United Nations Emphasize Sustainability in the Real Estate Sector

In Cooperation with UN Working Groups, KIT Experts Coordinated the Drafting of Management Guidelines for Companies in the Real Estate Sector

Systematic implementation of sustainability in the real estate sector is the objective of UN management guidelines coordinated by KIT researchers. (Photo: David Lorenz, KIT)

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Buildings are part of our living and working environment: They affect the health and satisfaction of their users, but they also consume resources. However, sustainability – the balance of ecological, economic, and social development – has not yet been implemented systematically in the real estate sector. This is to be changed by management guidelines drafted by the Finance Initiative of the United Nations Environment Programme (UNEP-FI). These guidelines are to support actors of the real estate, finance, and insurance sectors worldwide in implementing sustainability on all levels of their corporate strategy. Leading authors of the report were economists of the Karlsruhe Institute of Technology (KIT).

“Sustainability in the real estate sector is not only a sociopolitical objective, it also creates added financial value for companies,” says David Lorenz, expert of the Centre for Real Estate at KIT. Together with his colleague Thomas Lützkendorf, he shaped the drafting of the “Sustainability Metrics” report to implement a corporate sustain-

ability management system in the real estate sector and established the scientific basis for the report. Among others, the scientists identified sustainability criteria for the real estate sector. They include heat and noise protection as well as ecobalancing results or the compatibility of construction materials with the environment and health. In addition, the researchers analyzed how these sustainability aspects influence economic success factors and which difficulties result for enterprises implementing sustainability strategies. On this basis, the scientists developed recommendations for best practices.

“In our opinion, the biggest challenges consist in systematically acquiring and internally pooling sustainability-relevant data. Furthermore, these data have to be adjusted to internationally comparable standards,” Lützkendorf explains. An online survey organized by the KIT scientists revealed that 81% of real estate companies and valuators make a “sustainability check”, while only 16% acquire and use these data strategically. Insufficient documentation and communication structures prevent sustainability aspects from being considered in management decisions and new investments. Properties like energy efficiency, room air quality or service life of building products reduce operation and maintenance costs, enhance user comfort and health, and secure the market value of a real estate in the longer term.

The report presents 24 best practices for real estate companies to implement and profit from sustainability in existing business routines, evaluation methods, and decision processes. These best practices include object documentations for all buildings, their updates along the lifecycle, and their use as a basis of new investments. “We need binding standards to describe, compare, and comprehensively evaluate real estates,” Lorenz says. In his opinion, the Energy Efficiency Regulation of the European Commission only is the first step. It needs to be analyzed which sustainability criteria influence the value of real estates and this influence is to be quantified. For the German-speaking area, the KIT scientists have already drafted NUWEL, detailed guidelines for the integration of sustainability aspects into value determination. The UNEP-FI sustainability metrics report also refers to the “Principles for Responsible Investment” Initiative supported by the UN and the “Global Reporting Initiative” that is aimed at establishing a more sustainable economy worldwide. In this way, these principles are transferred to the real estate sector.

The sustainability metrics report is aimed at implementing sustainability in the real estate sector. This means enhancing environmental compatibility, user friendliness, and value conservation. The report is

the result of a joint project of the United Nations, the Royal Institution of Chartered Surveyors, the largest association of real estate surveyors worldwide, the Principles for Responsible Investment Initiative, and the Institutional Investors Group on Climate Change.

Complete report:
http://www.unepfi.org/fileadmin/publications/investment/UNEPFI_SustainabilityMetrics_Main_Web.pdf

More information on this publication and on the KIT Centre for Real Estate:
http://www.oew.kit.edu/102_231.php

Information on the guidelines for sustainability and valuation of real estates (NUWEL):
www.nuwel.de

Karlsruhe Institute of Technology (KIT) is a public corporation according to the legislation of the state of Baden-Württemberg. It fulfills the mission of a university and the mission of a national research center of the Helmholtz Association. Research activities focus on energy, the natural and built environment as well as on society and technology and cover the whole range extending from fundamental aspects to application. With about 9400 employees, including more than 6000 staff members in the science and education sector, and 24500 students, KIT is one of the biggest research and education institutions in Europe. Work of KIT is based on the knowledge triangle of research, teaching, and innovation.

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