



**JLL**

*Achieve  
Ambitions*

# *Reimagining* **real estate**

Achieving a sustainable and just recovery



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## Foreword: the world as we know it has *changed*

The coronavirus has shown how quickly our world can change. It has been a stark reminder of what happens when humanity's interconnectedness and relationship with the natural world breaks down. The devastating impacts of the pandemic have been felt across the globe and lockdown measures ground our world to a halt, creating one of the most significant social and economic crises since the Great Depression. As we enter what will undoubtedly be a long recovery it's clear that we can't go back to 'business as usual'.

Building resilience to future crises is more critical than ever and we must acknowledge that the climate emergency poses an even greater threat to our way of life and future. Similarly, with deep-rooted health and social inequalities heightened during the pandemic, protecting all members of society must be a priority for government and businesses. We cannot build a path to recovery without confronting the fragilities of our current system. It is vital that we shape a sustainable and just recovery, based on collective action and a commitment to protecting each other and the future of our planet.

The real estate sector plays a central role in our everyday lives as it shapes the spaces where we live, work, shop, eat, socialise

and heal and it will play an even more fundamental role as we recover. The long lockdown period necessitated by the pandemic has demonstrated how much we rely on a healthy and safe home, a supportive community, robust hospitals and efficient logistics and infrastructure as well as the physical and virtual spaces of our working lives.

**This report looks at the key priority areas that the sector must focus on to bring about a positive recovery: ensuring climate resilience and accelerating the net zero carbon transition, enabling healthy people and environments and creating a fair, inclusive and resilient society.**

**Ultimately, the 'new normal' must be more resilient, more connected and will need to be driven by strong leadership. Taking prompt action to deliver on these priorities will be critical to the future success of the sector, helping shape the future of real estate for a better world.**

**Chris Ireland**  
UK CEO, JLL





## The nature and *extent* of the crisis

The world is experiencing unprecedented challenges due to the COVID-19 pandemic. It is the largest health emergency since the Flu Pandemic of 1918, and the worst economic crisis since the Great Depression.<sup>1</sup> The virus has infected millions so far, with the death toll in excess of 800,000 worldwide at the end of August and it remains far from over.<sup>2</sup>

While efforts to develop a vaccine continue, lockdown and quarantine are the only available measures to try and curtail the spread of the virus. Many countries were quick to respond and over 50% of the global population, representing almost 60% of global GDP,<sup>3</sup> were subject to complete or partial lockdown during the first half of the year.

### The impact of COVID-19

#### On the economy

Global economic activity has abruptly come to a halt since early 2020 and the World Economic Outlook (WEO) projected that the 'Great Lockdown' could cause global growth to contract sharply by 3% in 2020.<sup>4</sup> The International Monetary Fund (IMF) has cautioned that the UK economy could see a 10.2% fall in GDP in 2020,<sup>5</sup> while there is a risk of the unemployment rate increasing sharply by the end of the year. Since April, over a quarter of British employees have been furloughed<sup>6</sup> and the number of people in the UK claiming unemployment benefits soared by nearly 70%.<sup>7</sup> This illustrates what could be one of the deepest recessions ever seen in modern history.

#### On the environment

The International Energy Agency (IEA) projects that global CO<sub>2</sub> emissions are expected to fall by up to 8% in 2020.<sup>8</sup> Studies show that in April 2020 global CO<sub>2</sub> emissions dropped by 17% to levels last observed in 2006.<sup>9</sup> Data from the UK revealed that air and water quality improved over the lockdown period, with some cities seeing a decrease in nitrogen dioxide (NO<sub>2</sub>) levels of up to 60%.<sup>10</sup> A shift in the behaviour of wild animals has also been seen, with reports of rare warblers, peregrine falcons, otters and even orcas returning to parts of the UK.<sup>11</sup> While these environmental and ecological benefits are likely to be temporary, the increase in waste output, particularly single-use plastic waste used in medical and domestic settings and outdoor socialising has become a significant challenge.

#### On society

Both in the short and long-term, the ramifications of the pandemic threaten to further exacerbate existing social inequalities. It has already had a disproportionate impact on some groups in society. These include but are not limited to Black, Asian and minority ethnic groups (BAME), those experiencing domestic violence and homelessness and low-income families. The UK's domestic abuse charity, Refuge, reported a 700% increase in calls to its helpline in a single day<sup>12</sup> and the Food Foundation found that 1.5 million Britons reported not eating for a whole day.<sup>13</sup> The Intensive Care National Audit and Research Centre reported that 35% of patients during the pandemic were BAME.<sup>14</sup> This is believed to be due to a greater number of BAME people working in the NHS and in frontline occupations, combined with existing health inequalities and poorer housing conditions. There are also growing concerns over the longer-term impact on social mobility, with many young people lacking productive spaces to study and facing an uncertain job market with fewer opportunities.

Visit [JLL research hub](#) for information on implications of COVID-19 on the real estate sector

Over  
**25m**  
people **infected** with more  
than 800,000 deaths worldwide



**UK economy** could  
**shrink 10%**  
by the end of 2020

Over **1/4** of British employees  
have been **furloughed**  
and **unemployment** benefit claims  
**soared by 70%**

“This economic crisis is different from any other we have seen. Firstly, it is manufactured: governments have legislated for lockdowns, social isolation and travel restrictions. Secondly, the policy response has been omnipresent – from governments paying employee wages, increased cash reserves, legislating against tenant eviction, and reducing credit constraints. Thirdly, any recovery is dependent on epidemiological factors: until a vaccine or treatment is widely available. Ultimately, economic scarring is inevitable, and will likely bring along with it structural changes in our societies which will play out over years to come.”

