



IREM[®] ESG Survey

August 2022

Insights from a survey sent to U.S. and Canadian real estate management professionals in April-May 2022 on their environmental, social, and governance (ESG) practices.

Made possible by a Yardi Energy Efficiency Grant.



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Background of report

This report is the result of a survey conducted under the guidance of the IREM Sustainability Advisory Board.

The purpose of the survey was to:

- Assess adoption of ESG practices among real estate managers and their companies
- Identify problems managers are experiencing in adopting ESG practices
- Highlight gaps in real estate managers' knowledge of ESG concepts and practices in order to provide additional resources and information

The survey was distributed to real estate management professionals in the U.S. and Canada. A total of 393 responses were received.

2022 Sustainability Advisory Board

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Overview of findings

- Respondents overwhelmingly believe ESG programs are at least somewhat important to both the real estate industry as a whole (89.6%), as well as to property management specifically (90.3%).
- More than half (61.6%) of respondents indicate being at most “Somewhat familiar” with ESG principles as applied to real estate portfolios—suggesting a need for training.
- Formal ESG initiatives are significantly less common in residential portfolios (20.9%) than in mixed use (30%) or commercial (46.7%) portfolios.
- Among respondents, the most commonly used metrics in evaluating the success of ESG initiatives are energy, water, and/or waste reductions (67.8%) and operational cost savings (53.3%), followed by satisfaction of tenants/residents (45.3%).
- Across the 19 environmental, social, and governance initiatives listed in the survey, companies have on average implemented 11. Social initiatives have broad adoption rates and the highest average number of programs implemented at 4.2. Environmental initiatives have the lowest average at 2.7.

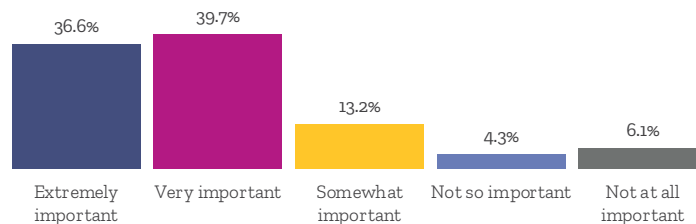


Importance of ESG

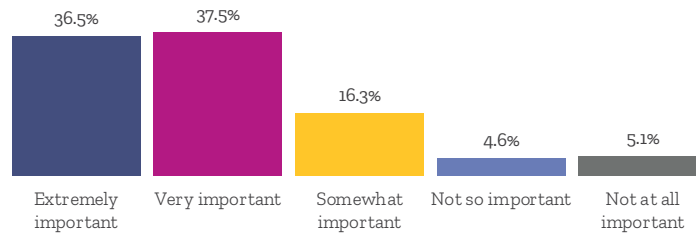
ESG is a big priority for real estate investors – but to what degree has that intense focus in the investment community impacted real estate managers?

Among survey respondents, that focus on ESG among investors has had a big impact. Respondents overwhelmingly believe ESG programs are at least somewhat important to both the real estate industry as a whole (89.6%), as well as to property management specifically (90.3%). This pattern holds true regardless of the primary property type managed by the respondent.

How important are ESG programs to the real estate industry as a whole?



How important is ESG to property management?



Percent of respondents indicating ESG programs are at least somewhat important by primary property type

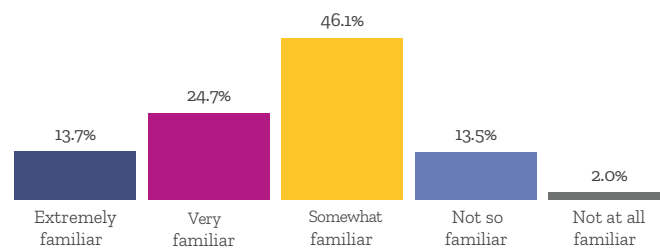
Property type	Real estate industry	Property management
Commercial	91.8%	90.8%
Residential	88.1%	90.9%
Mixed use	83.3%	83.3

Familiarity with ESG

Most respondents (84.1%) are at most “Somewhat familiar” with ESG principles as applied to real estate portfolios. This suggests that additional training in ESG, developed specifically with real estate managers in mind, may be necessary.

