

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.

00:00:44 --> 00:00:45: Faron Hill is the founder and CEO of Peregrine down

00:00:45 --> 00:00:49: Atlanta,

00:00:49 --> 00:00:53: GA, and we also have Derek Goring in Toronto,

00:00:53 --> 00:00:55: 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

00:01:11 --> 00:01:16: for the importance of ULI is a global leader and

00:01:16 --> 00:01:19: the ability to convene leadership across the real estate

00:01:19 --> 00:01:21: industry

00:01:21 --> 00:01:25: around the world offer really important issues around land

00:01:25 --> 00:01:28: use

00:01:28 --> 00:01:31: and the built environment.

00:01:31 --> 00:01:34: 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

00:07:58 --> 00:07:59: consensus around

00:07:59 --> 00:08:02: climate,

00:08:02 --> 00:08:04: although not enough consensus, but there is by no means

00:08:04 --> 00:08:06: political consensus.

00:08:06 --> 00:08:09: In the United States, you know,

00:08:09 --> 00:08:12: we're watching the you know the legislation that's going to

00:08:12 --> 00:08:15: hopefully get voted on today in Washington and the House

00:08:15 --> 00:08:17: representatives and get moved over to the Senate.

00:08:17 --> 00:08:20: A lot of climate in it,

00:08:20 --> 00:08:23: but it's not all the climate that people wanted is

00:08:23 --> 00:08:26: not all the climate that progressives think we need.

00:08:26 --> 00:08:29: And we're finding it very challenging to to get full

00:08:29 --> 00:08:33: and meaningful legislation passed in the United States.

00:08:33 --> 00:08:35: We did not agree on how to get the most

00:08:35 --> 00:08:39: vulnerable countries funding.

00:08:39 --> 00:08:43: There's a broad feeling that the countries who have caused

00:08:43 --> 00:08:48: climate change and the United States is a historically has

00:08:48 --> 00:08:52: created the largest amount of emissions historically need to

00:08:52 --> 00:08:54: basically

00:08:54 --> 00:08:57: find ways to provide funding to the most vulnerable countries.

00:08:57 --> 00:09:02: Whether it's the Maldives, the Marshall actions.

00:09:02 --> 00:09:04: Tuvalu there's a lot of countries that run the risk

00:09:04 --> 00:09:09: of simply disappearing.

00:09:09 --> 00:09:11: Some are already making plans to move,

00:09:11 --> 00:09:14: not just communities, but entire countries,

00:09:14 --> 00:09:19: to a new location. And we did not.

00:09:19 --> 00:09:24: Talk about and figure out how we're going to impact.

00:09:24 --> 00:09:29: Mitigate the impact of climate change on developing

00:09:29 --> 00:09:34: 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
00:14:45 --> 00:14:47: 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

00:18:06 --> 00:18:07: they 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
00:21:16 --> 00:21:17: 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 far 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
00:25:25 --> 00:25:27: 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

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

00:26:15 --> 00:26:17: management not

00:26:17 --> 00:26:20: based on rainfalls of today,

00:26:20 --> 00:26:24: but projections of where rain falls and the prevalence of

00:26:24 --> 00:26:25: really large intense storms are going to be over the

00:26:25 --> 00:26:28: next 2030.

00:26:28 --> 00:26:32: 40 years and so these are all decisions that are

00:26:32 --> 00:26:35: taking we're taking into account as we design the project

00:26:35 --> 00:26:36: that we're working on and and will be important for

00:26:36 --> 00:26:42: years to come.

00:26:42 --> 00:26:46: Terrific. Derek, thanks but so.

00:26:46 --> 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 far 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.

00:29:41 --> 00:29:42: I'm curious, you know, when you're talking to developers and

00:29:42 --> 00:29:45: owners about green financing,

00:29:45 --> 00:29:46: what's motivating them. They think this is just,

00:29:46 --> 00:29:49: you know, going to get them more money,

00:29:49 --> 00:29:50: lower cost of capital. Do they think it's the right

00:29:50 --> 00:29:51: thing to do,

00:29:51 --> 00:29:53: or are they thinking about?

00:29:53 --> 00:29:54: Sort of the the types of things that perhaps they'll

00:29:54 --> 00:29:56: integrate?