**David Rea**, EMEA Chief Economist, JLL

In Britain  
**1.5m**  
reported not eating  
for a whole day

In April daily  
**carbon emissions fell**  
**by an average of 17%**  
around the world



At the height of the pandemic in the UK  
**35% of patients**  
in intensive care were **BAME**  
while they make up just 14% of UK population



## The response *observed*

Against a complex backdrop of a rapidly declining financial situation, continued business disruption and impairments to people's physical and mental health, there is still cause for optimism. Public generosity and community spirit have been stronger than most have witnessed in our lifetimes.

In the UK, the NHS called for 250,000 volunteers and more than three times the requested figure signed up.<sup>15</sup> Communities rallied together through mutual aid groups, supporting shielding residents and getting involved in charity initiatives. The UK government also issued £3.2 million in emergency funding to move those sleeping rough into safe accommodation.

In the corporate sector, businesses with a strong track record for sustainability and social responsibility were quick to respond to the crisis. Unilever donated €100 million's worth of hygiene essentials, while the likes of Nike and IKEA repurposed their supply chain to manufacture PPE equipment and provide digital resources to their customers. Brands renowned for innovation such as Ferrari and Tesla pivoted quickly to manufacture devices needed for frontline healthcare, research and disease control.<sup>16</sup>

### Spotlight on the real estate sector

A review of response statements published by top property companies based in the UK revealed that:

- Over 40% of companies, including sector leaders such as Grosvenor and British Land, were forthcoming in supporting vulnerable tenants by providing rent relief or deferring rental payments. Many companies also offered a number of their properties to key workers and local councils.
- Over two thirds of companies increased their community investment contributions, including Landsec and L&G who both set up emergency community funds for charities and voluntary organisations.<sup>17</sup>
- At JLL, we set up an emergency response taskforce, connecting NHS, charity and community needs with resources we were able to make available through our national presence in many cities. Our engineering and facilities management team played a pivotal role in the delivery of the emergency Nightingale hospitals, helping the NHS convert a university exhibition and conference centre in Bristol into a critical care, 300 bed facility in just 20 days.

[Read more on our COVID-19 response](#) >

### Commitment to sustainability remains strong

Even during such challenging times, commitment to sustainability has remained undeterred. A survey of a representative sample of UK real estate businesses, undertaken by the British Property Federation with JLL's support,<sup>18</sup> revealed that for over 70% of respondents the delivery of sustainability initiatives continues to be 'business as usual' and in some cases activity has increased. Furthermore, over 35% of the respondents said that they plan to accelerate activity and investment in sustainability as we emerge out of the crisis. This echoes the findings of the Climate Group survey, revealing that global commitments to climate action remain strong in the face of the pandemic, while also highlighting that governments have a bigger role to play to enable a sustainable and just recovery.

**70%**  
say the delivery of sustainability initiatives continue to be **business as usual** and in some cases have **even increased**

“Despite immense disruption to 'business as usual', the coronavirus has also brought opportunities for businesses to find new ways to operate, review working practices, investment plans and how they are delivering value to communities. Our immediate priority at Grosvenor was to support local communities and businesses most affected by lockdown with significant, direct financial and practical support. In the longer-term, we have a broader responsibility to ensure the future of the places that we manage and the communities that rely on them. For us, this is an opportunity not just to 'bounce back' but to 'bounce forwards', through sustainability leadership and actions that secure a recovery path, delivering a better environment and stronger communities. This will be central to our decision making now and in the future.”

**Tor Burrows**, Director of Sustainability & Innovation, Grosvenor Britain & Ireland



Bristol Nightingale hospitals



# The lessons *learned*

Even if the immediate threat of COVID-19 is eliminated, our lives won't be 'back to normal' as we know it. Big crises tend to usher in dramatic changes, some of which remain in place long after the crisis itself is over.

**At such a pivotal time, this is the moment to reflect on the lessons learned from the crisis and reshape the future for a better world.**

“The global crisis has revealed a lack of resilience in systems that were already failing to meet the needs of millions. It has also given us a stark warning about the need to be prepared for future system shocks driven by climate change and environmental degradation. As we look to rebuild, we need to strengthen our ability to think in terms of systems and for the long-term, if we are to emerge as a stronger and more resilient society. This begins with asking ourselves some big questions about our long-established economic and societal norms, what we value as society, what choices we might need to make, and what sort of vision motivates us collectively. Only this clarity can drive the transformations required for thriving, inclusive societies, supported by a healthy, resilient natural world. We are not victims of the future. We can and must play our part in shaping the future we want.”

**Dame Polly Courtice**, Director, Cambridge Institute for Sustainability Leadership

## Interconnectedness

The pandemic has shown both vulnerabilities and strengths in our interconnectedness. The abuse of our relationship with the natural world through the mass destruction of habitats, global wildlife trade and live animal markets has created opportunities for pathogens that exist among wild animals to move to humans. And the rapid spread of the virus a consequence of globalisation itself. Furthermore, it has exposed how much we rely on international supply chains and how vulnerable they are to disruption.

It has also highlighted our interconnectedness with one another as we rely upon not just our families and friends, but critically the key workers in our communities. Our economic activity is interconnected – one person's spending is another person's wages. Ultimately, our interconnectedness is our greatest source of strength, but it must be respected by adopting approaches that are resilient and simultaneously benefit people and planet.