Familiarity does vary by ESG topic. Areas in which respondents indicate a high level of familiarity include volunteering; diversity, equity, and inclusion (DEI); ethics; energy, water, and/or waste reduction goals; and benchmarking. Areas in which respondents indicate a low level of familiarity include socially responsible investing, executive compensation policy, reporting and disclosure, carbon reduction goals, and sustainable purchasing.

Rate your level of familiarity with ESG principles applied to real estate portfolios.



High degree of familiarity	Low degree of familiarity
Benchmarking	Carbon reduction goals
DEI	Executive compensation policy
Energy, water, and/or waste reduction goals	Reporting and disclosure (e.g., participating in GRESB, releasing an annual ESG report)
Ethics	Socially responsible investing
Volunteering	Sustainable purchasing

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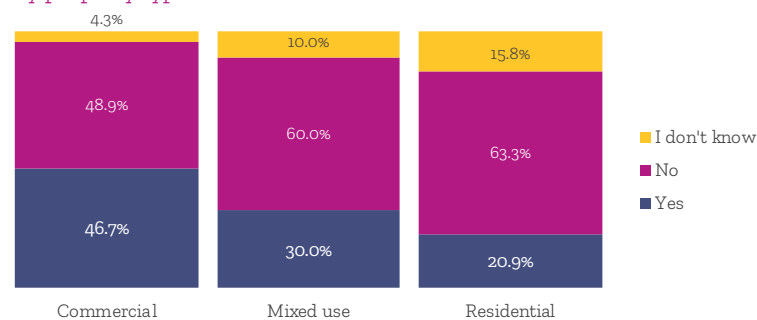
Prevalence of formal ESG initiatives

Formal ESG initiatives are significantly less common in residential portfolios (20.9%) than in mixed use (30%) or commercial (46.7%) portfolios.

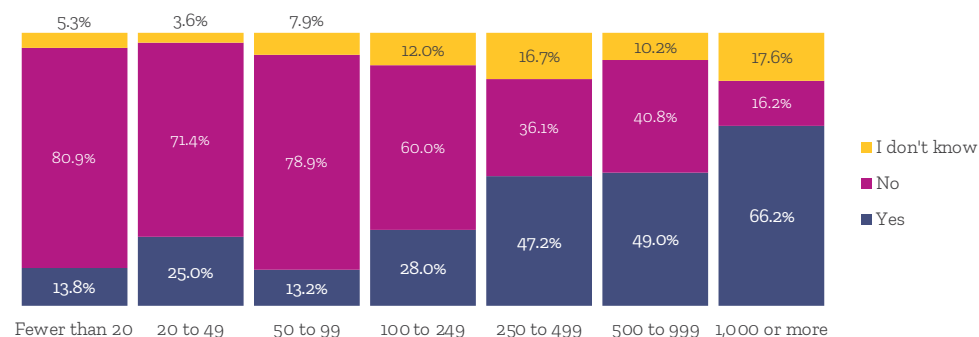
The prevalence of ESG initiatives consistently increases with the size of the company. The largest companies (1,000 or more employees) are the most likely to have formal ESG initiatives (66.2%), while the smallest companies (fewer than 20 employees) are the second least likely (13.8%). Companies with 50-99 employees are the least likely (13.2%).

Does your company have a formal ESG initiative?

By property type



By number of employees



How respondents' companies measure ESG success

The most prevalent metrics respondents use to measure the success of their ESG initiatives are energy, water, and/or waste reductions (67.8%); operational cost savings (53.3%); and satisfaction of tenants/residents (45.3%). Least prevalent are carbon reduction (27.2%) and positive publicity (21.4%).