00:29:56 --> 00:29:58: Or are they even changing?

00:29:58 --> 00:30:00: Perhaps the development or their cap,

00:30:00 --> 00:30:03: ex. Program, you know, as a result of this.

00:30:03 --> 00:30:07: So in in my experience,

00:30:07 --> 00:30:10: there's been sort of a bifurcation in a sense as

00:30:10 --> 00:30:15: it relates to green finance and green bonds.

00:30:15 --> 00:30:16: You know? There been a few occurrences of developments

00:30:16 --> 00:30:20: being

00:30:20 --> 00:30:24: focused on green.

00:30:24 --> 00:30:27: Green will use utilizing green bond financing in the United

00:30:27 --> 00:30:30: States and it's been more prevalent in European markets and

00:30:30 --> 00:30:34: so I think what you're seeing here is that in

00:30:34 --> 00:30:38: the United States, when it occurs is that it is

00:30:38 --> 00:30:40: more intentional and it is around some of the comments

00:30:40 --> 00:30:44: that Derek was making about stakeholders being more

00:30:44 --> 00:30:48: focused on

00:30:48 --> 00:30:52: utilizing that as a financing tool.

00:30:52 --> 00:30:57: So I think that's. Primarily what's driving it now,

00:30:57 --> 00:31:00: but of course you know as a result of.

00:31:00 --> 00:31:03: This conversation and other things that is going to grow

00:31:03 --> 00:31:06: 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

00:32:28 --> 00:32:32: 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

00:33:42 --> 00:33:45: specifically in the real estate market.

00:33:45 --> 00:33:48: From an investment standpoint and even from from a development

00:33:48 --> 00:33:50: standpoint as well.

00:33:50 --> 00:33:54: So there needs to be more focused on those than

00:33:54 --> 00:33:55: there is currently.

00:33:57 --> 00:33:59: Brad, you also touched on insurance earlier,

00:33:59 --> 00:34:03: and to me, that's that's going to be the big

00:34:03 --> 00:34:07: driver is if and when insurance companies are either not

00:34:07 --> 00:34:11: willing to provide insurance or or charging premiums that are

00:34:11 --> 00:34:15: exorbitant, that will really be a major tipping point.

00:34:15 --> 00:34:17: And it is surprising to me that it hasn't already

00:34:17 --> 00:34:19: started to happen because they're the ones,

00:34:19 --> 00:34:22: as you said, that are going to bear the brunt

00:34:23 --> 00:34:27: of major losses when flooding happens and they have to

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

00:34:27 --> 00:34:28: Thinking about the long term,

00:34:28 --> 00:34:30: not necessarily over the next year or two.

00:34:31 --> 00:34:32: Well, Derek

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

00:34:34 --> 00:34:38: It's actually happening now because we run into situations with

00:34:38 --> 00:34:42: building owners who may have had damage to an asset

00:34:42 --> 00:34:45: as a result of a storm or some other natural

00:34:45 --> 00:34:46: disaster, and as a result,

00:34:46 --> 00:34:47: what their flight finding is.

