

# Navigating Troubled Waters: Real Estate Sustainability Leaders Forum



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In early May of this year Scaler Global and ACA Group held an intimate roundtable with key sustainable real estate leaders from around the country to discuss their navigation of our sector's current challenges: anti-ESG political and legal pressures, inconsistent disclosure requirements, and ongoing economic uncertainty.

Participants were selected for their demonstrated sustainability commitment and included institutional investors, top private equity real estate funds, and progressive owner/operators- a group that represented over **\$1 trillion** in real estate investments. Chatham House rules ensured participant confidentiality and fostered a lively discussion.

**Throughout the session, participants highlighted positive market trends despite current challenges, including:**

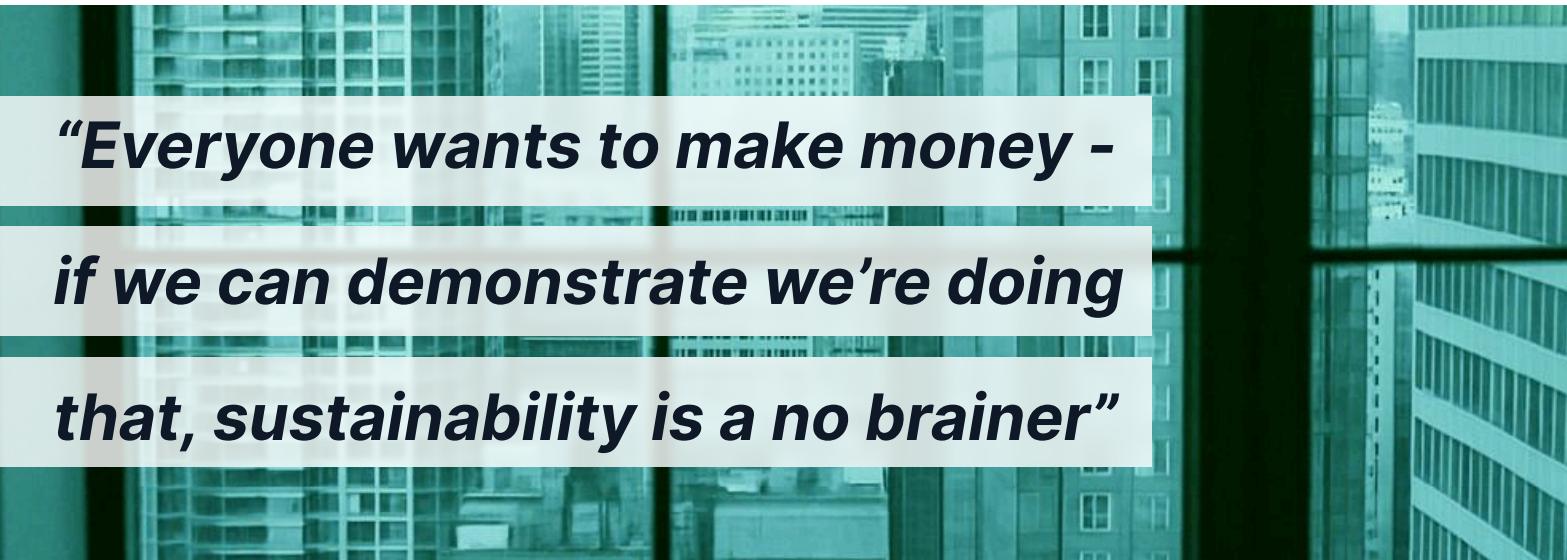
- Rising office occupancy
- Improving capital markets
- Growing investor sustainability focus
- Proliferation of product/material solutions
- Mainstream integration of sustainability in due diligence



Four key themes emerged from the discussion.

## 1: Leveling the Field: Public Policy and **ESPM**

- Despite challenges, well-structured regulations like NYC's Local Law 97 and similar performance standards are valued for their consistent application and focus on measurable outcomes
- Smart policies foster innovation and economies of scale, ultimately reducing achievement costs despite initial compliance expenses
- Energy Star Portfolio Manager remains an exceptionally valuable resource, envied internationally—participants unanimously agreed it deserves continued federal support and recognition



***“Everyone wants to make money -  
if we can demonstrate we’re doing  
that, sustainability is a no brainer”***

## 2: Sustainability Means **Business**

Sustainability drives business value including reduced utility costs, avoided penalties, lower insurance premiums, improved NOI and asset value

Marketing these benefits amid pushback requires:

- Simple messaging
- Clear cost-avoidance math
- Tailored communication for different stakeholders
- Emphasis on profitability

Link sustainability ROI to investment strategy through:

- Avoiding regulatory penalties
- Preventing exit discounts
- Reducing operational costs
- Securing better insurance rates
- Future-proofing against regulations
- Enhancing overall value

Prioritize operational efficiency alongside electrification to protect value; align decarbonization with capital expense cycles

Consider political shifts to avoid reputational damage

## 3: Climate Risk is Now

- Insurance challenges are restricting financing and harming NOI, particularly in climate-vulnerable areas
- At-risk regions are expanding beyond traditional hotspots; widespread uninsurability could trigger market decline
- Focus on adaptation strategies rather than divestment; link resilience measures to premium reductions
- Insurance market pressures highlight critical disconnects with brokers and underwriters

## 4: Aligning Effort, Incentives and Performance

Better alignment between sustainability and investment strategy enhances performance and team motivation. Some ESG efforts lack proven financial benefits despite being promoted in various frameworks:

- Collecting non-actionable data
- Pursuing lesser green certifications
- Prioritizing RECs over efficiency improvements

Brokers and underwriters typically lack sustainability incentives; securing their buy-in requires dedicated effort

Financial incentives remain crucial for driving energy efficiency adoption

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Reach out for more information on future sustainability leadership events

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