

NAREiM

SPRING 2022

BEST PRACTICES SHARED | VALUE ADDED

dialogues



Making **DEI**
data collection
MATTER

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Getting opportunities in
outpost economies right

Insurance companies as a
source of permanent capital

Incorporating biophilic
design principles to improve
health and well-being

NAREIM

dialogues

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2

From the CEO

ROUNDTABLE

4



Data for a greater good

NAREIM speaks with *Berkshire Residential Investments*, *Blue Vista Capital*, *National Real Estate Advisors*, *PGIM Real Estate* and *USAA Real Estate* about DEI data collection and where data has the most impact on outcomes, not least employee engagement and inclusivity.

14



DEI

Creating equity for underrepresented groups

Jerome Nichols of *Standard Real Estate Investments* and TJ Edwards of *Walker & Dunlop* speak with NAREIM about CREUnited's efforts to move the needle forward for minority- and women-owned businesses, and how to create lasting change in the industry.

18

Reporting standards

DEI and ESG metrics you should prioritize

The Reporting Standards is introducing real estate KPIs for reporting on ESG and DEI.

20

Defined contribution

The organizational glidepath for GPs in DC real estate

DCREC and NAREIM members *JPMorgan Asset Management*, *National Real Estate Advisors* and *Manulife Investment Management* discuss the challenges and opportunities facing managers as they consider, enter and expand in the DC real estate space — and what it takes to become best-in-class post-Covid.

ACQUISITIONS

24



Q&A: Outposts become in demand

NAREIM speaks with Ryan Swehla of *Graceada Partners*.

32

Alts on the rise

Zach Mallow and Terrell Gates, *Virtus Real Estate Capital*

46

After the resilience assessments

Justin M. Lia,
Partner Engineering and Science

ASSET MANAGEMENT

28



A holistic approach drives ESG results

Nicholas Stein,
Sentinel Real Estate Corporation

SUSTAINABILITY

38

Taking inspiration from biophilic design

Lauren Winkler,
The Green Cities Company

CAPITAL RAISING AND IR

42



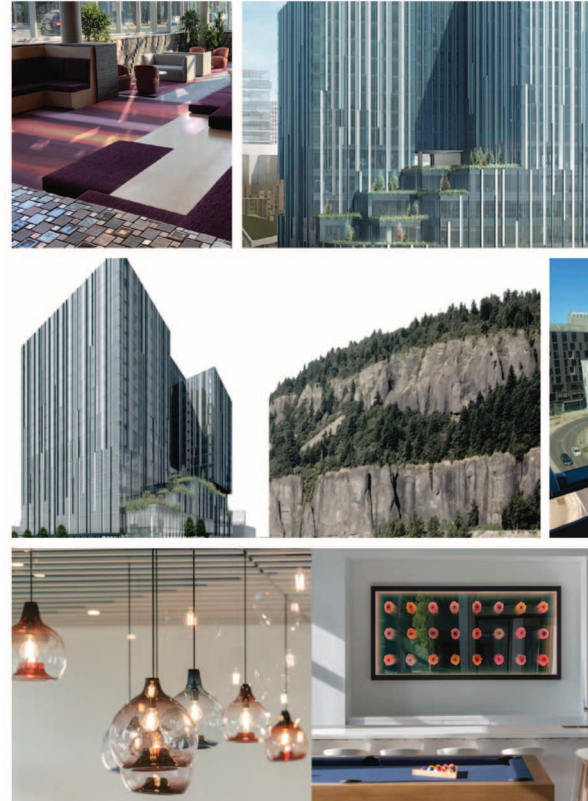
Securing the future

Deborah Smith,
The CenterCap Group

Taking **INSPIRATION** *FROM* **BIOPHILIC** *design*

Using design strategies inspired by a connection to nature can improve multifamily tenant health & well-being, and thus outcomes.

By Lauren Winkler,
The Green Cities Company



As the world is emerging from the Covid-19 pandemic, much is being said in the real estate investment universe of the need to prioritize the health and well-being of property occupants. In fact, the Spring 2021 issue of Dialogues featured a roundtable on building health and well-being, where arguments were made for adopting a variety of physical health-supportive strategies, from enhanced cleaning protocols to indoor air quality. The value of these initiatives for tenants and communities was undeniable during the pandemic.