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

00:36:34 --> 00:36:37: around climate and
00:36:37 --> 00:36:40: insurance is a huge issue in China.
00:36:40 --> 00:36:42: The height the only Heitman report talked about the Pearl
00:36:42 --> 00:36:47: River Delta between 60 and 70 million.
00:36:47 --> 00:36:51: People are exposed to climate risk from one single storm.
00:36:51 --> 00:36:55: It does not have to be multiples from this single
00:36:55 --> 00:36:59: storm anywhere in that region of Typhoon will impact 70
00:36:59 --> 00:37:03: million people billions and billions of dollars.
00:37:03 --> 00:37:08: And one and RMB of real estate assets,
00:37:08 --> 00:37:12: and it will be devastating for real estate now.
00:37:12 --> 00:37:13: The flip side is not all climate risks are the
00:37:13 --> 00:37:16: same,
00:37:16 --> 00:37:20: so South Florida is exposed to hurricanes.
00:37:20 --> 00:37:24: Everyone in Miami. Basically the same risk darking everyone
00:37:24 --> 00:37:28: in
00:37:28 --> 00:37:29: Miami does not have the same exposure to coastal flooding
00:37:29 --> 00:37:32: and tidal flooding and you start to think about this
00:37:32 --> 00:37:35: notion of value at risk.
00:37:35 --> 00:37:38: And investing in resiliency and that starts to give you
00:37:38 --> 00:37:41: sort of an interesting opportunity around.
00:37:41 --> 00:37:45: You know how to invest in your assets if you
00:37:45 --> 00:37:49: can raise the building effectively from 8 feet to 12
00:37:49 --> 00:37:51: feet or 14 feet by putting in barriers to penetrations,
00:37:51 --> 00:37:53: you know that will eliminate several coastal or tidal flooding.
00:37:53 --> 00:37:56: You know events a year where you have a high
00:37:56 --> 00:37:57: tide that's combined with a full moon.
00:37:57 --> 00:37:59: Those are bad for South Florida,
00:37:59 --> 00:38:02: but you know this is,
00:38:02 --> 00:38:06: I think, a real issue and I think.
00:38:06 --> 00:38:07: No, the insurance industry who's largely been.
00:38:09 --> 00:38:11: Perhaps quiet is very much now at the central part
00:38:11 --> 00:38:14: of this discussion.
00:38:14 --> 00:38:17: So, so Brad what what?
00:38:17 --> 00:38:21: It just dawned on me what what you just outlined
00:38:21 --> 00:38:25: may actually be the solution to the problem.
00:38:25 --> 00:38:28: Maybe the insurance industry should come up with a list
00:38:28 --> 00:38:30: of criteria for properties that they are willing to insure.
00:38:30 --> 00:38:32: And as a result it should check all the boxes
00:38:32 --> 00:38:33: that we're discussing here.
00:38:34 --> 00:38:36: I mean that could be a very good start from
the private sector
It will make an operation so you know where I

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
some of these decisions.
00:41:22 --> 00:41:23: Let me turn this conversation in just sort of,
00:41:24 --> 00:41:26: you know, net zero, both for new construction but also
00:41:26 --> 00:41:31: for retrofits.
00:41:31 --> 00:41:32: And how do we get buildings to net zero net
00:41:32 --> 00:41:36: zero ready?
00:41:36 --> 00:41:37: Because in the the infrastructure bill just passed EU S
00:41:37 --> 00:41:40: Congress was signed into law this past week.
00:41:41 --> 00:41:43: There was a bunch of money for investing in building
00:41:43 --> 00:41:47: codes and helping cities change their building codes and that
00:41:47 --> 00:41:51: is often sort of the stealthiest place out.
00:41:51 --> 00:41:55: You know I'll make an observation.
00:41:55 --> 00:41:57: A tourist, Darren and sharing what you guys think and
00:41:57 --> 00:41:59: others in the chat room,
00:41:59 --> 00:42:00: you know. It's hard to build a net zero building,
00:42:00 --> 00:42:04: but relatively speaking the building codes are pushing in that
00:42:04 --> 00:42:07: direction.
00:42:07 --> 00:42:08: Now most building codes around North America are
00:42:08 --> 00:42:11: 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

