

Webinar

COP26: Key Takeaways for Real Estate

Date: November 19, 2021

00:00:00 --> 00:00:05: Morning and good afternoon. Depending on where you are.

00:00:05 --> 00:00:08: In the Americas. I'm Brad Dock,

00:00:09 --> 00:00:12: Sir. I'm the founder and CEO of Green Generation and

00:00:12 --> 00:00:15: we're thrilled to have everybody joining us today to talk

00:00:15 --> 00:00:16: about COP 26 in.

00:00:16 --> 00:00:19: The key takeaways for real estate.

00:00:19 --> 00:00:22: Just a couple of housekeeping items.

00:00:22 --> 00:00:24: This session is being recorded.

00:00:24 --> 00:00:26: If you do not wish to be recorded,

00:00:26 --> 00:00:28: this is your moment in chance to leave.

00:00:28 --> 00:00:32: Otherwise, with your, you are presumed to have consent to

00:00:32 --> 00:00:33: recording.

00:00:33 --> 00:00:39: Uhm, we've got three. You like global governing trustees

00:00:39 --> 00:00:44: today.

00:00:39 --> 00:00:44: Faron Hill is the founder and CEO of Peregrine down

00:00:44 --> 00:00:45: Atlanta,

00:00:45 --> 00:00:49: GA, and we also have Derek Goring in Toronto,

00:00:49 --> 00:00:53: who is the executive VP of Development for North Crest.

00:00:55 --> 00:00:58: All three of us are deeply involved in ULI,

00:00:58 --> 00:01:01: and we're thrilled to be part of this and being

00:01:01 --> 00:01:04: invited to sort of talk about COP 26,

00:01:04 --> 00:01:08: particularly because, you know, we all have a deep

00:01:08 --> 00:01:11: appreciation

00:01:08 --> 00:01:11: for the importance of ULI is a global leader and

00:01:11 --> 00:01:16: the ability to convene leadership across the real estate

00:01:16 --> 00:01:19: industry

00:01:16 --> 00:01:19: around the world offer really important issues around land

00:01:20 --> 00:01:21: use

00:01:20 --> 00:01:21: and the built environment.

00:01:21 --> 00:01:25: Uhm, and I think it's really interesting because if we

00:01:25 --> 00:01:27: go ahead and you know,
00:01:27 --> 00:01:30: think about you know the built environment.
00:01:30 --> 00:01:33: COP 26 was just ended a couple weeks ago.
00:01:33 --> 00:01:38: Really was very important and the reality model to the
00:01:38 --> 00:01:39: next page.
00:01:39 --> 00:01:41: Is that depending on who you ask?
00:01:41 --> 00:01:46: Cop 26 was either a great success or a complete
00:01:46 --> 00:01:46: failure.
00:01:46 --> 00:01:50: Uhm, and there's a broad range of sort of opinions
00:01:50 --> 00:01:52: on which one it actually was.
00:01:55 --> 00:01:58: Good news is that COP 26 garnered a tremendous amount
00:01:58 --> 00:02:02: of attention to issues around the environment and climate
and
00:02:02 --> 00:02:05: whether it was President Joe Biden,
00:02:05 --> 00:02:07: whether was former President Barack Obama,
00:02:07 --> 00:02:10: who gave a really impassioned speech.
00:02:10 --> 00:02:13: Or whether it was people like the Prime Minister of
00:02:13 --> 00:02:13: Barbados,
00:02:13 --> 00:02:16: Mia Mottley, who represented a lot of the countries who
00:02:16 --> 00:02:20: are deeply who are not responsible for climate change but
00:02:20 --> 00:02:22: in fact are those who are most impacted by the
00:02:22 --> 00:02:25: low lying countries. The countries who are on the forefront
00:02:26 --> 00:02:28: of these massive impacts and in some cases you know
00:02:28 --> 00:02:30: some of the Pacific islands you know,
00:02:30 --> 00:02:34: may very well disappear if climate change is not addressed
00:02:34 --> 00:02:35: very quickly,
00:02:35 --> 00:02:37: and I think one of the really exciting aspects to
00:02:37 --> 00:02:40: this is this wasn't just about government leaders.
00:02:40 --> 00:02:43: But it was also about youth and activists.
00:02:43 --> 00:02:46: Obviously Greta Thunberg has brought tremendous attention
to this,
00:02:46 --> 00:02:49: but it went well beyond Greta Thunberg with tens of
00:02:49 --> 00:02:53: thousands of youth activists convening in Glasgow from
around the
00:02:53 --> 00:02:56: world to really talk about how important this issue is,
00:02:56 --> 00:03:00: go ahead. And the one thing that I think came
00:03:00 --> 00:03:01: out of this,
00:03:01 --> 00:03:03: regardless of what you think actually happened,
00:03:03 --> 00:03:05: is that the tug of war over climate change is
00:03:06 --> 00:03:06: over,
00:03:06 --> 00:03:08: and whether or not you like where it ended or
00:03:09 --> 00:03:09: you don't,
00:03:09 --> 00:03:11: I think now the real estate community,

00:03:11 --> 00:03:15: investors, developers, financiers now have some certainty.
00:03:15 --> 00:03:17: We know where things are going,
00:03:17 --> 00:03:20: whether we like it or not is a secondary issue,
00:03:20 --> 00:03:23: but we do know where things are going to end
00:03:23 --> 00:03:25: up because the time for discussion,
00:03:25 --> 00:03:29: the time for talking about where we might go.
00:03:29 --> 00:03:32: He's really done next slide.
00:03:32 --> 00:03:34: So let's take a moment and just talk about.
00:03:34 --> 00:03:38: Sort of what was agreed on.
00:03:38 --> 00:03:41: It was very clear from the two weeks in Glasgow
00:03:41 --> 00:03:45: that ESG and sustainability is no longer going to be
00:03:45 --> 00:03:45: an option.
00:03:45 --> 00:03:51: There was a reaffirmation to the science based target of
00:03:51 --> 00:03:56: a 1.5 Celsius limit as basically the CAP beyond which
00:03:56 --> 00:04:01: we will tip to outcomes that may not be reversible.
00:04:01 --> 00:04:05: The good news is that the capital markets are private
00:04:05 --> 00:04:09: sector who really LED much of the discussion in Glasgow
00:04:10 --> 00:04:15: committed to over \$130 trillion of capital being committed to
00:04:15 --> 00:04:16: the transition to net zero.
00:04:16 --> 00:04:20: Now that's going to come in lots of different forms
00:04:20 --> 00:04:25: from lending to pushing ESG in mutual funds and corporate
00:04:25 --> 00:04:28: with companies and shareholder resolutions.
00:04:28 --> 00:04:30: But it's clear that there's a lot of capital.
00:04:30 --> 00:04:35: Tremendous amounts of capital behind this Coal is going to
00:04:35 --> 00:04:36: be phased out.
00:04:36 --> 00:04:39: We can discuss them, touch on in a minute.
00:04:39 --> 00:04:43: You know this idea of whether coal is being phased
00:04:43 --> 00:04:43: out,
00:04:43 --> 00:04:46: which was the original language or being phased down the
00:04:47 --> 00:04:50: language in the last hour of COP 26 that China
00:04:50 --> 00:04:53: and India basically put changes into the announcements.
00:04:53 --> 00:04:56: But the reality is, fossil fuels are going to be
00:04:56 --> 00:04:57: disappearing.
00:04:57 --> 00:05:01: The Capital markets insurance have made clear of that.
00:05:01 --> 00:05:03: There was a pledge around methane.
00:05:03 --> 00:05:06: One of the interesting things about this is there were
00:05:06 --> 00:05:08: strong consensus around methane,
00:05:08 --> 00:05:11: which we often don't think about in the built environment,
00:05:11 --> 00:05:14: but it really is a byproduct from natural gas,
00:05:14 --> 00:05:18: so this is where the electrification of the grid electrification
00:05:18 --> 00:05:21: of buildings in California and other markets where gas is
00:05:22 --> 00:05:23: being phased out,

00:05:23 --> 00:05:25: not just to get rid of the gas appliances,
00:05:25 --> 00:05:29: but to get rid of the gas infrastructure in its
00:05:29 --> 00:05:32: entire T is coming from and very deep.
00:05:32 --> 00:05:37: Flashes to methane emissions were pledged and committed
to by
00:05:37 --> 00:05:37: 2030.
00:05:37 --> 00:05:41: There was also the pledge to halt and reverse deforestation
00:05:41 --> 00:05:44: that obviously have implications around the world,
00:05:44 --> 00:05:49: but particularly in South America and in the Amazon Basin.
00:05:49 --> 00:05:53: The global capital markets absolutely are now aligned with net
00:05:53 --> 00:05:54: zero carbon.
00:05:54 --> 00:05:57: There's almost no CEO in the world of a major
00:05:57 --> 00:06:01: organization who has not made some commitment or really a
00:06:01 --> 00:06:02: full commitment to.
00:06:02 --> 00:06:06: Net zero by 2050. That was the easy part.
00:06:06 --> 00:06:10: You're now seeing companies make much deeper
commitments to 2040.
00:06:10 --> 00:06:15: Twenty 3025. You like? Green Print Party has some of
00:06:15 --> 00:06:19: its members are already at net zero and then the.
00:06:20 --> 00:06:22: Final point, this is, I think a really important one
00:06:22 --> 00:06:24: is will talk about for real estate.
00:06:24 --> 00:06:28: The private sector is way ahead of government.
00:06:28 --> 00:06:30: Much of the debate is still going on around government.
00:06:30 --> 00:06:31: What they're willing to do,
00:06:31 --> 00:06:33: and not willing to do.
00:06:33 --> 00:06:36: Private sector banks, financial institutions,
00:06:36 --> 00:06:41: developers, investors, tenants. They've largely decided this
issue already and
00:06:41 --> 00:06:45: their level of commitment is much deeper and much more
00:06:45 --> 00:06:49: serious than what we're seeing from governments.
00:06:49 --> 00:06:54: Monica next slide. Here's what we didn't see,
00:06:54 --> 00:06:56: and this is the really important part.
00:06:56 --> 00:06:58: What we didn't see it in Kop 26 in Glasgow
00:06:58 --> 00:07:01: was really how to do any of these things.
00:07:01 --> 00:07:05: We didn't agree on how to actually limit temperature
increases
00:07:05 --> 00:07:09: to 1.5 Celsius and many of the people looking at
00:07:09 --> 00:07:13: this saw the commitments coming from the public sector and
00:07:13 --> 00:07:17: basically say if everybody follows their commitments to the
full
00:07:18 --> 00:07:18: level.
00:07:18 --> 00:07:19: We're going to be at 1.8%