What The Green Cities Company seeks to explore, however, is what can be gained for real estate investment managers, tenants and communities when the lens of health and wellness is expanded from physical health to



include psychological and mental well-being? Taking our cues from the serenity and inherent order of nature, we incorporate biophilic design into the value-add strategies for our properties to advance tenant health and well-being in even more powerful ways.

Coined by biologist and naturalist Edward O. Wilson in 1984, the philosophy of 'biophilia' proposes that there is an inherited human need to connect with nature and other biological forms for survival and personal fulfillment. In design, considerations of biophilia focus on innovative building elements like connections with the outdoors, acoustic and visual serenity, sensations of both safety and mystery, and biomorphic patterns. We have found that these perspectives deliver not only embedded value, but also tangible






“ When evaluating investments, we consider renovations and construction from the perspective of humans as a biological organism, respecting the mind-body systems as indicators of health and well-being. ”

results which deepen our ability to positively impact our residents and upgrade the multifamily environment.

Expanding definitions of health

In commercial real estate markets, the intersection of sustainability and holistic well-being are well-documented as important return-driving factors for tenants in other real estate sectors. A

January 2022 Fitwel collaboration recommended the optimization of industrial spaces for tenant wellness to attract and retain top talent, reduce injury and absenteeism, lower stress levels and increase job satisfaction. Tying these recommendations to investment value, a 2021 study at The Real Estate Innovation Lab at MIT indicated buildings that are WELL- or Fitwel-certified command 4.4% to 7.7% more

Exhibit 1: The Green Cities Index's five pillars defines and measures the firm's commitment to ESG factors				
				
Environmental impact	Climate change mitigation	Resilience	Health and well-being	Equitable communities
Focus on optimizing the energy, emissions, water, waste and materials and furnishings used by our properties.	Action-oriented look to the future, taking bold steps to reduce fossil fuel usage and reduce emissions of greenhouse gases.	Enhancing the preparedness of our properties and tenants to withstand and recover from challenges like climate risks, social unrest and large-scale health threats.	Commitment to safety, comfort and physical and emotional wellness to improve the quality of life for our tenants.	Engagement to create a positive, inclusive impact within our properties and on the neighborhoods where they reside, driving opportunity, justice and anti-discrimination.

rent per square foot than comparable nearby, uncertified buildings.

At multifamily residential properties, the definition of healthy buildings is evolving from largely environmental factors to the intersection of these elements with tenant engagement and community impact. To address this promising interplay of sustainability with well-being and community, we developed our proprietary Green Cities Index (GCI). The GCI's five pillars (see Exhibit 1) seek to define, measure and report on progress toward a cleaner, healthier world — expanding our commitments to well-being far beyond bodily and viral safety.

Biophilic design in action: View Smart Windows at Bower

The Green Cities Company owns the first residential building in the city of Boston to utilize View Smart Windows, a revolutionary technology that uses artificial intelligence to automatically adjust in response to the sun. By increasing access to natural light and unobstructed views through the elimination of both blinds and heat/glare, View Smart Windows improve occupant health and productivity, as well as reducing building energy usage.

In a thermal comfort study conducted on our property, living rooms with this technology experienced no hours of discomfort relative to close to 12 hours on hot sunny days and temperatures up to 5°F above the comfort threshold.

Through the measured performance indicators of the GCI, we have the ability to create and track operational savings and to optimize leasing and rents, while also driving sustainable, healthy and equitable communities.

Biophilia in real estate design

The underlying ethos supporting this approach to residential health and well-being is inspired by nature, which is inherently health-promoting and inclusive, and encapsulated in the principles of biophilic design. When evaluating investments, we consider renovations and construction from the

perspective of humans as a biological organism, respecting the mind-body systems as indicators of health and well-being. Through this lens, we believe we can activate spaces that are inspirational and restorative to our employees, tenants and community, by using our biological associations with nature to integrate biophilic design with the built environment. This principle has driven our work at Green Cities since our inception, and the possibilities and impact of biophilic design continue to inspire new ways to enhance the tenant experience and drive tenant retention.

There are over 70 identified mechanisms for designing with a biophilic experience, and we take inspiration from Terrapin Bright Green's 14 'patterns' of biophilic design. The expression of these mechanisms becomes at once a value-enhancing aesthetic as well as a uniquely impactful promoter of well-being. The key is diversity in execution — not every pattern is appropriate for every property — and fitting these concepts of biophilia uniquely to reflect the property's occupants, neighborhood, priorities and culture (see Exhibit 2).