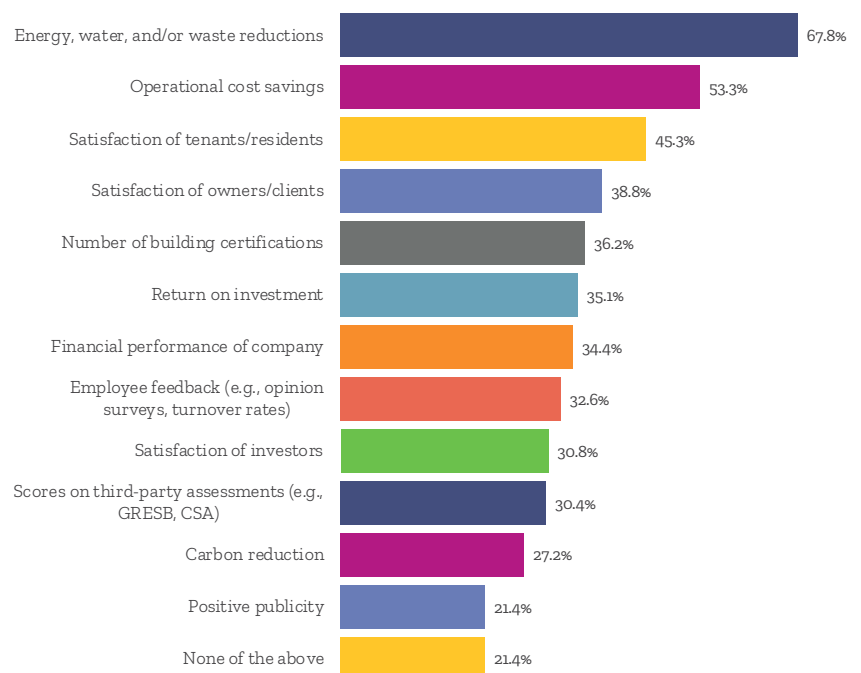
It's not surprising that real estate managers, responsible for the financial and operational performance of the properties, focus on energy, water, and waste reductions and cost savings as metrics of ESG success. However, these findings may reveal an opportunity for education, when compared to the adoption rate for carbon reduction (27.2%) as a success metric.

Those energy, water, and waste reductions have an associated carbon reduction that respondents don't seem to realize or use, and benchmarking tools like ENERGY STAR® Portfolio Manager® calculate that reduction. Those carbon reduction metrics have value. Real estate managers and their firms can report that data to interested owners and tenants/residents, leasing prospects, their communities, and other external parties.

Other findings:

- A total of 71.5% of respondents report using multiple methods to evaluate the success of their ESG initiatives, while 21.7% indicate not using any.
- The majority of respondents (59.2%) indicate using four or more methods.
- Of respondents using at least one method (78.3%), the average is 5.8 methods in use.

Which of the following methods does your company use to evaluate the success of its ESG initiatives?



ESG initiatives

The survey asked respondents to identify the initiatives their companies have implemented in each area of ESG – environmental, social, and governance. Across the 19 environmental, social, and governance initiatives listed, companies had on average implemented 11. Social initiatives had the highest average at 4.2. Governance initiatives had the second highest average at 4.1. Environmental initiatives had the lowest average at 2.7.

Top 5 initiatives across ESG categories

Category of ESG	Initiative	% implemented
Governance	Compliance with laws/ordinances	90.8%
Governance	Policies and procedures for property operations	89.1%
Governance	Ethics code or policy	87.0%
Social	Staff training and development program	78.8%
Social	Health & safety program for staff	78.7%
Social	DEI	70.7%

