

## Media release

# Study: ESG criteria are the most important innovation drivers in German Real Estate

- Innovation barometer of the German real estate industry 2021
- Study of EBS University, Real I.S. and CBRE
- Life-cycle phase *Construction – Real Estate*, including focus on project development

**Oestrich-Winkel/Munich/Frankfurt am Main, Germany, 3 February 2022** – Sustainability is by far the most important driver of innovation in the German real estate industry and will remain so in the coming decade. Users of buildings are the driving force behind many digital and technological innovations, with the aim of achieving more sustainability. This is a key finding of the Innovation Barometer of the German Real Estate Industry 2021.

The study has been conducted annually since 2016 by the EBS Real Estate Management Institute of EBS University, in cooperation with Real I.S. and CBRE. A quantitative and qualitative expert survey is conducted to examine the current pressure for transformation and the associated need for innovation in the German real estate sector.

The latest Innovation Barometer focuses for the first time on the *Construction – Real Estate* phase of the property life-cycle. This phase includes the planning and conceptual framework as well as the design and realisation of real estate projects, covering the entire range of project development services.

### **Pandemic is a less significant innovation driver**

Although the pandemic has left an unmistakable mark on the industry, the experts rated it as much less significant than other innovation drivers. Sustainability scored by far the highest importance: 90 percent of the experts assessed it as medium or highly important. And the experts believe that this importance will remain going forward. According to them, sustainability will continue to be a key driver of innovation as well as new technologies in 2031 and beyond.

As expected, the survey results show that the innovation drivers 'digital' and 'competition' also score strongly in importance. The moderate drivers 'customers' and 'technology' are currently ranked in midfield. With regard to the two least important drivers, 'pandemics' and 'regulation', the picture was mixed: about half of the respondents considered the drivers to be highly to extremely important, while the other half considered them to be of little or no importance to their company.

'Sustainability as a driver of innovation is closely intertwined with customers and users. Those involved in project development are very highly interested in the requirements and wishes of the tenants or users of the buildings. So in this area, customers in particular are bringing about the paradigm shift into a new era of sustainability. The results of a preparatory online questionnaire did not initially suggest exceptional importance at this level. During discussions in the expert workshop, however, the customer was highlighted as the driving force for a shift towards more sustainability,' explains Professor Dr Kerstin Hennig, Head of EBS Real Estate Management Institute.

'It is notable that, at present, it is not some aspects such as 'customers' or 'regulation' that are the decisive innovation drivers. Instead, 'sustainability' is the key to innovation. This is then expressed, for example, through customer preferences in the area of digital services and technology, in the context of changes to EU law aimed at making buildings more sustainable. The implementation of sustainability requirements results in new work processes. It is only in conjunction with the 'sustainability' megatrend that the other innovation drivers included in the survey develop high pressure for transformation, namely in the segment of the real estate industry in which the trends of tomorrow are implemented,' says Jochen Schenk, CEO of Real I.S. AG.

'Research is needed especially in gaining a better understanding of user and customer requirements – as has long been established practice in other sectors. Although users obviously play a crucial role, there is currently too little reliable information about their preferences, and changes in preferences, to respond to them effectively by developing innovative real estate products. As the participants see it, data collection and analysis is currently too costly for a single entity. Data protection when collecting user data through sensor technology also poses challenges,' argues Dr Susanne Hügel, Head of Digital Strategy for Continental Europe at CBRE.

### **Smart building – but for the sake of sustainability**

One example of the mutual interaction of innovation drivers is smart buildings, which are evidently not in great demand by customers at present. Instead, they increasingly prefer the 'normal' building back. This means there is no strong push coming from the customer's desire to implement digital services in the building in order to realise a smart building. However, if digital services and/or smart building technologies aim to meet environmental, social, and governance (ESG) requirements, it is increasingly requested by users.

Technologies such as artificial intelligence (AI) do not yet play an important role, but they are on the rise. The experts share the view that considerable work still needs to be done in AI, 3D printing and robotics in the real estate industry in general, and in the 'constructor' group in particular, and that these technologies are potentially key drivers of innovation. According to the experts, digital processes will also change work processes in the 'Construction – Real Estate' sector even more in the future.

