



EUROPE IN TRANSITION:

CONSOLIDATION AND GROWTH

Recommendations for the European Union's
10th Legislative Period 2024 – 2029

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Preamble

We are on the threshold of a new legislative period of the European Parliament and a new mandate for the European Commission. To support the definition of the EU's programmatic approach for the next legislative period, ZIA German Property Federation is pleased to articulate its vision and proposals for the future of the European Union.

With more than 400 members, including 34 trade associations, ZIA is the umbrella organisation of the German real estate sector and a trusted advocate for approximately 37,000 companies across the entire value chain and various asset classes. We ensure that the diverse real estate sector speaks with one voice. Our association, consisting of both companies and associations, is not just a collective. It is a powerhouse of knowledge. We are committed to the European project of an open, sustainable and prosperous society. We recognise the importance of shaping both national and transnational policies. To this end, we provide European and national policy makers with expertise and appropriate and effective solutions to the challenges facing the real estate industry.

The end of the EU's 2019-2024 legislative period reflects a paradigm shift in our society. With the Green Deal and its legislative manifestation in the subsequent 'Fit for 55' package, as well as important non-legislative initiatives such as the New European Bauhaus, the EU has shown that it is on track to achieve climate neutrality by 2050. ZIA supports this aim, which is undoubtedly one of the greatest challenges in human history. ZIA will continue to act as a trusted advisor for European Institutions and EU Member States to support them in their efforts to achieve the 2050 targets.

The dual transition is a path to a digital and ecological Europe and sets the new framework for our data-driven economy and society. It puts the EU at the forefront of setting reliable guidelines, protecting the fundamental rights of European citizens, including the right to live in a healthy environment, and providing clarity for companies to develop technologies and products fit for the green and the digital age.

However, the drastic economic and geopolitical changes of recent years have evoked major additional challenges.

PREAMBLE

This requires a recalibration of European and national policies. Climate change will remain a key challenge. The recent Letta and Draghi reports commissioned by the European Council have shown that this objective must go hand in hand with the strengthening of European competitiveness. The expected cost of implementing the Green Deal, estimated at € 800 billion annually, will require enormous financial resources for the transition and for maintaining economic, social and geostrategic peace.

With this paper we wish to highlight a wide range of political and regulatory objectives for the new legislative period: from planning, financing and greening to digitalisation, to dealing with districts and individual buildings in a wider urban context, rather than in an isolated perspective. At the same time, we are urging policymakers to take a longer-term approach. Learning from past mistakes means looking beyond individual policy files. Foresight must become part of Europe's legislative DNA.

With this paper, ZIA seeks to serve policymakers, legislators and stakeholders at all levels. Together, we want to shape a practical and workable political framework for the next five years and beyond, particularly in the areas of

- Climate, energy and sustainability
- Investment and Sustainable Finance
- Legal and tax matters
- Innovation, digitalisation and research
- Urban development, construction and housing
- Commercial real estate.



Foto: Laurence Chaperon

We must remove the obstacles that jeopardise the dual transition and threaten economic growth. ZIA stands ready to actively participate in shaping the European and national policies that will define the future of our sector and society, and contribute to the prosperity of a peaceful European Union, based on the rule of law and human rights.



Iris Schöberl
ZIA President



Climate, Energy and Sustainability

The past legislative period was shaped by the Green Deal and the subsequent 'Fit for 55' legislative package, aimed at achieving climate neutrality for the European Union by 2050. One of the main components of this transition is a carbon neutral building stock. Buildings account for more than 30 per cent of Europe's greenhouse gas emissions and more than 40 per cent of Europe's total energy consumption. The real estate sector therefore has a key role in the Union's decarbonisation efforts. This is both a challenge and an opportunity.

ZIA recognises the sector's responsibility to fight climate change while providing sufficient decent housing and commercial real estate. The EU has already reduced its total CO₂ emissions by more than 30 per cent between 1990 and 2022. Within the same period, the German building sector has reduced its CO₂ emissions by 51 per cent, declining from 210 to 102 million tonnes per year. But there is still a long way to go.

