

May 3, 2023

2023 Real Estate Trend Analysis in the Industry: Room for Improvement in ESG



Stuttgart, Germany, May 3, 2023. Sustainability, New Work, space efficiency and the fight for talents – the people responsible for real estate in industrial companies must increasingly deal with ever more complex topics and create interaction points with other company departments. These are among the results of this year’s trend study *Real Estate in the Industry*, carried out by the consulting firm Drees & Sommer SE. The ESG strategy, operator risks and digital transformation are some of the most demanding challenges companies are facing right now.

Real estate managers from companies in Germany’s industrial sector took part in the survey conducted in February 2023. In an online survey, 215 real estate experts from different industrial sectors responded to questions about their real estate management organization and trends; sustainability; environmental, social and corporate governance (ESG) aspects; New Work; and digital transformation. Around 40 percent of those surveyed work in companies with more than 10,000 employees.

A comparison with the results of last year’s questionnaire shows that the majority of the real estate organizations still see themselves as representatives of the real estate owners and their management processes.

Barbara Wiesneth
Head of Media and Public Relations
phone +49 (0)711 1317 2411 • mobile +49 (0)172 7995752
barbara.wiesneth@dreso.com

Lisa Fehrentz
Media and Public Relations Manager
phone +49 (0)711 1317 10202 • mobile +49 (0)172 7692202
lisa.fehrentz@dreso.com

May 3, 2023

Hence, the responsible persons in corporate real estate management (CREM) are increasingly becoming strategic partners for other company divisions such as HR departments or staff units which directly report to the executive bodies. The results show a trend towards centralized real estate organization structures. In last year's survey, 54 percent of the respondents stated that they were centrally organized, but this year this figure has risen to 64 percent. 'Our experience drawn from consulting mandates and our dialog with corporate representatives confirms this development. This organizational form offers many advantages, as is demonstrated by companies with a professional central CREM unit. They are faster and more efficient in designing solutions for current challenges, and they also implement these solutions efficiently,' explained Thomas Häusser, Partner at Drees & Sommer and expert in real estate consulting.

Growing Awareness of ESG Aspects

Apart from a lack of transparency and attention from the management, the CREM staff also feel pressure from a number of other directions. More than half of the CREM specialists must consciously accept operator risks which cannot be solved otherwise because the areas of responsibility within the company are not clear. A further complication lies in the areas of sustainability and ESG. 85 percent feel under pressure to act because of the expectations of society, politics and the media. However, although awareness of this pressure is growing, only half of the respondents state that they know in detail what this entails. Though it must be said, the proportion of respondents who do not yet have an ESG strategy for their company has almost halved compared with the previous year and is now only 16 percent.

Frequently, however, the trend study shows that the ESG strategy is not yet synchronized with the real estate strategy. Whereas more than 80 percent of the companies represented in the questionnaire have developed an ESG strategy for the company as a whole or at least in parts (previous year: 71 percent), over a third of the respondents do not know of a coherent ESG strategy for the CREM department in their organization. 'If the CREM departments are to implement the ESG requirements effectively, the topic must permeate the whole company from its corporate strategy throughout the organizational structure, all of its locations and the entirety of processes, including its core business and the whole property management sector.'

Barbara Wiesneth
Head of Media and Public Relations
phone +49 (0)711 1317 2411 • mobile +49 (0)172 7995752
barbara.wiesneth@dreso.com

Lisa Fehrentz
Media and Public Relations Manager
phone +49 (0)711 1317 10202 • mobile +49 (0)172 7692202
lisa.fehrentz@dreso.com

May 3, 2023

Business companies and CREM departments which do not yet know the ESG conditions which apply to them need to act, otherwise the management of the organizational structure, the processes and thus the whole company, including the real estate portfolio, will be difficult in the future,' commented Thomas Häusser.

Digital Transformation Is among the Most Demanding Challenges

Digital transformation remains a work in progress, and the degree of implementation varies greatly in different companies. Why is that? Three quarters of the respondents believe that investment costs for the implementation of digital tools and systems are the greatest challenge. This is reflected in the fact that the annual budget for digital processes has only risen slightly from previous years, and that for about half of those surveyed it is between one and five percent of their sales revenue. Thomas Häusser said: 'But there are many firms which see the potential and the necessity of digital transformation, and thus invest large sums. They sense the urgency and do not want to fall behind the competition. Their goal is not only to introduce digital tools to optimize business processes, reduce costs and improve efficiency. In a fiercely contested recruitment market, they also aim to remain attractive for specialist personnel and career starters.'

The Golden Average between Working from Home and the Office

At home or in the office: most employers now place a clear focus on the freedom of their employees to decide their own way of working. In more than half of the responding companies, the employees can choose freely where they want to work. It is noted that the office environment remains an important constant element in working life which staff members still use even if they are free to choose. In 28 percent of the companies surveyed, the golden average time spent working at home is three days per week, and in just under a quarter of the companies the average is two days.

This means that a fully occupied office space is rare. A third of the respondents report a 40 percent vacancy rate, and a further third report up to 60 percent of unoccupied space. Almost two thirds therefore plan to adapt their premises, and 22 percent have already implemented this. But only a small proportion of the respondents plan to reduce their floor areas. Most of the companies which plan to change their premises want to redesign the facilities in their available floor area and thus to enhance the quality of their work environment. Staff loyalty and employer attractiveness are the main motivating factors in these changes.

Barbara Wiesneth
Head of Media and Public Relations
phone +49 (0)711 1317 2411 • mobile +49 (0)172 7995752
barbara.wiesneth@dreso.com

Lisa Fehrentz
Media and Public Relations Manager
phone +49 (0)711 1317 10202 • mobile +49 (0)172 7692202
lisa.fehrentz@dreso.com

May 3, 2023

In addition, the office concept aims to improve communication among the staff. The monetary aspect (cost efficiency by reducing the size of the premises) is only the third goal mentioned by respondents.

The full survey report (available in German) and many other results can be downloaded by clicking this link: <https://www.dreso.com/de/trendstudie-real-estate-in-der-industrie-2023>

Drees & Sommer: Your Innovative Partner for Consulting, Planning, Construction and Operation.

As the leading planning and consulting company with headquarters in the Germany city of Stuttgart, Drees & Sommer SE has worked with private and public clients from construction bodies to investors on all types of real estate and infrastructure projects – both analog and digital – for more than 50 years. With its pioneering and future-shaping consulting, the company offers solutions for successful buildings, high-return portfolios, powerful infrastructure and livable cities. 4,500 employees in interdisciplinary teams based at 51 locations worldwide support clients across a wide spectrum of sectors. All the services provided by the partner-run company take into consideration both economic and ecological concerns. Drees & Sommer calls this holistic approach ‘the blue way’. For more information, please visit: www.dreso.com

Barbara Wiesneth
Head of Media and Public Relations
phone +49 (0)711 1317 2411 • mobile +49 (0)172 7995752
barbara.wiesneth@dreso.com

Lisa Fehrentz
Media and Public Relations Manager
phone +49 (0)711 1317 10202 • mobile +49 (0)172 7692202
lisa.fehrentz@dreso.com