EPRA
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REAL ESTATE ASSOCIATION

ACADEMIC
RESEARCH

Disentangling Social Impact Ambitions

New perspectives on the return-impact trade-off

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EXECUTIVE SUMMARY

Over the years, we have witnessed an evolution in the impact ambitions of real estate investors. Besides the delivery of a compelling financial performance, real estate investments are also required to make active contributions to science-based climate targets, sustainable development goals, and to incorporate ESG enhancements. We surveyed real estate financial- and sustainability managers to find out what social impact means to them. Our results show that the surveyed managers are willing to give up 123 basis points of expected excess return to materially improve the affordability of their tenants. In other words, social impact is appreciated in their investment process. This willingness to pay for impact depends on the underlying ESG approach, time horizon preferences, and impact validation. Respondents of firms with a more responsible ESG approach, with a milder focus on short-term financial gains, and with more certified impact are willing to give up more of their projected return in exchange for impact. We also find that the type of social impact matters here. When swapping affordability gains for health improvements after deep retrofits, we noticed a significant drop in the reported willingness to pay. Results that imply that when involving real estate funds in social impact endeavours it matters how and when impact can be identified and certified. This may well be a reflection of the demand real estate funds encounter within their own value chain, as their investors are keen and willing to trade off some of the financial return for impact, more so if the results can be verified.

Content table

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Introduction

In hindsight, the year 2015 has been an important milestone for the evolution of impact investing, also for real estate. In 2015, the United Nations COP21 Paris conference led to 174 nations globally signing a climate treaty with the objective of limiting global warming to 2 degrees versus pre-industrial levels. In the same year, the United Nations published their set of 17 Sustainable Development Goals (SDGs), which still serve as a blueprint for advancing peace and prosperity for people and the planet, now and into the future. A blueprint that was adopted by the 193 countries of the UN General Assembly and which stipulates clear goals for the year 2030.

Our awareness of sustainability and social impact started already in 1970 with the seminal work "Limits to Growth". In this book written by a team of MIT researchers we can already read clear discussions on how: "….Man can create a society in which he can live indefinitely on earth if he imposes limits on himself and his production of material goods to achieve a state of global equilibrium with population and production in carefully selected balance…". But for many decades, these thoughts failed to materialize into actions. Fossil fuel dependency crises and later concerns regarding global warming have triggered different waves of sustainability policy measures. Measures that were optional and mostly focused on mapping carbon footprints.

This changed in 2015, when SDGs broadened the debate beyond the E of ESG, when climate goals suddenly changed from good intentions into mandatory targets, and not just for governments. In the past ten years, we have seen a genuine surge in the collective awareness and ambitions regarding the long-term care for the planet and for society at large. Real estate has always been a prominent player in this debate, since the build environment has been rapidly identified as a means to reduce greenhouse gas emissions and to achieve sustainability targets. Real estate is also the biggest expense of households, and thereby the trigger and solution for affordability concerns. Hence, it is clear that today's investors in real estate need to take the side effects of their assets into account. Real estate has a significant impact on society, both positive and negative. Nowadays, real estate investors attempt to account for this impact to help shape the future in the right direction.

Socially responsible investing, particularly with a focus on Environmental, Social, and Governance (ESG) factors, has witnessed exponential growth in popularity in recent years (Bialkowski & Starks, 2016). This interest is driven by a heightened global awareness of pressing challenges like climate change, social disparities, and corporate governance issues. Financial markets are increasingly recognized as a pivotal force in addressing these societal and environmental concerns. As such, ESG considerations are progressively being integrated into mainstream investment strategies, reflecting the broader shift towards responsible capitalism.

This rise in SRI investing has been accompanied by the question of what this means for returns. Some indicate a risk-adjusted underperformance of impact investing, potentially attributed to diversification limitations (Bernal et al., 2021). In the real estate domain, some investors argued that an ESG focus is motivated mainly by risk mitigation and corporate reputation (Hebb et al., 2010). Intriguingly, multiple empirical studies still find an evident willingness among investors to accept trade-offs in returns for the sake of social alignment. Many investors state their willingness to potentially incur diminished returns to ensure that their investments are congruent with their personal values and societal beliefs (Barber et al., 2021; Bauer et al., 2021; Brounen et al., 2021; Riedl & Smeets, 2017). This underscores the evolving dynamics of the investment landscape, and the need to meet impact requirements besides mere financial performance.

The present scenario underscores the imperative need for a clear definition of impact within the real estate investment arena. Establishing more precise criteria and providing input for benchmark development is crucial, not just for the efficiency and integrity of the investment process, but also for the broader societal implications. A deeper understanding is needed to ensure that capital is genuinely channelled towards addressing impact in line with investors' social values and beliefs as well as societally relevant needs.

But while impact investing and investing with impact are becoming more popular – at least when judging by popular real estate outlets and conferences – a lot of knowledge on this matter is still absent, especially when focusing on the S and G of ESG. Impact means different things to different people. A lot of positive externalities of real estate qualify as ex-post impact, both the intentional and unintentional. But how to organize and optimize the impact of real estate investment ex-ante is still work in progress. In this paper, we try to enhance this work, by engaging in a dialogue with real estate professionals on what impact means to them, and what they need and expect from impact in the future. By surveying both financial- and sustainability managers from the European real estate investment industry, we can show where gaps are present and how collective traction can be upscaled.

The results of a survey that was organized together with the European Real Estate Association - EPRA shows that real estate investors are willing to give up 123 basis points of expected return in exchange for enhanced affordability for their tenants. Despite that they put less weight on the S than the E of ESG, we find evidence that they are willing to trade off a portion of their financial returns for positive social impact. By making good use of the rich background information regarding their ESG strategy, their investment philosophy and their demographics, we are able to explain why some are willing to give up more return than others. In the remainder of this paper, we discuss the survey design, the resulting dataset, and our results and their implication in greater detail.

