

25 FEBRUARY - 01 MARCH 2024, BERLIN

ULI ADVISORY SERVICES PANEL SUMMARY REPORT

BERLIN

Turning Risk into Opportunity:
Decarbonising Stranded Assets at a
Neighbourhood Scale



About ULI

The Urban Land Institute is a global, member-driven organisation comprising more than 48,000 real estate and urban development professionals dedicated to advancing the Institute’s mission of shaping the future of the built environment for transformative impact in communities worldwide.

C Change

C Change is a ULI-led programme to mobilise the European real estate industry to decarbonise. We’re a movement empowering everyone to work together for a sustainable future. We challenge barriers, share expertise, and champion innovation to accelerate solutions that will transform our industry.



Net Zero Imperative

The ULI Net Zero Imperative is a multi-year initiative to accelerate decarbonisation in the built environment and is a significant aspect of ULI’s work to advance its net zero mission priority. The programme sponsors technical assistance panels and is designed to help building owners, cities, and other relevant constituents reduce carbon emissions.

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Panel Assignment and Objectives

The built environment is a major contributor to greenhouse gas emissions, accounting for approximately 37% of energy-related carbon dioxide emissions in Europe. Decarbonising the real estate sector is therefore critical to mitigating climate change risks and achieving international targets like limiting global warming to 1.5°C above pre-industrial levels.

Recognising these challenges, ULI convened a group of multidisciplinary experts for an Advisory Services Panel (ASP) in Berlin to develop solutions for addressing asset stranding risks and accelerating decarbonisation. ULI’s ASPs bring together leading experts from across the built environment sector, to provide objective advice on a wide range of land use and urban development challenges, and offer strategic recommendations that are deeply informed by sustainability, resilience, and community well-being.

The objectives of the panel were to:

- 1 **Develop scalable multi-stakeholder solutions** that build the business case for decarbonisation at a neighbourhood and city level, unlocking environmental, social, and economic value.
- 2 **Take a holistic approach** to reducing or eliminating asset stranding by integrating retrofitting, repurposing, planning, and financing strategies.
- 3 **Leverage public-private partnerships** to scale decarbonisation efforts, maximising impact while ensuring equitable distribution of benefits.
- 4 **Apply solutions to the two case study areas** to extract universal principles and address specific challenges in commercial and affordable housing sectors.



Kurfürstendamm High Street (KFD):

A prominent commercial district where ageing building stock and shifting consumer and occupier trends have led to increasing vacancy rates and declining asset values. The challenge lies in repositioning the area as a future-proof, sustainable commercial hub while balancing public and private sector interests.

Buckower Höfe (BH):

A large-scale affordable housing estate with significant energy inefficiencies and socioeconomic challenges. The focus here is on creating a just transition that ensures affordability while modernising social infrastructure for long-term sustainability.

Key challenges

The Decarbonisation Imperative

Buildings generate significant emissions from energy use and embodied carbon in materials and construction. To align with a 1.5°C pathway, building emissions must drop 50% by 2030 and reach full decarbonisation by 2050 (European Commission, 2022). This requires scaling up green buildings and deep retrofits of existing stock at annual rates of 2-3%. Currently, global renovation rates are only 1-2% per year.

Asset Stranding Risks

A European study estimates €14 trillion in real estate assets could be stranded by 2050 (European Commission, 2023), with older, inefficient buildings at higher risk. Buildings that fail to decarbonise risk becoming economically stranded due to:

- **Regulations:** Carbon pricing, energy standards, and disclosure rules raise costs and viability issues.
- **Market Shifts:** Demand for sustainable buildings influences investment and occupier demand.
- **Physical Climate Risks:** Rising temperatures and extreme weather threaten assets.
- **Market Trends:** Remote work and demographic shifts increase the risk of obsolescence.

While these pressures affect all buildings to some extent, certain assets—particularly those with limited revenue potential or significant physical and social constraints—face disproportionately higher risks. In these cases, such as aging affordable housing stock, the business case for deep retrofit or regeneration is often weak. There may be no clear route to recouping investment costs through increased rents or sales values, making private-sector-led decarbonisation infeasible without public intervention or alternative funding mechanisms.

This makes a differentiated approach to risk and investment critical. High-risk, low-revenue assets require stronger public sector leadership, innovative financing tools, and governance models that account for non-monetary returns such as avoided social costs, health improvements, and community resilience. Recognising and addressing these dynamics is essential to ensure that climate transition efforts are both equitable and economically viable across all asset classes.

Barriers to Decarbonisation: A Look at Berlin

Public Sector Vision, Leadership and Strategy

- | | |
|---------------------------|--------------------------------------|
| Fragmented governance | Inconsistent policy execution |
| Stakeholder trust deficit | Limited public-private collaboration |

Economic Challenges vs. Societal Value Creation

- | | |
|-----------------------------|------------------------------|
| High capital costs | Financial market constraints |
| Labour and skills shortages | Regulatory constraints |

Market and Structural Real Estate Trends

- Shifting demand patterns
- Misaligned valuation methodologies
- Physical climate risk

Data Gaps and Technological Barriers

- Inconsistent carbon measurement standards
- Limited access to retrofit data
- Technology adoption lags

Social and Equity Concerns

- Risk of displacement
- Lack of equitable investment distribution
- Public perception challenges



Guiding Principles

1 Clarifying who Leads, who Pays, and who Benefits

Decarbonising urban districts—particularly assets at high risk of stranding—requires an integrated governance lens that distinguishes between those who benefit from interventions, those who are expected to pay, and those who are positioned to lead.

