

Study Confirms REIT Sustainability Outperformance

New academic study demonstrates that REITs outperform private real estate in sustainability measures and REITs that voluntarily disclose more sustainability measures outperform.

Highlights

- REITs outperform private real estate in sustainability performance.
- REITs that disclose sustainability data outperform those who do not in a number of financial metrics.

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A [peer-reviewed, academic study, sponsored by Nareit](#), provides the first meaningful analysis comparing the sustainability performance of REITs and Private Equity Real Estate (PERE) funds, as well as an analysis of the relationship between sustainability reporting and the financial performance of REITs.

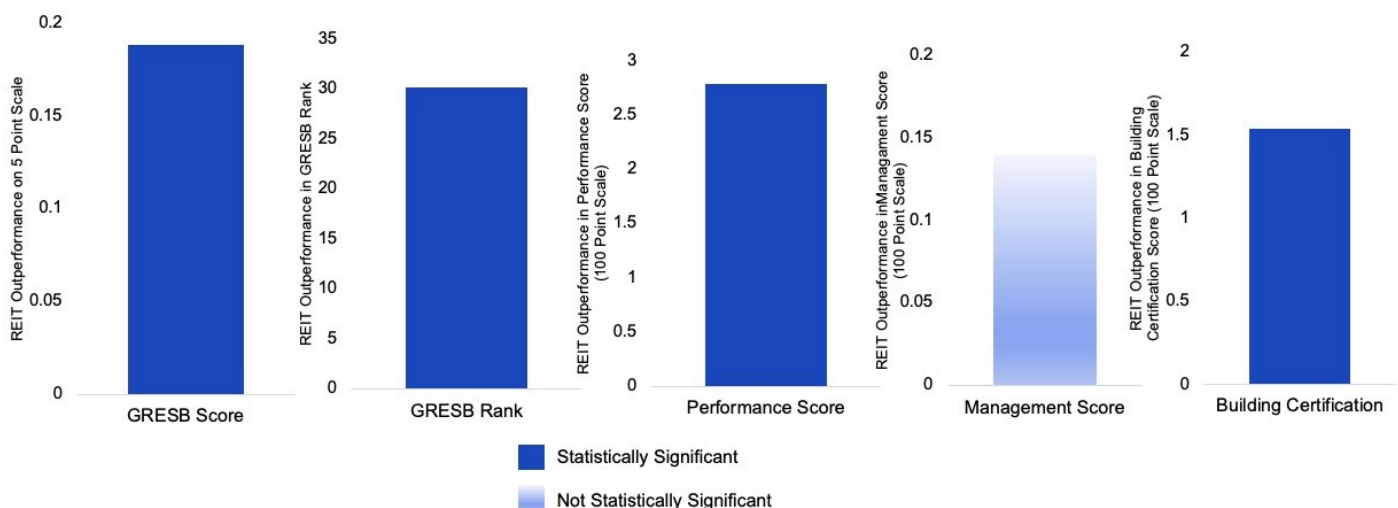
The comparison of the sustainability performance of REITs and PERE funds

shows that they have pursued different paths toward sustainability disclosures.

- PERE funds adopted GRESB disclosure and public sustainability commitments earlier.
- REITs led the way in public sustainability reporting from 2015 to 2021
- Today, REITs and PERE funds are very comparable in all three metrics.

REITs Outperform Private Real Estate in Sustainability Performance

REIT outperformance in five key GRESB metrics: 2015 to 2021



To compare REITs and PERE funds' sustainability performance, the study analyzes the GRESB performance of a matched sample of REITs and NCREIF ODCE funds. The key results are summarized in the figure on the previous page. As the figure shows over the sample period, REITs have statistically significant outperformance in four of the five measures of sustainability performance studied.

- The study compares REIT and ODCE funds on five measures of sustainability performance:
 - GRESB Star Ranking, a measure of overall performance
 - Rank in the GRESB universe
 - GRESB Management score
 - GRESB Performance score
 - Building certifications
- The analysis controls for a number of observable characteristics, including REIT fund size, years of experience reporting to GRESB, asset level measures of sustainability, and year fixed effects.

- While REITs outperform on average, over time the performance gap between REITs and private real estate appears to be narrowing.

The study also considers the relationship between REIT operational and financial performance and sustainability disclosure. The study compares measures of financial performance between REITs that are GRESB participants and REITs that are non-participants as well as comparing performance and GRESB scores.

- The four measures of operational performance considered are:

- Tobins Q
- FFO divided by total book assets
- NOI divided by total book assets
- Same Store NOI total book assets

- The results (summarized below) show that REITs that have higher levels of sustainability disclosure have stronger financial/operational performance, even after controlling for observable factors.

REITs with More Sustainability Disclosure Have Stronger Financial Performance

Outperformance of GRESB reporting REITs vs. non-reporters: 2015 to 2021