Survey Design and Data

By utilizing a cross-sectional survey methodology, our aim is to provide insights from multiple industry stakeholders regarding the present state, future prospects, and underlying motivations related to social impact investing in real estate. Our survey solicits stakeholders' perceptions of the existing state and quantifies their willingness to pay for tangible social impact or improvement of the current state on multiple proposed domains. Further, we seek to understand the prerequisites they believe are essential to fulfil their social impact goals. We hypothesize that stakeholders might be more willing to accept reduced returns if they possess the tools to accurately measure and benchmark performance. The current ambiguity surrounding performance metrics may be causing hesitancy in defining their investment return expectations and in turn prohibit optimal allocation.

Our survey targets multiple relevant demographic groups and organizational positions (financial- versus sustainability officers), allowing for both intra-group and inter-group comparative analyses, analysed through regression analysis and supported by visual descriptives. Through this approach, we aim to sketch a comprehensive picture of the prevailing status—descriptively and as quantified by willingness to pay—alongside pinpointing the potential opportunities and challenges specific to the real estate sector's target audience.

We incentivized respondents to participate in this survey in multiple and innovative ways. Starting with designing the survey in a comprehensive set-up that limits the time required of respondents to 10 minutes or less. Moreover, the survey was sent to two contact persons of each organization, the financial and the sustainability officer. This will allow us to compare their responses. Obviously, all results are reported at an aggregate level. No names of organizations or individuals will be disclosed. Finally, we rewarded survey responders with a small donation on their behalf to the Make a Wish Foundation, as a token of appreciation for their time invested. The survey design, which was co-created with EPRA after various rounds of iterations, is attached in the appendix.

The survey was sent out in week 37 (September 12) to EPRA's membership. During EPRA's 2024 Conference on September 17-19 conference in Berlin, conference attendees were invited personally to participate and spend 10 minutes of their time. After September 19, we assessed the response rate and sent out a gentle reminder by email. Finally, we also generated an additional response wave during the EPRA Sustainability Summit on November 7 in London. Although from the outset, we aimed for a sample of 100+ respondents, all joined efforts left us with 25 responses of which the summary statistics are stated in Table 1, below.

Table 1 | Summary statistics		All	Financial Manager (60%)	Sustainability Manager (40%)
Age		45.4	44.7	46.3
Gender (% Male)		57%	50%	67%
ESG Priority	*Environment*	46.1	47.9	43.3
	Social	27.	27.5	26.3
	Governance	26.8	24.5	30.4
ESG Strategy	*Responsible*	4%	6.67%	0
	Sustainable	52%	46.67%	60%
	Impact (Finance objective priority)	8%	6.67%	10%
	Impact (Finance/Impact objective Parity)	28%	26.67%	30%
	Impact (Impact objective priority)	8%	13.33%	0
	Philanthropy (partial capital at risk)	0	0	0
	Philanthropy (total capital at risk)	0	0	0
Top ESG Issues		Energy intensity	Energy intensity	Energy intensity
		Greenhouse gas emissions	Greenhouse gas emissions	Rank Building and tenant health and safety
		Rank Building and tenant health and safety	Employee and tenant satisfaction	Composition of governance body
Bottom ESG Issues		Process of conflict and interest management	Process of conflict and interest management	Process of conflict and interest management
		Gender diversity and pay ratio	Gender diversity and pay ratio	Gender diversity and pay ratio
		Community engagement	Community engagement	Community engagement

Despite the low response rate, the resulting sample is well-balanced with both financial- (60%) and sustainability managers (40%). The average responders' age and gender distribution well reflect the industry and society at large. When zooming into some initial patterns in respondents' feedback, Table 1 shows us that when asked about the E, S, and G of ESG the Environmental component far outweighs the others. Within the real estate investment markets, the carbon footprint concerns, and energy efficiency ambitions and policies have clearly raised E-awareness, making it a top priority. A result that is common among both the financial and sustainability managers. Interestingly enough, our results show that sustainability managers tend to give Governance the second priority, whereas financial

managers exhibit a slight preference for the Social aspects. But these differences are small and need to be handled with care.

We also have asked all survey respondents to qualify their ESG Strategy as one of seven approaches, ranging from responsible to philanthropic. None of the respondents opted for the philanthropic approach, indicating that ESG is implemented but always with some sort of cost-benefit trade-off in place. Around 28 percent of respondents qualified their ESG strategy as Impact in which they indicate that they weigh financial return and their impact objectives in harmony. The largest fraction, 52 percent, of our respondents opted for Sustainable as their ESG strategy. An approach that is similar to Impact but puts less emphasis on investing in benefits for the underserved. It is interesting to report here that these ESG approach selections have been very similar across the financial and sustainability managers in our sample. Ex-ante, one might have expected that the latter would prefer an approach with a smaller financial focus, but our results teach us differently.

Also, when asked to rank key ESG issues, we find a lot of common ground. Both subgroups in our sample selected Energy Intensity as the key issue. This is in line with the notion that the E of ESG mattered most. Among the financial managers, we also find greenhouse gas emissions in their top three just above employee and tenant satisfaction. For the sustainability managers, we see that tenant health and safety and the composition of the governance body matter more. But when focusing on the low end of the ESG priority list, we observe complete consensus across financial and sustainability managers. In both cases community engagement, gender diversity, and pay ratio ended at the low end.

In the remainder of our report, we will focus on the impact return trade-off and stratify the sample to identify the key factors that determine this trade-off.

