some of that brown discount will stop being priced in.
00:52:33 --> 00:52:37: But I have to believe that the transactions happening in
00:52:37 --> 00:52:41: New York City for assets that may face that fine
00:52:41 --> 00:52:46: have to have that taken into consideration in the underwriting.
00:52:47 --> 00:52:51: But again, I it's hard with all the other factors
00:52:51 --> 00:52:54: to probably tease out what that brown discount is.
00:52:54 --> 00:52:56: You have to talk to the buyer about whether or
00:52:56 --> 00:52:59: not they factored it in and if So what what
00:52:59 --> 00:53:00: discount rate they used.

00:53:03 --> 00:53:04: One last question.
00:53:06 --> 00:53:09: To what extent do you anticipate landlords need to take
00:53:09 --> 00:53:12: more responsibility or actually enforce tenants?
00:53:12 --> 00:53:17: Sustainable business practices like energy and water usage or social
00:53:17 --> 00:53:21: criteria like labor issues now that these regulations are in
00:53:21 --> 00:53:25: place and that most of them affect whole building, ESG
00:53:26 --> 00:53:27: or climate performance.
00:53:29 --> 00:53:32: So I think that this is something that we've seen
00:53:32 --> 00:53:37: within our portfolios and within real estate portfolios more generally
00:53:37 --> 00:53:41: is that corporate tenants have their own sustainability goals.
00:53:41 --> 00:53:44: And so there is more of a partnership now than
00:53:44 --> 00:53:45: there was a few years ago.
00:53:45 --> 00:53:48: It used to be, you know, if landlords had sustainability
00:53:49 --> 00:53:52: goals that landlords were the ones trying to push it,
00:53:52 --> 00:53:55: but tenants necessarily weren't cooperating or maybe sharing data.
00:53:56 --> 00:53:59: But I think that with the with a lot of
00:53:59 --> 00:54:04: tenants more having public announcements around their goals, there tends
00:54:04 --> 00:54:08: to be more cooperation in getting to a shared outcome.
00:54:08 --> 00:54:10: So I think that you know this is going in
00:54:10 --> 00:54:11: the right direction.
00:54:11 --> 00:54:14: I would say that we still have, you know we
00:54:14 --> 00:54:17: cannot we we may have industrial properties within our portfolio
00:54:17 --> 00:54:18: which are triple net.
00:54:18 --> 00:54:20: So we do not control the operations.
00:54:20 --> 00:54:22: We may not even see the energy bills.
00:54:22 --> 00:54:25: But what we can do is have a conversation with
00:54:25 --> 00:54:28: our tenant and encourage them, but we can't tell them
00:54:28 --> 00:54:30: necessarily how to run their operations.
00:54:31 --> 00:54:34: So I think there there still can be I guess
00:54:34 --> 00:54:38: a delineation around what a landlord is is able to
00:54:38 --> 00:54:41: do or not do or encourage or not encourage.
00:54:48 --> 00:54:48: All right.
00:54:48 --> 00:54:53: Well, I also did get a question about what resources
00:54:53 --> 00:54:55: can we recommend.
00:54:55 --> 00:54:58: So I'd also like to say for panelists, other than
00:54:58 --> 00:55:02: going to ULI, are there other places that you go
00:55:02 --> 00:55:04: for your climate risk information?
00:55:08 --> 00:55:11: So, you know, you know, I read a lot of

00:55:11 --> 00:55:16: annual reports, proxy statements and sustainability reports.
00:55:16 --> 00:55:18: I often tell my students, you know, don't read the
00:55:18 --> 00:55:21: National Enquirer, read a proxy statement instead.
00:55:21 --> 00:55:22: There's more fun to be heard.
00:55:22 --> 00:55:25: So look at what companies are doing in the public
00:55:25 --> 00:55:27: domain, both in Europe and the US.
00:55:27 --> 00:55:28: It's super informative.
00:55:28 --> 00:55:31: There's a lot of innovation in this space because there
00:55:31 --> 00:55:32: is no regulation.
00:55:32 --> 00:55:35: But as we discussed, that can also be a problem.
00:55:39 --> 00:55:39: Great.
00:55:39 --> 00:55:42: Well, I before we go, I'd like to ask everybody
00:55:42 --> 00:55:44: to take a look in the chat.
00:55:46 --> 00:55:49: We are trying hard to collect information on how good
00:55:49 --> 00:55:52: of a job we do in presenting the information through
00:55:52 --> 00:55:53: these webinars.
00:55:53 --> 00:55:55: So we would love for everybody.
00:55:55 --> 00:55:58: Just take a minute before this webinar ends, click on
00:55:58 --> 00:56:01: that link and make sure that you let us know
00:56:01 --> 00:56:02: how we're doing.
00:56:02 --> 00:56:05: I also did a very bad job of typing something
00:56:05 --> 00:56:07: into the chat on the last question.
00:56:07 --> 00:56:09: I would also encourage the audience to check out Developing
00:56:09 --> 00:56:10: Urban Resilience.
00:56:11 --> 00:56:15: It's a website collection of case studies and reports produced
00:56:15 --> 00:56:18: by ULI on the question of climate risk and resilience.
00:56:19 --> 00:56:22: There's some great resources there on both physical and transition
00:56:22 --> 00:56:25: risk and I'm sure that if this report is not
00:56:25 --> 00:56:27: up there yet, it will be by the end of
00:56:27 --> 00:56:27: the day today.
00:56:28 --> 00:56:29: So thank you again.
00:56:29 --> 00:56:32: Everybody, please take the time to fill out our survey.
00:56:32 --> 00:56:35: I'd like to thank Laura and Shiv, our panelists today.
00:56:35 --> 00:56:37: And I'd like to thank you all for attending.
00:56:37 --> 00:56:38: Have a great rest of your week.
00:56:39 --> 00:56:39: Bye, bye.
00:56:40 --> 00:56:40: Thanks for having us.
00:56:40 --> 00:56:41: Thank you.
00:56:41 --> 00:56:41: Bye, bye.