The substantial investment needed to further improve the European building stock cannot be financed by taxpayers' money alone. Rather, significant amounts of private capital will be needed to convert the lower energy

class buildings into energy-efficient ones. However, the legal framework for Sustainable Finance, namely the Taxonomy Regulation ([EU] 2019/2088), does not provide support for this yet.

While the core approach of the Energy Performance of Buildings Directive (EPBD, [EU] 2024/1275) is to prioritise the refurbishment of the worst performing buildings ("worst first"-approach), conformity with the Taxonomy requirements for the economic activity Acquisition and Ownership of Buildings will only be achieved if, after its renovation, the building falls into Energy Efficiency Class A, or into the top 15 per cent of the regional or national building stock ("only the best"-approach). In many cases, however, it will be technically unrealistic or at least economically unfeasible to upgrade a building with the worst ratings to this top level. Upgrading a Class G or F building to a sustainable B or C level could significantly improve energy efficiency and contribute to climate change mitigation. However, the financial effort required to upgrade a building from Class G to A will be disproportionately higher than the revenue that can be expected from the subsequent use of the building. Consequently, such buildings are likely to be either sold without being renovated or demolished and replaced.

This incompatibility between the „only the best“-perspective of the Taxonomy and the EPBD’s „worst first“-approach is a significant hurdle on the path to climate neutrality. It has a major impact on the financing of the renovation of the European building stock and therefore needs to be urgently addressed in the in the new legislative period, as further elaborated in the following chapter on **Investment and Sustainable Finance** and in the [ZIA Taxonomy position paper](#), in which we have made a proposal on how the Taxonomy can be further developed into a dynamic instrument that promotes the renovation wave needed to transform the building stock.

As the EPBD has only just been finalised, close monitoring of the implementation of the EPBD by EU Member States is now another urgent issue. In order to create a level playing field for all Member States, the remaining uncertainties need to be clarified at EU-level. To this end, the previously missed opportunity to harmonise Energy Performance Certificates (EPC) between Member States – to address the lack of comparability and thus to avoid market distortions – should remain a priority.

Recently, the EU has adopted its reform of the [electricity market design](#)¹, which will lead to greater energy sharing and greater use of local renewable energy rather than centralised energy generation. The real estate sector will play a new role in the overall energy supply. It is gradually changing from being a pure energy consumer to a prosumer. This will require flexible demand patterns to compensate for fluctuations in renewable energy generation. Better integration of photovoltaic systems, e-mobility charging infrastructure and battery storages into electricity grids will increase this flexibility, allowing peak loads to be avoided and reducing

the energy generating capacity needed to guarantee a reliable power supply. Consequently, policy regulations should reward demand shifting and supply stabilising activities provided by private and commercial consumers from the building sector.

From 2027 onwards, the German system for pricing fossil fuels will have to be integrated into the new European Emissions Trading System for buildings and transport (ETS 2). The subsequent price development has not yet been defined. It will thus be subject to uncertainties and is likely to lead to significantly higher CO₂ prices. ZIA will follow the implementation of ETS 2 and continue to offer expert feedback to the European institutions. In particular, the appropriateness of a joint or separate ETS system for buildings and transport needs to be carefully examined. CO₂ avoidance costs may differ substantially between sectors due to the different CO₂ price sensitivities and social impacts of the buildings and transport sectors.

- Review of the financial environment (mainly Basel regulations and Taxonomy) in line with the priorities of the Green Deal
- Standardisation of the EPCs between Member States as part of the monitoring and implementation of the EPBD to increase comparability and avoid market distortions
- Close monitoring of the introduction of ETS 2 and examination of the creation of separate systems for buildings and transport to improve sector-specific emissions trading

KEY POINTS

¹ Regulation Of The European Parliament And Of The Council amending Regulations (EU) 2019/942 and (EU) 2019/943 as regards improving the Union’s electricity market design, Directive Of The European Parliament And Of The Council amending Directives (EU) 2018/2001 and (EU) 2019/944 as regards improving the Union’s electricity market design