The Impact - Return Trade-off

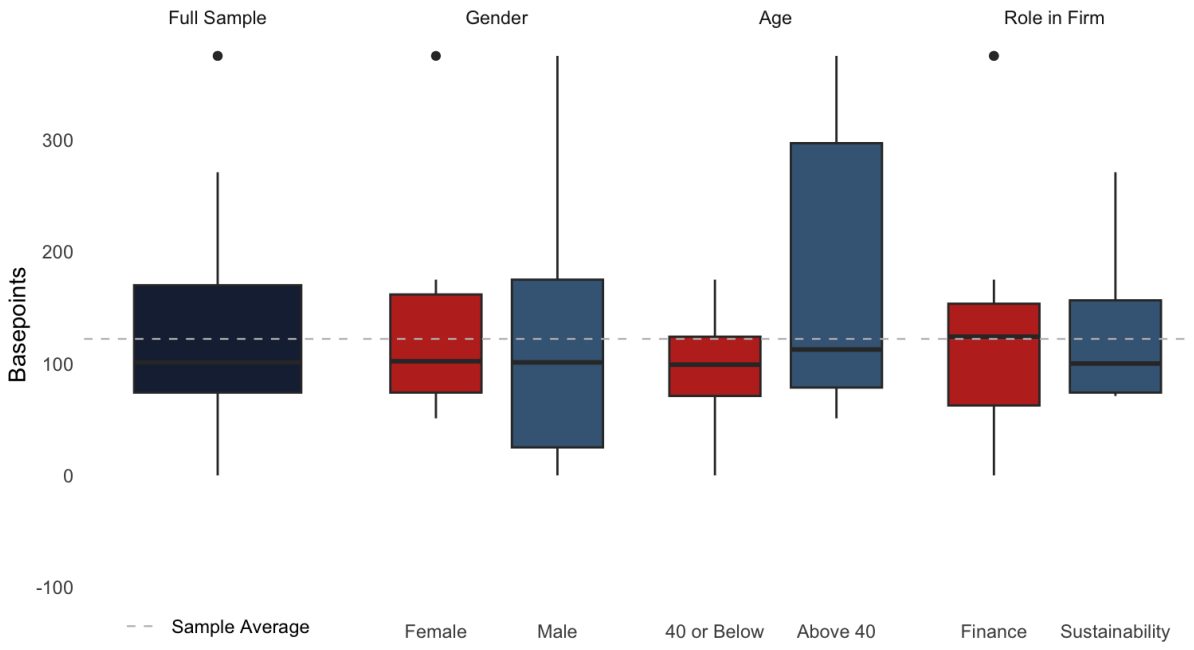
Now that our summary statistics have told us more about our respondents and how they view ESG within their real estate investment process, it is time to zoom into one of the key questions asked in our survey - how much return are they willing to give up for realizing impact? This issue is at the heart of the impact literature and a debate in many boardrooms. An issue with different layers. At first sight, most investors assume that realizing impact will automatically mean that returns will weaken since impact is not deemed a free commodity and comes at a price. On the other hand, more and more research show that impact and ESG performance can help to reduce the risk profile of investments and investors, which would indirectly enhance performance in which return, and risk are integrated.

To shed some new light on this, we have asked our respondents to consider a residential investment opportunity in which they buy into a thirty-year-old housing portfolio. An investment that after a thorough DCF calculation promises an 8.75% equity return, where only 7.00% is required. A financially appealing project, without a doubt. In our survey, we asked our respondents to tell us how much they were willing to lower this 8.75% projection in return for enhancing the affordability of their tenants. In other words, the initial rent levels would be reduced thereby improving affordability and creating an immediate and concrete positive impact. But how much of the initial 8.75% return were respondents willing to give up for this? The average answer to this question was 123 basis points. Respondents were happy with this certain affordability impulse in combination with an equity return of 7.52%, on average. They would still outperform their required return and have a clear case of positive impact to show for.

This 123-basis point result aligns with most of the related literature of recent years. Ceccarelli et al. (2024) investigated how investors and financial intermediaries navigated the trade-off between minimizing climate risk exposure and maximizing the benefits of diversification benefits. After the release of Morningstar's novel carbon risk metrics in April 2018, mutual funds labelled as "low carbon" experienced a significant increase in investor demand, especially those with high risk-adjusted returns. The economic impact of the low carbon label corresponds to an average increase in flows of approximately 36 basis points. In their 2022 ESG report, Knight Frank published retail rent premiums ranging between 3.7% and 12.3% for properties rated very good to outstanding by BREEAM. A result which corroborates the rich literature on green premia in real estate for objects that have been rated

favourable regarding their ESG and sustainability qualities. After analysing the ESG scores of US REITs, Haber (2023) reported that a one-point increase in an S rating results in a 12 basis points decrease in REIT return, while an increase in an E rating of similar size reduced return by no less than 267 basis points.

Figure 1. Amount of base points willing to forgo in lieu of affordability investments



