

Social Value Consultancy

2024

Driving positive impact through
real estate

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What is social value in the built environment?

In the context of the built environment, social value is created when buildings, places, and infrastructure support environmental, economic, and social wellbeing and, in doing so, improve people's quality of life.

Social value enables building owners, property managers and occupiers to understand and improve the impact of their buildings and activities. It also allows investors to factor these benefits into their investment decisions.

The 'S' pillar of ESG (Environmental, Social and Governance) has traditionally lagged behind the 'E'. This is predominantly due to a lack of clear definitions, scope and challenges associated with measuring impact. Measuring social value has become a vital part of communicating and committing to social value creation across the development lifecycle.

By making smart decisions about the acquisition, design, and operation of real estate today, owners, developers and occupiers can mitigate future risks, deliver positive change, and achieve sustainable growth beyond financial return.

Why should real estate stakeholders focus on the 'S'?

- Real estate contributes more than £117 billion to the UK economy and employs more than 2.4 million people. According to **Property Week**, 1 in 12 jobs are supported by the commercial real estate sector, so considering the wellbeing of the workforce is essential.
- **The Social Value Portal and National Social Value Taskforce** estimate the potential to generate an additional £30 billion in social value in the built environment.
- A post-Covid-19 shift in commercial space usage and government commitment to achieving net zero emissions has highlighted the importance of wellbeing.



What does social value mean for occupiers and landlords?

Social value is a central part of responsible and successful property management. A building has the potential to make a positive social impact within its local community, as well as for individuals working at or visiting the property.

Occupiers

- Seek accommodation that will attract and retain the best talent to maximise efficiency and profitability and fulfil their ESG agendas.
- Amenities may include measures for staff wellbeing in the building itself, but also wider environment and community initiatives.
- The best-in-class properties may see shorter voids, lower incentives and higher rental values.

Landlords and owners

- Investors are motivated by the security of income achievable from compliant buildings but also fulfilling their own ESG agendas through place-making for the community and the ability to implement social initiatives in conjunction with the property.
- Our research highlights that a flight to quality for 'green' high-spec office space is underway among many organisations. These buildings may see shorter marketing periods and stronger yields.
- Impact-focused companies with a strong ESG agenda and performance have been shown to outperform their peers in the long run, attracting a growing number of investors seeking both financial and societal gains.

Social impact leases

One of the more significant developments in the revamped Green Lease Toolkit, released by Better Buildings Partnership in 2023, is the inclusion of 'social impact' clauses, which extends beyond commonly accepted sustainability obligations and focus on socio-economic responsibilities. Some suggested obligations are completing regular social impact surveys, engaging with local businesses or school initiatives, promoting local employment opportunities, and complying with overriding diversity and inclusion policies.

How can social value support asset performance?

- Increases value
- Strengthen community relationships
- Increases employee retention
- Positive marketing opportunities
- Higher chance of gaining planning approval
- Positive contribution to society and UN SDGs
- Attracts occupiers and helps with leasing
- Increases footfall in the area
- Improves employee wellbeing and satisfaction
- A building's social value becomes a key differentiator in a competitive market

5%

According to the Social Market Foundation, maximising social value in real estate can lead to a 5% uplift in the market value of an asset.



Opportunities for social value creation at every stage of the real asset lifecycle

Social value can be generated and delivered throughout every stage of a building's lifecycle. For developers, this involves ensuring that the development meets community needs, such as providing affordable homes and community spaces, as well as creating opportunities during construction.

For asset managers, the focus shifts towards employment, collaborating with occupiers and the supply chain to maximise opportunities, and partnering with local community groups and charities to address local needs. Occupiers play a crucial role in the community; they can develop community engagement programs and contribute through their procurement and supplier choices.



How can Knight Frank's ESG consultancy services help you drive social value?

