



Building wellbeing

Redefining social real estate is key to wellbeing investment

by Adrian Ion

In the wake of the COVID-19 pandemic, there has never been a more opportune moment to consider investment in human wellbeing, recognising the key role it plays in the prevention of a health crisis, and in dealing with its aftermath.

In the years to come, the creation of wellbeing needs to sit alongside Keynesian economics and environmental, social and governance (ESG) principles as an important consideration for investors and policymakers alike. While the “S” in ESG is mainly concerned with the mitigation of the impact of business on society, wellbeing is concerned with the active delivery of comfort,

health and happiness to employees and customers. And as with ESG, businesses that score highly on wellbeing will invariably have better financial results and be more resilient, with their success tracing back to happier, healthier and more fulfilled employees and customers.

At the recent CBRE EMEA conference, speakers highlighted the emergence of “beds, sheds and meds” as a main strategy pursued by investors, perhaps reflecting the need to address the short-term effects of the current pandemic. But the market is also starting to recognise the long-term value that can be added to real estate by a broad range of wellbeing initiatives, from greener

offices and retail buildings with more social spaces, extra daylight and better ventilation, to industrial buildings with natural air filtration provided by plants. A much greater purpose will be achieved if real estate investors turn their attention to the development of buildings that are fully dedicated to delivering wellbeing.

Wellbeing in the city

More than half the world's population live in cities, and this is projected to rise to 68 percent by 2050 and 80 percent by the end of the century, according to the UN. Facing this unprecedented demand for city life, led by a younger generation with high expectations around sustainability, culture and environmental issues, policymakers are increasingly looking at the built environment to deliver health and wellbeing to their constituents.

As one expert at the event put it, "COVID-19 is unlikely to slow down urbanisation, but it may give it a chance to change." The evolution of modern cities will be defined not only by innovative residential, office and retail developments, but also by the new social infrastructure built to serve the needs of their diverse population.

As a term, "social infrastructure" varies in definition across the world. In some parts of Europe, social real estate is defined as a set of industries or types of activity whose functional purpose is the spiritual benefit for the population, and includes sports and personal improvement industries. In a UK policy context, it refers mainly to facilities involved in the provision of health, education and public services, including affordable housing. Attitudes are, however, beginning to change in the UK, with the government's industrial strategy acknowledging the importance of infrastructure investments on society and the wellbeing of individuals — particularly among the ageing workforce.

Social real estate should therefore be seen as an important subsector of real estate that aims to meet the essential wellbeing needs of our society. Delivered at scale, social real estate offers very attractive financial returns. In addition, strong demand and public policy can turn this asset class into core real estate that offers infrastructure-like risk-adjusted returns and generates a high premium to investors — measured both financially and through an ESG lens. This view is backed by research undertaken by the Urban Land Institute, which recently found that the growing interest in wellbeing is expected to translate into major real estate investment in the years ahead.

Such renewed focus on sector-specific investment is not new. In the 1980s, cities encouraged city-centre growth through heavy investment in regeneration projects. This led to the relaunch

of a broad range of civic assets, including town halls, public libraries, universities, parks and public squares. More recently, cities have become pioneers in the "green transition" required to meet the climate change targets set by COP 21.

Going forward, public stakeholders and private institutions can play an equally important role in the delivery of the significant investment required to achieve wellbeing ambitions. On the one hand, local and central governments can effect change through direct investment; policy changes that encourage wellbeing investment; fiscal strategies that support it; and participation in programmes that support the delivery of wellbeing projects and ensure their benefits are available to all.

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On the other hand, the private sector must lead on the delivery of financially viable projects, ensuring the long-term sustainability of the sector. This includes developers and operators that create and deliver wellbeing solutions, and financial institutions that must focus their creativity and breadth of knowledge into financing instruments and tools that provide the significant liquidity required to deliver at scale.

The European Investment Bank seems to be leading the way, with products such as the "framework loan" and the "Smart Finance for Smart Buildings" facility, which enable investment in transformative projects.

Wellbeing resorts

Many countries have long-established thermal bathing traditions that deliver wellbeing benefits. In the modern world, these traditions translate into a €112 billion spa and thermal springs economy, concentrated around the US, China, Germany, Japan and France.

This market is characterised by small-scale operations, often aimed at the high-end of the market. Companies such as Therme Group deliver advanced wellbeing resorts that provide guests with an immersive experience that allows them to unplug, unwind and reconnect with water and nature. Therme Group's resorts offers a wide range of attractions and activities, including multi-sensory saunas; therapeutic mineral pools; wave pools and waterslides; wellness therapies;



An artist's impression of Thermo Manchester, which will be the UK's first city-based wellbeing resort. At 28 acres and a construction cost of c.£250 million, Thermo Manchester will open in 2023, welcoming upwards of 1 million visitors per year.

fitness activities; and nutrition outlets. All of these features are surrounded by hundreds of palm trees, thousands of plants and pristine waters — set in highly-efficient energy buildings that are LEED-Platinum certified. Operating all year-round, resorts of this nature provide an affordable wellbeing experience to millions of people.

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Beyond wellbeing resorts, the private sector can also provide cities and master planners with flexible creative solutions that support their service economies, attract tourism and improve the public realm. This can be done by helping to deliver critical physical and mental wellbeing, social engagement, education and culture. In effect, companies such as Thermo Group can help address many of our modern-day challenges, such as public health, ageing, inequality, social isolation and climate change.

Wellbeing and preventative healthcare

In several countries across Europe, there is a growing recognition that health and wellbeing go hand-in-hand, not least in the UK.

“Prevention is better than cure”, for example, was the title of a recent UK government health paper, while a recent article in the *British Medical Journal* asked what the best “societal investments” were for improving public health, pointing out that an increasing body of literature makes the economic case for prevention of ill health. It argued that preventing disease is the key to reducing pressure on the country’s National Health Service, with estimates that poor diet costs £5.8 billion (€6.5 billion), obesity £5.1 billion (€5.8 billion), and physical inactivity another £1 billion (€1.1 billion).

The many activities available at wellbeing resorts are anchored in the increasing body of research that provides evidence that thermal bathing has a positive impact on a myriad of physical and mental conditions such as obesity, poor musculoskeletal health, arthritis, stress and depression.

With a renewed focus on preventive healthcare, perhaps one day it will be as normal in the UK for a GP to prescribe a visit to a wellbeing resort as it is in Germany and other parts of the world. And perhaps a “wellbeing budget” could be part of the national calendar of government finance announcements, signalling an economy geared towards nonfinancial drivers such as wellbeing delivered in an inclusive, accessible and affordable way. ❖

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