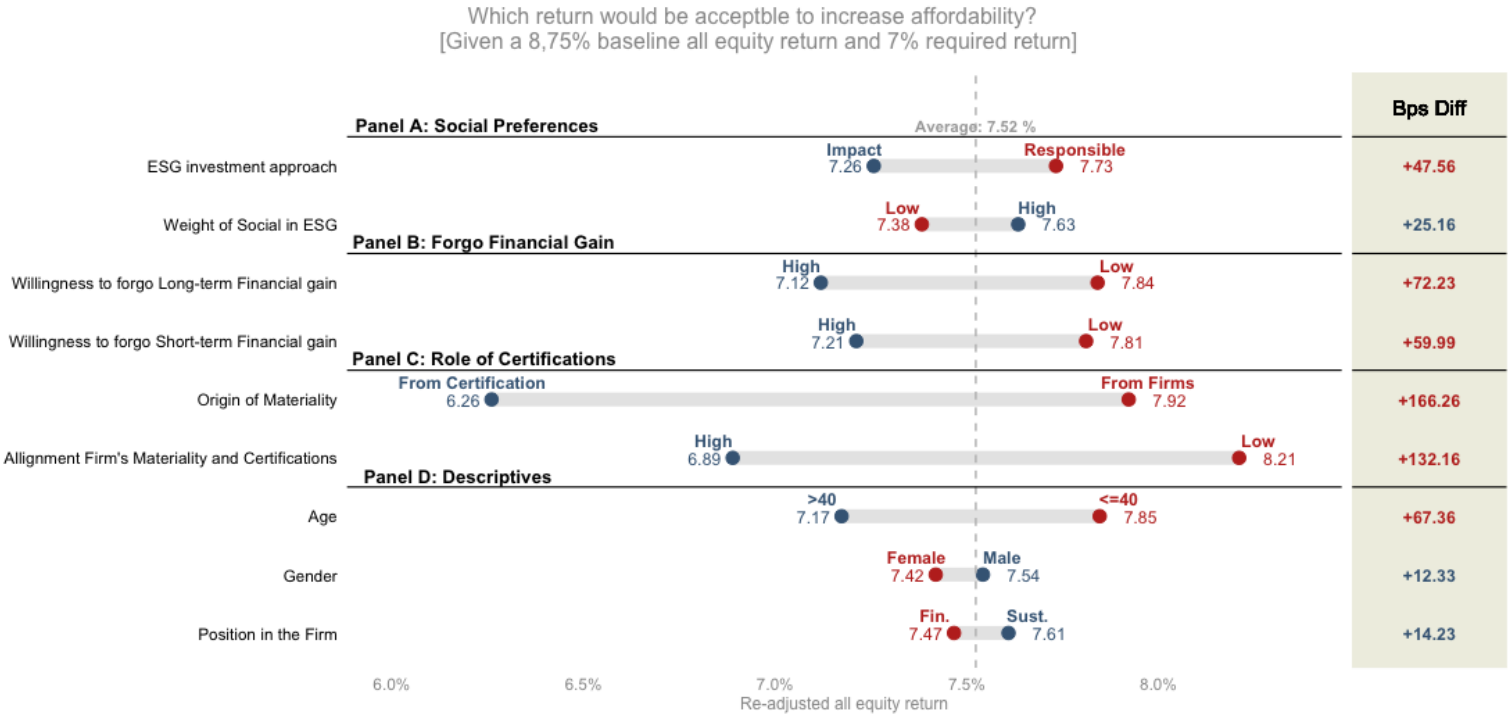
These 123 basis points are merely an average and differ across the sample. Hence, we first checked whether this number differs in line with some of the respondents' characteristics. For instance, when sorting on gender we document a 12-basis point difference, with male respondents demanding 7.54% after lowering rents while our female respondents did the same in return for only 7.42%. Also, age appeared to matter a bit here. The older respondents in our sample were okay with 7.44% after the affordability enhancement, while younger respondents (40 years or younger) insisted on 7.71%. Just to be clear, this 7.71% is still a reduction of 104 basis points compared to the initial 8.75% return projection. This step, however, is bigger among the female and more seasoned responders.

Perhaps the most surprising pattern revealed in the box plots of Figure 1 relates to the variation related to the respondents' role within the firm. One might expect sustainability managers to be more inclined to trade-off financial return for societal impact. Our results, however, reveal that in fact the financial managers have been willing to give up more return for the proposed affordability investments. In order to reduce initial rents, the financial managers in our sample were willing to reduce the projected return from 8.75% to 7.47% (giving up 128 basis points), while the sustainability managers - on average - were hoping for a projected return of 7.61%. But to be fair, these differences are mild at best and need to be interpreted with great care. In order to better grasp why some are more willing to give up financial returns for impact than others, we need to dig a little deeper than comparing gender, age and functions. Hence this is what we do next.

ESG PROFILE AND APPROACH

Apart from being young, female, and having a certain job, we might expect that the answer to how much return you are willing to trade off for impact would depend less on these personal demographics and more on the relevant corporate strategy. Trading off return for impact within a real estate investment organization should be more a corporate than a personal decision.

Figure 2. Heterogeneity in required return in exchange for affordability



Since we have asked our respondents on how they qualify the ESG strategy of their firm, we should start with this strategic component to deepen our understanding regarding the trade-off dynamics. For instance, when qualifying their ESG strategy more towards the philanthropic spectrum, we would expect a larger return trade-off because philanthropists are less focused on the financial rewards of their impact endeavours.

The results in Panel A of Figure 2 show us that when comparing the required returns across the ESG investment approaches, we find that respondents who qualify their ESG approach as Impact demand 7.26%, while those who qualify as Responsible require 7.73%. This is a bit surprising, since the Impact approach puts more emphasis on the hard financials, yet in our survey, they are milder when assessing the affordability investment. But perhaps this ESG qualification is too blunt to identify what is really going on here. Hence, we also split the same according to the relative weight that respondents put to the Social in ESG ('Allocate 100 points amongst Environment, Social, and Governance'). For those that reported the highest S-weights (more than 30 points allocated), we find the higher required returns of 7.63%, while those that are on the low end of the S-weight curve demanded 7.38% of return on the proposed affordability investment. A smaller gap, but still counterintuitive, assuming that those that care most about S in ESG are willing to give up more financial return to achieve it.

All in all, it seems that the ESG profile of our respondents does not explain much of the variation in the observed impact-return trade-off. Hence, we continue our analysis by zooming into the impact horizon.

