
Contents

Foreword	15
Foreword by the editors	17
Part I ESG and the real estate market	23
1 Policy and regulation in the area of tension between shaping the ESG transformation and growing regulatory pressure	25
<i>Christiane Conrads</i>	
1.1 Introduction	25
1.2 Milestones at international, European and national level	26
1.2.1 International framework for solving the core problems of global change	26
1.2.2 ESG measures at European level	33
1.2.3 National sustainability measures	49
1.3 Increasing importance of sustainability in society: Science and jurisprudence	69
1.3.1 Social rethinking	69
1.3.2 The establishment of sustainability science	71
1.3.3 Climate and environmental protection jurisprudence	72
1.4 Summary and outlook	74
2 Market trends and value drivers	77
<i>Christopher Jäger and Mareen Benning-Linnert</i>	
2.1 Introduction	77
2.2 Market-oriented real estate management	79
2.2.1 Exogenous parameters of influence on a revolutionizing financial system	79
2.2.2 ESG-oriented real estate management in the context of the financial revolution	86
2.3 Valuable real estate management	92
2.3.1 Simplified relationship between the assets or capital, the value and the purchase price of a company and/or a enterprise ...	92
2.3.2 Strategic dimension of value-based real estate management	94
2.3.3 Operational dimension of value-based real estate management	108
2.3.4 Control-oriented dimension of value-based real estate management ..	135
2.4 Outlook	138

3	ESG in the international context	151
	<i>Dr Elaine Wilke and Christiane Conrads</i>	
3.1	Introduction	151
3.2	Elements of sustainable investment policy and regulation	153
3.2.1	Disclosure of ESG criteria by companies	154
3.2.2	Stewardship codes	156
3.2.3	ESG requirements for investors	158
3.2.4	Taxonomy	158
3.2.5	National strategies for sustainable finance	160
3.3	Implementations of ESG regulations in selected countries	161
3.3.1	United States	161
3.3.2	Australia	165
3.3.3	The Netherlands	169
3.3.4	United Kingdom	173
3.3.5	Japan	176
3.3.6	China	179
3.4	Summary and outlook	182
4	Climate risks and benchmarking	185
	<i>Dr Daniel Piazzolo</i>	
4.1	Amazing momentum among the public, governments and investors	185
4.2	Climate risks	186
4.2.1	Causes of climate risks	186
4.2.2	Physical climate change risks	188
4.2.3	Transitory climate change risks	189
4.2.4	Understanding risk	194
4.3	Benchmarking	195
4.3.1	Challenges	196
4.3.2	New building	196
4.3.3	Redevelopment projects	197
4.3.4	Operating real estate	199
4.3.5	Stranded assets	199
4.3.6	Value-at-risk approach for all properties	201
4.3.7	Ratings	202
4.4	Outlook	202
	References	202
5	Digitization as a prerequisite and instrument of ESG transformation	205
	<i>Thomas Veith, Volker Wergen, Frederik Walbaum and Florian Huber</i>	
5.1	Introduction	205
5.2	State of digitization and increasing pressure to act through politics and regulation	206

5.3	Overview of existing initiatives, scoring and ratings to measure sustainability	210
5.4	Use of new technologies for data management and transparency on the financial market	215
5.4.1	Collection of ESG-relevant real estate data	215
5.4.2	Data availability and processing	216
5.4.3	ESG as a driver of the PropTech universe	218
5.5	The tension between digitalization and legal requirements	219
5.5.1	Fundamental rights relevance of the protection of personal data	220
5.5.2	Scope of data protection law and definitions	220
5.5.3	Duties of the responsible person	221
5.5.4	The Metering Point Operation Act	223
5.5.5	Processing of measurement data within the scope of application of the MsbG by real estate companies	224
5.5.6	The Business Secrets Protection Act	226
5.5.7	Challenges in the processing of ESG-relevant inventory data	228
5.6	The digital ESG transformation in corporate management	229
	Part II ESG and regulatory environment	237
6	Impact of climate change on the real estate industry <i>Dr Nicole Röttmer, Dr Anne Michaels, Fritz Fromageot and Friederike Schwarz</i>	239
6.1	Trend topic climate in the real estate industry: What's behind it?	239
6.2	Climate risks and their impact: The double materiality	241
6.3	Emerging risk and climate scenario analysis	243
6.3.1	Risk factors and their scientific basis	243
6.3.2	Methodological approach: Climate scenario analysis	246
6.4	Generated risk and decarbonization targets	250
6.5	Example of key figure management for climate risks	252
6.6	Outlook for climate risk management in the real estate industry	259
7	ESG criteria measurement tools and taxonomy <i>Simone Lakenbrink</i>	261
7.1	General background	261
7.2	Sustainable building certificates	262
7.3	Green rating – GRESB	267
7.4	EU decarbonization pathway – CRREM	268