00:07:19 --> 00:07:22: and so even the level of commitments that were.
00:07:22 --> 00:07:25: Date are not enough to keep us under 1.5%
00:07:25 --> 00:07:29: and everything over 1.5 has really deep drastic and long
00:07:30 --> 00:07:31: term implications,
00:07:31 --> 00:07:35: not just for our communities but for the the the
00:07:35 --> 00:07:36: planet itself.
00:07:36 --> 00:07:39: We did not agree on what and how to phase
00:07:39 --> 00:07:40: down coal.
00:07:40 --> 00:07:42: This is the comment I made a moment ago about
00:07:42 --> 00:07:44: India and China's last minute change language.
00:07:44 --> 00:07:47: We did not agree on how to get climate legislation
00:07:47 --> 00:07:51: passed and developed countries like EU S for most of
00:07:51 --> 00:07:53: us I think are in the United States.
00:07:53 --> 00:07:58: There's some Canadians here where there's much more
consensus around
00:07:58 --> 00:07:59: climate,
00:07:59 --> 00:08:02: although not enough consensus, but there is by no means
00:08:02 --> 00:08:04: political consensus.
00:08:04 --> 00:08:06: In the United States, you know,
00:08:06 --> 00:08:09: we're watching the you know the legislation that's going to
00:08:09 --> 00:08:12: hopefully get voted on today in Washington and the House
00:08:13 --> 00:08:15: representatives and get moved over to the Senate.
00:08:15 --> 00:08:17: A lot of climate in it,
00:08:17 --> 00:08:20: but it's not all the climate that people wanted is
00:08:20 --> 00:08:23: not all the climate that progressives think we need.
00:08:23 --> 00:08:26: And we're finding it very challenging to to get full
00:08:26 --> 00:08:29: and meaningful legislation passed in the United States.
00:08:29 --> 00:08:33: We did not agree on how to get the most
00:08:33 --> 00:08:35: vulnerable countries funding.
00:08:35 --> 00:08:39: There's a broad feeling that the countries who have caused
00:08:39 --> 00:08:43: climate change and the United States is a historically has
00:08:43 --> 00:08:48: created the largest amount of emissions historically need to
basically
00:08:48 --> 00:08:52: find ways to provide funding to the most vulnerable countries.
00:08:52 --> 00:08:54: Whether it's the Maldives, the Marshall actions.
00:08:54 --> 00:08:57: Tuvalu there's a lot of countries that run the risk
00:08:57 --> 00:08:59: of simply disappearing.
00:08:59 --> 00:09:02: Some are already making plans to move,
00:09:02 --> 00:09:04: not just communities, but entire countries,
00:09:04 --> 00:09:09: to a new location. And we did not.
00:09:09 --> 00:09:11: Talk about and figure out how we're going to impact.
00:09:11 --> 00:09:14: Mitigate the impact of climate change on developing
countries,

00:09:14 --> 00:09:16: not just the most vulnerable,
00:09:16 --> 00:09:20: but the other countries. The less developed countries,
00:09:20 --> 00:09:23: they were very loud. They were very strong on what
00:09:24 --> 00:09:25: they wanted in Glasgow,
00:09:25 --> 00:09:28: and I don't think they left thinking they got everything
00:09:28 --> 00:09:29: they needed.
00:09:29 --> 00:09:31: And then finally we did not agree on how to
00:09:31 --> 00:09:33: implement Article six.
00:09:33 --> 00:09:36: Article 6 is sounds very arcane,
00:09:36 --> 00:09:40: but it is essentially the mechanism around how we're going
00:09:40 --> 00:09:42: to create global carbon markets.
00:09:42 --> 00:09:45: Basically, offset trading. To get to net zero which the
00:09:45 --> 00:09:48: UI Greenprint Center has done a tremendous amount of work
00:09:49 --> 00:09:49: on,
00:09:49 --> 00:09:51: there are only four ways to do it.
00:09:51 --> 00:09:56: Energy efficiency. On site. Renewables officer renewables
and carbon offsets
00:09:56 --> 00:09:59: all four of those are tools that need to be
00:09:59 --> 00:10:03: in any credible program and article six really is designed
00:10:03 --> 00:10:06: to help both bring market based solutions to bring capital
00:10:06 --> 00:10:07: to offsets,
00:10:07 --> 00:10:10: but also to think about what is the nature of
00:10:10 --> 00:10:10: offsets.
00:10:10 --> 00:10:11: How do we trade them?
00:10:11 --> 00:10:12: How do we monetize them?
00:10:12 --> 00:10:15: How do we transfer capital from one party to the
00:10:15 --> 00:10:16: other?
00:10:16 --> 00:10:21: And I think ultimately what we learn is that consensus
00:10:21 --> 00:10:23: is really hard.
00:10:23 --> 00:10:26: Paris COP 21. Glasgow Cop 26.
00:10:26 --> 00:10:30: Both went almost two days beyond where they were
supposed
00:10:30 --> 00:10:33: to be because they could not agree on the written
00:10:33 --> 00:10:36: statement that was going to be taken on and signed
00:10:36 --> 00:10:38: by all the countries. At the end.
00:10:38 --> 00:10:42: Two weeks of talking no problem actually putting words down
00:10:42 --> 00:10:45: and putting a signature on it really really hard.
00:10:45 --> 00:10:50: Uhm, Monica next slide. One of the exciting things out
00:10:50 --> 00:10:54: of Glasgow was EU S China announcement,
00:10:54 --> 00:10:56: which was very much unexpected.
00:10:56 --> 00:10:59: President Xi from China was a no show did not
00:10:59 --> 00:11:01: come to Glasgow,

00:11:01 --> 00:11:04: has not left China nearly two years,
00:11:04 --> 00:11:08: primarily because of COVID, but you had a relationship
between
00:11:09 --> 00:11:13: the climate Minister and China who came out of retirement
00:11:13 --> 00:11:14: and John Kerry,
00:11:14 --> 00:11:18: EU S climate negotiator, long term relationship and they were
00:11:18 --> 00:11:19: able to get.
00:11:19 --> 00:11:22: Themselves to a joint statement and the exciting thing about
00:11:23 --> 00:11:24: this is this unexpected deal.
00:11:24 --> 00:11:28: Really signals signaled leadership and cooperation,
00:11:28 --> 00:11:30: which is critical to addressing this.
00:11:30 --> 00:11:32: It was far more than expected,
00:11:32 --> 00:11:35: but honestly, much less than what is needed,
00:11:35 --> 00:11:38: and it regulates the decarbonization.
00:11:38 --> 00:11:43: It talks about methane emissions and it will fight
deforestation.
00:11:43 --> 00:11:44: US and China will lead this.
00:11:44 --> 00:11:46: They do not expect to do it by themselves,
00:11:46 --> 00:11:49: but their hope is that by cooperating together.
00:11:49 --> 00:11:54: They will bring a lot of other countries along.
00:11:54 --> 00:11:55: But at the end of it,
00:11:55 --> 00:11:58: it was also short on actual commitments and China,
00:11:58 --> 00:12:00: who is committed to net zero by 2060,
00:12:00 --> 00:12:04: made no new commitments around peak carbon.
00:12:04 --> 00:12:08: It did not make firm commitments around fossil fuels and
00:12:08 --> 00:12:08: coal,
00:12:08 --> 00:12:12: which is a major part of their energy generating strategy
00:12:12 --> 00:12:16: and ultimately still left a lot of people sort of
00:12:16 --> 00:12:16: wanting.
00:12:16 --> 00:12:20: I think next slide. So let's just talk for a
00:12:20 --> 00:12:25: minute about some of the things that did come out
00:12:25 --> 00:12:26: of this.
00:12:26 --> 00:12:31: What we're seeing is both institutional commitments in
national comments,
00:12:31 --> 00:12:35: really, that are going to lead to regulation.
00:12:35 --> 00:12:38: You had this net zero asset management initiative,
00:12:38 --> 00:12:42: which mobilizes over \$57 trillion of a Umm,
00:12:42 --> 00:12:45: you had 44 new businesses as new signatories to the
00:12:45 --> 00:12:48: World Green Building Council's net zero commitment,
00:12:48 --> 00:12:51: now totaling over 150 signatories.
00:12:51 --> 00:12:55: Love that. There was a new financial alliance for Net
00:12:55 --> 00:12:57: zero out of Glasgow,
00:12:57 --> 00:13:00: which represent over 130 trillion of a U M All

00:13:00 --> 00:13:05: committing and recommitting to the Paris Agreement in Italy,
00:13:05 --> 00:13:09: which is focused on mobilizing cities around the world.
00:13:09 --> 00:13:13: Coming up with 100% renewable cities energy compact and getting
00:13:13 --> 00:13:15: lots of signatories to that.
00:13:15 --> 00:13:19: Uhm, at the national level you had more coming out
00:13:19 --> 00:13:23: of the UK with mandatory climate related disclosure for public
00:13:23 --> 00:13:26: companies and financial institutions.
00:13:26 --> 00:13:29: Japan pledged over \$10 billion to climate finance over the
00:13:29 --> 00:13:30: next five years.
00:13:30 --> 00:13:34: In India, pledged to reach net zero by 2070.
00:13:34 --> 00:13:37: And while 2070 is, I think,
00:13:37 --> 00:13:40: by most estimates are pretty meager commitment.
00:13:40 --> 00:13:44: It was the first commitment that India had made at
00:13:44 --> 00:13:45: all in this.
00:13:45 --> 00:13:48: Manner so this now puts them sort of the most
00:13:49 --> 00:13:49: out there.
00:13:49 --> 00:13:53: Almost every country in the world is at 2050 or
00:13:53 --> 00:13:53: earlier.
00:13:53 --> 00:13:57: China is at 2016 Indian at 2070.
00:13:57 --> 00:14:00: The next discussion. The next cop will really be focused
00:14:00 --> 00:14:02: on getting countries to bring that in,
00:14:02 --> 00:14:05: but also to think about what are the intermediate steps
00:14:05 --> 00:14:07: that they're prepared to take.
00:14:07 --> 00:14:10: What is their commitment to 20 thirty twenty thirty five
00:14:11 --> 00:14:11: 2040?
00:14:11 --> 00:14:14: And then at the sub national level and in the
00:14:14 --> 00:14:16: United States primarily,
00:14:16 --> 00:14:19: all the action regulatory from a regulatory point of view
00:14:19 --> 00:14:20: is at the city level.
00:14:20 --> 00:14:25: You've got a myriad of cities commit really forcing climate
00:14:25 --> 00:14:26: legislation.
00:14:26 --> 00:14:29: New York with local law 97 is probably the most
00:14:29 --> 00:14:31: obvious and well known example,
00:14:31 --> 00:14:36: and it is a face basically a defacto carbon tax.
00:14:36 --> 00:14:37: Within the next five years,
00:14:37 --> 00:14:40: my view is that every single major city in North
00:14:40 --> 00:14:45: America will have some sort of carbon or emissions
regulation.
00:14:45 --> 00:14:47: It's not a question of if it's just a question
00:14:48 --> 00:14:50: of when and for those of us who are developing
00:14:50 --> 00:14:51: a building.

00:14:51 --> 00:14:53: Today. We're already own a building today.