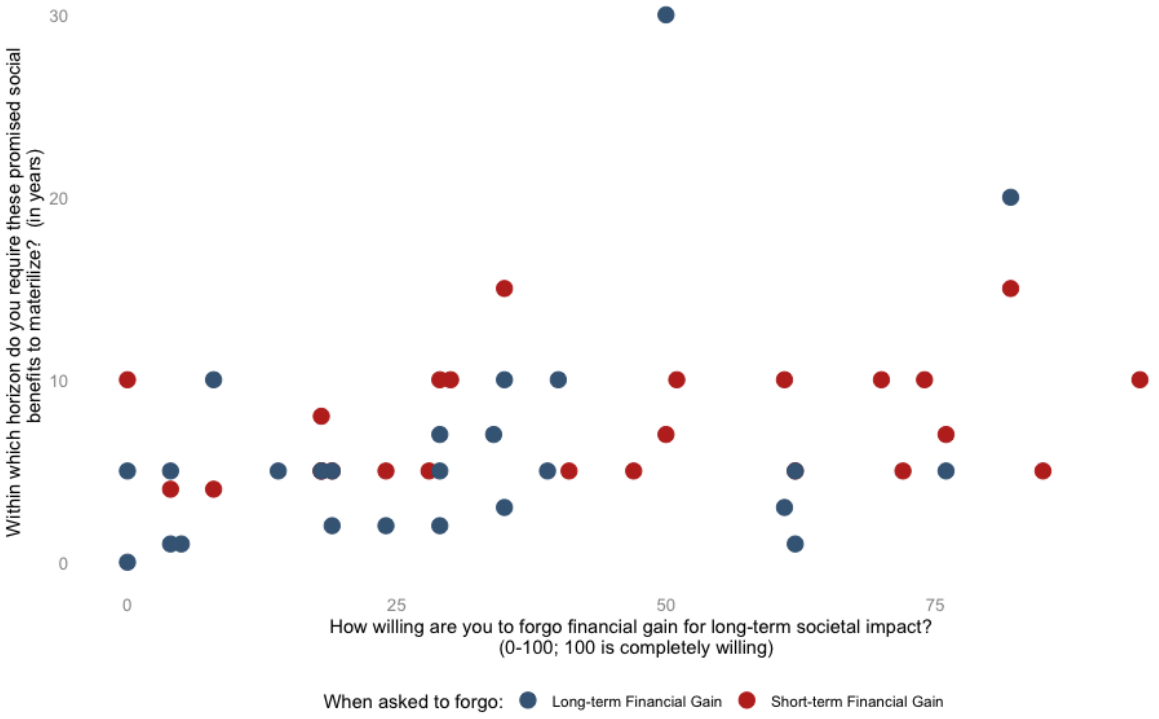
IMPACT HORIZON

Apart from the corporate ESG view and philosophy, one might also think that patience matters here too. Patience in the sense that impact can generate longer-term rewards and therefore is common among managers and firms that have and use a longer horizon when making corporate decisions like the proposed return-impact trade-off.

The results of Panel B in Figure 2 tell a more compelling story. Here we compare the required returns of respondents who are very willing to forgo long-term financial gains, with those who are unwilling. The latter group demanded a 7.84% return when considering the proposed affordability enhancement, while the willing group was okay with only 7.12% in return. This makes perfect sense giving up the longer term will automatically lower the required total return.

We have also asked the same, but then regarding giving up short-term financial gains in exchange for long-term societal impact. The second line of Panel B shows a similar pattern, only a little less explicit. Investors' willingness to give up financial gains in the longer run to realize social impact improvements are also the ones who are willing to give up more of their required return on investment.

Figure 3. Plotting impact horizon versus impact-return trade-off



To directly assess the link between the patience of investors regarding the materialization of social impact and their willingness to give up the required return, we plotted both against each other in Figure 3. Although these dots are dispersed across the map, we do notice a mild positive link and slope. This positive link indicates that investors who have a longer horizon on the ex-post impact materiality (more patient towards the social payoff) are also less insisting on the ex-ante required returns. Further assessment also notices a slight overall tendency to accept to forgo short-term financial gain over long-term financial gain. This forgoing long-term gain additionally does not strictly increase the horizon of the social return, hinting towards potential uncertainty of long-term social return.

IMPORTANCE OF IMPACT CERTIFICATION

Now that we know that the impact-return trade-off is influenced more by the patience of investors towards the impact payoff than by their ESG approach and profile, we now finally focus on the impact payoff verification. Giving up returns is often seen as a certain cost, while many struggle with the objectivity of the positive impact that is generated in the longer run. For this reason, certification can help to give some ex-ante assurance on the materiality and consistency of the aspired positive impact.

In Panel C of Figure 2, we compare the required returns of respondents based on the impact verification and alignment. Here we find that respondents who believe that social materiality originates more from certifications than from firms themselves, require lower returns. It seems that the certified impact helps them to sell the lower return as the certificate can help them to communicate the combination of both social and financial return. This is amplified when the certificate specifications are well aligned with the aspired asset-based impact. The bottom line of Panel C shows that for those who believe social impact it accurately articulated by the certification, c.q. well-aligned, lower returns are required.

In other words, while ESG approaches do not seem to affect the impact-return trade-off documented among our respondents, the horizon and certification of social impact payoff do. Our results show that certified social impact strengthens this trade-off, especially among investors that are more patient for impact to materialize.

BELIEFS MATTER: AFFORDABILITY VERSUS HEALTHY RETROFITS

Obviously, trade-off dynamics are also a function of how desired the impact benefits are. In our baseline question, we have asked respondents to give up some of their financial return projection to foster affordability by lowering initial rents. Given that affordability is a common concern across residential markets, it is likely that investors are keen on helping to combat the harmful effects of this affordability crisis. But what if we ask to trade off their financial returns for a different type of positive impact? Would they be less inclined, and do the patterns observed in section 3.1-3.3 change once we shift the impact definition?

Humphrey et al. (2021) find that investors' social preferences and beliefs impact returns expectations. As such, we might expect differences in return and impact expectations between affordability and retrofits investments. Affordability enhancements are widely accepted to address an immediate and pressing social issue with direct and tangible benefits. In contrast, health-oriented retrofits, while potentially beneficial, may be perceived as offering less immediate or less quantifiable social benefits. Differences in the beliefs of the investment returns, or differences in the preference for forgoing financial returns for social impact and the magnitude of this social impact between these different scenarios, might drive discrepancies in investors' return expectations.