## Leadership

So far, COVID-19 has shown us that any potential cost of quick action in response to early warnings significantly outweighs the economic and human impacts of a delayed response. Leaders in countries such as Germany and New Zealand, who showed a strong and decisive response to the pandemic, have overall been more successful in curbing its spread and reducing mortality rates.

The prompt action and emergency policy changes initiated by the UK Government and homelessness charities such as Crisis, to protect those sleeping rough during the pandemic, is an example of the impossible being achieved through bold and decisive leadership. As we plan for the future, purpose-led, collaborative and decisive leadership will be crucial to build trust, to harness our capacity for collaboration and help us implement a sustainable vision for the future.

## Resilience

Evidence suggests that companies with a strong corporate purpose and focus on ESG were better prepared to deliver business continuity and navigate the challenges thrown up by the pandemic. Even in the last financial crisis, Certified B Corporations (those who successfully balance profit with purpose) were 63% more likely to survive than other businesses of similar size.<sup>19</sup>

Recent analysis has shown that ESG portfolios have provided the downside protection they were built for. According to Morningstar, performance of sustainable equity funds was stronger than that of conventional funds during the pandemic, with 42% ranking in the top quartile of their respective peer groups. ESG exchange-traded funds also attracted record inflows in the first quarter of the year.<sup>20</sup> So as we look to build resilience to effectively manage any future shocks, we must look through the lens of sustainability and prioritise outcomes that create long-term economic, social and environmental value.





# Reshaping a new world

To assist the real estate sector in reshaping their strategies and working towards bringing about a sustainable future, we have identified three priority areas to drive focussed effort. We believe taking prompt action to deliver these outcomes will be beneficial to all businesses in the long-term.



## Climate resilience & net zero carbon transition

*A world where climate risk is managed effectively, carbon emissions have been successfully reduced, Paris Agreement targets have been met, setting us on a course for global economic and climate stability.*



## Healthy people & environment

*A world where people enjoy improved physical and mental health from the natural environment, and there are signs of ecological restoration which is intrinsic to our survival.*



## Fair, inclusive & resilient society

*A world where quality of life and social resilience is improved across all communities, with a specific focus on those most at risk and most in need.*

Over the following chapter we elaborate on these three priorities. Covering our views on:

1. The changes we need to see
2. Recommendations on how to respond
3. Best practice case studies demonstrating application





# Climate resilience & net zero carbon *transition*

The IEA estimated an 8% drop in emissions in 2020 due to the COVID-19 lockdown. This is only slightly more than the annual reduction in global greenhouse gas emissions required every year between 2020 and 2030 to limit the global temperature increase to the 1.5°C of the Paris Agreement.<sup>21</sup>

This gives a clear indication of the incredible scale at which measures need be implemented. In many ways, COVID-19 has offered us a stress

test for climate change – the impacts of which will be even more profound, resulting in extensive transitional as well as physical shocks.

**The message is loud and clear: the only way to flatten the climate curve is by rapidly investing in climate resilient strategies and transitioning to net zero carbon. With the scale of the climate change revealed, ignorance is now a choice.**

“As well as overcoming the massive challenges of COVID-19, the built environment industry needs to achieve net zero carbon emissions by 2050. Several leading companies have committed to net zero or science-based targets, and in doing so have learnt that their value chain emissions (Scope 3) are critical to their decarbonisation journeys. These are, by definition, outside of their direct control. So, achieving net zero will require a fundamental change to the way property and construction firms work together, collaborating by design across supply chains to take carbon out of the entire lifecycle of buildings, and designing them to be resilient and adaptable to future climatic scenarios. The same is true of landlord and tenant relationships.

At UKGBC, we believe this would be assisted by sector-wide consensus and buy-in to a whole life carbon roadmap, specifying who should be responsible for what emissions reductions by when and for which asset types. Only then will we truly be able to align our net zero ambitions and ensure that we are all playing our part in limiting global temperature increases to 1.5°C.”

**Julie Hirigoyen**, CEO, UK Green Building Council

## The changes we need to see

- **Adoption of a systems approach to the net zero carbon transition**

The response to the pandemic has compelled us to think more broadly and deeply about the interconnections between all parts of the system. The response to climate change should not be any different. Transitioning to net zero is a complex endeavour and as businesses develop their strategies, adopting a systems approach is vital. This contrasts with the traditional approach to carbon reduction where interventions have been limited to delivering incremental improvements, predominantly during the management of the building. Instead, positive interventions need to be made across every stage of the property lifecycle. Using leasing as an example, the scrutiny of who occupies the building and how they use it is necessary as it directly impacts the building's operational carbon performance. Even during transactions, the carbon performance of the building should be a key factor informing the acquisition and investment decision. Tenants need to apply similar scrutiny to their landlords and other tenants.

- **Delivery of a 'just' net zero carbon transition**

The disproportionate impact of COVID-19 on disadvantaged communities has emphasised the profound impact that climate change can have on such communities. As businesses develop their net zero carbon strategies, and associated carbon offsetting approaches, these must be predicated on the need for a socially 'just transition' to a better future. The transition to net zero carbon provides an opportunity to address social inequalities that often disproportionately impact marginalised communities. For example, the inevitable need for carbon offsetting provides a great opportunity to reinvest in local communities in the form of energy poverty projects. Property owners can also play a key role in building resilience in the community to

the impacts of climate change by providing space for critical facilities such as emergency shelter, food kitchens, nurseries, and medical centres.