00:45:40 --> 00:45:43: on the standardization
 00:45:43 --> 00:45:47: of what the definitions mean and and you lie in
 00:45:47 --> 00:45:49: the industry can play a part in trying to make
 00:45:49 --> 00:45:51: it as common as possible,
 00:45:51 --> 00:45:54: so that if you're operating in multiple jurisdictions,
 00:45:54 --> 00:45:55: you're not trying to figure out in different ways in
 00:45:58 --> 00:46:00: different places.
 00:46:00 --> 00:46:03: I think you know one of the challenges you know.
 00:46:03 --> 00:46:03: I think there's a big difference grounds for this notion
 00:46:03 --> 00:46:07: of.
 00:46:07 --> 00:46:09: Net zero and developing net zero buildings for occupiers.
 00:46:09 --> 00:46:14: So you know universities, schools,
 00:46:14 --> 00:46:18: corporations are going to occupy their own space versus
 00:46:18 --> 00:46:19: investors
 00:46:19 --> 00:46:22: and trying to think about you know where the demand
 00:46:22 --> 00:46:25: is coming from.
 00:46:25 --> 00:46:28: It is it is tricky and I think you know
 00:46:28 --> 00:46:31: one of the challenges we have in North America is
 00:46:31 --> 00:46:33: that there are some communities that really want these
 00:46:33 --> 00:46:37: buildings.
 00:46:37 --> 00:46:40: There's others that really don't care,
 00:46:40 --> 00:46:42: and they're not prepared to pay more.
 00:46:42 --> 00:46:44: They don't necessarily equate a net zero building with a
 00:46:44 --> 00:46:45: desired sort of attribute or outcome.
 00:46:45 --> 00:46:49: It's not an amenity, and it requires,
 00:46:49 --> 00:46:53: I think, a lot of us to sort of think
 00:46:53 --> 00:46:57: a little bit differently about how we live,
 00:46:57 --> 00:47:01: what's acceptable, what temperature do we want?
 00:47:01 --> 00:47:03: In our space, what light levels are we prepared to?
 00:47:03 --> 00:47:07: For instance, limit the wattage at our work station and
 00:47:07 --> 00:47:10: all sort of all everything moved to Power over Ethernet,
 00:47:10 --> 00:47:13: and I think Derek you made an interesting point.
 00:47:13 --> 00:47:16: 'cause obviously grid decarbonization is sort of the one lever
 00:47:16 --> 00:47:18: that the the build the real estate community itself does
 00:47:18 --> 00:47:20: not control in terms of decarbonization,
 00:47:20 --> 00:47:23: but it does control all the balance and in body
 00:47:23 --> 00:47:24: carbon I think is a wonderful example.
 00:47:24 --> 00:47:28: At the most basic level.
 00:47:28 --> 00:47:30: A lot of the decisions running body carbon are really
 00:47:30 --> 00:47:33: simple.
 00:47:33 --> 00:47:36: Get developers and architects and designers and specifiers
 00:47:36 --> 00:47:39: to just
 00:47:39 --> 00:47:42: 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 got.

00:49:13 --> 00:49:13:

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 --> 00:51:42: and I think the the extent offsets are going to

00:51:42 --> 00:51:45: play a part here.

00:51:45 --> 00:51:47: It's going to be really important to think about the

00:51:47 --> 00:51:50: authenticity of the offset program.

00:51:50 --> 00:51:50: What are you offsetting? Is it going to something a

00:51:50 --> 00:51:50: new project,

00:51:50 --> 00:51:54: or is it simply getting an offset from a project

00:51:54 --> 00:51:56: that occurred 15 months ago?

00:51:56 --> 00:51:58: And they're going to have different values of.

00:51:58 --> 00:52:01: You're certainly seeing the tech companies like Stripe and

00:52:02 --> 00:52:03: Google

00:52:03 --> 00:52:06: and Microsoft paying hundreds,

00:52:06 --> 00:52:08: if not \$1000 per ton to catalyze direct air capture

00:52:08 --> 00:52:11: and other technologies.

00:52:11 --> 00:52:14: 'cause that is additional that is going to help things

00:52:14 --> 00:52:16: versus a tree that was planted along time ago and

00:52:16 --> 00:52:20: perhaps is not even threatened.

00:52:20 --> 00:52:20: Should we be even creating an offset from that at

00:52:20 --> 00:52:23: all.

00:52:23 --> 00:52:25: So we only have a couple of minutes and I

00:52:25 --> 00:52:30: want to maybe just sort of close,

00:52:30 --> 00:52:34: you know, with with a couple of thoughts one.

00:52:34 --> 00:52:37: We are seeing tremendous increase in capital flows to

00:52:37 --> 00:52:40: projects

00:52:41 --> 00:52:42: that align themselves with climate NSG.

00:52:42 --> 00:52:46: I think you know we see that in lots of

00:52:46 --> 00:52:50: different ways.

00:52:50 --> 00:52:51: We know that there's strong interest in this topic.

00:52:51 --> 00:52:56: Fastest growing part of UI is the Center for sustainability

00:52:56 --> 00:52:56: and Economic Performance.

00:52:56 --> 00:52:56: You will, like Greenprint has had tremendous historic growth

00:52:56 --> 00:52:56: 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 sustainability

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 Immobel,
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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