00:14:53 --> 00:14:56: This certainly has to impact us whether we're going to

00:14:56 --> 00:14:58: own it or sell it to somebody who is going

00:14:58 --> 00:15:00: to own it inside this period.

00:15:00 --> 00:15:04: And it's certainly clear you know that fossil fuels are

00:15:04 --> 00:15:05: going to disappear,

00:15:05 --> 00:15:08: and we're largely going to be ending the financing of

00:15:08 --> 00:15:08: coal China.

00:15:08 --> 00:15:12: India pushing back kind of doesn't matter anymore because

00:15:12 --> 00:15:15: the

00:15:12 --> 00:15:15: capital markets are basically say we're not going to finance

00:15:15 --> 00:15:16: coal.

00:15:16 --> 00:15:18: And the insurer said, we're not going to ensure coal.

00:15:18 --> 00:15:21: So if countries want to say we're going to phase

00:15:21 --> 00:15:22: out coal slowly,

00:15:22 --> 00:15:25: it no longer matters because there's not going to be

00:15:25 --> 00:15:28: money to develop new projects and operate them and insure

00:15:28 --> 00:15:28: them.

00:15:28 --> 00:15:33: And think about risk. Methane pledge pledge is really

00:15:33 --> 00:15:35: important.

00:15:33 --> 00:15:35: If you were to do a a word bubble of

00:15:35 --> 00:15:35: Glasgow,

00:15:35 --> 00:15:38: methane would be, if not the first.

00:15:38 --> 00:15:41: The second or third largest word in that word bubble,

00:15:41 --> 00:15:44: and I think ultimately, what we're seeing is the capital

00:15:44 --> 00:15:47: markets are really writing the rules.

00:15:47 --> 00:15:51: They are determining what's happening LP's on the

00:15:51 --> 00:15:54: opportunity side

00:15:51 --> 00:15:54: are basically saying you're not getting our money unless you

00:15:54 --> 00:15:56: have a strong ESG strategy.

00:15:56 --> 00:15:58: Very different from five years ago.

00:15:58 --> 00:16:00: If you were a public traded company,

00:16:00 --> 00:16:04: your shareholders are basically saying we're not going to

00:16:04 --> 00:16:07: own

00:16:04 --> 00:16:07: your stock unless you're thinking that ESG and we may

00:16:07 --> 00:16:11: be putting shareholder resolutions on the ballot to be voted

00:16:11 --> 00:16:13: on. As you saw in the case of Exxon,

00:16:13 --> 00:16:16: and insurers are stepping up because at the end of

00:16:16 --> 00:16:17: the day.

00:16:17 --> 00:16:18: They're bearing the cost of this,

00:16:18 --> 00:16:20: and if they pass on the true cost,

00:16:20 --> 00:16:22: and if you're going to have a major flooding event,

00:16:22 --> 00:16:24: say in Miami every three years,

00:16:24 --> 00:16:27: then you need to be expecting to see premiums rising
00:16:27 --> 00:16:28: very significantly.
00:16:28 --> 00:16:31: We used to talk about the cost of insurance.
00:16:31 --> 00:16:35: Increasingly, in some markets were talking about the
availability of
00:16:35 --> 00:16:35: insurance at all.
00:16:35 --> 00:16:39: Will private insurers simply leave the market and put us
00:16:39 --> 00:16:40: in a pretty bad spot?
00:16:40 --> 00:16:45: Next slide. And so just to sort of wrap up
00:16:45 --> 00:16:47: for the first section.
00:16:47 --> 00:16:50: You know, key takeaways for real estate.
00:16:50 --> 00:16:53: Some basic level COP 26 had a very limited direct
00:16:53 --> 00:16:55: impact on the built environment,
00:16:55 --> 00:16:57: but in terms of indirect impact,
00:16:57 --> 00:17:01: it couldn't have been more important.
00:17:01 --> 00:17:05: Net zero carbon is here embodied carbon,
00:17:05 --> 00:17:09: which frankly is what everyone in Europe is focused on
00:17:09 --> 00:17:13: because operating carbon feels like very yesterday is already
in
00:17:13 --> 00:17:14: Europe.
00:17:14 --> 00:17:18: It is already something that we're discussing in the United
00:17:18 --> 00:17:18: States.
00:17:18 --> 00:17:21: We have a number of clients who are already.
00:17:21 --> 00:17:24: Focus on a crime framework and cream pathway.
00:17:24 --> 00:17:27: Correct pathway is find a very distinct way to get
00:17:27 --> 00:17:28: to net zero.
00:17:28 --> 00:17:32: It is very strict. It is very didactic and there's
00:17:32 --> 00:17:36: a lot of investors following low carbon materials are going
00:17:36 --> 00:17:37: to be critical.
00:17:37 --> 00:17:39: Increasingly, you're going to see a lot about steel and
00:17:39 --> 00:17:40: concrete.
00:17:40 --> 00:17:43: As I said, net zero Ancram pathways are here,
00:17:43 --> 00:17:45: and they're here to stay.
00:17:45 --> 00:17:48: Regulation of the city level is already here.
00:17:48 --> 00:17:51: Every major city in North America is going to have
00:17:51 --> 00:17:52: it shortly.
00:17:52 --> 00:17:55: Your ability to raise money if you don't do this
00:17:55 --> 00:17:57: right will be limited,
00:17:57 --> 00:18:01: and I would argue that you know in five years
00:18:01 --> 00:18:02: time 5 to 10%
00:18:02 --> 00:18:06: of the real estate investment firms will disappear because
they
00:18:06 --> 00:18:07: manage this transition poorly.

00:18:07 --> 00:18:11: 20 to 25% will have been successful.
00:18:11 --> 00:18:12: They would have transitioned well,
00:18:12 --> 00:18:14: they will have more money.
00:18:14 --> 00:18:17: They will have assets. That have greater value and there
00:18:17 --> 00:18:19: would be 2/3 of you know,
00:18:19 --> 00:18:22: basically status quo, not better,
00:18:22 --> 00:18:26: not worse. It just sort of addressed it in a
00:18:26 --> 00:18:27: fairly light way,
00:18:27 --> 00:18:30: and the debt capital markets care as well.
00:18:30 --> 00:18:35: We're increasingly working with lenders who are looking to
integrate
00:18:35 --> 00:18:39: climate and ESG and regulatory impacts into their decisions
around
00:18:39 --> 00:18:41: credit and lending.
00:18:41 --> 00:18:44: And while this may feel onerous to some extent,
00:18:44 --> 00:18:46: it creates certainty you may not like it,
00:18:46 --> 00:18:50: but at least you go in knowing it's going to
00:18:50 --> 00:18:50: occur.
00:18:50 --> 00:18:53: You know what it's going to cost to comply with
00:18:54 --> 00:18:54: regulations.
00:18:54 --> 00:18:56: And so let's just go to the last side,
00:18:56 --> 00:18:59: Monica, just a couple sort of things to sort of
00:19:00 --> 00:19:03: levels that and think about the rest of our time.
00:19:03 --> 00:19:06: Data is going to be very important for everyone here.
00:19:06 --> 00:19:09: Whether it's you like greenprint greasby,
00:19:09 --> 00:19:11: it's important to measure and set targets to do it
00:19:12 --> 00:19:13: in a very transparent way,
00:19:13 --> 00:19:17: so that all your stakeholders know what you're doing.
00:19:17 --> 00:19:23: Uhm? Define success. Every single person here today will
define
00:19:23 --> 00:19:24: success differently.
00:19:24 --> 00:19:28: For some people it will be about raising more money.
00:19:28 --> 00:19:30: For some people, it's avoiding a stranded asset.
00:19:30 --> 00:19:34: For others it's simply we want to do it and
00:19:34 --> 00:19:38: align ourselves in a manner that's really important so we
00:19:38 --> 00:19:42: don't end up having our employees leave our customers our
00:19:42 --> 00:19:46: supply chain. And all these are voluntary commitments and I
00:19:46 --> 00:19:49: think what's really important is to think about the authenticity
00:19:49 --> 00:19:50: of it.
00:19:50 --> 00:19:52: Some of you will basically be inclined to just do
00:19:52 --> 00:19:54: whatever your peers are doing,
00:19:54 --> 00:19:56: whether or not that is the right fit for your
00:19:56 --> 00:19:57: organization.

00:19:57 --> 00:19:59: But creating a credible narrative to talk about sort of
00:19:59 --> 00:20:00: what you're doing,
00:20:00 --> 00:20:03: why you're doing it, and what it means to you
00:20:03 --> 00:20:04: is really important.
00:20:04 --> 00:20:09: Stakeholders eldest, I'll close with this.
00:20:09 --> 00:20:11: Historically real estate, and I think we thought we had
00:20:11 --> 00:20:12: two stakeholders.
00:20:12 --> 00:20:14: We own a building and we sign a lease with
00:20:14 --> 00:20:16: somebody and the other stakeholders.
00:20:16 --> 00:20:18: The person that signed. At least today.
00:20:18 --> 00:20:21: I would argue that the stakeholders is a much broader
00:20:22 --> 00:20:23: set of people.
00:20:23 --> 00:20:24: It is the person who signed the lease.
00:20:24 --> 00:20:27: It is their employees. It is their customers,
00:20:27 --> 00:20:30: that is their supply chain up and down.
00:20:30 --> 00:20:33: It is their investors on the equity side is their
00:20:33 --> 00:20:33: lender.
00:20:33 --> 00:20:36: On the debt side, it is the elected officials that
00:20:36 --> 00:20:39: oversee and govern the planning and.
00:20:39 --> 00:20:42: Permitting process for our projects because all of us are
00:20:42 --> 00:20:44: going to need to pull a permit or get a
00:20:44 --> 00:20:45: variance at some point.
00:20:45 --> 00:20:48: And if we align with our communities will be able
00:20:48 --> 00:20:50: to get that very quickly if we do not align
00:20:50 --> 00:20:51: with our communities.
00:20:51 --> 00:20:55: It's possible we may never get the permit or variance
00:20:55 --> 00:20:58: that we need in order to develop our projects and
00:20:58 --> 00:21:01: so this is an issue that now pervades every aspect
00:21:01 --> 00:21:02: or a bit of our business.
00:21:02 --> 00:21:05: From what we design to what we construct,
00:21:05 --> 00:21:08: what we operate to what we finance.
00:21:08 --> 00:21:11: And I'm I'm really happy that we've got,
00:21:11 --> 00:21:16: you know, two other leading real estate industry participants
to
00:21:16 --> 00:21:17: join us.
00:21:17 --> 00:21:19: So I'm gonna ask Faron to sort of kick off
00:21:19 --> 00:21:20: the next section,
00:21:20 --> 00:21:21: talk a little bit about sort of,
00:21:21 --> 00:21:24: you know how this is impacting his business,
00:21:24 --> 00:21:28: his clients, and then Derek will talk about in particular
00:21:29 --> 00:21:31: his project up in Toronto,
00:21:31 --> 00:21:35: and how climate is impacting.