- **Investment in technology solutions to enable a net zero transition**

The acceleration of technology will be pivotal to advancing sustainable innovation and delivering net zero carbon buildings. The crisis has already triggered the need for remote building monitoring and management, which provides an opportunity to further optimise building performance and reduce carbon. As we trial new ways of living and working, technology can support not just optimisation but also problem solving. For example, JLL's commissioning platform, IntelliCommand, is an effective fault detection and diagnostic system that can resolve operating problems, improve comfort and optimise energy use in buildings. Increased automation will also increase our resilience to climate change, when supply chains are disrupted, and buildings are damaged or less accessible.

- **Management of climate risk in underwriting and investing**

Many environmental groups and industry bodies have argued that bailout packages should not be accessible to companies that don't demonstrate resilience to climate change or aren't doing enough to reduce their carbon impact. This applies to all investors and lenders, as they must place increased expectations around climate related risk mitigation and ESG performance across their investments. Further, as climate change increasingly impacts covenant strength, investors must also broaden their focus on tenant default risk. Climate change will impact some sectors more than others, prompting investors to become increasingly reluctant to lease their buildings to occupiers who are viewed as having greater climate risk exposure.



## How to flatten the climate curve

### 1. Strategise

#### Understand your carbon impact and risk exposure, and set a strategy

- Establish current and future carbon footprint across the entire value chain
- Complete scenario modelling to assess the exposure of assets, business, clients and/or loan book to climate related physical and transitional risks
- Undertake a materiality review of social impact and risk from transitioning to net zero
- Set a strategy: develop net zero pathway with clear targets (operational, embodied and social) and optimise investment needed to reach net zero
- Develop a climate risk management plan covering business and property specific risks

### 2. Transition

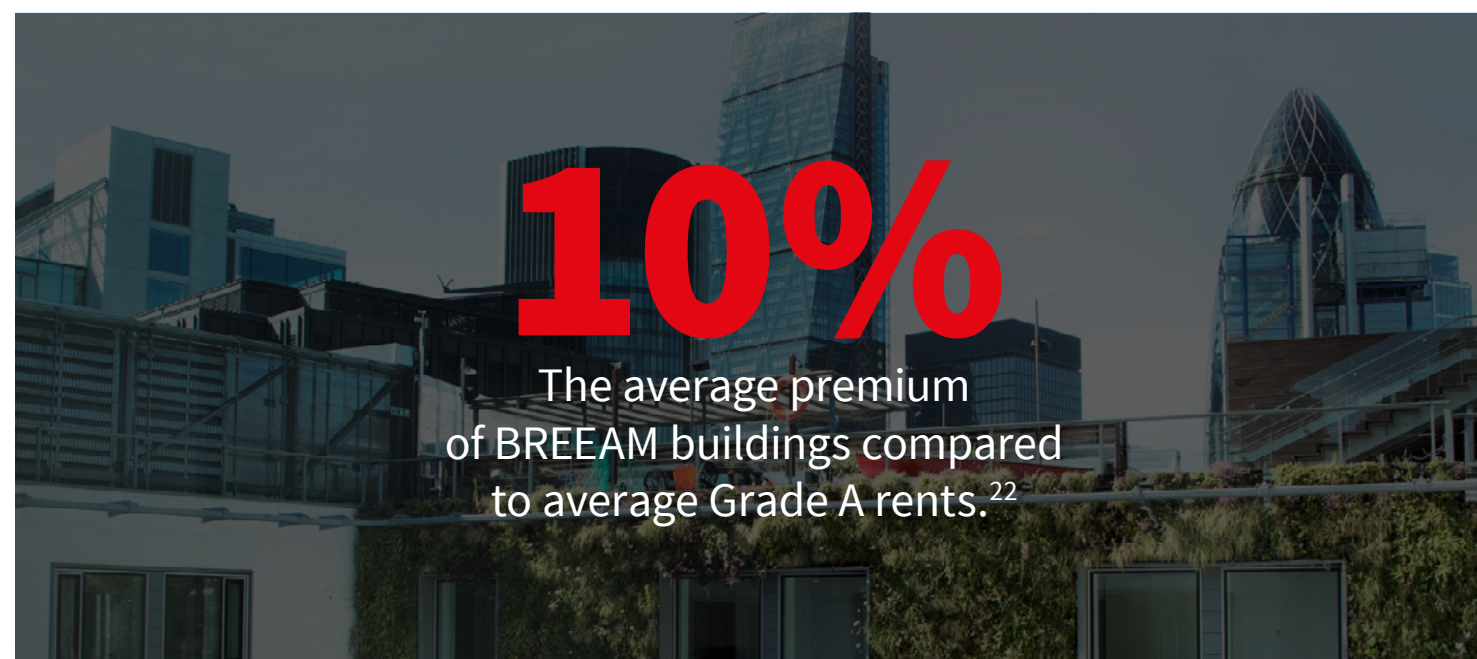
#### Transition away from risk and towards net zero carbon

- Use a climate risk management plan to inform key business and investment decisions
- Enable a portfolio wide transition to net zero by setting the right standards and processes for acquisition, management and development/refurbishment across the portfolio
- Enable a sustainable and just transition by creating policies which fully take account of social impacts and ensure social justice
- Deliver net zero carbon buildings and solutions
- Invest in net zero carbon technology solutions

### 3. Monitor, report and offset

#### Maintain transparency and accountability

- Enable regular monitoring (consider centralised data management platform for portfolio wide reporting)
- Disclose progress against your net zero carbon targets routinely
- Disclose climate risk management strategy (in line with industry initiatives such as TCFD) and ensure effects of climate change are routinely considered in business decisions
- Invest in a transparent and credible offsetting scheme to decarbonise residual emissions



### In a cost constrained world, what is the business case for doing it now?

JLL's latest *Impact of Sustainability and Value report* demonstrates that sustainable buildings deliver better returns for investors against the benchmarks of void rate, leasing velocity and rents achieved (analysis showed 10% rental premium in central London). This provides a clear case for next generation of net zero carbon buildings – for which there is demonstrable demand.





