

# Sustainability & Wellbeing in Real Estate

## How can landlords fund changes to their building that will enhance wellbeing and promote sustainability?

Shirah Mansaray, PhD candidate at University College London

- **IMPACT FINANCE** A significant number of impact economy initiatives in real estate are underpinned by real estate finance, investment finance or development finance as **certain lenders are keen to support the impact economy aspect to these transactions.**
  - **GREEN FINANCE** is where the Key Performance Indicators and financial performance of borrowers is grounded in incentives to **reach more sustainable criteria.** Fundamentally, finance is awarded for GREEN PROJECTS.
  - **LENDERS/FUNDERS** who lend to charities embarking on green projects, for instance Unity Trust Bank, Charity Bank are naturally more aligned to and interested in sustainability/ impact finance.
- **COSTS SHARING MODELS;** This is a process where the landlords and tenants work together to secure savings that individually they would be unable to obtain. This could be an important consideration for landlords. Landlords with smaller property portfolios have highlighted challenges when implementing cost sharing models because of additional costs involved in renovating and fitout projects. Furthermore:
  - Multi-let buildings or office environments and relevant stakeholders could be incentivised to share the costs. Promoting a tenancy community and tenants sharing the costs is a movement that is growing similar to the Green lease movement.<sup>1</sup>
  - When a landlord changes one lease, they may need to change other leases in a multi-lease building with multiple tenants.
  - If costs are a limiting factor, then bolt on clauses/ model sustainable lease may be a good option. This does not require a significant initial investment and can achieve positive outcomes in increments.
  - Consider the low-cost options for making a building more sustainable and wellbeing oriented. For instance, biophilic design, which improves air quality (ventilation) and low-cost heating adaptations to improve heating quality. It is important to identify low cost, simple and effective measures that landlords or tenants can take to improve wellbeing for occupants.



1. Levy, Deborah, and Gemma Peterson. "The effect of sustainability on commercial occupiers' building choice." *Journal of Property Investment & Finance* 31, no. 3 (2013), 267-284. doi:10.1108/14635781311322238.