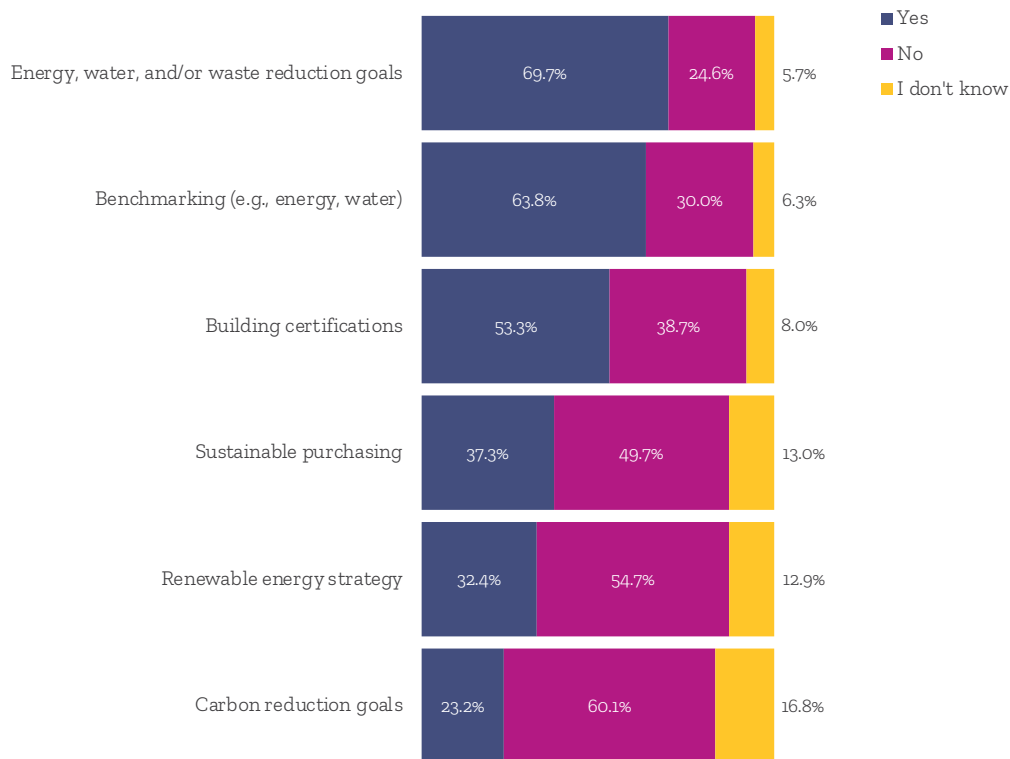


Need help rolling out your portfolio sustainability initiatives? The IREM Certified Sustainable Property (CSP) program has helped over 850 office, medical office, industrial, multifamily, senior housing, and retail properties access an achievable set of best practices—and get certified in the process. Learn more at irem.org/gogreen.

Environmental initiatives

Adoption rates for environmental initiatives are behind those for other initiatives, with several having the lowest overall adoption rates among respondents' companies. This may present an opportunity for additional education and skill-building on sustainable purchasing (37.3%), development of a renewable energy strategy (32.4%), and carbon reduction goals (23.2%), including benefits and best practices. It may also suggest that owners and managers have yet to realize a sufficient ROI or nontangible benefits, such as tenant retention, with these initiatives. More research is necessary to investigate the lower adoption rates for this area of ESG.

For each environmental initiative, indicate if it has been implemented by your company