Driving value through biophilic design

We have found that the holistic integration of these biophilic design principles has a tangible impact on tenant health and well-being, as well as a property's sustainability. Bower, a Green Cities property near Fenway Park in Boston, uses 21% less energy (which equates to 32% energy cost savings), consumes 33% less water, and has reduced irrigation demand by 83% compared to a conventional multifamily property. Projected operational cost

Exhibit 2: Biophilia can be executed in multiple ways in multifamily residential buildings

Biophilic principle	Expression possibilities
Visual connection with nature	Indoor atriums connecting residents to the outdoors, mechanical water flows like fountains, green walls
Non-visual connection with nature	Auditory, haptic, olfactory or gustatory stimuli: digital simulation of nature sounds, highly textured fabrics/textiles, audible or physical connection to water, music with fractal qualities (jazz)
Non-rhythmic sensory stimuli	Unpredictable elements like billowy fabrics, reflections, changing shadows or dappled light
Thermal and airflow variability	Subtle changes in air flow like HVAC delivery strategies, systems controls, window glazing/operability, cross-ventilation
Presence of water	Seeing, hearing or touching water through elements like water walls, aquariums, fountains, artwork
Dynamic & diffuse light	Varying intensities of light and shadow such as ambient/diffuse lighting, task and personal lighting, accent lighting, dimmer controls, circadian color reference (white light during the day, lack of blue light at night)
Connection with natural systems	Seasonal and tempo simulations: daylighting systems, wildlife habitats, rainwater storage and social convergence, natural patina of materials (leather, stone, copper, bronze, wood)
Biomorphic forms & patterns	Symbolic references to natural patterning in building forms, acoustic paneling, railings, fencing, hallways
Material connection with nature	Materials and elements from nature that, through minimal processing, reflect the local ecology or geology and create a distinct sense of place
Complexity & order	Creating spatial hierarchy through wallpaper and carpet design, material texture and contour, window details, and landscaping
Prospect	Unimpeded views over a distance, for surveillance and planning
Refuge	Small gathering spaces for withdrawal from environmental conditions or the main flow of activity, providing protection from behind and overhead
Mystery	The promise of more information, achieved through partially obscured views, artwork or installation, form and flow, translucent materials
Risk/Peril	An identifiable threat coupled with a reliable safeguard like infinity edges, transparent railing or floor plane

savings related to these efficiency strategies is just under \$300,000 annually. Together, these approaches led Bower to receive Fitwel's 2021 Best in Building Health award, as well as the 2021 Massachusetts Achievement Award for Sustainability.

Broadly, the National Multifamily Housing Council reports 65% of renters say healthy building certifications would

positively influence their leasing decisions. Multifamily Executive cites 61% of renters would pay more each month for apartments with some of these features. And a 2021 survey by the US Department of Energy reveals higher levels of satisfaction among multifamily residential occupants with improved, better-quality lighting as well as longer duration daylighting. This same study

also found that for every \$1 invested in weatherization, participants received \$2.78 in non-energy benefits. Creating 'more livable' homes through a focus on air flow, thermal comfort, refuge and many of these biophilic design concepts led survey participants to miss fewer days of work and have decreased out-of-pocket medical expenses by an annual average of \$514.

Certainly, challenges to integrating these principles and patterns exist. As with most elements of the 'S' in ESG, the direct impact is often not as quantitatively measurable such as energy efficiency. Further, many of the most important impacts are indirect, such as stronger tenant retention and leasing, making direct measurement around these strategies even more challenged. With lack of precise measurement comes a lack of direct benchmarking — and, broadly, a risk of invisibility. Done thoughtfully and with creative execution, biophilic design can be so organic that tenants may be entirely unaware of the subtleties of its effectiveness.

As asset owners and managers, we hope the real estate investment industry continues to find ways to consider the confluence of environmental, social and investment value. Through advancing concepts such as biophilic design, we can increase the inclusivity of our properties and promote our tenants' health and well-being, while driving enhanced returns. Let nature continue to inspire us to create healthier, more sustainable spaces, for ourselves, our tenants and our world. ♦

Lauren Winkler is the Senior Director of ESG at The Green Cities Company.