In many cases, particularly in vulnerable affordable housing contexts, the long-term societal and fiscal benefits of transition (such as reduced social welfare costs, improved public health, and enhanced social cohesion) accrue to the public sector, while the costs of retrofit or regeneration fall on owners or institutions with limited financial flexibility.

This disconnect between value creation and investment capacity must be addressed through governance structures that align responsibilities with benefits. Where the public sector is the primary beneficiary, it should take a more active leadership and investment role. Where the private sector stands to gain—such as through asset value preservation or rental uplift—it is well-positioned to lead decarbonisation efforts, supported by enabling policy and risk-mitigating incentives from the public sector.

This principle is foundational to developing effective investment strategies and ensuring a just, balanced transition—one that distributes costs fairly and scales neighbourhood transformation efforts efficiently.

The Case of Commercial (Kurfürstendamm) & Residential (Buckower Höfe) Districts

In the case of Buckower Höfe, the majority of long-term benefits—such as improved public health, reduced social spending, and greater community stability—are captured by the public sector rather than property owners or investors. Residents benefit from better living conditions but are not able to absorb higher costs. Here, public leadership is essential in both funding and governance.

Public investment in infrastructure such as district heating and green spaces delivers returns through avoided social costs and stronger community outcomes. The role of the municipality or wider public sector extends beyond facilitating policy and into co-investment in regeneration, supported by value capture mechanisms that retain affordability and encourage inclusive outcomes.

In contrast, Kurfürstendamm’s revitalisation primarily benefits private stakeholders, with property owners gaining from reduced vacancy, improved rental yields, and land value uplift. In this context, private sector leadership is both feasible and desirable.

The public sector’s role is mainly to enable transformation—through supportive planning policy, zoning flexibility, and facilitation of district-wide initiatives like the Business Improvement District (BID). This approach ensures that private investments flow efficiently and align with public interests such as climate resilience or mobility upgrades.

Aligning Investment Responsibilities with Value Creation

The figures show how decarbonisation investment strategies must align with the distribution of benefits. In publicly beneficial projects like Buckower Höfe, public leadership and funding are key. In privately advantageous contexts like Kurfürstendamm, the private sector can lead with supportive public facilitation.

Figure 1 - For asset owners, the economic case is challenging

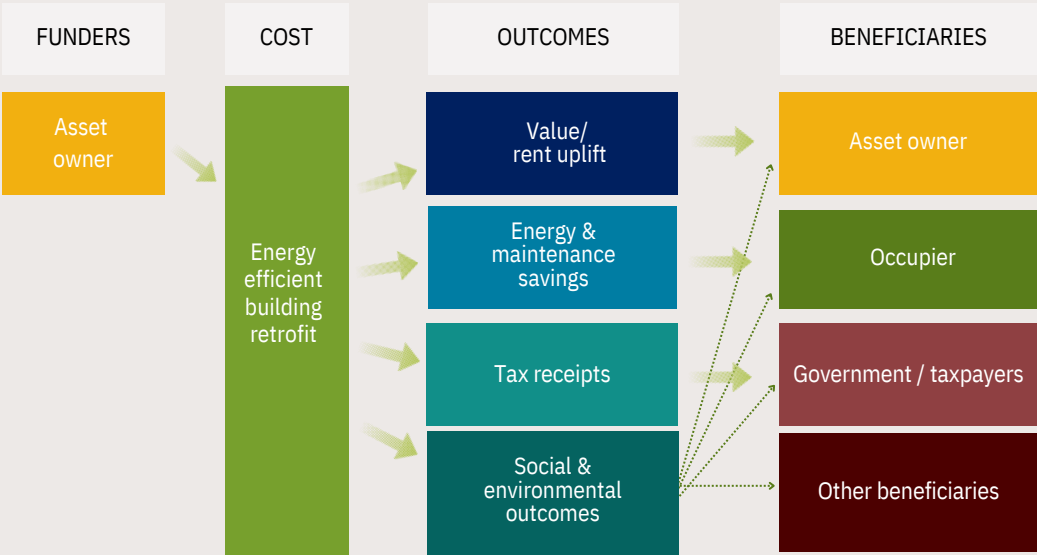
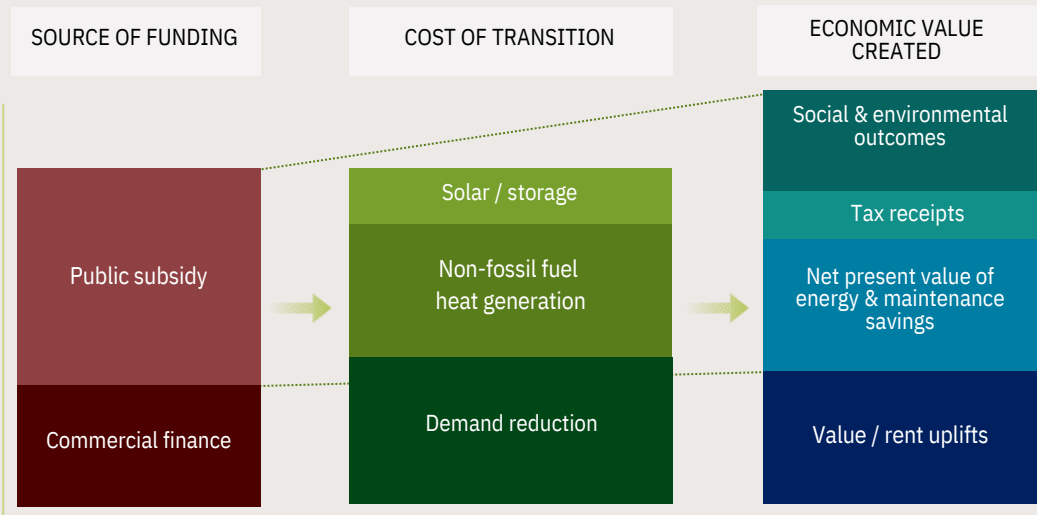