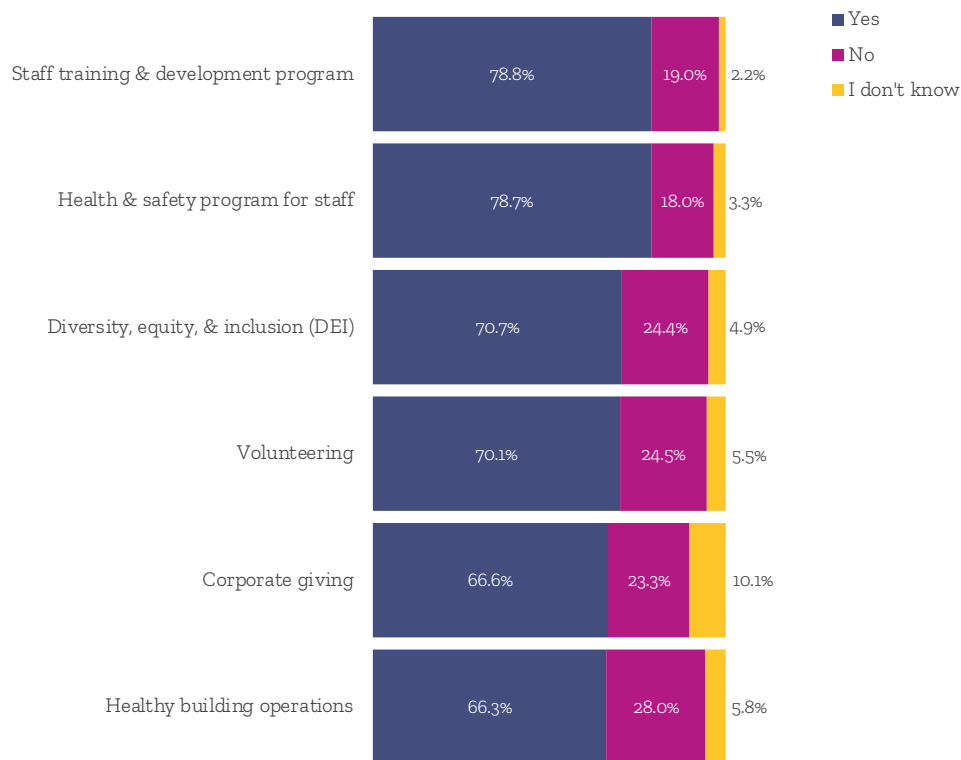


Social initiatives

Social initiatives have the highest average number of initiatives implemented at 4.2, and there's broad adoption of the different initiatives listed in the survey. The highest adoption rates in this area of ESG focus on staff—staff training and development (78.8%) and health and safety program for staff (78.7%). DEI initiatives (70.7%) typically focus on staff as well (and may also consider tenants/residents and other stakeholders, such as vendors and suppliers).

While healthy building operations has the lowest adoption rate in this category, it's still relatively high at 66.3%. This is not surprising—health and wellness was an area of focus before COVID-19, and this focus has only intensified with the pandemic.