8	Special features of energy law and economics in the context of ESG	271
	<i>Peter Mussaeus, Sophia Truong and Theresa Stollmann</i> <i>(with the collaboration of Christian Daniel Hein)</i>	
8.1	Introduction	271
8.2	The trends in the energy industry and their impact on real estate	272
8.2.1	Energy law: A brief introduction	273
8.2.2	Decarbonization	274
8.2.3	Decentralization	280
8.2.4	Digitization	298
8.3	Conclusion	301
9	Impact investing in the real estate industry	305
	<i>Sebastian Kreutel and Andreas Hofstätter</i>	
9.1	Introduction	305
9.2	Impact investing in interaction with the UN Sustainable Development Goals (SDGs)	306
9.3	Differentiation of sustainable investment forms	308
9.4	What are impact investments and how are they measured?	310
9.5	Implementation of impact investments in practice	312
9.6	Social impact investing as a special form of impact investment	314
9.7	Conclusion and outlook for real estate impact investments	316
10	ESG – tax law requirements and effects	317
	<i>Dr Leila Momen and Sven Behrends</i>	
10.1	Tax and ESG – responsible tax policy	318
10.1.1	Fiscal sustainability reporting	319
10.1.2	Excursus on public Country by Country Reporting	322
10.1.3	Application of the GRI Tax Standard in the real estate industry	323
10.2	Real estate and environmental taxes, government subsidies and support programmes with a tax reference	323
10.2.1	International level: OECD/IMF <i>Tax Policy and Climate Change</i> report	324
10.2.2	European level – draft of the new guidelines for climate, environmental and energy aid and decision of the European Climate Change Act	325
10.2.3	Legislation in Germany	326

11	ESG in the context of real estate insurance	333
	<i>Oliver Götz, Patrick Prüss, Heike Schmitz and Svetlana Thaller-Honold</i>	
11.1	Sustainability in the insurance industry	333
11.2	Demand for sustainable insurance products in the real estate industry	335
11.2.1	Private customers	342
11.2.2	Industrial and commercial customers	344
11.3	Challenges in the design of sustainable property insurance	346
11.4	Possible sustainable insurance products for the real estate industry	349
11.4.1	Product structure in the insurance market	349
11.4.2	Market offer	350
11.5	The property insurance of the future	354
	Part III ESG and real estate management	357
12	Practical experience in the development and implementation of sustainability strategies	359
	<i>Roger Baumann and Jens Müller</i>	
12.1	Preliminary considerations	359
12.2	Problem	361
12.2.1	Real estate in the light of corporate strategy	361
12.2.2	Different priorities and potential conflicts of interest	363
12.2.3	Different risk dimensions	364
12.2.4	Long-lived asset versus granularity of data	364
12.3	Strategy development	367
12.3.1	Transfer to the real estate segment	367
12.3.2	Interaction of reporting and standards	369
12.4	Strategy implementation	371
12.4.1	Practical excursus: Operation Optimization and Energy Controlling project (BOEC)	372
12.4.2	Costs and profitability set the pace	374
12.4.3	Integrating data platform and uniform data language as the key	375
12.4.4	Digital twin as nucleus	376
12.4.5	Transparency as the highest premise and benchmarking as the goal	377
12.5	Closing words – or because it’s just the right thing to do	377
13	ESG in asset management	381
	<i>Jens Boehnlein</i>	
13.1	In the beginning is the vision	381
13.1.1	Individual target definition	382
13.1.2	Strategy definition	383

