

Press release dated 25 March 2021

Berlin Hyp Trendbarometer survey: Sustainable financing and refinancing products on the rise – Growing emphasis on compliance with EU taxonomy

The latest Berlin Hyp Trendbarometer expert survey focused on the topic of sustainability. More than 230 real estate experts from Germany and abroad gave their assessment of the trends in the German real estate sector. For comparison, the general public was asked for its opinion via the survey tool Civey.

- Sustainability is a growing concern for the industry.
- Building certification is becoming increasingly important.
- While compliance with the EU taxonomy is an important selling point, more information is still needed.
- Industry experts consider a CO₂ tax to be an effective tool, but there is little support from the general public.
- Sustainable financing and refinancing products are on the rise.
- The German real estate market remains attractive.

Sustainability is essential for the industry

The real estate industry agrees: The overwhelming majority of our survey participants believe that consideration of sustainability aspects is now a must. A total of 92% of respondents say sustainability is either important or very important. Only 8% consider it more of a minor issue, categorising it as rather unimportant or unimportant. In other words, sustainability has finally arrived in the real estate industry. But the commitment to sustainability still needs to be put into action given the fact that an estimated one-third of global CO₂ emissions are caused either directly or indirectly by buildings and the systems needed to operate them.

Certification is becoming increasingly important

The number of buildings certified as sustainable has increased significantly over the last few years, and most market participants believe this trend will continue. Companies in the real estate sector generally view sustainability certification as useful – and tenants frequently demand such certification as well. For rating agencies and other stakeholders, sustainability certificates are often the main way, and sometimes the only way, to obtain information on a building's degree of sustainability. This fact is also reflected in our survey results. A total of 71% of respondents say that sustainable real estate certification is either important or very important. On the other hand, 28% consider sustainable certification to be unimportant or unimportant. Only 1% have no opinion.

Compliance with the EU taxonomy is an important selling point

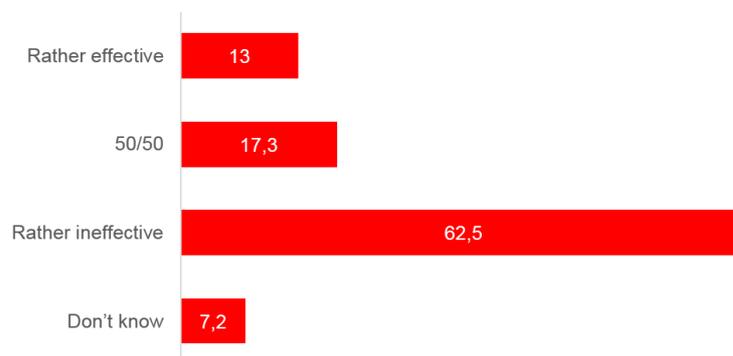
Use of the taxonomy is voluntary as long as investments are not explicitly designated as sustainable. At the same time, a company can expect to be placed at a competitive disadvantage and experience a decrease in investor demand if it chooses to be one of the few market participants that does not adapt to the new standards and provide information on the degree of sustainability of properties and entire portfolios. The survey results are not surprising in this regard. 55% of the survey participants are either rather interested or very interested in refurbishing their buildings in order to achieve compliance with the EU taxonomy, while 27% say they are only somewhat interested or not very interested. It's interesting to note here that 18% of respondents did not know what it means to be in compliance with the EU taxonomy. Efforts to make market participants more aware of the taxonomy and what it means must therefore continue.

CO₂ tax is polarising

As far as the effectiveness of the CO₂ tax on real estate is concerned, opinions are divided. On the one hand, 49% of respondents consider the CO₂ tax on real estate to be somewhat effective to very effective. On the other, 34% consider it to be less effective to ineffective. A total of 8% of respondents say they aren't sure and 9% haven't thought about it yet. The 2,500 people interviewed via the survey tool Civey have a very different opinion: 62.5% of the survey participants consider the CO₂ tax to be rather ineffective and 17.3% are undecided. The key question is whether a price increase can reduce CO₂ emissions or whether this increase will have no effect on user behaviour. In the past, price increases on fuel and heating have had little impact on consumption. The rate of energy renovation in portfolios also remains low, as is the willingness to pay for CO₂ emissions.

