

# 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](https://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 estate developers and investors in our network.

00:05:18 --> 00:05:22: The first one is Task Force on Climate Related Financial

00:05:22 --> 00:05:26: Disclosures or TCFDTCFD by itself is a voluntary standard that

00:05:26 --> 00:05:29: helps companies align their climate reporting with integrated financial reporting

00:05:30 --> 00:05:35: standards.

00:05:35 --> 00:05:35: It requires specific disclosure on climate related risks and opportunities

00:05:36 --> 00:05:39:

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  
fund classifications based on ESG criteria.

00:07:40 --> 00:07:42:  
00:07:47 --> 00:07:50:  
00:07:50 --> 00:07:53:  
00:07:53 --> 00:07:56:  
00:07:57 --> 00:07:59:  
00:07:59 --> 00:08:04:  
00:08:04 --> 00:08:07:  
00:08:07 --> 00:08:09:  
00:08:10 --> 00:08:13:  
00:08:14 --> 00:08:18:  
00:08:18 --> 00:08:22:  
00:08:22 --> 00:08:25:  
00:08:25 --> 00:08:29:  
00:08:29 --> 00:08:32:  
00:08:32 --> 00:08:36:  
00:08:36 --> 00:08:40:  
00:08:40 --> 00:08:44:  
00:08:44 --> 00:08:48:  
00:08:50 --> 00:08:52:  
00:08:52 --> 00:08:56:  
00:08:56 --> 00:08:58:  
00:08:58 --> 00:09:01:  
00:09:01 --> 00:09:04:  
00:09:04 --> 00:09:04:  
00:09:05 --> 00:09:05:  
00:09:06 --> 00:09:07:  
00:09:07 --> 00:09:10:  
00:09:10 --> 00:09:12:  
00:09:12 --> 00:09:16:  
00:09:16 --> 00:09:16:  
00:09:17 --> 00:09:21:  
00:09:21 --> 00:09:23:  
00:09:23 --> 00:09:26:  
00:09:26 --> 00:09:27:  
00:09:27 --> 00:09:30:

As we talked to some of the forward thinking investors in compiling this report, we asked them how they were navigating this evolving market and these are the common themes that we heard in terms of best practices. It included developing A baseline to to track ESG impacts across a a portfolio and a fund all the way down to the asset level. A portfolio assessment for physical and transition risks in a new regulatory environment and mentioned that that assessment for transition risks is a big challenge, but it's an important component now of assessing risk from an ESG perspective. It's not just physical risk, Getting started with voluntary reporting standards and tools, whether this is TCFD which I reference the science based target initiative or a major reporting framework in real estate, the global real estate sustainability benchmark and then starting to proactively address climate and product offerings at the asset level with clear data-driven marketing and communications. Now I'm lucky to be joined by a couple of real estate investment experts who are navigating this regulatory landscape right now and I'd like to turn it over first to Laura Craft to talk a little bit about how Hytman is navigating the change that we're seeing in the market. Laura. Thanks, Billy. Appreciate that and thanks for setting the landscape. So Hytman, we are an investment manager. We have over 50 billion in assets under management around the globe. So we are paying close attention to the regulations that they are influx changing. This is our 4th report in the series and I would say this is our hardest. 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  
emissions, climate targets and transition plans.  
00:09:57 --> 00:10:01: So from a real estate perspective, when you think about  
00:10:01 --> 00:10:04: climate risk, they tend to be bucketed into two different  
00:10:04 --> 00:10:08: types of climate risk.  
00:10:08 --> 00:10:09: The physical climate risk and the transition climate risk.  
00:10:10 --> 00:10:13: So real estate investment managers have portfolios of real  
00:10:13 --> 00:10:17: estates  
and they are location based that can be impacted by  
00:10:17 --> 00:10:20: extreme weather events, hurricanes, typhoons.  
00:10:20 --> 00:10:23: Heat stress, water stress, flooding, you name it.  
00:10:24 --> 00:10:27: So that's the physical component.  
00:10:27 --> 00:10:29: The transitional component is those buildings are also  
00:10:29 --> 00:10:33: susceptible to  
regulatory changes in the local market.  
00:10:33 --> 00:10:36: Resource availability of energy and water The availability to  
00:10:36 --> 00:10:40: get  
those resources to your building.  
00:10:40 --> 00:10:42: The greenhouse gas emissions, How much that building is  
00:10:43 --> 00:10:46: emitted.  
Increased cost.  
00:10:47 --> 00:10:48: Operating costs such as.  
Insurance costs, as we know that insurance has been a  
00:10:48 --> 00:10:49: changing landscape over the past few years.  
00:10:50 --> 00:10:54: Insurance more than likely went up in most markets.  
00:10:54 --> 00:10:57: We are also seeing higher taxes and with all of  
00:10:57 --> 00:11:00: this analysis related to climate change, it's also changing  
00:11:01 --> 00:11:04: behaviors  
00:11:04 --> 00:11:09: related to where some investors want to make investments.  
00:11:09 --> 00:11:13: So.  
00:11:15 --> 00:11:16: So dive in a little bit deeper.  
00:11:16 --> 00:11:18: I just mentioned the climate risk that could impact real  
00:11:18 --> 00:11:21: estate, but how does that impact the financial statements?  
00:11:21 --> 00:11:25: On the left hand side you'll see some of the  
00:11:26 --> 00:11:29:

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

00:12:28 --> 00:12:32: they're

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

00:12:32 --> 00:12:34: 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

00:13:25 --> 00:13:28: occurring?

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

00:13:28 --> 00:13:30: 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

00:20:49 --> 00:20:53: buildings

00:20:54 --> 00:20:58: that match those goals that are energy efficient because the

00:20:58 --> 00:21:00: building's emissions there will go on their corporate balance

00:21:00 --> 00:21:04: sheet

00:21:04 --> 00:21:07: of their energy usage.

00:21:07 --> 00:21:11: And so they're wanting to make sure that they're able

00:21:11 --> 00:21:15: to hit their own corporate goals and then you may

00:21:15 --> 00:21:16: lost your ability to lease or sell an asset again

00:21:16 --> 00:21:21: if you do not hit these certain building regulation in

00:21:21 --> 00:21:24: the various markets.

00:21:24 --> 00:21:27: And then lastly, it could cost additional time and consulting

00:21:27 --> 00:21:30: fees and reputational risk if you have to pay fines

00:21:30 --> 00:21:33: that your buildings aren't meeting certain levels.

00:21:33 --> 00:21:35: So how are investors using this data or how have

00:21:35 --> 00:21:40: we seen investors use this data?

00:21:40 --> 00:21:45: We've seen certain investors decide and determine where to

00:21:45 --> 00:21:47: deploy

00:21:47 --> 00:21:51: capital based on fund categorization or based on property

00:21:51 --> 00:21:56: level

00:21:56 --> 00:21:58: certifications or ratings.

00:21:58 --> 00:22:03: We've also seen particularly in Europe that there are at

00:22:03 --> 00:22:07: times green premium for properties that achieve higher levels

00:22:07 --> 00:22:11: of

00:22:11 --> 00:22:15: energy efficiency standards.

00:22:15 --> 00:22:17: This is also a way that certain investment managers can

00:22:17 --> 00:22:22: classify properties and and put them in various funds.

00:22:22 --> 00:22:26: And you know ultimately the the goal of this is

00:22:26 --> 00:22:28: to be able to have greater transparency and comparability

00:22:28 --> 00:22:30: between

00:22:30 --> 00:22:32: firms, funds and properties.