Investment and Sustainable Finance

One of the most frequently raised issues, particularly in the context of energy refurbishments, is the financing of transition-related activities: Already in 2020, when presenting the Renovation Wave, the European Commission projected that an additional € 275 billion per year would be needed to renovate buildings in line with the reduction target of 55 per cent by 2030. The Letta and Draghi reports have underlined the need for public funding and balanced policy impulses within an intelligent regulatory framework. Yet, given the limited availability of public funds, they can contribute only partially to covering the large capital needs. Therefore, policies should be designed to attract private capital for the Renovation Wave by deepening the EU's Ca-

pital Markets Union as the second pillar of financing. In his report, former Prime Minister Enrico Letta² described it as a priority for the next legislature to create a framework that “ensures a balance between affordability for taxpayers and profitability for investors”. The right way to do this is to revise the EU's Taxonomy Regulation:

The Taxonomy, as the centrepiece of the Green Finance agenda, is an important initiative to inform investors about the categorisation of investments and their “green qualifications”. The same applies to the Sustainable Finance Disclosure Regulation (SFDR, [EU] 2019/2088). However, their implementation has proven to be too

²Much More Than A Market, Enrico Letta, April 2024

static, complex, and difficult, especially for the path to climate neutrality – the Green Transition.

For instance, the product categories outlined in Articles 8 and 9 of the SFDR lack the level of precision required by investors. Greater differentiation and more accessible ESG (Environmental, Social, Governance) information is needed to accommodate different investment strategies and needs, while avoiding greenwashing. ZIA welcomes the ongoing work of the European institutions in this regard and suggests a careful reconsideration of the current approach.

Similarly, the current Taxonomy framework does not yet incentivise large-scale investment in buildings that are in urgent need of refurbishment. To attract this capital, it is essential to overcome the silo approach of developing energy and financial policies separately and instead focus on integrating them more effectively. This would not only result in higher renovation rates and consequently energy savings but would also harmonise the Taxonomy with the revision of the EPBD (see chapter on **Climate, Energy and Sustainability**).

In view of the large amounts of private capital required to meet the EPBD minimum energy performance standards for non-residential buildings and the intended comprehensive renovation of residential buildings, ZIA suggests that the Taxonomy and its screening criteria should be reconsidered. The aim is to match the capital required for the transformation with reasonable investment opportunities that offer the greatest potential for decarbonisation (namely the existing inefficient building stock). In its current form, the Taxonomy makes it difficult to channel sufficient private capital into the refurbishment of existing properties.

Real estate investors focus mainly on a high Taxonomy quota, i.e. the ratio of Taxonomy-compliant properties to all properties in their portfolio. However, the Taxonomy

currently only rewards the part of the building stock that is performing extremely well, i.e. buildings with an EPC A or within the top 15 per cent of the most energy efficient buildings nationally. In most cases, this very high standard is achievable at reasonable cost for new buildings only. As a result, investments in low-performing buildings are avoided.

As it would be too costly to strive for Taxonomy compliance for lower performing properties, these buildings are more likely to be sold without being renovated or demolished – creating a large carbon footprint through their embodied carbon. However, in order to make progress towards climate neutrality, the transformation of the existing building stock must be at the centre of our efforts. ZIA therefore suggests an adjustment to the Technical Screening Criteria (TSC) that would help to put the worst performing buildings on a transition path to net zero. Rewarding a 50 per cent reduction in Primary Energy Demand (PED) for a building to become temporarily Taxonomy-compliant could mobilise further investment, save buildings from demolition and make an important contribution to the EU's climate goals.

In addition, a thorough analysis of the current Basel framework is required. As indispensable as financial stability is, the European economy – as a predominantly bank-financed economic area with a still to be developed greater role for capital markets (Capital Markets Union) – must not be put at risk by inadequately high loan costs due to increasing capital requirements. This major obstacle to a more climate-friendly EU building stock should be urgently addressed by the new European Commission. In this context, we welcome the recent revision of the European Long-Term Investment Funds (ELTIF) Regulation. It should serve as an example of how capital can be mobilised for investment in infrastructure and digitalisation within the EU single market. Further measures in this area should certainly be discussed and considered.