In your opinion, how effective is the CO₂ tax on real estate in promoting the switch to climate-friendly technologies?

Data in per cent

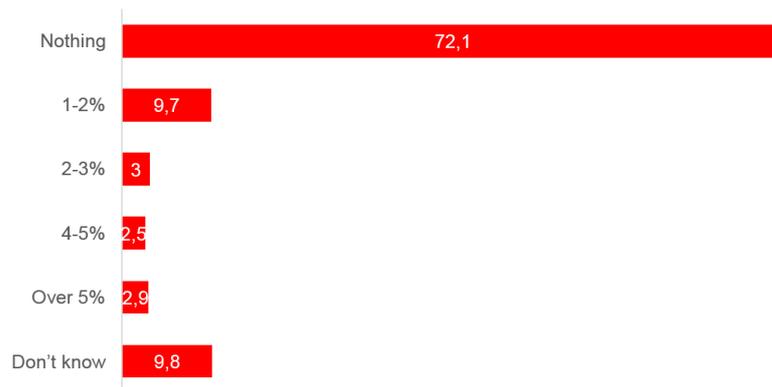


Source: Civey for Berlin Hyp, sample size 2,500, survey period: 8-9 February 2021

Of the 2,500 people surveyed by the survey tool Civey who rent, 72.1% are generally against paying a CO₂ tax. 9.7% would only want to pay 1-2% of their net rent excluding utilities for CO₂ consumption. The real impact of the CO₂ tax, also at the individual level, remains to be seen. But it is incumbent on everyone to save CO₂, and this applies to the real estate industry and individuals alike.

What percentage of your net rent excluding utilities would you be willing to pay for the CO₂ tax on real estate?

Data in per cent



Source: Civey for Berlin Hyp, sample size 2,500, survey period: 8-9 February 2021

Sustainable financing and refinancing products are on the rise

A sustainable finance and financing system ensures that sustainability aspects are taken into account in financing decisions. This in turn ensures the implementation of more climate-neutral, recycling-oriented, and energy and resource-efficient projects. Our survey results significantly underscore the importance of sustainable financing and refinancing products, as 79% of survey participants believe that such products will become increasingly more important for their companies (somewhat more important or much more important). A total of 15% of respondents say the importance of such products will remain unchanged, while 2% believe they will become somewhat less important or much less important. A total of 4% of respondents are unsure.

The German real estate market remains attractive

For 78% of survey participants, the German market for commercial real estate is considerably more attractive or somewhat more attractive compared to other European markets. For 19% of respondents, it maintains the same level of attractiveness, and for 3% it is less attractive. The German real estate market appears to be not only resilient to all external influences, especially the COVID-19 pandemic, but is also proving to be particularly appealing during the crisis. This is definitely a result of the crisis policy that the German government has consistently maintained throughout the pandemic, as well as the ongoing pressure to find yields due to low interest rates and the widespread availability of liquidity in the real estate market.

About the Berlin Hyp Trendbarometer survey:

Berlin Hyp has been publishing the “**Trendbarometer**” expert survey for eight years in a row to date. As part of this survey, real estate experts from Germany and abroad comment on their expectations of the real estate business in the coming year. It provides an assessment of the German real estate market in the current real estate year and a perspective for further development. More than 230 real estate experts participated in the current survey.

In order to provide a comparative perspective on the statements regarding the CO₂ tax, 2,500 people were questioned via the survey tool Civey in February 2021.

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Berlin Hyp specialises in large-volume real estate financing for professional investors and housing companies, for whom the Bank develops individual financing solutions. As an enterprise forming a Group together with the German savings banks, it also makes an extensive spectrum of products and services available to these institutions. Berlin Hyp is not only at the forefront as the issuer of the first Green Pfandbrief; the Bank also supports the financing of sustainable real estate. Berlin Hyp’s clear focus, about 150 years of experience and the ability to actively shape the digital transformation in the real estate sector characterise the Bank as a leading German real estate and Pfandbrief bank.