Source: Majid Al Futtaim

## Majid Al Futtaim

### Addressing climate risk

Majid Al Futtaim, the leading shopping mall, communities, retail and leisure pioneer across the Middle East, Africa and Asia became the first Middle Eastern company to make a Net Positive commitment in 2017.

JLL's Upstream Sustainability Services supported Majid Al Futtaim on both its Net Positive strategy and continued focus on climate resilience. JLL undertook a climate risk gap analysis and materiality assessment, identifying the most material physical and transitional risks to their Shopping Malls business in the UAE. This provided enhanced understanding of key climate related risks and supported Majid Al Futtaim in improving climate risk governance and risk management processes.



Source: Great Portland Estates Plc

## Great Portland Estates Plc

### The pathway to net zero carbon

Great Portland Estates Plc (GPE), property investor and developer, signed up to the ground-breaking Climate Change Commitment launched by members of the Better Buildings Partnership in 2019.

JLL's Upstream Sustainability Services supported GPE on this commitment, developing GPE's own ambitious corporate commitment to become net zero carbon by 2030. JLL worked with GPE to develop a net zero carbon pathway, setting out relevant targets, key carbon reduction opportunities and an implementation plan to reduce its carbon footprint.

JLL modelled the current and future emissions trajectory across GPE's portfolio, setting out a detailed net zero carbon methodology to implement the strategy. Carbon reduction options were assessed, as well as associated costs across the property life cycle and within supply chains.



Source: Stock image

## A leading global bank

### Decarbonising corporate real estate

With a 40 million square ft estate encompassing over 4,000 properties, the size and scale of this global bank means it has a crucial part to play in responsibly managing its environmental footprint. To cut emissions in line with its science based target JLL supported them to reduce global energy consumption by 2-3% annually and reduce carbon emissions by 1 ton per employee by 2020.

JLL developed a series of energy and sustainability solutions to deliver on their reduction targets. IntelliCommand, JLL's industry-leading smart building technology platform was implemented to provide online energy monitoring and insight and opportunities for energy reduction. The availability and transparency of energy consumption data made it easier to engage in sourcing renewable energy, in line with their 100% renewable power target by 2030.

Since 2013, they have conserved over 1 billion kWh, enough to power their head office for over 21 years and avoided over \$120m in utilities costs.





# Healthy people & environment

Seeing so many buildings standing empty and idle reminds us of the all-important maxim that “people are the heart of property”. As buildings start to reopen, government, businesses and wider society are undoubtedly more aware of the **key role buildings play in physical, mental and community health**. In the office workplace, improving a business’ productivity by 5% typically wipes out its real estate costs,<sup>23</sup> so there is a tangible link between health & wellbeing and financial value.

Employers and landlords will also need to consider health as part of their holistic strategies to support the return to the office, when many will have become used to working from home which, in some ways, will have been more naturally aligned to wellbeing. The COVID-19 crisis has also reminded us that our basic needs cannot be met without a healthy planet, and site-level actions to protect and enhance ecology bring human health and wellbeing benefits.

“We are entering a world where everyone is now hyper aware of their health needs and there will be increasing expectations from buildings to not only prevent disease but also promote better health outcomes. As humans, we have a long history of walling ourselves off from the environment (and local community) in sealed buildings, and spend 90% of our time indoors, this needs to change. We need to shift towards indoor environments designed for wellbeing, healthy outside spaces and enhance community connections to ensure our ongoing health as a society.

Right now the focus of the healthy building sector is understandably on air quality, but the IWBI’s research has always emphasised the importance of a holistic approach to wellbeing – as well as air quality, the research has demonstrated the equal importance of 9 other elements – water quality, healthy food, natural light, active design, thermal comfort, acoustic comfort, healthy materials, mindful design and practices, and community engagement. The responsibility lies with everyone in the value chain – including investors, developers, owners, operators, and tenants – to go beyond the minimum and adapt their standards to drive better health and wellbeing outcomes.”

**Ann-Marie Aguilar**, Senior Vice President, International WELL Building Institute

## The changes we need to see

- **Delivery of site level actions to enhance wellbeing and biodiversity**

The pandemic has revealed the importance of connection and community to our sense of wellbeing, and the value of outside green space and clean air. Measures such as biophilic design including green walls and planting, outdoor terraces and blue and green infrastructure need to be incorporated into building and site design, as well as fitout. A great example is Barratt Development’s Kingsbrook project, which delivered biodiversity net gain through ample green infrastructure, planting that reinvigorates endangered species and an outdoor amphitheatre to engage residents. The requirements stipulated in biodiversity net gain legislation and the draft London Plan (which includes a new Urban Greening Factor in major developments), mean that this trend is here to stay. We expect that the existing premium associated with such amenities will also rise.

- **Adoption of an evidence-based approach to wellbeing**

Smart organisations must prioritise health and wellbeing and focus on the value that setting wellbeing standards can deliver for businesses. Whether it be WELL, Fitwel, RESET or another bespoke approach, all standards offer a structured way to assess key facets of spaces and operations such as air quality, lighting, acoustics, biophilic design, activity levels, and even social programmes. Considering RESET as an example, it is a standard that focuses purely on meeting high air quality standards and requires regular testing to demonstrate that these are being adhered to. There are currently only 42 RESET certified sites worldwide, the first in Europe is Hermes owned 33 Glasshouse Street in London which has gained very positive feedback from its three large tenants. Ultimately, these schemes force businesses to build the evidence-base,

gather feedback and consider where they want to invest to maximise value, whether that be in the physical bricks & mortar and/or in programmes of employee wellbeing.