ZIA wholeheartedly supports the [European Commission's announcement](#) to cut red tape by 25 per cent.³ Bureaucracy, including reporting requirements, is a major problem for German and European companies, which are increasingly reacting by shifting their activities abroad. The first reporting under the Corporate Sustainability Reporting Directive (CSRD) must be completed by 2024. ZIA proposes to the Commission to carefully consider the implementation and to consult our sector when working on sector-specific Delegated Acts. We welcome the postponed adoption of the latter and the intention to analyse the reports from other sectors before drafting specific guidelines for the real estate sector.

In times of economic and political instability, it is crucial for European companies to carefully weigh the micro- and macro-economic benefits against the costs of further bureaucracy, especially for small and medium-sized enterprises. In many cases, additional reporting obligations, including an expanded scope, will not contribute any added value in terms of sustainability. The European Union should consider, well before April 2029, how reporting obligations under the CSRD

and the subsequent European Sustainability Reporting Standards (ESRS) can be limited to a necessary and manageable level.

Significantly higher interest rates and material prices, a persistent shortage of qualified staff, increased administrative burdens, e.g. due to additional reporting obligations (such as CSRD, the impact of the SFDR, the Taxonomy) and higher capital requirements due to Basel have made the conditions for sustainable investment in the European Union more difficult. The EU should carefully consider how to ensure a level playing field with other economic areas, such as the US and China – as the recent discussions in the US on the implementation of Basel requirements have shown once again.

Finally, in order to maintain social peace, social aspects must also be considered. Private homeowners with a moderate or limited income or pension should be enabled to borrow the money to maintain and renovate their property to improve its energy efficiency at a reasonable cost.

- Review of the financial environment (mainly Basel regulations and Taxonomy) in line with the priorities of the Green Deal
- Further improvement of the fund and financial management system to promote investment in existing buildings
- Simplify reporting requirements under the CSRD through digitalisation and streamlining
- Review of CSRD reporting obligations and sector-specific ESRS much earlier than 2029 for greater planning predictability



³Commission work programme 2024 (2023), European Commission



LEGAL AND TAX MATTERS

Legal and Tax Matters

ZIA welcomes aim of the European Commission to work together with Member States on a fair and appropriate European tax landscape and a level playing field for all economic players. In the new legislative period, it will be important for the European institutions to take own initiatives only in those areas where the subsidiarity principle does not apply. An even closer dialogue with stake-

holders will also be crucial. This applies to policies and dossiers fostering co-operation between Member States, including the BEFIT (Business in Europe: Framework for Income Taxation), TP (Transfer Pricing) and ATAD (Anti Tax Avoidance Directive) files, for example. The Union should provide adequate solutions rather than hinder legitimate business models for European companies.

Making EU taxation fit for the digital and green age is an important task for the coming years. Ensuring for decentralised, local and clean energy production is a cornerstone of this project. The real estate sector is a key player in enabling the installation of solar energy, which is a critical technology for achieving the goal of zero carbon emissions by 2050. This requires a clear and supportive policy framework. Taxation as a policy instrument has a high leverage effect, as it provides important support with a relatively low bureaucratic burden. ZIA suggests that Member States review current tax provisions and remove existing barriers to the buildup of solar energy on buildings.

The Corporate Sustainability Due Diligence Directive (CSDDD, [EU] 2022/0051) intends to create more socially and environmentally sustainable value chains for European products. In April 2024 the proposal was adopted in plenary after difficult negotiations. ZIA supports the policy objectives of the CSDDD. A harmonised European standard for compliance with social and environmental standards in international business practice would be advantageous compared to 27 indi-

vidual approaches. However, the resulting bureaucratic burden for market participants directly or indirectly affected by the Directive must remain manageable and be coherent with other applicable standards, in particular reporting duties under the CSRD.

The Green Claims Directive, which is intended to complement the already finalised ban on greenwashing, was not concluded during the past legislative period. ZIA welcomes the Commission's objectives to protect consumers and to put producers on equal footing when it comes to making claims about the environmental impact or the lack thereof. However, this must not be at the expense of realistically manageable requirements and private sector initiatives to make industries more environmentally friendly (see chapter on **Investment and Sustainable Finance**). Therefore, in the new legislative period, the Directive will have to be evaluated in terms of a balanced and workable set of rules.