Figure 4. Heterogeneity in required return for deep (health) retrofit

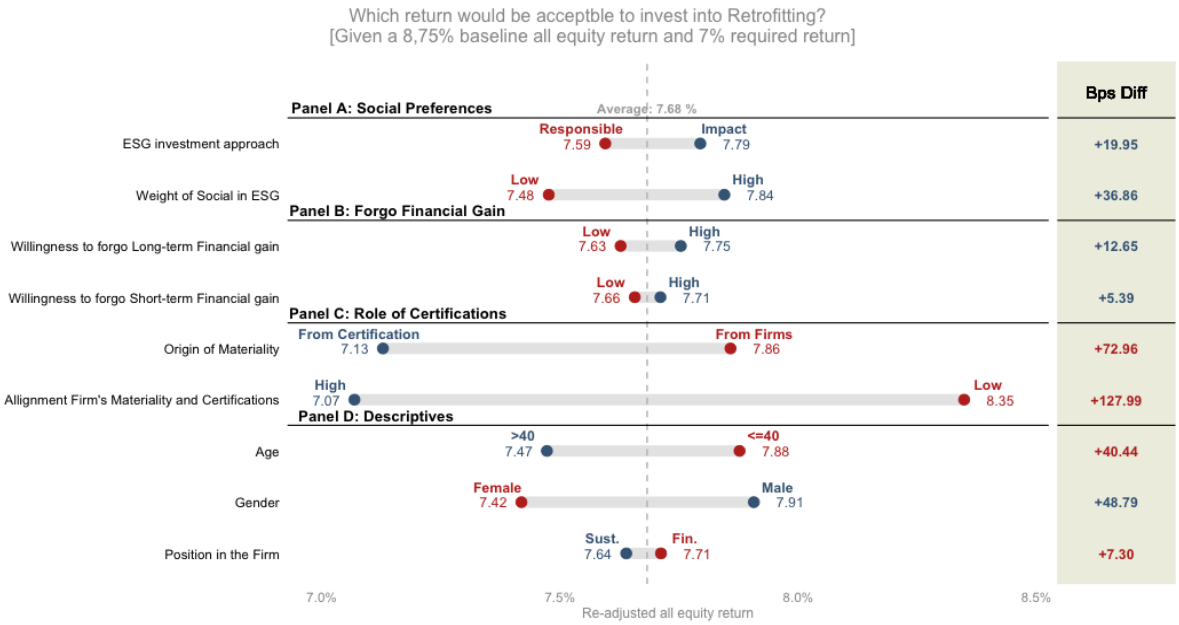


Figure 4 shows the decomposition of the required return across the same set of subgroups as before. Overall, we find a slightly higher average return of 7.68%. In other words, our respondents are less inclined to give up their initial project 8.75% when a deep health-oriented retrofit is considered. To foster the health and satisfaction of tenants, respondents are willing to give up 107 basis points, instead of 123 bp for affordability.

Similar to the affordability trade-off, we find that this inclination is stronger when social impact is certified when these certificates align well with the aspired impact aims. Gender differences became more pronounced with retrofits. Female respondents were significantly more willing to accept lower returns for retrofit projects, with the gender gap being about four times larger than in the affordability scenario.

Apart from these similarities, we also observed an inversion in horizon preferences in Panel B. Participants who were generally willing to forgo financial returns in both the short and long term, accepted lower returns for affordability projects yet demanded higher returns for retrofit investments. Conversely, for retrofits, those typically unwilling to sacrifice financial returns were more willing to accept lower returns compared to affordability projects. Similarly, preferences based on ESG investment strategies inverted between the two scenarios. Respondents with highly impact-driven approaches expected higher returns for affordability projects compared to their sustainable peers but were willing to settle for lower returns when it came to retrofits. This effect is mostly driven by the change of heart of the impact investors - they do not seem to acknowledge the same potential social impact for retrofits as they did for affordability.

Overall, this social-goal comparison tells us that financial managers are willing to forgo more for affordability than for health-oriented retrofits, compared to the sustainability managers in our sample, suggesting that these two subgroups have fundamentally different views on the impact-return trade-off. Note that the sustainability managers have very similar returns preferences. In contrast, the inversion is mainly driven by the changing preference of the financial managers: they are willing to accept 24 basis points less for affordability projects. The inversions and the larger diversions further suggest that retrofits are less strongly associated with social impact. The high ESG preference audience demands more guaranteed returns for retrofits than the low ESG preference audience. Interestingly, this might hint at the lack of social benefits of retrofitting projects instead of the lack of financial benefits.

Conclusion and Implications

Social impact has come a long way, also in the real estate investment market. After surveying European real estate professionals on their assessment of impact relevance, payoff and weight, we have generated some new and relevant insights in where social impact sits within the real estate investment process.

First of all, we find that S comes second after E in ESG. Within the real estate industry, the familiarity and long track record of policies regarding energy efficiency and carbon footprints have put a lot of emphasis on the environmental aspects. The S of social weighs almost the same as the G of governance, and that is the same for financial- and sustainability managers alike. Also, when ranking ESG issues, we rarely find the social impact issues ranking high. Most respondents think first of energy intensity and greenhouse gas emissions, which makes sense given the current policy agenda.

But when faced with the opportunity to lower initial rents to foster affordability of tenants, we did document quite a strong willingness to give up some of the projected financial returns in exchange for this concrete type of social impact. On average, we find that survey respondents were willing to lower their return requirements with 123 basis points to boost the affordability of their (residential) portfolio. A return sacrifice that is larger among the older and female respondents and tends to increase when impact is certified and if respondents are allowing impact more time to materialize. We also find that this impact-return trade-off depends on the type of projected impact. When asked to give up projected return to favour a health-oriented retrofit, we find less willingness to reduce the returns required.