For each social initiative, indicate if it has been implemented by your company

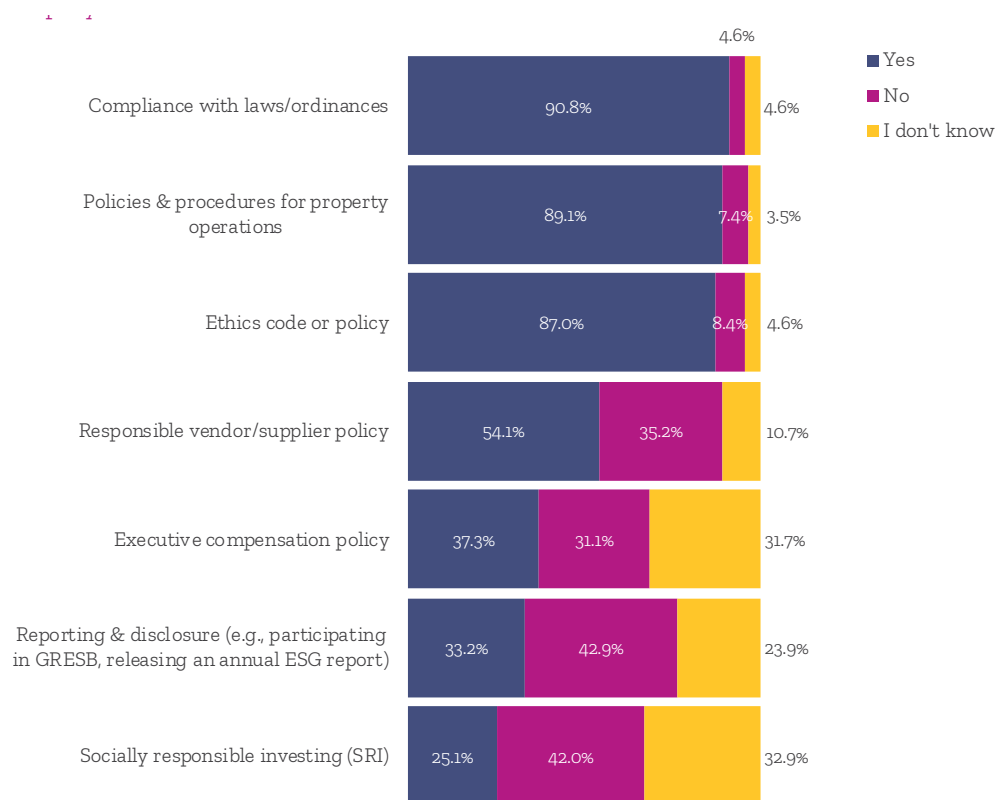


Governance initiatives

Top governance initiatives have some of the highest adoption rates among any area of ESG, and governance has the second highest average number of initiatives implemented at 4.1. Three initiatives are around 90% adoption – compliance with laws/ordinances (90.8%), policies and procedures for property operations (89.1%), and ethics code or policy (87.0%).

Low adoption rates for reporting and disclosure (e.g., participating in GRESB, releasing an annual ESG report) [33.2%] and socially responsible investing (SRI) [25.1%] are likely explained by the proportion of respondents from property management and real estate services companies (69.4%), compared to owners and investors (16.6%). Reporting and disclosure and SRI are more applicable to the latter.

For each governance initiative, indicate if it has been implemented by your company

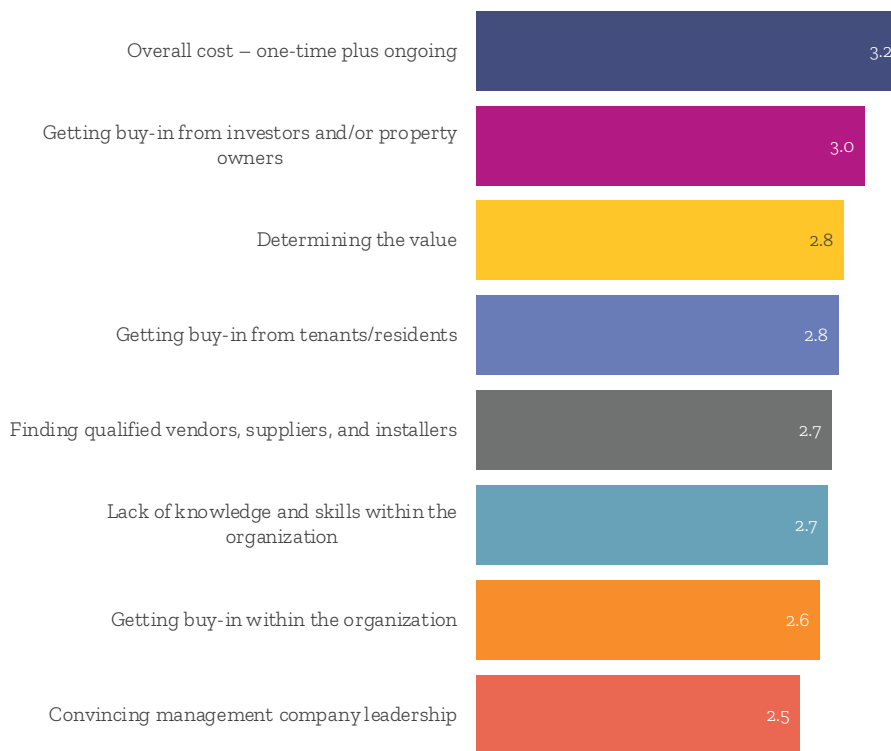


Barriers to ESG

What keeps ESG initiatives from being implemented? Respondents identify issues around value and buy-in as the biggest hurdles, with one-time and ongoing costs as the top roadblock, followed by buy-in from investors and/or owners. Each potential roadblock was rated on a 5-point scale where 1 is "Not at all difficult" and 5 is "Extremely difficult."