Social Value Gap Analysis

Social value assessments evaluate a property's broader impact on its local community, environment, and society. These assessments cover employment, community engagement, training, and supply chain involvement. By establishing a social value baseline, we can identify where an asset or portfolio is already contributing and highlight key areas for maximising social value delivery. This includes understanding the potential social value of assets, reporting crucial information to stakeholders, integrating sustainable practices into decision-making, and enhancing impact in local communities.

The gap analysis identifies specific areas for improvement, enabling targeted changes. Results include a local needs assessment and documentation of the property's strengths and

areas needing improvement, aligned with the National TOMs. This process helps property teams understand social value, guiding efforts to increase it and encouraging discussions with service providers to integrate social value into core activities.

Benefits of Social Value Gap Analysis

- Highlights opportunities to enhance the creation of social value at asset or portfolio level.
- Provides a qualitative overview of existing initiatives.
- Benchmarks existing social value initiatives to demonstrate where added value can be created.
- Facilitates engagement with key stakeholders like service providers and occupants.
- Promotes targeted initiatives to enhance social impact over time.

Social Value Gap Analysis case study Estate in Westminster

Our ESG Consulting team was instructed to conduct a social value gap analysis for a directly managed portfolio. The objective of this assessment is to highlight opportunities to amplify the delivery of social value, helping to understand the potential social value of real assets, report key information to stakeholders and take steps to deliver greater value to communities. We defined a clear social value purpose and conducted stakeholder identification, addressing material issues. A local needs analysis revealed pressing social needs and opportunities for impact. Building on this, we reviewed current initiatives to establish a baseline for social value maturity, highlighting key areas for targeted community impact in a detailed report.



Local Needs Analysis

A local needs analysis is a process that provides a profile of a local community and its future needs. It considers the economic, social and environmental needs of local residents and businesses and can cover demographic trends, inequalities, experiences and expectations, supply and demand of services, gaps and priorities. The first step in delivering a place-based social value strategy is to recognise the importance of local context. Providing an understanding of the key needs and opportunities when it comes to delivering social value in the local area can help to identify where we can make a real and lasting difference.

How do we do it?

- Review of relevant local council policy and strategies
- Mapping areas of deprivation to identify key social issues faced in locality
- Report on key needs and opportunities to provide social impact in the local context

Understanding local needs helps to

- Better understand community needs
- Develop strategic social value goals that align with community needs

- Make informed data-driven decisions to drive social impact and meet social objectives
- Build better relationships with local stakeholders

What is deprivation, and what does it measure?

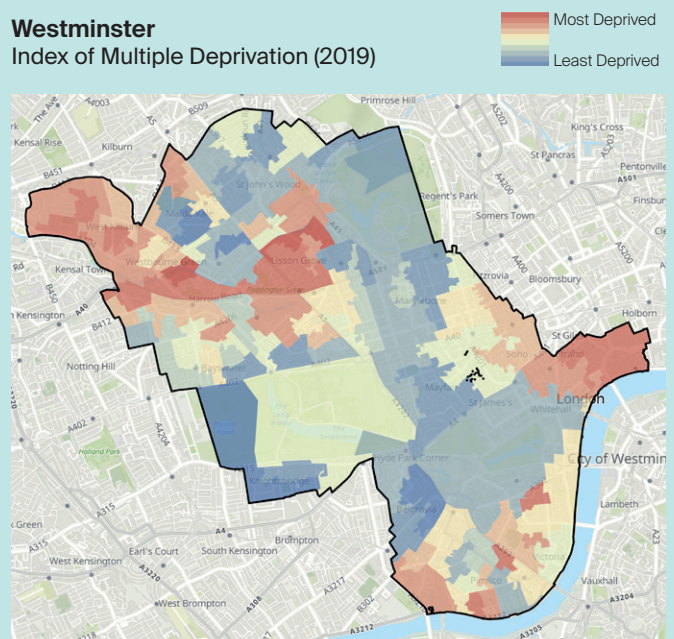
Deprivation is a difficult term to define and measure. Deprivation occurs when people do not have the same access to services and consumer items compared to the majority of others in society. The Indices of Multiple Deprivation (IMD) is a measure of relative deprivation used to rank neighbourhoods across the UK. IMD measures the overall deprivation based on the following seven domains: income, employment, education, skills and training, health, crime, barriers to housing and services, and the living environment.