This means that when involving real estate funds in social impact endeavours, it matters how and when impact can be identified and certified. This may well be a reflection of the demand real estate funds encounter within their own value chain, as their investors are keen and willing to trade off some of the financial return for impact, more so if the results can be verified.

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Appendix

THE RESEARCH TEAM

Dirk Brounen is Professor of Real Estate Economics at Maastricht University and at TIAS School for Business and Society at Tilburg University. Dirk is a Weimer fellow at the Homer Hoyt Institute, and research fellow both at the European Center of Corporate Engagement and at the Tilburg Sustainability Center, and editor of FS Insight. His research interests include Real Estate Investment Trusts (REITS), housing economics, financial literacy of financial consumers and energy efficiency of the build environment. He has consulted the European Committee on the implementation of the energy performance certification, the Dutch Ministry of Justice on enhancing the monitoring of high-frequency real estate transactions, the Dutch Ministry of Internal Affairs on nudging energy efficient behavior, and the Dutch Ministry of Housing and Urban Affairs on the position of first-time buyers in the housing markets. His work appears in The European Economic Review, The Journal of Real Estate Finance and Economics, Financial Management, Real Estate Economics, and the Journal of Portfolio Management.

Martijn Stroom is a behavioral scientist working as a post-doc researcher at the Maastricht University School of Business and Economics. Martijn holds an MSc in Human Decision Science, and a PhD in Behavioral Real Estate. His research varies across multiple topics, with the same recurring theme: investigating the inaccuracy of human judgment, factors that unconsciously influence resulting decisions, and the unawareness of that influence. In his research, Martijn combines lab-, online experiments, and advanced questionnaire architecture to explore the behavioral side of many real-life, relevant, economic, and societal problems. More specifically, he studied the effects of indoor environmental conditions on productivity, whether working from home really works, and the added value of climate labels in the Dutch housing market with publications in PLOS ONE , Frontiers in Psychology, and Judgement and Decision Making. Currently, Martijn leads a team in the development of a social rating to benchmark the 'S' of ESG in the real estate sector at large.

SURVEY INVITATION

Dear ....

Together with the universities of Maastricht and Tilburg, EPRA is currently analysing the social impact of real estate investments. Including ESG (environmental, social, and governance) aspects within real estate decisions has become rather common, but especially the S of ESG differs greatly across market participants. Hence, we would like to hear from you how you define, measure, and weight the social impact of your real estate decisions.

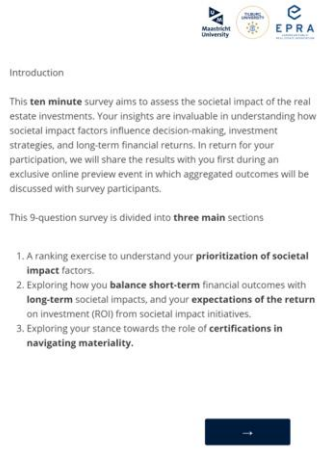
For this, we constructed a 10-minute survey, in which you can share your views and experiences with us. We will process your anonymous responses into a comprehensive report that gives a better understanding of social impact priorities across Europe.

A report which we share first with our respondents during an online session on November 1st. Moreover, by filling in your survey you will have immediate positive impact, since we donate 10 euros on behalf of every respondent to the *Make a Wish Foundation*.

Thank you very much for your valuable contribution.

EPRA

SURVEY DESIGN



Introduction

This **ten minute** survey aims to assess the societal impact of the real estate investments. Your insights are invaluable in understanding how societal impact factors influence decision-making, investment strategies, and long-term financial returns. In return for your participation, we will share the results with you first during an exclusive online preview event in which aggregated outcomes will be discussed with survey participants.

This 9-question survey is divided into **three main** sections

1. A ranking exercise to understand your **prioritization of societal impact** factors.
2. Exploring how you **balance short-term** financial outcomes with **long-term** societal impacts, and your **expectations of the return** on investment (ROI) from societal impact initiatives.
3. Exploring your stance towards the role of **certifications in navigating materiality.**

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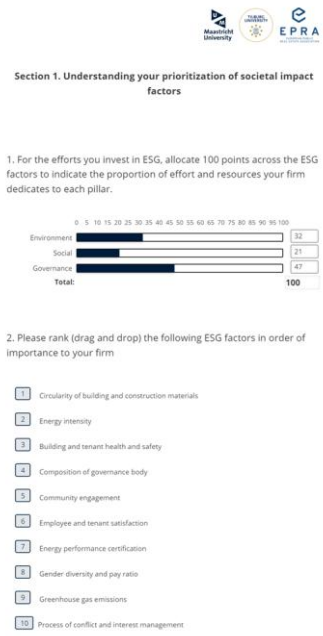


Section 1. Understanding your prioritization of societal impact factors

1. For the efforts you invest in ESG, allocate 100 points across the ESG factors to indicate the proportion of effort and resources your firm dedicates to each pillar.

0 5 10 15 20 25 30 35 40 45 50 55 60 65 70 75 80 85 90 95 100

Environment 32
Social 21
Governance 47
Total: 100

2. Please rank (drag and drop) the following ESG factors in order of importance to your firm

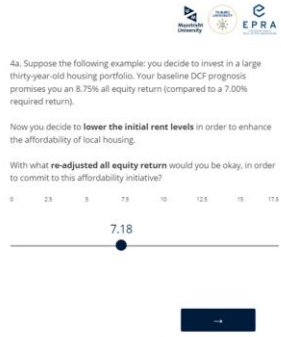
1. Circularity of building and construction materials
2. Energy intensity
3. Building and tenant health and safety
4. Composition of governance body
5. Community engagement
6. Employee and tenant satisfaction
7. Energy performance certification
8. Gender diversity and pay ratio
9. Greenhouse gas emissions
10. Process of conflict and interest management

Consider the following figure. Each column describes an ESG investment approach and its charactersitics.

