

APRIL 2020

# ESG

## HIGHLIGHTING THE “SOFTER SIDE” OF ESG DURING COVID-19: LANDLORDS HAVE STEPPED UP

ESG metrics have been in the limelight in 2020, but we aren't talking about climate change. In the wake of COVID-19, social responsibility, or the “S” in ESG, has been at the forefront. While environmental and governance metrics are more identifiable, the social aspect has been more elusive and difficult to articulate. In normal times, while companies continuously interact with employees, tenants, and their communities, the day-to-day interactions are typically not highlighted, considered to be an ordinary course of business.

Corporations and investors alike have been trying to figure out what social qualities are essential, and how would you know if a company was handling social responsibilities well? Enter COVID-19. A pandemic of unprecedented proportions has caused most individuals to hunker down by necessity, yet during this time, problem-solving by corporations has stepped up. The issues being addressed by REITs aren't completely operational; they are coupled with care and concern for their constituents.

As real estate portfolios provide necessities such as shelter, or locations for the purchase or movement of necessity items, REIT management teams have been in overdrive to assist their tenants, their employees, and their communities. While at times it is tougher to put a number on it, these efforts by companies are an example of how non-financial aspects included in ESG are important, especially during a time of crisis. Development of human capital, tenant relationships, labor relations, and community relations, have all come into play. While the list continues to grow, below are examples of what landlords have enacted globally to assist their tenants, employees, and communities.

### TENANTS

To assist tenants during this time of difficulty, landlords across the globe are developing flexible rent options and the establishment of relief funds. Residential companies, such as Equity Residential, Avalon Bay, Essex, Camden, and American Campus, are offering tenants flexibility on renewals, with no rent increases for a period of time, are waiving late fees, and creating payment plans. Camden created a \$5M Resident Relief Fund for tenants who are suffering from financial hardship. Retail landlords are offering support to small businesses in their portfolio. First Capital created a \$30M relief fund for tenants, and Kimco is providing legal assistance to tenants in applying for federal and state loan applications through the (U.S.) CARES Act. Kite Realty announced a \$5M small business loan program for tenants. CaptiaLand is offering flexible lease payments to its mall tenants and pledged \$300,000 to COVID relief efforts to help vulnerable citizens. Icade is offering rent flexibility for tenants with less than ten employees operating in sectors that fall under the scope of an administrative decision. Gecina and Sponda are offering flexible rent options to their tenants, particularly small businesses, or those in hard-hit sectors. Welltower established a distribution center to distribute personal protective equipment to its health care operating partners.



**Diane Wade, CFA**  
Head of ESG

## COMMUNITIES

In their communities, REITs are providing relief in various ways, from the donation of space to donation of items. Smart Centres offered up to 1M S.F. rent-free in over 200 shopping centers, as well as land and signage, to government authorities for use as testing centers, clinics, and overflow hospitals. Prologis donated medical supplies in China, and has offered unoccupied buildings and yard space to federal and local agencies for relief efforts globally. Gecina offered student residences that had become vacant due to shutdown of universities, for healthcare workers, or vulnerable people affected by the lockdown. Hilton Hotels donated 1 million room nights to front-line hospital workers. Extra Space Storage offered two months of free storage to first responders and hospital employees and donated over 10,000 masks that were previously stored in emergency response kits in hurricane-prone areas. New World Development, through its charity foundation, set up mask production lines to produce 200,000 masks per day, and will donate 10 million free masks to the underprivileged via designated NGO centers. Additionally, New World is investing HK\$10 million to develop masks using NanoDiamonds technology, to enhance the protective qualities of the masks.

Brixmor is providing meals to hospital workers and donating to food banks through their BrixAssist program. Data center REIT Cyrus One employees are donating \$250,000 and their CEO \$50,000, to various foodbanks globally. S.L. Green announced the formation of Food1st, a non-profit foundation organized to deliver daily meals to front-line, first responders and medical personnel, elderly and families needing food in the hard-hit New York area. Through this effort, Food1st will also support New York City's food and beverage industry by bringing restaurant staffs back to work. S.L. Green has contributed \$1 million to this effort. Brandywine Realty provided \$350,000 to the Enterprise Center to launch the Grow Philadelphia Small Business COVID-19 Resilience Fund to support small and minority-owned construction related businesses. At the same time, Landsec donated £100,000 to the property industry charity, LandAid, which helps young homeless people in crisis.

Landlords are responding to children's needs. RPT Realty has donated 20,000 meals to support schools and nursing home employees, and Sun Hung Kai Properties recently enriched its existing free online reading platform and launched a new online campaign, titled "Read at Home with You," to provide learning and reading opportunities during the school suspension period. Crown Castle is assisting families in helping offset WIFI costs for remote learning in Dallas.

## EMPLOYEES

On the employee front, companies are working with their employees to manage this difficult time. Gecina offered a €1,000 bonus for building staff and superintendents and student residence managers who are working on the ground. Some companies, such as QTS are offering employees additional paid time off to manage illness. Camden Property is making available up to \$1 million to help employees dealing with financial difficulties, of which Camden executives will donate up to \$250,000. Park Hotels announced that it intends to establish a \$2.5 million corporate-level fund that will be made available by Park to its hotel management companies to address hardships faced by their employees, where a voluntary salary waiver by Park's CEO is expected to fund \$500,000 of this corporate fund. Several companies such as Tanger, Vornado, Landsec, Unibail-Rodamco-Westfield, Scentre Group, Mirvac, Aventus and others, have announced a reduction in salaries by executives and board members to help to assist in relief efforts to employees and communities.

Social aspects, which can, at times, be labeled the softer side of ESG, are proving to be meaningful during the COVID-19 pandemic. It is here that we observe the culture and how companies relate to their constituents. We expect that throughout this crisis and in the rebuilding efforts afterward, these non-financial ESG factors will continue to grow in importance for all company stakeholders.

## IMPORTANT DISCLOSURES

©2020 CBRE Clarion Securities LLC. All rights reserved. The views expressed represent the opinions of CBRE Clarion which are subject to change and are not intended as a forecast or guarantee of future results. Stated information is provided for informational purposes only, and should not be perceived as investment advice or a recommendation for any security. It is derived from proprietary and non-proprietary sources which have not been independently verified for accuracy or completeness. While CBRE Clarion believes the information to be accurate and reliable, we do not claim or have responsibility for its completeness, accuracy, or reliability. Statements of future expectations, estimates, projections, and other forward-looking statements are based on available information and management's view as of the time of these statements. Accordingly, such statements are inherently speculative as they are based on assumptions which may involve known and unknown risks and uncertainties. Actual results, performance or events may differ materially from those expressed or implied in such statements.

Past performance of various investment strategies, sectors, vehicles and indices are not indicative of future results. Investing in real estate securities involves risk including to potential loss of principal. Real estate equities are subject to risks similar to those associated with the direct ownership of real estate. Portfolios concentrated in real estate securities may experience price volatility and other risks associated with non-diversification. While equities may offer the potential for greater long-term growth than some debt securities, they generally have higher volatility. International investments may involve risk of capital loss from unfavorable fluctuation in currency values, from differences in generally accepted accounting principles, or from economic or political instability in other nations. There is no guarantee that risk can be managed successfully. There are no assurances performance will match or outperform any particular benchmark. Indices are unmanaged and not available for direct investment. PA04282020