00:21:35 --> 00:21:38: A project which is going to be existing for decades
00:21:38 --> 00:21:40: both through the development,
00:21:40 --> 00:21:43: the construction, and the operations so fair and over to
00:21:43 --> 00:21:43: you.
00:21:44 --> 00:21:48: Thank you Brad. Good morning everyone,
00:21:48 --> 00:21:51: just to kind of give you a few thoughts on
00:21:51 --> 00:21:54: our business were Capital Advisors.
00:21:54 --> 00:21:57: And so we work with developers,
00:21:57 --> 00:22:00: owners, operators in addition to capital sources as well and
00:22:01 --> 00:22:04: it advisory capacity in terms of structuring transactions.
00:22:04 --> 00:22:06: The influence of a comp.
00:22:06 --> 00:22:10: Of COPD 26 and the takeaways from it for us
00:22:10 --> 00:22:12: are going to be ongoing.
00:22:12 --> 00:22:16: Uhm, one of the things that Brad mentioned or touched
00:22:16 --> 00:22:19: on is the fact that one of the primary goals
00:22:19 --> 00:22:24: of the conference is to mobilize finance that phrase that
00:22:24 --> 00:22:26: inclusive of financial firms, banks,
00:22:26 --> 00:22:31: insurers and investors, each of the participants were asked to
00:22:31 --> 00:22:36: contribute \$100 billion in climate finance to support
developing countries.
00:22:36 --> 00:22:38: Some of the ones that Brad mentioned,
00:22:38 --> 00:22:43: in addition to the overall number of \$130 trillion in.
00:22:43 --> 00:22:48: Contributions to green finance over the coming years.
00:22:48 --> 00:22:51: So what we envision coming out of that are new
00:22:51 --> 00:22:53: financing tools,
00:22:53 --> 00:22:57: green bonds, other things and then also other alternatives to
00:22:57 --> 00:23:01: finance some of the projects that we're actually discussing or
00:23:01 --> 00:23:02: talking about here.
00:23:02 --> 00:23:07: During this discussion, we believe an emphasis based on that
00:23:07 --> 00:23:12: will be placed on capital raising for groups and institutions
00:23:12 --> 00:23:14: who deploy that capital.
00:23:14 --> 00:23:19: As well, there will definitely be a mandate around ESG
00:23:19 --> 00:23:22: as well as green finance and,
00:23:22 --> 00:23:25: and more importantly, net zero as well.
00:23:25 --> 00:23:28: Uhm? Over a short period of time,
00:23:28 --> 00:23:31: we think that the private and public sector are actually
00:23:31 --> 00:23:33: going to have to come together in order to make
00:23:33 --> 00:23:34: this happen effectively.
00:23:34 --> 00:23:37: But overall, as was pointed out in the slides as
00:23:37 --> 00:23:37: well,
00:23:37 --> 00:23:40: we feel that the majority of this change is going

00:23:40 --> 00:23:42: to be driven by the private sector and in our
00:23:42 --> 00:23:44: opinion that's where it should be.
00:23:50 --> 00:23:52: Ferring thanks very much Derek.
00:23:52 --> 00:23:53: You want to talk a little bit about,
00:23:53 --> 00:23:56: sort of. Both the Canadian perspective you know more
broadly,
00:23:56 --> 00:23:59: but specifically sort of how this is impacting your work
00:23:59 --> 00:24:00: and your project.
00:24:01 --> 00:24:04: Earth thanks Brad and I'm really happy to be here
00:24:04 --> 00:24:07: and be part of this important conversation.
00:24:07 --> 00:24:10: So yeah, it's really interesting from our perspective because,
00:24:10 --> 00:24:14: you know, notwithstanding the lack of momentum,
00:24:14 --> 00:24:16: you may want to call it coming out of COP
00:24:16 --> 00:24:18: 26 from the government.
00:24:18 --> 00:24:20: This is something that's been on our radar for awhile
00:24:20 --> 00:24:20: anyway.
00:24:20 --> 00:24:23: And and we really think it's a it's a major
00:24:23 --> 00:24:27: driver of our business to provide a bit more context
00:24:27 --> 00:24:30: to the comments I'll make and the discussion today.
00:24:30 --> 00:24:32: Northcrest was created three years ago.
00:24:32 --> 00:24:34: By the public sector pension,
00:24:34 --> 00:24:39: which is one of the largest Canadian pension funds and
00:24:39 --> 00:24:41: they bought an airport,
00:24:41 --> 00:24:44: an existing airport site in Toronto.
00:24:44 --> 00:24:49: 370 acre site right next to existing subway infrastructure and
00:24:49 --> 00:24:50: within the city.
00:24:50 --> 00:24:53: And so we are. We as an organization,
00:24:53 --> 00:24:54: we're set up by the pension fund,
00:24:54 --> 00:24:56: whereas city area of the pension fund and our job
00:24:56 --> 00:24:58: is to redevelop this property,
00:24:58 --> 00:25:02: which the pension fund plans to own a significant portion
00:25:02 --> 00:25:04: of for decades to come.
00:25:04 --> 00:25:07: And so, in addition to the fact that the pension
00:25:07 --> 00:25:10: has an ESG focus and is really important in their
00:25:10 --> 00:25:13: decision making for all their investments,
00:25:13 --> 00:25:15: particularly for us because of the long term nature of
00:25:15 --> 00:25:16: our project,
00:25:16 --> 00:25:18: we know we have to make sure that we are
00:25:19 --> 00:25:23: building and designing these new communities to last and
be.
00:25:25 --> 00:25:27: Protecting from an obsolescence perspective,
00:25:27 --> 00:25:31: by making good decisions on things like our carbon footprint
00:25:31 --> 00:25:33: so that by the time the buildings that we build

00:25:33 --> 00:25:37: are actually up and running and operating that they are
00:25:37 --> 00:25:39: meeting the regulations in the future,
00:25:39 --> 00:25:41: not the regulations of today,
00:25:41 --> 00:25:44: so that long term perspective is really helpful for us
00:25:44 --> 00:25:47: to be able to make the right decisions for the
00:25:47 --> 00:25:50: long term we are thinking about infrastructure.
00:25:50 --> 00:25:53: We're thinking about the buildings and energy efficiency,
00:25:53 --> 00:25:55: but we're also thinking about.
00:25:55 --> 00:25:57: Resilience, so I think we're at the point now where
00:25:57 --> 00:25:59: in addition to the fact that we have to make
00:26:00 --> 00:26:02: sure that the buildings we build have as little carbon
00:26:02 --> 00:26:06: footprint as possible and that does translate both operating
and
00:26:06 --> 00:26:08: embodied carbon,
00:26:08 --> 00:26:10: we also have to recognize the fact that there's already
00:26:10 --> 00:26:12: changes to the climate.
00:26:12 --> 00:26:15: And so we're thinking about things like stormwater
management not
00:26:15 --> 00:26:17: based on rainfalls of today,
00:26:17 --> 00:26:20: but projections of where rain falls and the prevalence of
00:26:21 --> 00:26:24: really large intense storms are going to be over the
00:26:24 --> 00:26:25: next 2030.
00:26:25 --> 00:26:28: 40 years and so these are all decisions that are
00:26:28 --> 00:26:32: taking we're taking into account as we design the project
00:26:32 --> 00:26:35: that we're working on and and will be important for
00:26:35 --> 00:26:36: years to come.
00:26:42 --> 00:26:46: Terrific. Derek, thanks but so.
00:26:48 --> 00:26:52: Do couple things now, so will start just a conversation.
00:26:52 --> 00:26:56: Please please please if you've got questions or want to
00:26:56 --> 00:26:59: sort of add to this conversation.
00:26:59 --> 00:27:00: Put something in the chat box,
00:27:00 --> 00:27:03: we're looking at it. We're monitoring it.
00:27:03 --> 00:27:07: But there I'm, I'm curious 'cause you know there are
00:27:07 --> 00:27:08: people on this,
00:27:08 --> 00:27:11: you know? This webinar and people we've all been talking
00:27:11 --> 00:27:11: to.
00:27:11 --> 00:27:15: Some are coming to this for the first time we've
00:27:15 --> 00:27:17: been doing for a really long time.
00:27:17 --> 00:27:20: And your projects been incorporating this very long,
00:27:20 --> 00:27:23: how, if at all, has sort of did COP 26
00:27:23 --> 00:27:24: change or thinking?
00:27:24 --> 00:27:31: Or accelerate your planning as it relates to integrating

climate?

00:27:31 --> 00:27:31: Yeah,

00:27:31 --> 00:27:33: so you know, as I said we we had already

00:27:33 --> 00:27:34: been taking this into account,

00:27:34 --> 00:27:37: but I think what it really does is it helps

00:27:37 --> 00:27:42: provide momentum and interest and support for all the stakeholders

00:27:42 --> 00:27:43: that are involved.

00:27:43 --> 00:27:44: So it's raised the profile.

00:27:44 --> 00:27:48: The issue for all of our stakeholders and and it

00:27:48 --> 00:27:51: also helps when we're trying to make decisions that may

00:27:51 --> 00:27:55: be on the margins of what might be justifiable from

00:27:55 --> 00:27:58: a return perspective or a payback perspective.

00:27:58 --> 00:28:00: You can also start to have conversations about well if

00:28:00 --> 00:28:01: we don't make this.

00:28:01 --> 00:28:04: Decision to push a little bit farther and reduce our

00:28:04 --> 00:28:06: footprint a little bit more.

00:28:06 --> 00:28:09: You know you may be in a position where your

00:28:09 --> 00:28:11: building is obsolete by the time it's built.

00:28:11 --> 00:28:15: I mean, we're designing buildings in 2021 and 2022 that

00:28:15 --> 00:28:19: won't be in place and operating and stabilized until 2025

00:28:19 --> 00:28:19: plus.

00:28:19 --> 00:28:22: And when you think about when that building is up

00:28:22 --> 00:28:23: and running,

00:28:23 --> 00:28:25: when you have to refinance that building,

00:28:25 --> 00:28:26: or when you might want to sell that building,

00:28:26 --> 00:28:29: we're talking about 10-15 years down the road.

00:28:29 --> 00:28:31: And do you really want to be owning a building

00:28:32 --> 00:28:34: at that point in time that that isn't meeting the

00:28:34 --> 00:28:37: standards that we all know are coming and so not

00:28:37 --> 00:28:40: be focused as much on the standards that are in

00:28:40 --> 00:28:41: place today?

00:28:41 --> 00:28:44: And so I think you know the term I use.

00:28:44 --> 00:28:47: It helps give people courage when they see so many

00:28:47 --> 00:28:49: other actors out there that are,

00:28:49 --> 00:28:52: you know, telling the world that this is a really

00:28:53 --> 00:28:53: important issue.