- **Investment in technology solutions to deliver wellbeing performance**

With increasing scrutiny on indoor air quality, comfort and humidity levels, the role of technology and automation is important in supporting healthy buildings and achieving better operational performance. There are many solutions such as remote monitoring, touchless or voice activated access controls, and all manner of IoT sensors that track and optimise performance. JLL has equipped its HQ with air quality sensors (Awaair), utilisation sensors (Vergesense) and access control data, these combined with sentiment surveys and feedback allow understanding of how and when the workspace is used, how healthy the environment is, and therefore how effective the workplace strategy is.

- **A focus on local community wellbeing**

How social connections support our wellbeing has proven vital during this period. The surge in community volunteers has shown that there is appetite to help vulnerable and disadvantaged people in local communities. A focus by the real estate sector on local community wellbeing ranging from building local supply chains, encouraging local business investments, to volunteering, mentoring and sharing of private space for public purposes, will pay dividends. A healthy community has strong interconnections, people help and support one another, and the area gains an uplifting sense of inclusiveness and pride. The more that local businesses and asset owners can support and enhance this virtuous cycle, the more attractive the location will be, with longer-term value enhancing benefits.



## How to ensure buildings and spaces support human wellbeing and a healthy planet

### 1. Strategise

#### Set a vision for a healthy place

- Imagine, design and create spaces to promote human and ecological health
- Develop a Healthy Building brief for each individual asset
- Define placemaking strategy to identify site wide opportunities that enhance wellbeing
- Create biodiversity net gain plan
- Pursue deep engagement with local stakeholders to generate community wellbeing and resilience
- Set KPIs to measure performance over time and quantify health and wellbeing gains

### 2. Implement

#### Adopt ratings and standards to drive implementation

- Use wellbeing standards to assess building or portfolio performance and inform strategic conversation on investments
- For new developments identify the correct standard to build to
- Consider standards like WELL's new Health-Safety rating to reassure visitors and investors that pandemic prevention risks are actively controlled

### 3. Optimise and communicate

#### Drive performance through technology, monitoring and feedback

- Identify prop tech solutions which contribute to disease prevention, and help track and drive building's operational performance on wellbeing
- Benchmark performance at portfolio level, where possible (for example using WELL Portfolio)
- Implement a regular monitoring plan through perception surveys and performance testing, linked to the wellbeing objectives of the space
- Ongoing measurement of biodiversity enhancements as per the site or building plan
- Communicate outcomes to relevant stakeholders



### In a cost constrained world, what is the business case for doing it now?

The health and wellbeing of employees is the top priority for companies right now and strong performance can differentiate your business and your portfolio. Tenants are willing to pay more than 10% premium for offices with health and wellbeing features. Healthy buildings have also been shown to improve productivity, short term sick leave is 35% lower in offices ventilated by a high fresh air supply rate, and desks with window views increase focussed work by 15%. Investing in site-level actions also pays, *UKGBC's latest report* shows that urban parks and green spaces in direct or close proximity increase property value by 9.5%.<sup>24</sup>





Source: British Land

## British Land

### Improving wellbeing at Canada Water, London

British Land, a leading UK property company, is developing the Canada Water Masterplan – a project creating an outstanding new mixed-use urban centre in Southwark, focused on making a positive long-term contribution to local life.

British Land appointed JLL as Strategic Adviser and asked JLL's sustainability team to support them on their response to the growing demand for places that foster healthier lifestyles. The project needed to be competitive and to demonstrate leadership in placing health at the centre of the development strategy. The Canada Water Masterplan focuses heavily on features that create inclusive and healthy communities, and JLL was able to advise on international best practice examples, including the importance of features such as waterside walkways, cycle paths, park-like green spaces and bright, spacious and comfortable buildings which have a huge impact on demand and improve asset value.



Source: JLL

## JLL

### Health and wellbeing in our Manchester office

JLL designed, fitted out and delivered a new North West workplace in Manchester in just 12 months. In line with JLL's ambitious corporate sustainability targets the goal was to deliver a sustainable, inclusive and productive workplace with wellbeing embedded into the design.

Managed by an expert in-house team of designers, project managers and WELL Accredited Professionals a healthy workplace was delivered while also ensuring minimal impact on the planet.

Aligning the design brief against the WELL building standard, the focus was on a variety of aspects including air quality, acoustics, biophilia, access to light and water quality. Biophilia is incorporated throughout the office, with over 100 plants, 3 green walls, including a Navaa active green wall that contributes to indoor air quality through the removal of harmful gases. A high level of visual and thermal comfort is achieved through floor to ceiling glazing, highly efficient thermal blinds, a local building management system adjustable to employee needs, and circadian lighting which changes the colour of lighting to match natural circadian rhythms. All these features reduce stress, improve productivity and wellbeing.



Source: Stock image

## A major global insurer

### Improving staff attraction, retention and productivity

This major insurer wanted to enhance their working environment through the design and operation of its spaces to help attract talent, improve retention rates and boost productivity.

JLL set about creating a multi-faceted 'Productivity Toolkit' that could be used across the insurer's entire portfolio. The toolkit consisted of three key aspects; a bespoke employee survey of perceptions of the workplace; a set of scientific indoor environment tests; and an excel tool to track changes in key business and HR metrics over time, linked to workplace changes.