- Supporting Member States in removing tax barriers to renewable energy and climate-friendly solutions (fair but no excessive taxation)
- Close dialogue with stakeholders and development of non-bureaucratic solutions for BEFIT, TP and ATAD
- Reducing the bureaucratic burden for market participants through the implementation of the CSDDD

INNOVATION AND DIGITALISATION

Innovation and Digitalisation

During the last legislative period, ZIA closely followed the EU's approach to digital policy, in particular the Artificial Intelligence Act, the EU Data Act, the Cyber Resilience Act and the Gigabit Infrastructure Act. ZIA welcomes the ambition of the European institutions to be at the frontline of the digital regulation in order to create a clear framework that enables competition in the European market, sets global standards and protects civil liberties and rights.

Automated processes and digitised data analysis have a huge potential to optimise energy efficiency in the real estate sector and unlock new business opportunities. Still, it needs to be thoroughly assessed whether the European legislative approach (in particular GDPR and the AI Act) supports or rather hinders a competitive advantage compared to other regions or countries.



While the European Union regulates the digital world more than other world regions, the latter often provide significantly more financial means for research and development. It is therefore important to ensure that public funding, for example for AI development, is on comparable level with other major players in the field, namely and most prominently the US or China. The new legislative period must focus on this:

Both the European legal framework and the related funding schemes must support the development of the Common European Data Space. Existing programmes such as Digital Europe can only be a starting point. This may also include simplified public procurement programmes that do not discriminate against start-ups due to their lack of project references. In this context, cooperation between government and start-ups could be organised in a closer and more pragmatic way so that appropriate solutions can be piloted and, if successful, applied more quickly across the board.

One of the EU's main tasks will be to apply the laws that have been enacted and to introduce horizontal regulations covering all sectors and forms of application, in particular the EU AI Act and the EU Data Act. Ensuring adequate protection against cyber risks will be another task. In this context, protection against misinformation and systematic education and training on the online behaviour of European citizens is another key element to counter rising extremism – across Europe and globally.

The AI Act, as one of the key files of the 2019-2024 mandate, is a central piece in terms of the ethical development and use of technology. It puts the EU at the leading edge of creating a holistic set of rules for emerging key growth areas. ZIA has followed the process closely and welcomes this development. At the same time, the forthcoming application of the AI Act will put pressure on the rulebook and test its robustness. It is clear that the rapid development in

the digital field and specifically AI will require constant evaluation and review of the applicable European laws. ZIA sees a risk of a paralysing overregulation, that should be avoided.

Bureaucratic regulations should neither overburden small and medium-sized nor large companies and thus make sensible applications impossible. Start-ups in particular, often lack the resources to afford extensive information and data retention obligations or complex compliance checks for example to determine whether their AI solutions should be classified as 'critical'. The EU should therefore reconsider its regulatory approach: EU regulation should not target technologies as such, but rather their use. We can only anticipate tomorrow's technological realities to a very limited extent. Regulation should therefore be flexible, technologically open and adaptive, rather than rigid and stifling. Principle rather than rule-based legislation is key. This is doubly true in the rapidly developing digital sector. Constant review of digital legislation is essential to keep pace with technological developments.

The Data Act regulates the handling of non-personal data in a horizontal way. Connected devices must make user-generated data accessible to their users and allow them to share their data with third parties. It must be ensured that all data that the manufacturer makes available to himself can also be made available to users. ZIA welcomes this push to increase the sharing and thereby the availability and interoperability of data and data standards. This will serve as a boost for many innovators in the real estate sector, which sees a growing interest in digital solutions to enhance energy efficiency, improve (predictive) maintenance and service, or facilitate the exchange of operational building data etc. The creation and communication of clear guidelines for the upcoming application of the EU Data Act are necessary, such as for instance sample templates for data

transmission etc. Similarly, the General Data Protection Regulation (GDPR) should be adapted to the constantly evolving technological landscape. EU-wide harmonisation in application and interpretation is essential to develop a common understanding of data exchange and a level playing field.