00:28:53 --> 00:28:56: It helps decision makers who have to sign off on

00:28:56 --> 00:28:58: some of these things that you know they're a little

00:28:58 --> 00:28:59: bit worried about.

00:28:59 --> 00:29:01: They're not quite meeting their return threshold,

00:29:01 --> 00:29:03: or they're a little bit worried about the IR on

00:29:03 --> 00:29:04: a project.

00:29:04 --> 00:29:06: But if you can layer in some of these other

00:29:07 --> 00:29:08: risk mitigation factors,

00:29:08 --> 00:29:10: it helps people to go that much further.

00:29:12 --> 00:29:14: Great eight so fair and I want to turn it

00:29:14 --> 00:29:16: over to you for a minute so you made a

00:29:16 --> 00:29:19: comment about green financing and certainly the sort of the

00:29:19 --> 00:29:23: largest category of in the capital market.

00:29:23 --> 00:29:28: Today is around green financing very broadly defined.

00:29:28 --> 00:29:31: And it potentially lowers your cost of capital.

00:29:31 --> 00:29:35: It also signifies to the market and stakeholders your

00:29:35 --> 00:29:38: seriousness,

00:29:38 --> 00:29:41: and you're sort of thinking about climate.

00:29:38 --> 00:29:41: I'm curious, you know, when you're talking to developers and

00:29:41 --> 00:29:42: owners about green financing,

00:29:42 --> 00:29:45: what's motivating them. They think this is just,

00:29:45 --> 00:29:46: you know, going to get them more money,

00:29:46 --> 00:29:49: lower cost of capital. Do they think it's the right

00:29:49 --> 00:29:50: thing to do,

00:29:50 --> 00:29:51: or are they thinking about?

00:29:51 --> 00:29:53: Sort of the the types of things that perhaps they'll

00:29:53 --> 00:29:54: integrate?

00:29:54 --> 00:29:56: Or are they even changing?

00:29:56 --> 00:29:58: Perhaps the development or their cap,

00:29:58 --> 00:30:00: ex. Program, you know, as a result of this.

00:30:01 --> 00:30:03: So in in my experience,

00:30:03 --> 00:30:07: there's been sort of a bifurcation in a sense as

00:30:07 --> 00:30:10: it relates to green finance and green bonds.

00:30:10 --> 00:30:15: You know? There been a few occurrences of developments

00:30:15 --> 00:30:16: being

00:30:16 --> 00:30:16: focused on green.

00:30:16 --> 00:30:20: Green will use utilizing green bond financing in the United

00:30:20 --> 00:30:24: States and it's been more prevalent in European markets and

00:30:24 --> 00:30:27: so I think what you're seeing here is that in

00:30:27 --> 00:30:30: the United States, when it occurs is that it is

00:30:30 --> 00:30:34: more intentional and it is around some of the comments

00:30:34 --> 00:30:38: that Derek was making about stakeholders being more

00:30:38 --> 00:30:40: focused on

00:30:38 --> 00:30:40: utilizing that as a financing tool.

00:30:40 --> 00:30:44: So I think that's. Primarily what's driving it now,

00:30:44 --> 00:30:48: but of course you know as a result of.

00:30:48 --> 00:30:52: This conversation and other things that is going to grow

00:30:52 --> 00:30:57: and you know its capital sources continue to mandate the

00:30:57 --> 00:31:00: use of certain aspects of a development or project.

00:31:00 --> 00:31:06: Having some sort of or having significant environmental enhancement enhancements

00:31:06 --> 00:31:08: or changes to it,

00:31:08 --> 00:31:11: then you'll see green financing be more prevalent in the

00:31:11 --> 00:31:12: market,

00:31:12 --> 00:31:14: but not only that, be more useful and I think

00:31:14 --> 00:31:17: you know one of the things that's more important for

00:31:17 --> 00:31:19: us is realizing or.

00:31:19 --> 00:31:21: Sorting out some of the tools that we think are

00:31:21 --> 00:31:23: going to come to the market with respect to financing.

00:31:23 --> 00:31:25: Some of the dogs now,

00:31:25 --> 00:31:29: as a matter of fact or offering discounts with respect

00:31:29 --> 00:31:34: to rates on refinancing for projects that clear certain certain

00:31:34 --> 00:31:38: hurdles from an environmental perspective so.

00:31:38 --> 00:31:40: Very abundant in European markets,

00:31:40 --> 00:31:43: but in its infancy here in the United States,

00:31:43 --> 00:31:45: but we we think over the next few years will

00:31:45 --> 00:31:48: be very useful and will grow significantly.

00:31:49 --> 00:31:51: Fair and thanks. So it's been interesting,

00:31:51 --> 00:31:54: so there's a couple of questions in the chat box

00:31:54 --> 00:31:59: and sort of been talking about resiliency and climate risk

00:31:59 --> 00:32:01: and sort of asset valuation so.

00:32:01 --> 00:32:04: I wanna make a comment because I think one of

00:32:04 --> 00:32:06: the interesting things in a North American context is one

00:32:07 --> 00:32:09: of the MSA is perhaps it has the most favorable

00:32:09 --> 00:32:12: sort of macroeconomic factors right now.

00:32:12 --> 00:32:15: Is South Florida, Miami at the same time,

00:32:15 --> 00:32:19: South Florida, Miami may have the greatest or worst climate

00:32:19 --> 00:32:24: profile or value at risk profile that any North American

00:32:24 --> 00:32:28: city and you've seen a tremendous amount of institutional

and

00:32:28 --> 00:32:32: opportunity fund activity in South Florida companies.

00:32:32 --> 00:32:35: Even relocating there. And you know,

00:32:35 --> 00:32:37: I guess you know it's interesting,

00:32:37 --> 00:32:39: fair, and say how? How are the capital markets?

00:32:39 --> 00:32:42: Perhaps squaring sort of the macro story,

00:32:42 --> 00:32:46: which is what we always want in real estate with

00:32:46 --> 00:32:47: the climate risk.

00:32:47 --> 00:32:50: Sort of the risk to the collateral value as they're

00:32:50 --> 00:32:51: sort of,

00:32:51 --> 00:32:54: you know, looking at capital market decision on to finance

00:32:54 --> 00:32:56: or invest in places like South Florida.

00:32:56 --> 00:33:00: I think that that that definitely ties back into Derek's

00:33:00 --> 00:33:04: comment and and in their firms being intentional about their

00:33:04 --> 00:33:08: investment and the development that they're doing on their project.

00:33:08 --> 00:33:10: And I think we will have to see more of

00:33:10 --> 00:33:12: that happen here in the United States,

00:33:12 --> 00:33:15: I think personally that in markets like South Florida as

00:33:15 --> 00:33:16: you mentioned,

00:33:16 --> 00:33:20: specifically that the focus is currently on traditional development,

00:33:20 --> 00:33:24: traditional capital markets, traditional structures and returns.

00:33:24 --> 00:33:28: Also with very little. Emphasis on what's next for the

00:33:28 --> 00:33:32: next five years and the possible app obsolescence of an

00:33:32 --> 00:33:36: asset in the capital that's going into it so that,

00:33:36 --> 00:33:38: to your point and you know,

00:33:38 --> 00:33:42: has to be a primary focus for everyone who's involved specifically in the real estate market.

00:33:42 --> 00:33:45: From an investment standpoint and even from from a development

00:33:45 --> 00:33:48: standpoint as well.

00:33:48 --> 00:33:50: So there needs to be more focused on those than

00:33:50 --> 00:33:54: there is currently.

00:33:54 --> 00:33:55: Brad, you also touched on insurance earlier,

00:33:57 --> 00:33:59: and to me, that's that's going to be the big

00:33:59 --> 00:34:03: driver is if and when insurance companies are either not

00:34:03 --> 00:34:07: willing to provide insurance or or charging premiums that are

00:34:07 --> 00:34:11: exorbitant, that will really be a major tipping point.

00:34:11 --> 00:34:15: And it is surprising to me that it hasn't already

00:34:15 --> 00:34:17: started to happen because they're the ones,

00:34:17 --> 00:34:19: as you said, that are going to bear the brunt

00:34:19 --> 00:34:22: of major losses when flooding happens and they have to

00:34:23 --> 00:34:27: be.

00:34:27 --> 00:34:27: Thinking about the long term,

00:34:27 --> 00:34:28: not necessarily over the next year or two.

00:34:28 --> 00:34:30: Well, Derek

00:34:31 --> 00:34:32: to your point about insurance.

00:34:32 --> 00:34:34: It's actually happening now because we run into situations with

00:34:34 --> 00:34:38: building owners who may have had damage to an asset

00:34:38 --> 00:34:42: as a result of a storm or some other natural

00:34:42 --> 00:34:45: disaster, and as a result,

00:34:45 --> 00:34:46: what their flight finding is.

00:34:46 --> 00:34:47:

00:34:47 --> 00:34:51: Insurance companies are not willing to honor the full value
00:34:51 --> 00:34:52: of the policy,
00:34:52 --> 00:34:55: and so they're looking for creative ways to sort of
00:34:55 --> 00:34:56: fill the gap,
00:34:56 --> 00:34:59: and in some cases. For owners who are not as
00:34:59 --> 00:35:04: well capitalized or don't have institutional backing,
00:35:04 --> 00:35:06: you know they're forced to sell assets in some cases
00:35:06 --> 00:35:07: at a loss,
00:35:07 --> 00:35:11: so that's actually happening now and and something that
should
00:35:12 --> 00:35:13: be addressed,
00:35:13 --> 00:35:16: and I'm surprised it doesn't get then get more coverage
00:35:16 --> 00:35:17: in the press.
00:35:17 --> 00:35:17: Well,
00:35:17 --> 00:35:22: it's interesting 'cause EU S Center for sustainability and
economic
00:35:22 --> 00:35:26: performance that Billy Grayson runs has initiated
conversations with the
00:35:26 --> 00:35:28: insurance industry.
00:35:28 --> 00:35:29: I think Derek to your point.
00:35:29 --> 00:35:33: We've historically real estates talked a lot about the cost
00:35:33 --> 00:35:35: of insurance and the price of insurance,
00:35:35 --> 00:35:38: but I think increasingly we need to be speaking about
00:35:38 --> 00:35:41: the availability of insurance and if private insurance leaves,
00:35:41 --> 00:35:44: say South Florida because the risks are,
00:35:44 --> 00:35:47: you know, the 100 year storm is now every four
00:35:47 --> 00:35:50: years and you can't charge somebody basically 25%
00:35:50 --> 00:35:54: of the total value of the claim every single year
00:35:54 --> 00:35:58: you're going to be left basically with.
00:35:58 --> 00:36:03: You know public sector programs and that public sector
program,
00:36:03 --> 00:36:06: say in Florida, is basically going to have all the
00:36:06 --> 00:36:07: risks.
00:36:07 --> 00:36:09: So it's instead of a claim in Florida,
00:36:09 --> 00:36:12: where an insurance company has some claims there.
00:36:12 --> 00:36:14: But as a whole bunch of sort of assets in
00:36:15 --> 00:36:17: programs in place around the country,
00:36:17 --> 00:36:19: that program is going to go out of business.
00:36:19 --> 00:36:21: And then there's one storm,
00:36:21 --> 00:36:23: and Esteban just put in a comment about the UI
00:36:23 --> 00:36:24: Heitman report,
00:36:24 --> 00:36:28: which is exactly right. So Heitman has been neutralized,
00:36:28 --> 00:36:34: partner. For research around resiliency and sustainability

around climate and insurance is a huge issue in China.