00:22:32 --> 00:22:34: On the negative side, what this could do is, is

00:22:34 --> 00:22:36: 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

00:23:44 --> 00:23:48: managers and buildings and

00:23:48 --> 00:23:50: and greater clarity on pricing and climate risk back into

00:23:51 --> 00:23:54: 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

00:28:18 --> 00:28:18: 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 breath 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

00:39:53 --> 00:39:56: harder to

00:39:56 --> 00:39:59: issue those resilience bonds at a favorable interest rate these

00:39:59 --> 00:40:02: 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

00:41:12 --> 00:41:15: 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

00:41:38 --> 00:41:41: 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

00:45:27 --> 00:45:29: 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  
00:46:10 --> 00:46:13: York  
00:46:13 --> 00:46:15: and New Jersey that are being very thoughtful about how  
00:46:16 --> 00:46:19: they incentivize managed retreat.  
00:46:19 --> 00:46:22: When I think that that was something we were trying  
00:46:22 --> 00:46:26: to head on with report three is climate migration.  
00:46:26 --> 00:46:27: Are people taking climate risks into account when they make  
00:46:28 --> 00:46:30: decisions on where to locate?  
00:46:30 --> 00:46:31: You know, and I think we got some mixed results  
00:46:31 --> 00:46:33: from that.  
00:46:33 --> 00:46:35: You can't just look at climate risk and say people  
00:46:35 --> 00:46:38: are not going to move towards climate risk.  
00:46:38 --> 00:46:39: What we found is people are thinking about the cost  
00:46:40 --> 00:46:41: of living and quality of life.  
00:46:42 --> 00:46:45: So you know at what point do.  
00:46:45 --> 00:46:46: Do those two factors tip to where people choose to  
00:46:47 --> 00:46:49: move somewhere else?  
00:46:49 --> 00:46:50: And I think that that's when you're going to start  
00:46:53 --> 00:46:55: to see the real manage retreat.  
00:46:55 --> 00:46:57: I mean, I have three good questions.  
00:46:57 --> 00:46:59: They're probably more, but I want to get through all  
00:46:59 --> 00:46:59: three of these and get both of your opinions on  
00:46:59 --> 00:47:04: this.  
00:47:04 --> 00:47:05: So the first one's about green certifications, building level  
00:47:05 --> 00:47:10: certifications  
00:47:10 --> 00:47:13: such as lead.  
00:47:13 --> 00:47:16: I'd also add in Energy Star, Bream Neighbors.  
00:47:16 --> 00:47:17: Can you talk about the future role that these third  
00:47:18 --> 00:47:20: party certifications will play in eliminating some of the risks  
00:47:20 --> 00:47:23: from Laura's presentation?  
00:47:20 --> 00:47:23: 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  
00:56:09 --> 00:56:10: Developing  
00:56:11 --> 00:56:15: Urban Resilience.  
00:56:15 --> 00:56:18: It's a website collection of case studies and reports produced  
00:56:19 --> 00:56:22: by ULI on the question of climate risk and resilience.  
00:56:22 --> 00:56:25: There's some great resources there on both physical and  
00:56:25 --> 00:56:27: transition  
00:56:27 --> 00:56:27: risk and I'm sure that if this report is not  
00:56:28 --> 00:56:29: up there yet, it will be by the end of  
00:56:29 --> 00:56:32: the day today.  
00:56:32 --> 00:56:35: So thank you again.  
00:56:35 --> 00:56:37: Everybody, please take the time to fill out our survey.  
00:56:37 --> 00:56:38: I'd like to thank Laura and Shiv, our panelists today.  
00:56:39 --> 00:56:39: And I'd like to thank you all for attending.  
00:56:40 --> 00:56:40: Have a great rest of your week.  
00:56:40 --> 00:56:41: Bye, bye.  
00:56:41 --> 00:56:41: Thanks for having us.  
00:56:41 --> 00:56:41: Thank you.  
00:56:41 --> 00:56:41: Bye, bye.

---

*This video transcript has been machine-generated, so it may not be accurate. It is for personal use only. Reproduction or use without written permission is prohibited. If you have a correction or for permission inquiries, please contact [\[email protected\]](#).*