

**11.964**

**MIT-CRE Special Graduate Subject Offering:**

## **Responsible Real Estate Investment and Development**

### **Instructor:**

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### **Course Overview:**

This course will introduce students to the emerging field of Responsible Property Development and Investment, understood as an investment strategy that incorporates environmental, social, and governance factors into investment decision-making. After a brief introduction to responsible investment theory and practice, we will turn to RI applications to real estate across a variety of topics. The goal is for students to leave with a better understanding of RPI, its potential growth, and the key questions of research and practice raised by this new field.

### **Course Structure:**

Each week will combine brief lectures with extensive discussion of weekly readings, student-led presentations and discussions on those readings and the topics they raise, and classes frequently will include guest lecturers talking about their particular experiences with RI. We may travel to a site or sites in Boston.

### **Required Assignments:**

Each student will choose a paper topic in the first two weeks of class. These topics may cover any one of the wide range of topics under the RPI umbrella – the resulting work should be exploratory, carving out a field of inquiry, research and practice underway in that field, and key questions that have yet to be explored (this may serve as a starting point for larger projects at CRE).

Students may choose to research a topic such as the relationship between RPI investment and financial returns, the various ways to define a project or portfolio as RPI, or the public and/or civil society roles in RPI development and investment. They may also choose to write a prospectus for a new RPI project or fund, or otherwise undertake market analysis of investor interest and pipeline opportunity around RPI issues.

Projects will be developed in conversation with the instructor, and will likely involve active engagement with one or more RPI professionals or academics examining related topics.

## **Course Schedule and Readings:**

### **Week 1 – Responsible Property Investment: an emerging discipline?**

Responsible investment has been characterized as an emerging field within the mainstream investment community, one that explicitly examines the environmental, social, and governance factors which are material to long-term investment decision-making. The asset class of real estate is becoming more prominent within the larger RI movement, as investors look to the environmental and social impacts of real investment particular.

In this week we will map out the universe of investors associated with RI, RPI and related investment practices (sustainable, social, mission, and impact investing), as well as the broad array of issues that fit under the RPI umbrella.

Readings:

Krosinsky and Robins, *The Art of Sustainable Investing*, selections (including Pivo and McNamara)

Pivo and Fisher, “Investment Returns from RPI”

Monitor Institute, “Investing for Social and Environmental Impact”

*Handbook on RI across Asset Classes*: chapter on Public Equities and Real Estate

Knock around three websites: UN PRI, UNEP FI (AMWG, PWG), Responsible Property . net

### **Week 2 – Sustainability and its Drivers: Macro Trends**

Why is sustainability an important lens through which to view real estate investment? This week we look at the macro-imperatives which tie sustainability to real estate investment. We will treat three key dimensions: the risks and opportunities of climate change; the rapid urbanization, globalization, and polarization of world society; and potential resource constraints as the world may reach its carrying capacity. We will explore these macro trends as they affect the built environment, and as they frame the issue of investment returns.

Readings:

Climate Change: The Stern Report; UNEP FI: the Green New Deal; DeutscheBank, Investing in Climate Change, selections

Urbanization: *Endless City*, Selections; *The Century of the City*, Selections

Resource Constraints: Peak Oil website selections, Ceres, Water Scarcity

### **Week 3 – Portfolio Management**

How do real estate investors integrate RPI into their investment strategies? This week we examine RPI at the portfolio level, including the setting of RPI strategies, the development of governance systems and portfolio standards, and the creation of RPI specific portfolios.

Readings:

UNEP FI Property Working Group, “Toolkit 1: Engaging and Committing”

Galley, Rogers, Wood – “Metrics for Responsible Property Investing: Developing and Maintaining a High Performance Portfolio”

Sustainability reports of Investa, Hermes, Prupim, Kennedy Associates, MEPT

### **Week 4 –Green Buildings**

Green building development has been a hot topic for a number of years, as investors seek to mitigate political and environmental risk, and see the development of new opportunities. In recent year, accelerated by the downturn, more attention has turned to the greening of existing building portfolios, not least because in the developed world existing buildings take up the bulk of climate risk for investors.

This week we examine how investors are approaching green real estate, and what this might mean for the broader real estate market.

Readings:

Nelson, “Globalization and Global Trends in Green Real Estate Investment”

Tobias, *Retrofitting Buildings to be Green and Energy Efficient*, selections

Ceres and Mercer, “Energy Efficiency and Real Estate: Opportunities for Investors”

Yudelson, “The Business Case for Green Buildings”

### **Week 5 – Urban Regeneration**

Targeted investment in underserved areas – what Michael Porter has labeled “emerging domestic markets” – was one of the liveliest areas of RPI over the last 20 years, with a special boost in the United State market coming from pension funds after the creation of the CalPERS CURE program in 2000.

This week will look at how investors approach markets such as affordable and workforce housing, brownfield regeneration, and urban regeneration.

Readings:

Morley Igloo Fund, "Footprint"

Hebb, "Case Study B: CalPERS CURE"

Sustainable Development Solutions, *Double Bottom Line Investment Handbook*, selections

### **Week 6 – Sustainable Communities**

The intersection of environmental investing, smart growth, walkability, transit-orientation, and mixing of incomes has come together in an effort to develop a systemic capability of investing in sustainable communities.

This week we will look at the role that private real estate investment might play in larger efforts to build sustainable, resilient communities.

Readings:

Living Cities, CTOD, BC IRI, *Fostering Sustainable and Equitable Transit-Oriented Development*

European Investment Bank, JESSICA program website

CTOD, *Mixed-Income Housing near Transit*

### **Week 7 – Measuring Success**

Responsible property investment implies the ability to determine what is responsible, but measuring social and environmental success remains a fundamental issue in the field. Just as important to practitioners is the ability to tie social and environmental to success to financial returns.

This week we will discuss a variety of approaches to measuring success, as well as the implications of measurement for the future potential of RPI as an investment discipline.

Readings:

SVT Group, *Catalog of Approaches to Impact Measurement*

Global Impact Investing Network impact measurement project, [www.iris-standards.org](http://www.iris-standards.org)

LEED-NC, LEED-ND, LEED-EBOM

UNEP FI/SBCI, *Financial and Sustainable Metrics Report*

UNEP FI PWG, "Toolkit 2- Metrics"

**Week 8 – Student Presentations**

General wrap up, and student paper presentations.