00:36:34 --> 00:36:37: The height the only Heitman report talked about the Pearl River Delta between 60 and 70 million.

00:36:37 --> 00:36:40: People are exposed to climate risk from one single storm.

00:36:40 --> 00:36:42: It does not have to be multiples from this single storm anywhere in that region of Typhoon will impact 70 million people billions and billions of dollars.

00:36:42 --> 00:36:47: And one and RMB of real estate assets, and it will be devastating for real estate now.

00:36:47 --> 00:36:51: The flip side is not all climate risks are the same,

00:36:51 --> 00:36:55: so South Florida is exposed to hurricanes.

00:36:55 --> 00:36:59: Everyone in Miami. Basically the same risk darking everyone in

00:36:59 --> 00:37:03: Miami does not have the same exposure to coastal flooding and tidal flooding and you start to think about this notion of value at risk.

00:37:03 --> 00:37:08: And investing in resiliency and that starts to give you sort of an interesting opportunity around.

00:37:08 --> 00:37:12: You know how to invest in your assets if you can raise the building effectively from 8 feet to 12 feet or 14 feet by putting in barriers to penetrations, you know that will eliminate several coastal or tidal flooding.

00:37:12 --> 00:37:13: You know events a year where you have a high tide that's combined with a full moon.

00:37:13 --> 00:37:16: Those are bad for South Florida, but you know this is, I think, a real issue and I think.

00:37:16 --> 00:37:20: No, the insurance industry who's largely been. Perhaps quiet is very much now at the central part of this discussion.

00:37:20 --> 00:37:24: So, so Brad what what? It just dawned on me what what you just outlined may actually be the solution to the problem.

00:37:24 --> 00:37:28: Maybe the insurance industry should come up with a list of criteria for properties that they are willing to insure.

00:37:28 --> 00:37:29: And as a result it should check all the boxes that we're discussing here.

00:37:29 --> 00:37:32: I mean that could be a very good start from the private sector

00:37:32 --> 00:37:35: It will make an operation so you know where I

00:37:35 --> 00:37:38:

00:37:38 --> 00:37:41:

00:37:41 --> 00:37:45:

00:37:45 --> 00:37:49:

00:37:49 --> 00:37:51:

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00:38:32 --> 00:38:33:

00:38:34 --> 00:38:36:

00:38:37 --> 00:38:37: started my career.

00:38:37 --> 00:38:41: JMB Realty and Jane B also has an insurance affiliate

00:38:41 --> 00:38:43: and I've spoken to them about this in.

00:38:43 --> 00:38:46: In many cases they do this type of work.

00:38:46 --> 00:38:50: They basically give properties a list of the different types

00:38:50 --> 00:38:53: of measures they can take that will impact or reduce

00:38:53 --> 00:38:56: their insurance premium or simply improved.

00:38:56 --> 00:38:58: Their assets it almost to a tee,

00:38:58 --> 00:39:02: none of them follow that none of them think about

00:39:02 --> 00:39:03: this at all.

00:39:03 --> 00:39:06: So it is something that people are thinking about,

00:39:06 --> 00:39:08: you know, and I think the the big challenge is

00:39:08 --> 00:39:09: that.

00:39:12 --> 00:39:17: Is that? The industry generally isn't pricing it right,

00:39:17 --> 00:39:21: and the minute get start it gets priced correctly is

00:39:21 --> 00:39:24: the minute people are either not going to.

00:39:24 --> 00:39:25: They can't not take insurance,

00:39:25 --> 00:39:28: but they're going to basically start to see the reality

00:39:28 --> 00:39:32: of it because there's been some comments about cap rates

00:39:32 --> 00:39:35: in climate and you know cap rates were largely reflect

00:39:35 --> 00:39:38: the volatility of the certainty of cash flow.

00:39:38 --> 00:39:40: And if office had now climate change introduces a whole

00:39:40 --> 00:39:41: lot of volatility,

00:39:41 --> 00:39:44: your cash flow, you know people will pay more.

00:39:44 --> 00:39:46: For \$100 every single year,

00:39:46 --> 00:39:49: then they will force A50 this year,

00:39:49 --> 00:39:54: but 150 next year, even if the NPV is exactly

00:39:54 --> 00:39:55: the same.

00:39:55 --> 00:39:57: So this is, you know,

00:39:57 --> 00:40:00: a very new place to be,

00:40:00 --> 00:40:01: and maybe it's not a new place to be,

00:40:01 --> 00:40:04: but it's I think a new day as we start

00:40:05 --> 00:40:08: to think about a lot of these issues and.

00:40:08 --> 00:40:10: You simply reflect this volatility.

00:40:11 --> 00:40:13: Yeah, sorry Brad, I just to build on that.

00:40:13 --> 00:40:16: I think this is where you know places like banks

00:40:16 --> 00:40:20: can have an increased role because as you say with

00:40:20 --> 00:40:21: cabarets.

00:40:21 --> 00:40:23: Yeah where as low as they are.

00:40:23 --> 00:40:27: Most development projects have very little room to maneuver

00:40:27 --> 00:40:29: when

00:40:27 --> 00:40:29: it when it comes to things like lower rent or

00:40:29 --> 00:40:32: higher vacancy or or unexpected retrofit costs due to new
00:40:32 --> 00:40:37: regulations. And if banks start telling their clients that they
00:40:37 --> 00:40:38: are going to,
00:40:38 --> 00:40:41: you know, give them you know less loan to value
00:40:41 --> 00:40:44: or higher rates because they're not factoring some of these
00:40:44 --> 00:40:47: things into their projects that will have an immediate impact
00:40:47 --> 00:40:50: on decisions. And when you think about,
00:40:50 --> 00:40:53: you know what I was saying earlier about struggling to
00:40:53 --> 00:40:55: justify in the grand scheme of things,
00:40:55 --> 00:40:59: relatively minor, increase capital costs to make buildings net
zero
00:41:00 --> 00:41:00: carbon,
00:41:00 --> 00:41:03: or at least push yourself as far as you can
00:41:03 --> 00:41:04: down that path.
00:41:04 --> 00:41:09: Relative to a relatively minor increase in your cap rate,
00:41:09 --> 00:41:12: because the banks saying that there's a higher risk in
00:41:13 --> 00:41:15: your cash flow then you think there is,
00:41:15 --> 00:41:18: I mean that that would almost immediately have a huge
00:41:18 --> 00:41:22: impact on developers and their ability and willingness to
make
00:41:22 --> 00:41:23: some of these decisions.
00:41:24 --> 00:41:26: Let me turn this conversation in just sort of,
00:41:26 --> 00:41:31: you know, net zero, both for new construction but also
00:41:31 --> 00:41:32: for retrofits.
00:41:32 --> 00:41:36: And how do we get buildings to net zero net
00:41:36 --> 00:41:37: zero ready?
00:41:37 --> 00:41:40: Because in the the infrastructure bill just passed EU S
00:41:41 --> 00:41:43: Congress was signed into law this past week.
00:41:43 --> 00:41:47: There was a bunch of money for investing in building
00:41:47 --> 00:41:51: codes and helping cities change their building codes and that
00:41:51 --> 00:41:55: is often sort of the stealthiest place out.
00:41:55 --> 00:41:57: You know I'll make an observation.
00:41:57 --> 00:41:59: A tourist, Darren and sharing what you guys think and
00:41:59 --> 00:42:00: others in the chat room,
00:42:00 --> 00:42:04: you know. It's hard to build a net zero building,
00:42:04 --> 00:42:07: but relatively speaking the building codes are pushing in that
00:42:07 --> 00:42:08: direction.
00:42:08 --> 00:42:11: Now most building codes around North America are
essentially our
00:42:11 --> 00:42:12: lead gold.
00:42:12 --> 00:42:14: Already, LEED Gold doesn't need to be done.
00:42:14 --> 00:42:16: LEED Silver doesn't really exist,
00:42:16 --> 00:42:20: and we know how to build net zero buildings and

00:42:20 --> 00:42:24: the extent our employees and our tenants demand it more.
00:42:24 --> 00:42:26: We're going to build them more,
00:42:26 --> 00:42:29: but there's also the issue of what to do with
00:42:29 --> 00:42:30: the existing building stock,
00:42:30 --> 00:42:32: which by and large the buildings that are going to
00:42:32 --> 00:42:32: be.
00:42:32 --> 00:42:36: With us in 2030 and 2040 already exist.
00:42:36 --> 00:42:39: How do we take the Class B building the midblock?
00:42:39 --> 00:42:43: Building the Class B. Multifamily how do we help get
00:42:43 --> 00:42:44: that to net zero?
00:42:44 --> 00:42:46: Is it a capital markets question?
00:42:46 --> 00:42:47: Is it a technical question?
00:42:47 --> 00:42:48: Is it a business model?
00:42:48 --> 00:42:51: Question, Derek, do you want to maybe sort of start
00:42:52 --> 00:42:52: with that?
00:42:52 --> 00:42:53: Well, I think
00:42:53 --> 00:42:54: there's a couple issues. Well,
00:42:54 --> 00:42:58: you know, I think they're the technology does exist so
00:42:58 --> 00:43:01: I don't think it's a technical issue.
00:43:01 --> 00:43:04: Uhm, it's obviously a cost issue,
00:43:04 --> 00:43:08: but that ties to the regulatory environment and so in
00:43:08 --> 00:43:08: Toronto,
00:43:08 --> 00:43:10: and I do want to give credit.
00:43:10 --> 00:43:13: I mean, we touched on regulation before Toronto has said
00:43:13 --> 00:43:16: that all new buildings by 2030 have to be net
00:43:16 --> 00:43:18: zero and all buildings by 2050 have to be net
00:43:18 --> 00:43:20: zero, and that's important for a couple of reasons.
00:43:20 --> 00:43:23: One, they've set out what they mean by that,
00:43:23 --> 00:43:24: and I'm going to talk a bit more about that
00:43:24 --> 00:43:25: in a second,
00:43:25 --> 00:43:27: but it also they've been forecasting this,
00:43:27 --> 00:43:30: so they're telling people well in advance of what the
00:43:30 --> 00:43:32: new regulations we're going to be in the future,
00:43:32 --> 00:43:35: so that developers and building owners can plan for it.
00:43:35 --> 00:43:36: And I think that's really important,
00:43:36 --> 00:43:39: and I don't think that's happening enough yet.
00:43:39 --> 00:43:42: One of the one of the comments that got made
00:43:42 --> 00:43:45: on the roundtable discussion that we had on Tuesday with
00:43:45 --> 00:43:48: the someone used the term whiplash regulation,
00:43:48 --> 00:43:51: which I really liked. And it's that idea that governments
00:43:51 --> 00:43:54: are going to sort of delay making decisions and then
00:43:54 --> 00:43:57: all of a sudden they're going to feel the political