Early results have helped identify the design features that were most popular with staff, aspects of the workplace with highest impact on productivity and the practical impacts of property management operations on the indoor environmental quality (IEQ) of the space.





## Fair, inclusive & resilient society

The pandemic and the impending economic crisis have thrown into sharp focus the pervasive inequalities within our society. From the disproportionate impact on BAME communities, to rising unemployment and soaring benefit claims impacting lower income earners. We have witnessed overnight a rapid increase in demand on an under-resourced health and social care system and the urgency to support local communities. Black Lives Matter has also highlighted the acute need for racial inequalities and prejudices to be addressed.

**During this time of disruption, the real estate sector can leverage its place-based expertise to help redefine how businesses can support the creation of a fair, inclusive and resilient society.**

**People and communities are at the heart of the sector, it is now more critical than ever to focus our efforts and resources on the “Social” element of ESG commitments.**

“There is a lot of discussion about how we ‘build back better’ in our recovery from COVID-19. In truth, smart businesses have been embracing sustainability and social value for a while. COVID-19 has simply amplified an emphasis on rising inequality across our country. It has also demonstrated that businesses need to be resilient to crises and this starts with responsible behaviour, treating people well and understanding dependencies on natural resources.

In the UK, the real estate sector will play a huge role in our recovery as the government prioritise the mantra of ‘build build build’ and the ‘levelling up’ agenda. The social value movement is about redefining or broadening our definition of value. Social Value UK looks forward to working with the real estate sector to change the way decisions are made, moving away from cost and price towards long-term value creation.”

**Ben Carpenter**, CEO, Social Value International

## The changes we need to see

- **Purpose-led approach**

The opportunity in the real estate sector to drive societal transformation through a purpose-led approach is significant. The industry needs to bring about a systemic change to protect the most vulnerable, heal social divides, equalise disparities, and deliver social justice. Hammerson’s Net Positive strategy is an example that not only includes carbon, water, and resource use, but also the social and economic impacts of their places. The strategy is core to Hammerson’s purpose to create vibrant, evolving spaces where people and brands want to be and to create a positive and sustainable impact for generations to come. Through a focussed approach to placemaking it reflects the needs of communities and delivers against local priorities.

- **Deeper understanding of social risks and opportunities**

The pandemic and Black Lives Matter movement has highlighted that many sustainability strategies are not sufficiently comprehensive and lack a coherent social strategy. While each strategy should be specific to the organisation, portfolio, and communities, there are fundamental ways that the real estate sector can positively contribute to social issues. These include but are not limited to; paying real Living Wage; building resilience through local supply chains; supporting community health and wellbeing; investing in local skills and employment; supporting economic resilience and improving overall quality of life. Derwent London’s approach is a great example, whereby through assessment of the socio-economic impacts in the local area of it’s buildings, the company improves them through partnerships, direct action and community funds. Their Tech Belt community fund was created to support projects in the Shoreditch area, an example of how businesses can support more deprived areas.

- **Investment to drive social impact**

Investor behaviour is showing that the shift towards responsible capitalism is accelerating in response

to the crisis. Over the past few months there has been a wave of capital inflows to impact funds, at a time when others are stalling or falling. Earlier this year, ESG funds saw an inflow of \$45.6bn, while the global fund universe saw net outflows of \$384.7bn over the same period. From investing in affordable housing, health care and social infrastructure, the opportunity to create genuine impact while investing in real estate is huge. To tap into this growing market, it is key that any organisation shows how their investment aligns with a core purpose, clearly stating intent and requirements for sustainable returns. Aligning with industry initiatives such as the Impact Management Project<sup>25</sup> can give great guidance, nuance, and peer support on the development of any offerings.

- **Commitment to equality and inclusion**

Addressing equality and inclusion has never been more important and it’s imperative that businesses commit to meaningful action on a range of issues. Creating employment opportunities, supporting progression and building skills of under-represented groups are just a few examples. For our sector, commitments to inclusion will need translating into bricks and mortar. Buildings will need to be designed and operated in a way that creates an inclusive environment in and around the place, making sure it’s safe, welcoming and accessible for all. By engaging with local communities, buildings can support local culture, encourage equal access and provide many benefits to the area. This could cover aspects such as showcasing local art in a building, to leasing units to local businesses, to running engagement programmes with local schools. Nuveen Real Estate’s drive to ensure their assets create positive impacts, led them to undertake in-depth reviews of their new developments. A mapping of the local communities created an understanding of where to target jobs for those who need them most, the skill requirements, and other design characteristics to create an inclusive and culturally representative place.



## How to build a fair, inclusive and resilient society

### 1. Engage

#### Embed stakeholder engagement into strategy reviews, standards and action plans

- Use stakeholder feedback to assess social risk and fine tune strategic priorities to mitigate these risks and exploit opportunities to enhance social impact
- Create a social value strategy informed by stakeholder, legislative and peer review
- Translate your social value strategy to bricks and mortar
- Consider bringing to market products that deliver social impact
- Use stakeholder input to review community investment to ensure that it reinforces your purpose and business strategy

### 2. Maximise impact

#### Forge local partnerships focussed on social value creation

- Identify opportunities to partner with organisations within your value chain who share your goals and purpose
- Review acquisition and due diligence procedures to identify which assets add social value, and to identify the interventions required to mitigate the negative impact of assets
- Design buildings and places to generate new social value by measuring the predicted social impact of new developments, helping to make better design decisions
- Make investments which have a social impact and a financial return by deciding what impact you want to have, measuring & verifying your performance and communicating what you have achieved

### 3. Report

#### Be accountable to stakeholders and open to challenge

- Welcome internal and external challenge on how effectively corporate purpose is being fulfilled and desired outcomes achieved
- Build a narrative with transparency that includes both positive and negative impacts
- Build stakeholder feedback into your management, leasing and marketing strategies to maximise stakeholder engagement

Evidence shows that purposeful companies outperform the stock market by<sup>26</sup>

**42%**

### In a cost constrained world, what is the business case for doing it now?

From the economic downturn to availability of skilled workforce, it is of no surprise that companies are increasingly looking at social issues. The creation of social value will support the local economies and communities our businesses rely on and will enable us to ride out the economic downturn and return to economic prosperity. Meaningfully measuring and reporting on social impacts and strategically managing this area of sustainability will unlock increasing amounts of capital where other sources may shrink.