Responsible	Sustainable	Impact (finance obj. priority)	Impact (finance / impact obj. parity)	Impact (impact obj. priority)	Philanthropy (partial capital at risk)	Philanthropy (total capital at risk)
Market rate return	Market rate return Social return considerations	Market rate return Social return target	Market rate return Social return target	Sub-market rate return Social return target	Accept partial loss Social return target	Accept loss of capital Social return target
Avoid harm: minimize ESG risks	Avoid harm: minimize ESG risks	Avoid harm: minimize ESG risks	Avoid harm: minimize ESG risks	Avoid harm: minimize ESG risks	Avoid harm: minimize ESG risks	Avoid harm: minimize ESG risks
	Benefit stakeholders by generating positive impact	Benefit stakeholders by generating positive impact	Benefit stakeholders by generating positive impact	Benefit stakeholders by generating positive impact	Market rate return	Market rate return
		Contribute to solutions by generating positive change for underserved	Contribute to solutions by generating positive change for underserved	Contribute to solutions by generating positive change for underserved	Contribute to solutions by generating positive change for underserved	Contribute to solutions by generating positive change for underserved

3a. Please select the column above corresponding to the vision which fits best with how your organizational approaches societal impact investments.

- Responsible
- Sustainable
- **Impact (Finance objective priority)** ●
- Impact (Finance/Impact objective Parity)
- Impact (Impact objective priority)
- Philanthropy (partial capital at risk)
- Philanthropy (total capital at risk)



4a. Suppose the following example: you decide to invest in a large thirty-year-old housing portfolio. Your baseline DCF prognosis promises you an 8.75% all equity return (compared to a 7.00% required return).

Now you decide to **lower the initial rent levels** in order to enhance the affordability of local housing.

With what **re-adjusted all equity return** would you be okay, in order to commit to this affordability initiative?

0 2.5 5 7.5 10 12.5 15 17.5

7.18

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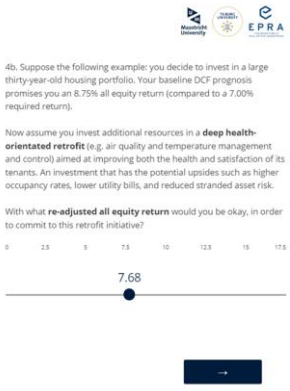

4b. Suppose the following example: you decide to invest in a large thirty-year-old housing portfolio. Your baseline DCF prognosis promises you an 8.75% all equity return (compared to a 7.00% required return).

Now assume you invest additional resources in a **deep health-orientated retrofit** (e.g. air quality and temperature management and control) aimed at improving both the health and satisfaction of its tenants. An investment that has the potential upsides such as higher occupancy rates, lower utility bills, and reduced stranded asset risk.

With what **re-adjusted all equity return** would you be okay, in order to commit to this retrofit initiative?

0 2.5 5 7.5 10 12.5 15 17.5

7.68

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5a. Indicate your willingness to **forgo short-term financial gain** for investments that promise significant societal impact in the long term.

Completely unwilling 0 10 20 30 40 50 60 70 80 90 100 Completely willing

5b. Please indicate **within which horizon** you require social benefits **to materilize** from a social investment scenario as stated above.

Years
0 5 10 15 20 25 30 35 40 45 50

8

6a. Indicate your willingness to **forgo long-term financial gain** for investments that promise significant societal impact in the short term.

Completely unwilling 0 10 20 30 40 50 60 70 80 90 100 Completely willing

Sustainability materiality in the social domain is less defined and less universally understood compared to environmental issues. This makes it harder to pinpoint what is truly impactful. Certification agencies offer ratings that help firms navigate these complexities based on a large sample of data, whereas firms themselves may have better insights into what is material in their specific contexts.

This section examines the balance between certification agencies and firms defining materiality, shaping how social materiality is understood and invested in.

7. In your opinion, where does **materiality focus points** for each firm **currently originate** from? Are certification agencies leading by informing firms based on sector-wide best practise, or are firms prioritizing their own insights?

Mostly within the Firms/funds — Mostly from Certification Agencies

Sometimes investment projects aimed at realizing impact **might conflict with** certification improvements.

8. In your opinion, how often do **certification enhancing investments** lead to **asset-level impact** realization?

Never — Sometimes — Always

Comments (not obligated)

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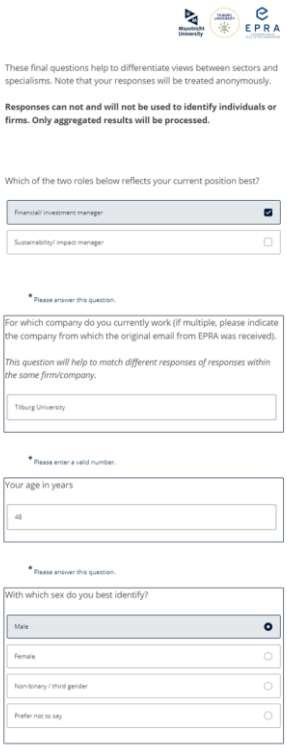

These final questions help to differentiate views between sectors and specialisms. Note that your responses will be treated anonymously.

Responses can not and will not be used to identify individuals or firms. Only aggregated results will be processed.

Which of the two roles below reflects your current position best?

- Financial/ investment manager ☑
- Sustainability/ impact manager ☐

* Please answer this question.

For which company do you currently work (if multiple, please indicate the company from which the original email from EPRA was received).

This question will help to match different responses of responses within the same firm/company.

Tilburg University

* Please enter a valid number.

Your age in years

48

* Please answer this question.

With which sex do you best identify?

- Male ◉
- Female ○
- Non-binary / third gender ○
- Prefer not to say ○