



UNECE Committee on Housing and Land Management

Greening Real Estate Markets

A Multi-Stakeholder Perspective

29-30 November 2010 - Dessau, Germany

Background

As governments in the UNECE region evaluate the effects of policies adopted to stimulate their economies and lead their countries out of recession, the potential of green investments to create more sustainable growth is not always acknowledged. Yet there is evidence that environmentally sustainable investments are compatible with growth. Studies in "Ecological" or "Green" economics have been undertaken that explore the benefits of a more intensive use of green technologies. In contrast with traditional approaches to cost-benefit analysis, green economics incorporates in the analysis of economic problems the adverse impact of human activities on climate change and their effect on the welfare of future generations. Among other advantages, a transition towards a green economy will ensure energy generation based on renewable resources to substitute for fossil fuels and to promote energy conservation. In order for transformations to be sustainable in the long term, green economies need to be able to increase employment levels, ensure real output growth, prevent pollution and reduce resource depletion.

Considered a nodal point for many services and industries, the real estate sector has a key role to play to steer adaptation to climate change in the UNECE region. A more intensive use of green technologies by developers could radically transform the city landscapes of the region. Furthermore, it has been estimated that green investments will have a substantial multiplier effect on a country's gross domestic product, in addition to savings in building operation costs for families. In some countries, such as Germany, Austria and Switzerland, some positive steps have already been taken through the successful promotion, over the last two decades, of so-called passive housing and net zero buildings. But even in these cases, which are not representative of the region as a whole, the conversion has been limited. Overall, consolidating the necessary adaptations will require not only funding, but also motivation and awareness among citizens.

For instance, in what concerns new building construction and retro-fitting of existing housing stock, technologies and materials to improve the energy efficiency of residences are already available. However, the business potential for the sector remains unexploited. Many countries (in particular, less economically developed ones) lack the necessary resources to overcome what has been referred to as the "energy inefficiency trap." In addition, even in advanced industrialized countries, a series of barriers and challenges remain that prevent the potential of green investments from being realized. These barriers, which vary from country to country, are mainly legal and institutional rather than technical. They involve "split incentives" problems, such as those confronting tenants versus landlords, or developers versus municipalities that prevent the internalization of costs and benefits attached to behavioral change. Coping with these hurdles will require adopting a multi-stakeholder perspective that



acknowledges existing interests and constraints on a variety of actors. These include not only real estate firms, banks, and insurers but also consumers, municipalities and national government officials.

Firstly, a prerequisite for a wider and more intensive use of green technologies is the need for continued skill development among developers and awareness about the advantages of green investments among consumers. Besides, there is the need for appropriate policies and institutions to support the undertaking of innovations, as investments in green technologies do not occur spontaneously. Incentives will need to be created for a variety of actors to modify their traditional behavior patterns.

During the transition, governments need to assume responsibilities to tackle existing hindrances. In the context of broad national strategies, comprehensive solutions -that involve both supply and demand side approaches- will need to be gradually implemented.

Government capacities should be enhanced and fiscal incentives should be applied, for instance, to the organization of energy pricing and billing (e.g. tax credits for consumers to switch to fuel-efficient and non-polluting buildings). Other regulatory reforms, including the updating of valuation standards and certification for developers, will also need to be discussed.

Upcoming event

Over the last two years, the Real Estate Market Advisory Group (REM) has contributed to the activities of the UNECE Working Party on Land Administration through capacity-building activities, dissemination of information on good practice and know-how on specific policy areas related to the real estate sector. Specifically on the subject above referred, REM, together with the UNECE, is organizing a workshop on greening real estate markets to be hosted by the German Federal Environment Agency in Dessau, Germany (29-30 November 2010). Speakers and participants in the event will review existing obstacles and ascertain economic and social benefits associated to a green real estate sector as follows:

- The impact of a more intensive use of green technologies on the durability of homes and the lower operations and maintenance costs for families;
- The role of local authorities in the design of public private partnerships;
- Existing tax-incentives available to facilitate green retrofits and new construction and the trade-offs involved for targeted regulatory schemes;
- The potential of updating certification and existing accounting practices of firms to better quantify the effect of green investments;
- The introduction of green building valuation methods in the analysis of risk for investments with real estate collateral;
- The impact of increased use of green technologies on higher productivity and better health of populations through improved living spaces;
- The impact of green updates for countries facing restrictions in access to vital resources (such as water).

The goal of the workshop is to learn from the experience of stakeholders and to discuss challenges and opportunities for UNECE Member States. The outcomes of the event will allow participants to identify policy guidance and set priorities on how to intensify the use of green technologies in the real estate sector.