With the rise of digital applications in all sectors, the risk for misuse or abuse of data through cyber-attacks or lack of know-how is increasing. Although the EU has already recognised this issue with its Cybersecurity and Cyber Resilience Acts, more must be done. Cybersecurity must be part of all future considerations on the digitalisation of tasks and services and hence their regulation. Recent endeavours by European institutions and Member States on misinformation are significant, albeit belated and insufficient measures for progress. It is necessary to keep bureaucratic requirements at a minimum while at the same time maximising the awareness of companies to secure their data infrastructure.

New innovations such as the development and expansion of virtual worlds and the tokenisation of assets will need to be closely monitored. In this context, blockchain/DLT technology as well as the development of a Smart Readiness Indicator (SRI) for buildings will play an increasing role for the real estate sector. The SRI will also contribute to the use, tracking and replacement of materials in buildings, or to the assessment of the suitability of buildings for digital solutions that will help reduce CO₂-emissions. A sound but not overly burdensome regulatory framework will be needed. The introduction of obligatory labels is not necessary as market developments already show higher uptake of buildings equipped with smart technology.

Finally, it is needless to say that there is an urgent need to accelerate the digitalisation of public administration services and the related infrastructure. There is

a lack of communication tools, processes and capable personnel in the public sector, which puts the European Union – and even some of its Member States – far behind others.

- Implementation of EU Data Act as a horizontal milestone regulation must consider complicated ownership and user structures
- Regulatory sandboxes, significantly bigger funding and reasonable availability of data allowing for development and competition must play a far more prominent role than today
- The EU and Member States need to change curricula from childhood onwards to give digital (and general) education a significantly better footing than today
- The successful digitalisation of public administration is a decisive location factor and key factor for entrepreneurship and the promotion of innovation in Europe

KEY POINTS





Urban Development, Construction and Housing

European cities are facing huge transformation challenges due to the need for digitalisation and for greening their energy systems. For ZIA and its members, a holistic approach is essential – both in terms of construction methods and with respect to the regulatory framework. By combining the fields of urban development, construction and housing, while maintaining close ties with commercial development, ZIA provides balanced and well-founded contributions to the ongoing debate on current and future urban landscapes.

The EU's cohesion policy is making a significant contribution to reducing regional disparities. Nevertheless, there are still large differences between regions. Around € 350 billion, or one third of the Union's budget, is channeled into the European Structural and Investment Funds. The current Multiannual Financial

Framework (MFF) runs from 2021 to 2027 and negotiations on the next MFF for 2028-2034 will start in 2024. With a view to the next MFF, ZIA is committed to improving the administrative efficiency of cohesion policy and reducing administrative costs. To this end, ZIA advocates to increase the various programs' interfaces with the private sector, so that the latter can contribute more of its resources in close partnership with public bodies. To ensure smooth functioning, the European Commission should thoroughly review its policies on the state aid framework and public procurement (see chapter on **Legal and Tax Matters**).

Furthermore, the EU Urban Agenda was created as a platform to discuss current policy challenges for Europe's growing cities and to create partnerships between the European Commission, EU organisations,

national governments, local authorities, non-governmental organisations and other stakeholders. ZIA supports the continuation and deepening of the EU Urban Agenda beyond 2026.

As many of the issues discussed concern private stakeholders, ZIA recommends involving the latter even more closely in the dialogue and to create a separate topic area on the cross-cutting issue of cooperation between private stakeholders and the public sector in the spirit of multi-level governance. ZIA suggests that the process should be interlinked more closely with the [New Leipzig Charter of 2020](#) and that appropriate guidelines should be created for the necessary transformation processes in cities.

At the same time, the New European Bauhaus (NEB) initiative should be strengthened as a tool to implement the [Green Deal](#). ZIA has been following and actively supporting the NEB since its inception through a close dialogue with the European institutions, several panels in Brussels, Berlin and Munich, etc. We see great potential in the re-launch of this impactful set of initiatives. Three leading principles guide the processes around the NEB: sustainability, aesthetics and inclusion. For the construction industry, these three aspects are clearly interlinked: Building materials that become sustainable components, components that result in well-designed buildings, and buildings that form inclusive neighbourhoods.

