

The impact of climate risks on the value of real estate properties - how a transparent real estate market may provide solutions

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SUMMARY

The effects of climate change have meanwhile become an increasingly popular topic in the mainstream media. The real estate sector is particularly affected, as it is one of the biggest sources of carbon emissions. On the other hand, real estate is more exposed to changes caused by climate change: Obviously, buildings cannot be relocated and must therefore be planned and built for the future today. Physical climate changes, i.e. more frequent and more severe extreme weather and long-term changes, affect real estate just as much as changing energy costs and energy efficiency requirements. The more frequently natural disasters occur and in an increasing number of areas, the more sensitively real estate investors react towards properties with a certain climate risk. There are now many studies that focus for example on the impact of flooding on the value of real estate. Often with different results. But finally, the exposure of the economic consequences of such natural disasters should in turn have a climate-protecting function. This is one of the reasons why the EU taxonomy, in combination with the Sustainable Finance Disclosure Regulation (SFDR) and the Corporate Sustainability Reporting Directive (CSRD), requires consideration of climate risks. In essence, this is about creating transparency for the financial market so that investments can be made in properties and companies that are climate-resilient - i.e. that can deal with the possible climate in the near and distant future without suffering major losses in value. This presentation provides a brief overview on this issue and aims to encourage discussion on how real estate valuation based on transparent data can also have a climate-protecting effect. Wolfgang Glunz, member of DVW AK6, Germany

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