

New UN Guidelines for Sustainable Real Estate Business Are Based on KIT Expertise

Joint Paper of the United Nations Global Compact and the Royal Institution of Chartered Surveyors (RICS) Calls on the Worldwide Real Estate Sector to Apply Responsible Business Practices



Particularly in the booming megacities of the world – as here in Shanghai – the real estate business has an enormous sustainability potential. (Photo: David Lorenz/KIT)

From the undeveloped real estate to building construction to facility management to demolition – all phases of real estate business have a big sustainability potential. The United Nations Global Compact, a sustainability initiative of the United Nations, and the British Royal Institution of Chartered Surveyors (RICS) have now published joint guidelines for companies to enact good labor standards, to protect the environment, and to work against corruption. One of two main authors of the study is David Lorenz, Professor of the Centre for Real Estate of KIT.

The United Nations Global Compact is the biggest sustainability initiative for business worldwide. More than 8000 companies in 160 countries voluntarily committed to observing minimum social and ecological standards and to making the world's economy more sustainable. "Real estate business – that is the development and renting out of estates as well as the construction and management of private and industrial properties – has been underrepresented in this and comparable sustainability initiatives so far. Moreover, many companies that do not belong to the real estate sector, but use real

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estates, that is actually all companies, often underestimate the potential of their real estates to reach corporate sustainability objectives,” David Lorenz, Professor for Property Valuation and Sustainability of KIT, says. “As regards the consumption of resources, real estates are of enormous relevance. Developed estates and buildings, for example, have a share of 40% in worldwide energy consumption and of one third in worldwide greenhouse gas emissions.”

To account for the enormous potential of real estate business to reduce energy consumption or observe labor standards, the United Nations Global Compact for the first time concentrates on this specific sector of the world’s economy. In cooperation with the Royal Institution of Chartered Surveyors (RICS), the largest professional association of real estate experts worldwide with more than 100,000 members in 146 countries, the Global Compact has now issued guidelines for the companies working in the real estate sector and all companies using real estates. The guidelines present possibilities of improvements, explain concrete action options, and illustrate the advantages of certain actions by examples. At the end of the document, a list is given for users to check their own sustainability strategy.

David Lorenz, one of two main authors of the UN paper, contributed the vast research expertise of the Centre for Real Estate of the KIT Department of Economics and Management. “The sustainability objectives of the United Nations Global Compact are defined in the form of ten general principles covering the observation of human rights, the abolition of child labor and corruption, and environmental protection. The guidelines list means and options for companies to align their business activities to these principles,” the scientist explains. “The discussion of labor conditions on the construction sites for the Football World Cup 2020 in Qatar shows how important defined standards in the real estate sector are.” Lorenz and his partners structured the guidelines along the three phases of a real estate lifecycle:

- Development phase: It covers the purchase of the real estate, agreement with local authorities and neighbors for being granted construction permits, and the construction phase proper.
- Real estate use phase: Lease, marketing, operation, maintenance.
- Recovery phase: Demolition, recycling, site rehabilitation.

“For all three phases, we propose concrete actions and give a number of practical examples that have already proved to be successful,” David Lorenz says. For instance, the case of a supplier of construction material is described. He runs a business in Puerto Rico and pursued an intensive dialog with the local population. In the course of this discussion, the business owner committed to taking certain measures. The local population was informed about the implementation and advancement of these measures by a quarterly newsletter. In this way, the complaints of the population were reduced by 70%. Another example from Singapore illustrates the advantages of modular construction. In the case of a newly built apartment house with more than 600 apartments, use of about 5000 prefabricated building modules resulted in an enormous reduction of construction waste. A third example from Oslo shows that in case of the demolition of buildings, recycling of construction material directly on the site results in savings of money. Nearly 30,000 tons of concrete and 10,000 tons of bricks were crushed by a mobile mill on the site and used for the construction of a road. The old granite stairs were used to build low foundation walls to stabilize the area.

“The first draft of the guidelines was sent to partners all over the world in a consultation phase of several months. Our partners made proposals for the catalog of actions,” David Lorenz says. “In this way, it was ensured that the guidelines can be used all over the world, as we also integrated measures which are considered obvious in the western world – such as the installation of separate toilets for women, which obviously is not standard in some countries.”

However, gaps in the interpretation and application of valid standards can also be found in the western world. An example is indoor air quality in office buildings. “There are quite a few cases in Germany, where substances hazardous to health, such as asbestos or PCB, are released by structural components into indoor air. We therefore recommend the owners of real estates to conduct a building diagnosis prior to the planned modernization or reconstruction. Another recommendation for all parties involved in new construction or modernization projects is to ask for so-called environmental product declarations of the suppliers in order to prevent such cases in the future,” David Lorenz says.

The document “Advancing Responsible Business Practices in Land, Construction, and Real Estate Use and Investment” may be downloaded at : <http://www.rics.org/de/about-rics/responsible-business/>

For more information on the KIT Centre for Real Estate, click: <http://www.oew.kit.edu/english/index>.

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