13.2	From vision to implementation	384
13.2.1	Requirements	384
13.2.2	Responsibility	386
13.3	Stakeholder involvement	388
13.3.1	Service provider	388
13.3.2	Tenants and users	389
13.3.3	Investors	390
13.4	Practical implementation	392
13.4.1	Data flow	393
13.4.2	Profitability calculation	394
13.4.3	Pilot projects	395
13.4.4	Outlook	396
13.5	Vision	397
14	ESG due diligence as a value driver for real estate acquisition and portfolio management	399
	<i>Thomas Veith, Thorsten Loose and Alexia Tsiter</i>	
14.1	Why ESG due diligence?	399
14.2	For whom does ESG due diligence make sense?	400
14.2.1	Who can?	401
14.2.2	Who must?	401
14.3	At what stage in the transaction process should ESG due diligence be conducted?	402
14.4	What is analyzed in ESG?	403
14.4.1	General	403
14.4.2	Environmental: What are the environmental features of the building?	404
14.4.3	Social: What are the social features of the building?	405
14.4.4	Governance: Are stakeholders behaving properly?	405
14.5	Opportunities/risks	406
14.6	Outlook	407
15	ESG integration in investment management	409
	<i>Martin Brühl</i>	
15.1	Setting the Scene	409
15.1.1	The New ESG imperative	409
15.1.2	Mitigating sustainability risks through transaction management	410
15.1.3	Sustainability first	410
15.2	Sustainability assessment in the acquisition process	411
15.2.1	Everyday practice	412
15.2.2	Dealing with new taxonomy requirements	413
15.2.3	Mind the gap	413

15.2.4	Built before »Green Day«, 1 January 2021	414
15.2.5	Allocation of capital to sustainable refurbishments	415
15.2.6	Above it all hovers »do no significant harm«	416
15.3	Conclusion and outlook	416
16	ESG criteria in ESG real estate finance	419
	<i>Dr.-Ing. Anja Henrike Kleinke</i>	
16.1	Introduction	419
16.2	Importance of real estate and real estate investments in achieving the climate goals of the EU and Germany	420
16.3	Sustainable finance and ESG integration	421
16.3.1	Sustainable finance as a contribution of financial markets to the transformation of social, environmental and economic factors	421
16.3.2	Integration of ESG criteria for sustainability classification	423
16.4	Sustainable finance strategy at EU level and ESG integration	424
16.5	Status quo on ESG integration: From voluntary commitment to the goal of uniform classification standards for sustainability	425
16.6	Selection of existing self-commitment standards on sustainability goals	426
16.6.1	UN PRI – Principles for Responsible Investment	426
16.6.2	Agenda 2030: 17 Sustainable Development Goals (SDGs)	427
16.7	German Sustainable Finance Strategy	429
16.7.1	Structure of the German Sustainable Finance Strategy	429
16.7.2	Field of action: Strengthening sustainable finance at the global and European level	430
16.7.3	Field of action: Improving transparency	432
16.7.4	Field of action: Strengthening risk management and supervision	433
16.7.5	Field of action: Improving and implementing impact assessment methods	434
16.7.6	Field of action: Financing transformation	435
16.7.7	Field of action: The German federal government in capital markets	436
16.7.8	Field of action: Strengthening institutions, generating and sharing knowledge	437
16.7.9	Field of action: Creating efficient structures for implementing the Sustainable Finance Strategy	439
16.8	Summary and outlook	440