It's notable that six out of eight roadblocks listed in the survey are rated in the 2 or "Somewhat difficult" range, suggesting that these hurdles may be overcome with resources, education, market developments that make ESG more accessible, and other support.

Rate the level of difficulty for each of the following potential roadblocks in considering and implementing ESG initiatives at your company.

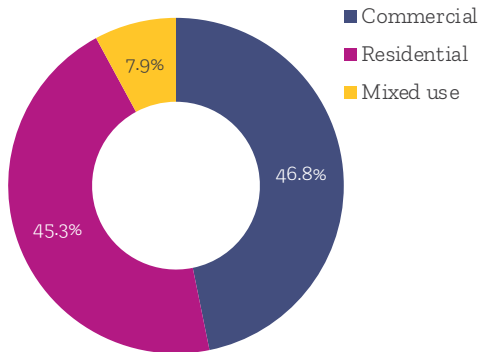


Demographics

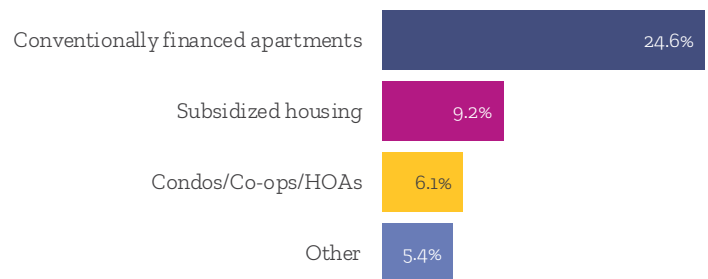
Respondents are almost evenly split between commercial (46.8%) and residential (45.3%) real estate management. Most commercial respondents manage office buildings (26.9%), while most residential respondents manage conventional apartments (24.6%).

The majority of respondents work for property management firms (42.6%) or full-service real estate firms (26.8%). Firms range in size, with a small majority of respondents (52.0%) working for companies with more than 100 employees. Most respondents work for firms with large portfolio sizes, greater than 10,000 residential units (28.1%) and 4 million square feet of commercial space (39.1%). While 35.4% of survey respondents work for local firms, regional (29.5%), national (21.8%), and international (13.3%) firms are also heavily represented.

