



REAL ESTATE - JUNE 9, 2020

Implementing ESG measures at senior and student housing assets

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Alternative asset classes, such as student accommodation and senior living, have particular challenges related to implementing environmental, social and governance (ESG) measures, but they also have particular opportunities, especially in the current environment.

The biggest challenges to implementing ESG measures at senior or student housing assets are related to their smaller size and shorter lease terms. As an example, Jill Brosig, chief impact officer at Harrison Street, noted that smaller properties face a higher per-square-foot cost for implementing certification from organizations such as LEED or BREEAM.

But that does not mean such asset types do not address ESG factors. Taking measures to improve energy efficiency are important and provide environmental benefits and cost savings, no matter the building size. And senior and student housing assets are especially well suited for the implementation of measures to improve the social element of ESG.

ESG measures provide “not challenges but opportunities,” said Christopher Merrill, co-founder, chairman and CEO of Harrison Street, providing an opportunity to serve students and seniors and help people’s lives.

Brosig said the question for investors in student or senior housing assets is: “How do we leverage ESG to support these populations?” She noted health and wellness are top of mind for both seniors and students, and they are the two groups most at risk of suffering from social isolation. There are a number of tools that can be used to improve the health and wellness of residents, including circadian lighting; air filtration systems; artificial intelligence that can detect depression, dementia, and anxiety; and apps that can predict a fall or loss of independence.

Measuring the impact of efforts related to improving ESG performance is also crucial to their success. To that end, property type-specific guidance is being developed for the senior and student housing segments that takes into account how the properties are different from other asset classes. One example is a partnership with the Center for Active Design, the purveyors of the healthy building standard Fitwel, in designing a scorecard that ensures seniors are living in environments optimized for their wellbeing.

In addition, Harrison Street, along with three of its operating partners (American House, Retirement Center Management and The Springs Living), is joining forces with the Well Living Lab Alliance (a collaboration of Delos and Mayo Clinic) to research best practices for improving senior living. Such efforts will go a long way toward supporting healthy aging practices within senior living properties.

The emphasis on health and wellbeing amid the COVID-19 pandemic has highlighted the importance of resilient business practices in the face of changing global conditions. “We do see COVID as fitting into the ESG bucket,” said Brosig. Implementing the best in class protocols and procedures, such as having infectious disease emergency preparedness plans, following the guidelines of the CDC and state and local health officials, using virtual tours in the leasing process, and conducting on-site testing of occupants at senior and student housing properties mitigates the current pandemic, and possible future crises.

Changing climate conditions can impact the operation, performance and value of real assets, but leveraging ESG to ensure these alternative asset classes and the communities they serve are both sustainable and resilient, minimizes risk and supports long-term value creation.