00:43:57 --> 00:44:00: pressure, and they're just going to rush to impose a
00:44:00 --> 00:44:01: bunch of regulations to make it.
00:44:01 --> 00:44:05: Seem like they're doing something without proper
consultation with industry,
00:44:05 --> 00:44:08: and without really thinking through the unintended
consequences and and
00:44:09 --> 00:44:11: the industry is going to have to deal with that
00:44:11 --> 00:44:11: in less.
00:44:11 --> 00:44:15: We are proactive and are making those decisions and taking
00:44:15 --> 00:44:17: those actions in advance,
00:44:17 --> 00:44:21: so I think that's something that we can and should
00:44:21 --> 00:44:21: be doing.
00:44:21 --> 00:44:25: But part of the problem is is what is net
00:44:25 --> 00:44:25: zero?
00:44:25 --> 00:44:27: You know, are you telling what operating carbon are you
00:44:27 --> 00:44:28: talking about?
00:44:28 --> 00:44:33: Embodied carbon? What happens when you think about
electrification,
00:44:33 --> 00:44:37: which is an important part of getting to net zero?
00:44:37 --> 00:44:40: How much are you considering the source of the electricity,
00:44:40 --> 00:44:42: and what the carbon footprint of the electricity is?
00:44:42 --> 00:44:44: So I think one of the things that you know,
00:44:44 --> 00:44:46: I think you'll I can have a role in this,
00:44:46 --> 00:44:49: and we as an industry have to try to work
00:44:50 --> 00:44:55: together to continue to refine and develop the standards and
00:44:55 --> 00:44:57: come up with legitimate and.
00:44:57 --> 00:45:00: Appropriate ways of standardizing the measurement of what.
00:45:00 --> 00:45:03: Net zero is so that we're all talking from the
00:45:04 --> 00:45:05: same playbook,
00:45:05 --> 00:45:07: and I think that will help as well,
00:45:07 --> 00:45:10: but that's really different depending on which jurisdiction
you're in.
00:45:10 --> 00:45:12: It's a lot easier to achieve net zero in some
00:45:12 --> 00:45:14: parts of the world than others,
00:45:14 --> 00:45:17: partly based on where the electricity is coming from,
00:45:17 --> 00:45:20: so there's there's definitely a lot of different things that
00:45:20 --> 00:45:20: have to happen.
00:45:20 --> 00:45:23: There's no one thing that has to happen to solve
00:45:23 --> 00:45:24: that problem,
00:45:24 --> 00:45:28: but I think if the developers can share information.
00:45:28 --> 00:45:30: And again, you lie has a place to play here.
00:45:30 --> 00:45:34: Sharing best practices and technical information.
00:45:34 --> 00:45:40: Governments work on regulations. Governments also work

on the standardization
of what the definitions mean and and you lie in
the industry can play a part in trying to make
it as common as possible,
so that if you're operating in multiple jurisdictions,
you're not trying to figure out in different ways in
different places.
I think you know one of the challenges you know.
I think there's a big difference grounds for this notion
of.
Net zero and developing net zero buildings for occupiers.
So you know universities, schools,
corporations are going to occupy their own space versus
investors
and trying to think about you know where the demand
is coming from.
It is it is tricky and I think you know
one of the challenges we have in North America is
that there are some communities that really want these
buildings.
There's others that really don't care,
and they're not prepared to pay more.
They don't necessarily equate a net zero building with a
desired sort of attribute or outcome.
It's not an amenity, and it requires,
I think, a lot of us to sort of think
a little bit differently about how we live,
what's acceptable, what temperature do we want?
In our space, what light levels are we prepared to?
For instance, limit the wattage at our work station and
all sort of all everything moved to Power over Ethernet,
and I think Derek you made an interesting point.
'cause obviously grid decarbonization is sort of the one lever
that the the build the real estate community itself does
not control in terms of decarbonization,
but it does control all the balance and in body
carbon I think is a wonderful example.
At the most basic level.
A lot of the decisions running body carbon are really
simple.
Get developers and architects and designers and specifiers
to just
think about these issues.

00:47:30 --> 00:47:32: Right, I mean, Google just introduced her to this notion
00:47:32 --> 00:47:34: of carbon associated with your map,
00:47:34 --> 00:47:36: and so they'll give you your fastest route.
00:47:36 --> 00:47:39: They'll give you. Perhaps they'll give you the low carbon
00:47:39 --> 00:47:41: route that may have less stops,
00:47:41 --> 00:47:43: or allows you to you know,
00:47:43 --> 00:47:45: less carbon based on their algorithms,
00:47:45 --> 00:47:47: and we don't necessarily think about that in terms of
00:47:47 --> 00:47:48: materials.
00:47:48 --> 00:47:50: We don't say you know we're used to just ordering
00:47:50 --> 00:47:51: from the same people.
00:47:51 --> 00:47:54: Are stone or wood without necessarily saying well that firm
00:47:54 --> 00:47:57: is like 1000 miles away versus this one.
00:47:57 --> 00:48:01: It's 50. What's the amount of recycled materials?
00:48:01 --> 00:48:04: And I think getting the real estate community broadly defined
00:48:04 --> 00:48:06: to think more about embodied carbon,
00:48:06 --> 00:48:11: which. Is already the case in Europe is important?
00:48:11 --> 00:48:12: I mean, I think
00:48:12 --> 00:48:14: that that came up in the conversation earlier this week
00:48:14 --> 00:48:17: as well as even just getting developers and building owners
00:48:17 --> 00:48:20: to ask their suppliers to disclose the carbon footprint and
00:48:20 --> 00:48:23: the materials they're supplying. Just just that act alone will
00:48:24 --> 00:48:26: will cause people to really start to think about it.
00:48:26 --> 00:48:30: And if that's part of your evaluation process for which
00:48:30 --> 00:48:32: suppliers you're going to work with,
00:48:32 --> 00:48:35: suppliers will pretty quickly take action on that.
00:48:35 --> 00:48:37: And if you think about the cumulative buying power of
00:48:37 --> 00:48:38: the real estate.
00:48:38 --> 00:48:42: Industry that is a really big lever to pull on.
00:48:42 --> 00:48:43: So I agree with you,
00:48:43 --> 00:48:44: I think that's important.
00:48:45 --> 00:48:47: Yeah, and and perhaps we need to stop thinking about
00:48:47 --> 00:48:48: national buying programs.
00:48:48 --> 00:48:50: Start thinking about regional buying programs.
00:48:50 --> 00:48:53: So if we're a national real estate firm or national
00:48:53 --> 00:48:54: services firm,
00:48:54 --> 00:48:57: not simply having one contract that we buy,
00:48:57 --> 00:48:59: you know the product from somebody,
00:48:59 --> 00:49:02: no matter where they are in the country thousands of
00:49:02 --> 00:49:02: miles away.
00:49:02 --> 00:49:04: But think more local. You know,
00:49:04 --> 00:49:08: more regional. Just want to sort of look at the

00:49:08 --> 00:49:13: chat box and see what other sort of questions we've
00:49:13 --> 00:49:13: got.
00:49:19 --> 00:49:21: You know, I think it you know one of the
00:49:21 --> 00:49:22: other things.
00:49:22 --> 00:49:25: Perhaps you know is worth mentioning is a lot of
00:49:25 --> 00:49:29: the money that government is bringing right now is really
00:49:29 --> 00:49:32: not at the building that EU S government is an
00:49:32 --> 00:49:36: example really isn't doing much at the individual building.
00:49:36 --> 00:49:39: It's talking a lot more about the grid and adding
00:49:39 --> 00:49:40: more renewables.
00:49:40 --> 00:49:43: In fearing, you know you're down in Atlanta,
00:49:43 --> 00:49:45: you know, in the southeast,
00:49:45 --> 00:49:50: which to some extent is not the most progressive utility
00:49:50 --> 00:49:53: market or region in the country.
00:49:53 --> 00:49:54: I'm just curious, you know,
00:49:54 --> 00:49:57: just a month for the real estate community in Atlanta,
00:49:57 --> 00:50:00: you know, are people demanding clean energy?
00:50:00 --> 00:50:03: Are they saying we want renewables?
00:50:03 --> 00:50:04: Or is it you know?
00:50:04 --> 00:50:07: Are people not really thinking about those issues at all?
00:50:09 --> 00:50:11: I think there are some thought.
00:50:11 --> 00:50:13: Well I know there's some thought around the issue and
00:50:13 --> 00:50:15: some conversations as well,
00:50:15 --> 00:50:18: but there is not a mandate at this point or
00:50:18 --> 00:50:23: a requirement specifically since we are on the subject of
00:50:23 --> 00:50:25: utility providers,
00:50:25 --> 00:50:29: we have some small smaller providers in rural markets that
00:50:29 --> 00:50:30: create co-ops.
00:50:30 --> 00:50:33: And then of course you have Southern Company,
00:50:33 --> 00:50:36: which is the largest and I think controls three or
00:50:36 --> 00:50:37: four states.
00:50:37 --> 00:50:41: Energy wise they are slowly moving away from coal and
00:50:41 --> 00:50:43: more to other sources.
00:50:43 --> 00:50:46: I don't think solar is one of them,
00:50:46 --> 00:50:48: but you know that is that is that is a
00:50:48 --> 00:50:50: change that's actually taking place,
00:50:50 --> 00:50:58: but slowly. Uhm so, but to answer questions specifically that
00:50:58 --> 00:51:02: there is no direct mandate from.
00:51:02 --> 00:51:04: Protect market participants at this point.
00:51:06 --> 00:51:08: Yeah, you know. And there was a question.
00:51:08 --> 00:51:10: You know, Molly McCabe for Amanda.
00:51:10 --> 00:51:14: Really interesting point. A moment ago about offsets and

there's

00:51:14 --> 00:51:16: a lot of discussion about offsets.

00:51:16 --> 00:51:18: 'cause it's one of the only four sort of that's

00:51:18 --> 00:51:20: the last of the tools if you want to get

00:51:20 --> 00:51:21: to net zero,

00:51:21 --> 00:51:23: and I think you know without editorializing too much,

00:51:23 --> 00:51:26: I think we need to sort of get away from

00:51:27 --> 00:51:30: this idea that we can buy Rex from wind farms

00:51:30 --> 00:51:34: in Texas to basically offset our projects on the East

00:51:34 --> 00:51:38: Coast. Wind energy that already exists as notion of

00:51:38 --> 00:51:41: additionality,

00:51:41 --> 00:51:44: and I think the the extent offsets are going to

00:51:44 --> 00:51:47: play a part here.