“Investments made with the intention to yield appropriate risk-adjusted financial returns as well as positive local impact, with a focus on addressing the needs of specific places to enhance local economic resilience, prosperity and sustainable development.” The Good Economy

Local Needs Analysis case study Westminster landlord

As part of a comprehensive social value gap analysis, our team of experts conducted a local needs analysis for an estate situated in Westminster borough. This analysis delved into the demographic composition of the area to pinpoint persistent social issues and uncover opportunities for local impact. Considering various socio-economic factors such as employment, crime, income, education, health, and housing, we identified pockets of significant deprivation within Westminster, showcasing the borough's unique mix of highly deprived and affluent areas. Recognising the importance of local context in driving meaningful community impact, this analysis was the foundational step in strategically aligning investments to create more impactful, place-based initiatives.

Westminster
Index of Multiple Deprivation (2019)



Source: Knight Frank Research/MHCLG

ESG Asset Positioning

ESG is crucial in investment decisions. Our consultants ensure your asset holds value against competing assets and into the broader market by achieving credible and valuable standards. We analyse your existing strategies, policies, and risk factors, creating approaches that ensure your asset achieves a notable ethical standard. Our asset

positioning service provides a comprehensive analysis of the current ESG maturity of an asset, including bespoke social impact analysis to encapsulate the social impact areas of an asset, providing a clear demonstration of how the asset has impacted the wellbeing of key stakeholders overall, adding value to the asset.

Asset Positioning case study:

Industrial

We crafted an all-inclusive ESG strategy, analysing the site's recent five-year performance. This strategy, along with a plan to enhance asset performance over the next two years, will be positioned as transferable to potential investors. Our consultants undertook a social value maturity assessment, outlining how the asset provides social impact via different initiatives. This allowed us to provide a snapshot of impact areas in business as usual for the asset, outlining key recommendations and target areas to enhance social, economic and environmental impact and wellbeing.



Social Value Strategy Development

Any responsible organisation should have a clear plan for its social value activities and the outcomes it aims to achieve. Embedding social considerations within your corporate values brings numerous benefits that contribute to long-term success and sustainability. By understanding social value, conducting assessments, setting clear goals,

engaging stakeholders, integrating sustainability, measuring progress, and embracing continuous improvement, organizations can unlock the power of purpose-driven strategies.

Our team can work with you to identify gaps and opportunities, collaborating to build your social value or impact mission and strategy.

Social Value Strategy Development case study:

Charity

We guided a mental health charity in developing its ESG strategy for 2023 – 2028. As part of this journey, our team undertook a thorough assessment of the organisations corporate values and initiatives to gauge its social impact maturity, aiming to understand the integration of its social mission within the organisation and its impact on stakeholders. The methodology included competitor analysis, a double materiality assessment, stakeholder engagement across teams, along with a review of impact and strategy reports. Our strategy emphasised short, medium, and long-term goals aligned with the charity's values, focusing on social issues, inclusivity, and community benefits. By integrating social value principles, the charity can pursue purpose-driven strategies, sustainability practices, and stakeholder involvement for sustained success.



How can we help you?

We have embedded sustainability and ESG practices into our business and share a committed need to address ESG issues and concerns. Our expert *ESG Consultancy team* guides clients through ESG considerations as they navigate current challenges and growing regulations. We help identify actions and opportunities, creating practical and actionable strategies. We manage social value assessments

for our clients, giving us insight into attainable goals and the specific areas that each property team should prioritise. We help you to understand gaps and opportunities and then collaborate to build your social value or impact policy, strategy and statements. The team also organise workshops, surveys, and continued support to help you gain support inside and outside your organisation.

We use our freedom as an independent partnership to provide clear insights, advice, and solutions to support your ESG goals.

Get in touch now to find out more:



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