The availability of affordable and good quality housing is a priority for ZIA and its members. In this context, we call for less bureaucratic and financial burdens for those who finance, plan and construct, for example concerning state aid and public procurement requirements. We also welcome the reference to the district approach in the recently adopted EPBD, for which we advocated. This practical approach allows for scaled and integrated renovation, resulting in lower construction and maintenance costs.



It can clearly be observed that too much regulation has a negative impact on the construction and housing sector. By reducing excessive regulatory burdens, we can better combat homelessness and inadequate housing for people and families fleeing natural or humanitarian disasters or war. Even though these issues lie within national competences, regulations and bureaucracy affecting the sector also carry an EU-label. Therefore we welcome initiatives such as the [European Parliament's 2021 Initiative Report](#), which was a very important stepping stone that contains many impulses for consideration by the executive (e.g. the Affordable Housing Initiative).

- Strengthening EU cohesion policy for urban development
- Supporting private developers in EU urban development projects and creating coherent partnerships
- Continue the New European Bauhaus project as a tool for collaboration and implementation of the Green Deal
- Launch European initiatives to enhance cooperation and exchange on urban policies and best practices as integral part of local climate initiatives
- EU regulations affecting the construction and housing sectors must consider national contexts and requirements to avoid over-regulation

KEY POINTS



Commercial Real Estate

ZIA is in the unique position of uniting real estate players from the whole range of asset classes. This allows us to observe and analyse the various effects of current developments and their interactions, while placing them in the greater context of overall trends of decarbonisation, digitalisation and demographic change.

Commercial real estate has undergone massive changes in recent years: Global trends, partly triggered by the Covid-19 pandemic, such as increased teleworking or online shopping, have been changing the way property is used. ZIA has guided its members through recent years of rapid change and continues to shape the future of commercial real estate. The transformation of property is also driven by regulation, such as the recast of the EPBD with its provisions on the refurbishment of buildings.

It is important to implement the EPBD requirements in a sensible and flexible way. This also applies to energy consumption and the identification of the worst 16 per

cent of non-residential buildings. However, the divergence of energy demand among various asset-classes is significant. An office building has a completely different energy consumption than a logistics centre, a shopping mall, a hotel, or a care home. To define the best and worst buildings, these different energy profiles need to be considered.⁴

Regarding the EPBD's quota for the deployment of charging infrastructure for electric vehicles at new and existing non-residential buildings, ZIA advocated for flexibility to accommodate the various use cases in which charging infrastructure is installed. Regrettably, this has not been taken into account in the final text. Flexibility during transposition and implementation for the variety of non-residential buildings will therefore be crucial at national level.

Especially in non-residential buildings such as retail outlets with highly fluctuating visitor traffic, the length of stay is much shorter than in offices or hotels.

⁴See study by the [European Climate Foundation](#) (ECF)

A purely numeric target for the number of charging points causes high costs while its practical use is limited.

In the use of office space the recalibration of priorities following a significant shift in workplace patterns is particularly necessary. The increasing flexibility of the workplace, induced by the expansion of digital tools, has led to a redefinition of the workplace and offers an opportunity for office development. Nevertheless, this new flexibility brings new challenges to the local fabric in which the buildings are embedded.

ZIA is convinced that offices need to adapt to the new requirements of hybrid working and sustainability. Offices have become places of collaboration, communication and creativity for employees. However, the EU Directive 89/391/EEC on the introduction of measures to encourage improvements in the safety and health of workers at work has had a significant impact on office design. This Directive has not been substantially updated since its adoption around 30 years ago. It is therefore imperative to thoroughly examine this field in the forthcoming legislative period.