17	ESG in real estate valuation	443
	<i>Dirk Kadel, Johannes von Richthofen and Dr Florian Hackelberg</i>	
17.1	Introduction	443
17.2	Valuation basis	443
	17.2.1 Assessment occasions	443
	17.2.2 Value and price	444
	17.2.3 Value concepts and value definitions	445
	17.2.4 Evaluation process	445
17.3	Framework conditions and Real Estate Valuation Ordinance	446
	17.3.1 Standardized procedures (ImmoWertV)	446
	17.3.2 Basic principles for the valuation of land	448
17.4	Valuation of buildings and outdoor facilities	449
	17.4.1 Comparison method	449
	17.4.2 Capitalized earnings method	450
	17.4.3 Depreciated cost method	452
	17.4.4 Non-standardized methods and DCF methods	453
17.5	ESG in real estate valuation	455
	17.5.1 Consideration of the EU taxonomy in the real estate industry	455
	17.5.2 ESG impact on the value of real estate companies	458
	17.5.3 Impact on property valuation	459
	17.5.4 Impact on gross income	460
	17.5.5 Operating costs	462
	17.5.6 Useful life	464
	17.5.7 Capitalization rate/property rate	464
	17.5.8 Interim conclusion	465
	17.5.9 Procedure for the adjustment of the interest rate	466
17.6	Summary	467
18	Implementation of ESG criteria in real estate contracts	471
	<i>Christiane Conrads, Mario Lindner and Dr Philipp Schott</i>	
18.1	Introduction	471
18.2	General considerations	471
	18.2.1 Legal requirements	472
	18.2.2 Regulation of common understanding in relation to ESG	478
	18.2.3 Increase transparency and ensure reporting and benchmarking	479
	18.2.4 Compliance (social and governance clauses)	480
	18.2.5 Adjustment of current contracts to changed/higher ESG requirements	481
18.3	Special features of individual contract types	482
	18.3.1 Purchase contracts	482
	18.3.2 Rental agreements	483
	18.3.3 Management contracts (property and facility management)	489

18.4	Recommendations for the design of projects and contract negotiations	491
18.5	Outlook	491
19	Compliance and risk management	493
	<i>Nina Günther and Jan Gerd Möller</i>	
19.1	Introduction	493
19.1.1	Classification	493
19.1.2	Definition of compliance	494
19.1.3	Compliance in the context of ESG	494
19.2	Framework conditions for sustainable compliance	496
19.2.1	Creation of a sustainable corporate structure (governance in the narrow sense)	496
19.2.2	Sustainable compliance organization	497
19.3	Conclusion	506
	Part IV ESG in urban and project development	509
20	ESG project development – planning and construction processes	511
	<i>Thomas Oebbecke</i>	
20.1	Introduction	511
20.2	A classification	511
20.3	Sustainability: From the introduction of the term until today	512
20.4	The »Green Deal« as a driving force	514
20.5	The dovetailing with the project development of new construction and refurbishment	515
20.6	Certification systems as guides	518
20.7	Encourage and challenge	518
20.8	Planning measures	522
20.9	Conclusion	523
21	ESG and property development – Legal requirements for construction and planning contracts	525
	<i>Sabine Wieduwilt</i>	
21.1	Introduction	525
21.2	Property development – legal classification of contracts	526
21.3	Construction phases	530
21.4	Define targets and align with ESG strategy early on	530
21.5	Sustainability requirements beyond EU taxonomy	539
21.6	Certification: Contracts with certification body and auditor (DGNB)	540
21.7	Performance descriptions in construction and planning contracts	542
21.8	Data preparation and collection	548

21.9	Building Information Modelling (BIM)	549
21.10	Excursus: Monument protection and § 105 German Building Energy Act (GEG)	552
21.11	Excursus: Photovoltaics	554
21.12	Miscellaneous	556
21.13	Summary and outlook	556
22	Sustainable urban development	559
	<i>Constantin Alexander</i>	
22.1	Human settlements	559
22.2	From forestry into more and more areas of the economy and society	560
22.3	Long-term and holistic	560
22.4	Effective and efficient interventions	562
22.5	Many stakeholders with high diversity	563
22.6	Many factors for resilience	565
22.7	Nothing succeeds without positive externalities	567
22.8	Planning and development intertwine	567
22.9	Anti-fragile, sustainable systems are good for life – and for business	568
	The editorial team	571
	The authors	573