Source: Derwent London

## Derwent London

### Understanding the relationship between buildings and people

Derwent London, investor and property business, is committed to creating value in its communities and designing and managing their buildings in a responsible way.

Derwent London appointed JLL's Upstream Sustainability Services to measure the socio-economic impact of Old Street Yard. JLL's robust methodology and evaluation added value through detailed analysis to improve understanding of the health, wellbeing, and psychological interactions between the building and people as well as tenant relationships.

Detailed recommendations were given to improve the building's engagement and interaction with local communities, businesses, and tenants. JLL also provided practical ideas on how the design and management of the building could be changed to enhance community and tenant wellbeing, cohesion, and social impacts.



Source: Stock image

## Nuveen Real Estate

### Maximising the positive impacts of a retail-led, mixed-use development

JLL's Upstream Sustainability Services worked with Nuveen Real Estate who were seeking to ensure that their 1.7 million sq. ft city centre redevelopment of the east end of Edinburgh was being built and managed in a way that maximised its potential positive socio-economic impact, particularly for recruiting from the local communities.

JLL established the baseline socio-economic impact prior to redevelopment and made recommendations on improving it as well as forecasting impact post development. Local stakeholders were surveyed to identify key social issues for them alongside talent and skills requirements for employment. The report provided recommendations on how to improve the current design, construction, and future operational social and economic impacts, and how to communicate that improvement. Recommendations were also offered on creating positive impacts through jobs, skills, and travel in the context of the different communities within the city.



# Final thoughts: enabling conditions for *success*

Undoubtedly, the path to recovery will be challenging. But alongside it also brings a huge opportunity to reshape our future in a positive way. As we are now acutely aware of the fragilities in our economic system, inequality in our society and the deepening climate crisis, we have no option but to rebuild a sustainable and just world.

Buildings touch every part of our lives, which means our sector has an ever more fundamental role in reshaping our future. In order to help us collectively drive focused effort, we urge everyone in the real estate sector to align their business strategies with the three priorities we have identified in this report;

- **Climate resilience & net zero carbon transition**
- **Healthy people & environment**
- **Fair, inclusive & resilient society**

The pace and scale of recovery will vary but we firmly believe delivering on these priorities will generate long-term value for the economy. But we need to be mindful of the conditions that will enable success. A holistic approach needs to be adopted to deliver on these priorities, considering the interconnectedness of our system, driving positive environmental change, and better social and economic outcomes. Purpose-led leadership will be crucial to ensuring we remain committed to the vision, and given our resilience is firmly dependent on the resilience of others around us, we must broaden our influence to drive positive changes not only for our businesses, but for those around us as well.

Whether you are just starting out on your sustainability journey or are already championing aspects of these priorities, we hope the recommendations in this report provide a useful framework as we seek to deliver better outcomes and create a better world.

“When faced with adversity, human nature often delivers amazing outcomes. In 2020 we have witnessed both the fragility of our systems and the incredible warmth of community spirit. With the benefit of hindsight and the experience of this generation living through a global crisis, we must use this time to learn lessons and rebuild our businesses and communities for the sustainable, just society we all want.”

**Sophie Walker**, UK Head of Sustainability, JLL





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## Contacts

### Sophie Walker

UK Head of Sustainability  
sophie.walker@eu.jll.com  
+44 (0)20 7399 5050

### Christi Vosloo

Senior Consultant – Climate Risk  
Sustainability Services  
christi.vosloo@eu.jll.com  
+44 (0)20 7399 5709

### Elaine Rossall

Head of UK Offices Research  
elaine.rossall@eu.jll.com  
+44 (0)20 3147 1666

### Sonal Jain

Director – Net Zero Carbon  
sonal.jain@eu.jll.com  
+44 (0)20 7399 5461

### Beth Ambrose

Director – Health & Wellbeing  
Sustainability Services  
beth.ambrose@eu.jll.com  
+44 (0)20 7399 5709

### Sophie Horne

Marketing Manager  
sophie.horne@eu.jll.com  
+44 (0)20 7852 4980

### Fran Leedham

Director – Sustainability Strategy  
fran.leedham@eu.jll.com  
+44 (0)20 7087 5417

### Matt Stavrou

Senior Consultant – Social Value  
Sustainability Services  
matt.stavrou@eu.jll.com  
+44 (0)20 7087 5179

### With thanks to our contributors:

BPF Sustainability Committee members; David Rea, EMEA Chief Economist, JLL; Tor Burrows, Director of Sustainability & Innovation, Grosvenor Britain & Ireland; Dame Polly Courtice, Director, Cambridge Institute for Sustainability Leadership; Ann-Marie Aguilar, Senior Vice President, International WELL Building Institute; Julie Hirigoyen, Chief Executive, UK Green Buildings Council; Ben Carpenter, Chief Executive, Social Value International.





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