Disproportionate specifications for workplaces with lower-than-average occupancy rates are not sustainable, as the space needs to be built, equipped, operated, heated and cleaned unnecessarily. Also, there are office buildings that are no longer in demand by tenants and cannot meet the new requirements for hybrid working or sustainability (ESG) due to their age. Particularly in large cities with a housing shortage, it may make sense to consider converting these buildings into apartments or other commercial uses (e.g. hotel or nursing home).

ZIA generally supports the conversion of offices or vacant retail units to residentials where this is economically viable. However, in many cases this is not

the case. A climate-friendly conversion of commercial properties should therefore be accompanied by public funding. Low-interest loans, as already planned in Germany, are one possibility. Another option would be to make funds available from the European Structural and Investment Funds and to extend financing to private companies (see chapter on **Urban Development, Construction and Housing**).

Public funding would meet two challenges at the same time: First, unoccupied properties would be put to a new, meaningful use; second, they could be refurbished in a climate-friendly way.

ZIA looks forward to continuing the dialogue with the European Commission and other stakeholders to provide practical insights and data.

ZIA also welcomes the continuation of ongoing initiatives such as the harmonisation of statistics on commercial real estate, which will help to improve comparability and data availability across Europe.

- EPBD implementation must consider the variety of commercial asset classes (e.g. retail, office, logistics, hotel, care), particularly in terms of energy and electric mobility requirements
- Regulations on teleworking/mobile working and occupational health and safety must be updated adequately to provide sustainable and future-proof office spaces
- Decarbonisation and environmentally friendly conversion of office and retail buildings (e.g. into apartments) should be supported by appropriate, publicly funded partnerships



OUTLOOK

Outlook

The real estate industry is an important pillar of the European economy. The outstanding economic importance of the sector also entails a significant societal responsibility. ZIA, with its employees and members, will continue to embrace this responsibility and to support the European project of peace, freedom and sustainable and inclusive prosperity. For this to be succeed, we need to focus on key challenges and opportunities with clear priorities and a long-term view. The European Union must progress, decisively and swiftly, on key economic processes.

In addition to the economic and financial policies addressed in this paper we also need to set the course for security policy. Recent years have shown how important it is to remain vigilant in building partnerships, to take strategic decisions with foresight and to courageously stand up for European values. This is an ever-increasing challenge. To this end, the Union must provide political leadership without prejudice to legal competences and without calling into question the principle of subsidiarity inherent in EU law. It must address major challenges in a close dialogue with Member States and the civil society. Europe must live up to its ambition to be an economic union by being a political union. The EU and the Member States must protect common values, human rights and democracy – from a moral as well as from a purely economic point of view.

The new legislative period 2024-2029 presents unprecedented challenges and risks, but also opportunities. We cannot afford to continue focusing on isolated topics and files with a short-term horizon. The European Union needs to look at the bigger picture and tackle issues holistically rather than in isolation. Harmonisation of European legislation based on common policy principles deepens a single and competitive European market. Common standards that reduce the cost of implementing legislation will increase the competitiveness of European companies.

An urgent challenge throughout the European Union is the increasing shortage of housing. Under Union law, the principle of subsidiarity and national particularities, the European Union has no natural competence in housing issues. However, within its limits of power the Union should work on the adjustment of existing instruments. This applies in particular to an adequate revision of state aid and public procurement law. ZIA therefore supports the re-elected President's announcement to address this important issue at Commissioner level.

All of this requires foresight and a continuous exchange in times of a constantly changing world. ZIA and its members will continue to participate in this dialogue at national and European level. In the new legislative period and beyond, we will work closely with European decision-makers and other stakeholders to help building a stronger Europe together.





Download the EU Policy Paper from our website:
<https://zia-deutschland.de/project/eu-policy-paper-2024/>

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The German Property Federation (ZIA) is the umbrella organisation of the property industry. Through its members, including 34 associations, it speaks for around 37,000 companies in the sector along the entire value chain. ZIA provides the property industry in all its diversity with a comprehensive and uniform representation of interests that reflects its importance for the national economy. As an association of companies and associations, it gives the entire property industry a voice at national and European level with a presence in Brussels, Vienna and Zurich – and in the Federation of German Industries (BDI). The president of the association is Iris Schöberl.

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