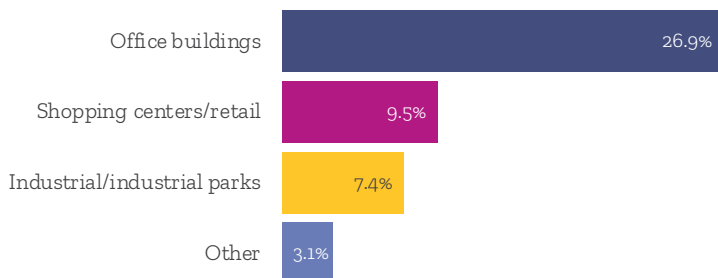
Property category



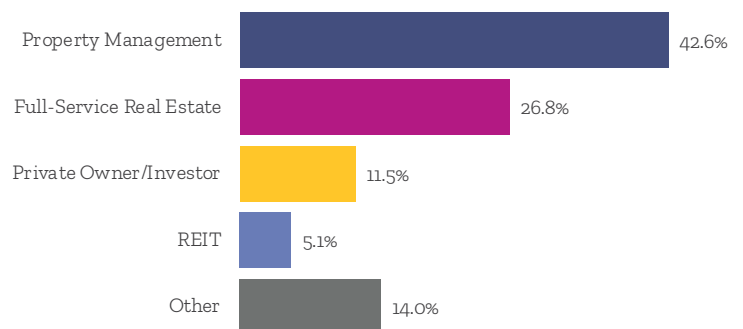
Residential



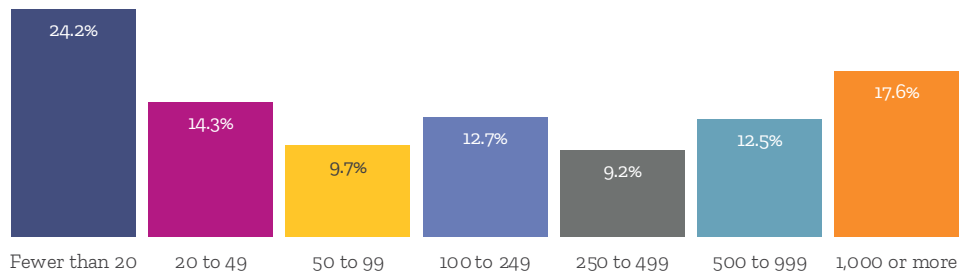
Commercial



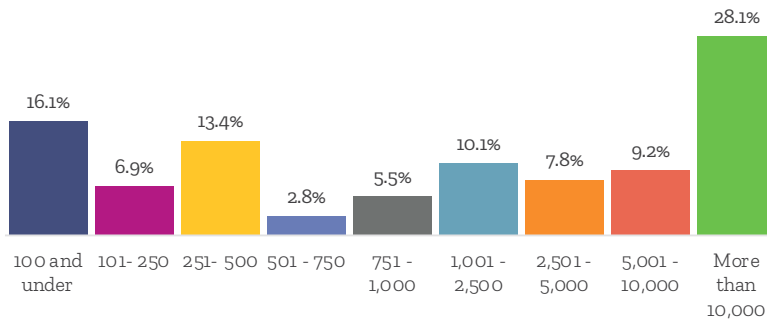
Which best describes the type of organization you work for?



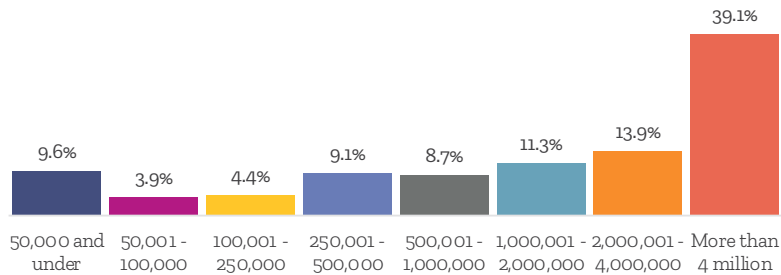
What is the size of your company based on total employees?



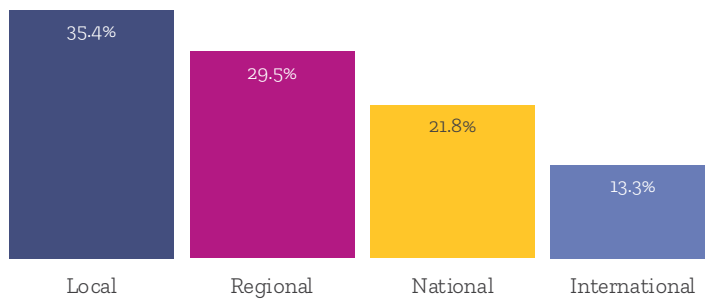
How many total residential units are included in your company's portfolio?



How many total commercial/non-residential square feet are included in your company's portfolio?



Which best describes the scale of the organization you work for?





The IREM ESG Survey and this report are made possible by a Yardi Energy Efficiency Grant. IREM would like to thank Yardi for their support and valued partnership.

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