00:51:47 --> 00:51:50: It's going to be really important to think about the

00:51:50 --> 00:51:53: authenticity of the offset program.

00:51:53 --> 00:51:56: What are you offsetting? Is it going to something a

00:51:56 --> 00:51:59: new project,

00:51:59 --> 00:52:02: or is it simply getting an offset from a project

00:52:02 --> 00:52:05: that occurred 15 months ago?

00:52:05 --> 00:52:08: And they're going to have different values of.

00:52:08 --> 00:52:11: You're certainly seeing the tech companies like Stripe and

00:52:11 --> 00:52:14: Google

00:52:14 --> 00:52:17: and Microsoft paying hundreds,

00:52:17 --> 00:52:20: if not \$1000 per ton to catalyze direct air capture

00:52:20 --> 00:52:23: and other technologies.

00:52:23 --> 00:52:26: 'cause that is additional that is going to help things

00:52:26 --> 00:52:29: versus a tree that was planted along time ago and

00:52:29 --> 00:52:32: perhaps is not even threatened.

00:52:32 --> 00:52:35: Should we be even creating an offset from that at

00:52:35 --> 00:52:38: all.

00:52:38 --> 00:52:41: So we only have a couple of minutes and I

00:52:41 --> 00:52:44: want to maybe just sort of close,

00:52:44 --> 00:52:47: you know, with with a couple of thoughts one.

00:52:47 --> 00:52:50: We are seeing tremendous increase in capital flows to

00:52:50 --> 00:52:53: projects

00:52:53 --> 00:52:56: that align themselves with climate NSG.

00:52:56 --> 00:53:00: I think you know we see that in lots of

00:53:00 --> 00:53:03: different ways.

00:53:03 --> 00:53:06: We know that there's strong interest in this topic.

00:53:06 --> 00:53:09: Fastest growing part of UI is the Center for sustainability

00:53:09 --> 00:53:12: and Economic Performance.

00:53:12 --> 00:53:15: You will, like Greenprint has had tremendous historic growth

00:53:15 --> 00:53:18: in

00:52:56 --> 00:52:58: membership in the last 18 months.

00:52:58 --> 00:53:02: It has had historic interest in its net zero carbon

00:53:02 --> 00:53:07: program and its members are making commitments to net zero.

00:53:07 --> 00:53:12: We also know that this is an extraordinarily complex subject.

00:53:12 --> 00:53:20: Operating carbon embodied carbon. Net zero absolute net zero.

00:53:20 --> 00:53:22: What does it mean? And I think you know the

00:53:23 --> 00:53:26: there's a lot of discussion around the industry as to

00:53:26 --> 00:53:28: how this is going to play out.

00:53:28 --> 00:53:31: Equity capital, saying we will only do ESG or they

00:53:32 --> 00:53:35: say something if you have a bad history program.

00:53:35 --> 00:53:37: We're not gonna give you any money,

00:53:37 --> 00:53:41: debt, capital markets looking for green projects,

00:53:41 --> 00:53:43: but a lot of tension around what is a green

00:53:43 --> 00:53:44: project?

00:53:44 --> 00:53:46: A lot of tension around.

00:53:46 --> 00:53:50: Greenwashing. Is that enough to simply go get a sustainalytics

00:53:50 --> 00:53:53: report and then go off on your way?

00:53:53 --> 00:53:55: What do debt capital markets want to give you?

00:53:55 --> 00:53:58: Will they give you a lower cost of capital if

00:53:58 --> 00:54:00: they give you a lower cost of capital?

00:54:00 --> 00:54:03: What are the teeth? What are the penalties if you

00:54:03 --> 00:54:06: do not meet the requirements in the loan agreement?

00:54:06 --> 00:54:09: If you don't have a certain energy intensity?

00:54:09 --> 00:54:11: If you don't get that certification,

00:54:11 --> 00:54:13: are you going to get a higher cost of capital?

00:54:13 --> 00:54:16: Are you going to be default?

00:54:16 --> 00:54:17: These are really, you know,

00:54:17 --> 00:54:21: hard. Issues and you know you.

00:54:21 --> 00:54:25: I is really committed to being a leader on these

00:54:25 --> 00:54:25: issues.

00:54:25 --> 00:54:29: There was a leadership conference earlier this week that Derek

00:54:29 --> 00:54:32: made a reference to with the global trustees talking about

00:54:32 --> 00:54:33: COP 26.

00:54:33 --> 00:54:37: That was a prelude to this discussion today on December

00:54:37 --> 00:54:40: 7th you will I Asia will be convening a meeting

00:54:40 --> 00:54:44: like this for its members in a more time zone

00:54:44 --> 00:54:48: friendly program where we're going to have a number of

00:54:48 --> 00:54:52: companies in the region talking about how COP 26 and

00:54:52 --> 00:54:55: climate is addressing their businesses across Asia.

00:54:55 --> 00:54:59: A much more diverse region than North America as it
00:55:00 --> 00:55:02: goes from Japan to Australia.
00:55:02 --> 00:55:06: New Zealand. For many investors that goes over to India
00:55:06 --> 00:55:09: and then likely right after Christmas.
00:55:09 --> 00:55:12: You why Europe will be convening the third and final
00:55:12 --> 00:55:16: regional discussion around these issues and that discussion
will probably
00:55:16 --> 00:55:19: be very different than this because that is a region
00:55:19 --> 00:55:21: that is, frankly the discussion,
00:55:21 --> 00:55:22: much of which we're having today.
00:55:22 --> 00:55:24: They were having two and three years ago.
00:55:24 --> 00:55:26: They are a much different.
00:55:26 --> 00:55:29: In place with expectations throughout.
00:55:29 --> 00:55:31: Net zero in terms of what the tenants want employees
00:55:31 --> 00:55:32: want,
00:55:32 --> 00:55:35: developers will do, and I know that will be a
00:55:35 --> 00:55:37: big part of the UI or meeting in Brussels.
00:55:37 --> 00:55:40: In February, the chairman of ImmoBiel,
00:55:40 --> 00:55:43: one of the leading developers in Europe and also one
00:55:43 --> 00:55:45: of the greenest developers in Europe,
00:55:45 --> 00:55:48: will be convening and overseeing.
00:55:48 --> 00:55:51: Uhm, just the final point.
00:55:51 --> 00:55:55: This will be available on you like knowledge finders,
00:55:55 --> 00:55:57: so if you want to go back and listen to
00:55:57 --> 00:55:57: it,
00:55:57 --> 00:56:00: please do so. If you have friends that weren't able
00:56:00 --> 00:56:01: to join,
00:56:01 --> 00:56:04: please do so. In addition,
00:56:04 --> 00:56:08: you I will be reporting on this in the magazine
00:56:08 --> 00:56:11: and online in the coming weeks and months.
00:56:11 --> 00:56:14: Urban Land was taking notes.
00:56:14 --> 00:56:17: Today I will be writing on this and I think
00:56:17 --> 00:56:18: everyone should view.
00:56:18 --> 00:56:20: This as the beginning of the conversation.
00:56:20 --> 00:56:23: By no means the end or even the middle.
00:56:23 --> 00:56:28: This will be extraordinarily important to everyone on here.
00:56:28 --> 00:56:31: Whether you're building, buying, financing,
00:56:31 --> 00:56:34: or managing. The final point I'll make is you know
00:56:34 --> 00:56:38: what's been interesting over the last number of years.
00:56:38 --> 00:56:39: From my point of view,
00:56:39 --> 00:56:43: is that it's important this was there was pushback.
00:56:43 --> 00:56:44: EU S Chamber of Commerce,

00:56:44 --> 00:56:48: American Petroleum people in the business industry were saying to

00:56:48 --> 00:56:49: cities and governments.

00:56:49 --> 00:56:51: Let's slow down. Let's wait,

00:56:51 --> 00:56:53: you know, we don't need to rush that fast.

00:56:53 --> 00:56:56: Those players, those resistors if you will.

00:56:56 --> 00:57:00: Are gone and so the direction is unequivocal.

00:57:00 --> 00:57:02: Climate is going to matter.

00:57:02 --> 00:57:04: Climate is going to be an intricate part of your

00:57:04 --> 00:57:05: business.

00:57:05 --> 00:57:06: The only thing we're discussing now,

00:57:06 --> 00:57:09: frankly, is whether or not and how fast this is

00:57:09 --> 00:57:10: going to go.

00:57:10 --> 00:57:14: We're not negotiating or talking about direction,

00:57:14 --> 00:57:16: we're only talking about velocity,

00:57:16 --> 00:57:17: and I expect that everyone,

00:57:17 --> 00:57:22: should, you know, will see an increase in velocity and

00:57:22 --> 00:57:25: momentum in the coming months and years.

00:57:25 --> 00:57:27: Whether it's the capital market side.

00:57:27 --> 00:57:31: Planning side codes regulation. So with that I want to

00:57:31 --> 00:57:34: thank everybody for joining today.

00:57:34 --> 00:57:38: Martin Monica thank you for hosting this and convening us.

00:57:38 --> 00:57:41: And as we said we look forward to having a

00:57:41 --> 00:57:43: lot more discussion.

00:57:43 --> 00:57:45: Ferron and Derek do you want to just maybe you

00:57:45 --> 00:57:47: know any closing words here?

00:57:49 --> 00:57:50: My friend.

00:57:51 --> 00:57:54: Sure to go back to a couple of points earlier.

00:57:54 --> 00:57:57: I think technology is going to be the key and

00:57:57 --> 00:57:58: extremely important,

00:57:58 --> 00:58:02: and you know spread. You just pointed out this is

00:58:02 --> 00:58:06: something that's actually happening Europe from 1990 to 2019.

00:58:07 --> 00:58:09: Their economy increased by 78%

00:58:09 --> 00:58:12: and they reduced emissions by 44%,

00:58:12 --> 00:58:14: so this is real. It's possible.

00:58:14 --> 00:58:16: Let's do everything we can to make it happen.

00:58:19 --> 00:58:22: The last thing I wanted to mention is the importance

00:58:22 --> 00:58:25: of reporting and disclosure and tracking,

00:58:25 --> 00:58:28: and one thing that we're trying to implement now is

00:58:28 --> 00:58:31: to set a benchmark and measure our progress and be

00:58:31 --> 00:58:32: reporting publicly,

00:58:32 --> 00:58:34: and I think the more people do that,
00:58:34 --> 00:58:36: the more we're held accountable for our actions,
00:58:36 --> 00:58:37: and I think that's as an industry.
00:58:37 --> 00:58:40: That's something that we should really be doing across the
00:58:40 --> 00:58:40: board.
00:58:44 --> 00:58:48: Derek Derek ferren. Thank you both very much.
00:58:48 --> 00:58:51: You will. I thank you very much and with that
00:58:51 --> 00:58:53: everyone have a great weekend.
00:58:53 --> 00:58:54: Thank you bye bye.

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