AT THE CORE

The commercial real estate market has experienced a renewed emphasis on sustainability that has resulted in a movement called ESG (defined as Environmental, Social, Governance). Largely driven by occupiers and investors in response to a growing awareness of risks associated with climate change, corporate culture, corporate responsibility, transparency, and disclosure, ESG has significantly shifted global investing. Real estate entities are experiencing ESG pressure from the top (investors and financial markets), the side (peers), and downstream via tenants, consumers, and employees. The Department of Labor's October 13, 2021 proposal emphasized this trend: "Gradual, yet meaningful, shifts in investor preferences toward sustainability and the growing recognition that climate risk is investment risk may lead to a long-term reallocation of capital that will have a self-fulfilling impact on risk and return."

Participation in ESG investing and operations is growing at a rapid pace, and those who do not acknowledge this trend may be caught unprepared and forced to catch up. The incentives are all around us, and whether it be competition, tenants, access to capital or simply progressive company values, explicitly incorporating ESG into a company's investments and operations is critical to maximizing value for all stakeholders.

"98 of the largest REITs by equity market cap reported publicly on their ESG efforts."

NAREIT 2021 ESG Report