### **Regulation of the rental market negatively influences prices**

The results of the study suggest that regulations seem to be more of an obstacle to the development of innovative strategies at present. Instead, pressure from third parties, for example activists and public initiatives, influences the perceptions of the surveyed stakeholders from the real estate industry and their actions. The experience of the respondent experts indicates that there are opportunities for innovations to emerge at certain governance levels, for example through specific financial subsidies.

‘The fact that the role of regulation in terms of its driving or inhibiting effect cannot be answered unequivocally is mainly due to the many different aspects of this innovation driver. For example, a distinction must be made between the different legal levels, from EU law to local construction law, which can have different effects on driving innovation. Financial subsidies are also typical regulatory elements that could have a positive effect on innovation. Regulation should be considered more closely as an independent field of research, as it may also hold the key to more innovation in the essential field of sustainability,’ claims Professor Dr Kerstin Hennig.

There are also many new aspects to the study of the current transformation pressures on the real estate industry. In addition to the four existing innovation drivers (regulation, competition, technology, customers), three additional innovation drivers (sustainability, pandemics and digital services and processes) were included in the study design for the Innovation Barometer of the German Real Estate Industry 2021. The need to consider further drivers was verified in dialogue with academic researchers and practical partners.

Along the life-cycle of properties, the individual segments are now analysed in a five-year rhythm. The focus group *Construction – Real Estate*, for example, will then be considered again in 2025. By surveying the focus group again, changes can be detected and analysed with more contrast to deliver more clear-cut results. The *Financing* focus group will be surveyed in 2022.

Further information on the research can be found at:

<https://www.ebs.edu/de/forschungsprojekt/innovationsbarometer-der-deutschen-immobilienwirtschaft>

### **About the Real I.S. Group**

The Real I.S. Group has a track record of 30 years as BayernLB’s fund provider specialised in real estate investment. As a member company of the Sparkassen-Finanzgruppe (German savings banks group, Land central banks and associated companies), the Group ranks among the leading asset managers in the German market.

Along with Alternative Investment Funds (specialised institutional AIFs and closed-end mutual AIFs), the range of products and services comprises customised fund solutions, club deals and joint ventures. The company has assets of around EUR 12.5 billion under management.

The Real I.S. Group has two licensed investment management companies (KVG) established under the German Investment Code (KAGB) and operates subsidiaries and branches in France, Luxembourg, the Netherlands, Spain, and in Australia. More information is available on the company's websites at [www.realisag.de](http://www.realisag.de) or [www.realis-australia.com.au](http://www.realis-australia.com.au).

### **About the EBS Real Estate Management Institute**

The real estate department of EBS University of Business and Law was founded in 1990 under the name *ebs Immobilienakademie* (Real Estate Academy). It sees itself as the cradle of academic real estate economics in Germany. Since 2006, EBS University has brought together all activities related to real estate economics under the umbrella of the EBS Real Estate Management Institute. The four core areas of responsibility at the EBS Real Estate Institute include university education, research, academic consulting and continuing education. The focus is on the dialogue between academia and practice. Topics such as property transactions, management aspects of real estate economics and real estate innovation and entrepreneurship are just as much the focus as the interdisciplinary fields of property law and real estate tax law. This research and teaching content has been expanded to include urban concepts and major future trends in real estate and, most recently, the research field of sustainability. The EBS Master of Science in Real Estate is ranked first in Germany and twelfth worldwide in the category *Real Estate Management (Construction)* in the latest Eduniversal Ranking 2021 of the best real estate programmes. [www.ebs-remi.de](http://www.ebs-remi.de)

### **More information about CBRE:**

CBRE Group, Inc. (NYSE:CBRE), a Fortune 500 and S&P 500 company headquartered in Dallas, is the world's largest commercial real estate services and investment firm, based on the revenue generated in the financial year of 2020. The company has more than 100,000 employees serving customers in more than 100 countries. CBRE serves a diverse range of customers with an integrated suite of services throughout the entire life-cycle of properties: from strategic, technical and commercial consulting, inter alia, in buying and selling or renting and letting through development, administration and appraisal of properties to transaction, project, facility and investment management.

CBRE Germany is headquartered in Frankfurt am Main, Germany, since 1973. The company has branch offices in Berlin, Dusseldorf, Essen, Hamburg, Cologne, Munich and Stuttgart. [www.cbre.com](http://www.cbre.com).

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