Figure 2 - For society as a whole, there is a positive return



Source: Adapted from Living Places, 2023



The Integrated, Place-based Vision

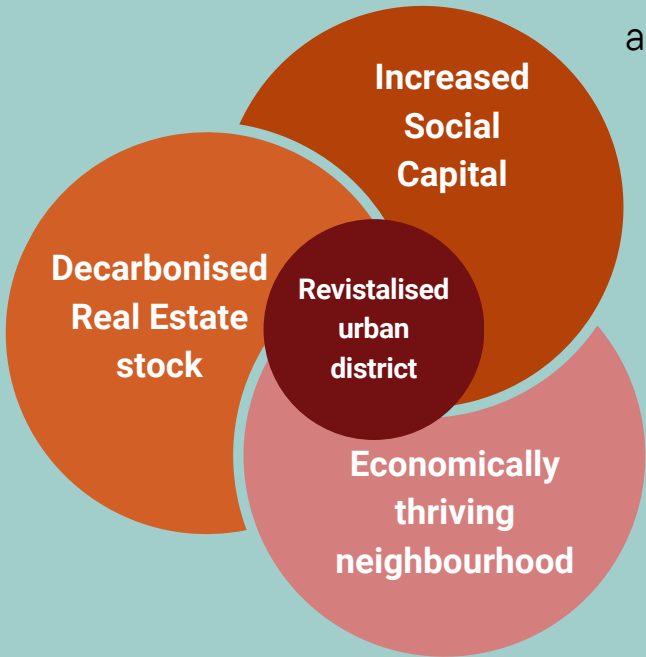
Decarbonising the built environment through an integrated, place-based approach is not just about reducing emissions - it presents an opportunity to catalyse the comprehensive revitalisation of entire urban districts into thriving, sustainable and resilient communities.

Environmental Benefits: Coordinated retrofits, sustainable infrastructure, and circular systems drive significant emissions reductions. Nature-based solutions, flood mitigation, and cooling measures enhance climate resilience and future-proof cities.

Social Benefits: Better public spaces, cleaner air, and improved services strengthen communities and public health. Targeted investments in disadvantaged areas ensure an inclusive transition, spreading benefits across all communities.

Economic Benefits: Sustainable urban design boosts property values, attracts businesses, and enhances liveability. Companies actively prioritise green districts to attract talent and improve productivity. Investments in infrastructure and retrofits create jobs in construction, clean tech, and green services.

An integrated systems approach transforms decarbonisation from a compliance obligation into a catalyst for district-wide renewal:



- **Creating a compelling narrative** around neighbourhood renaissance drives engagement and buy-in from all stakeholders.
- **Coordinating interventions** at an area level generates economies of scale and design efficiencies, making shared systems such as district heating/cooling more cost-effective than separate systems.
- **Unlocking multiple value streams** across environmental, social, and economic dimensions enables stacking diverse funding sources and innovative investment models.



Mindset Shift: Cost to Investment Approach

Mobilising capital for neighbourhood-scale decarbonisation requires shifting from a cost-focused view to seeing it as an investment that generates multiple value streams and long-term returns across environmental, social and economic dimensions.

To construct a viable financing stack, a blended finance approach is critical:

Public Funding for Social/Environmental Outcomes: Public funds, green banks, development finance institutions and tax incentives can monetise the environmental and societal benefits like climate resilience, public health and well-being, green economic development and job creation

Private Investment for Asset Value Uplift: Property owners, investors and developers can capture value from increased rents, sales prices and asset appreciation resulting from enhanced sustainability, amenities and placemaking within revitalised neighbourhoods.

Institutional Capital for Energy/Operating Savings: Securitising future energy and operating savings attracts institutional capital, with financial tools like property-linked loans and green mortgage-backed securities facilitating investment.

A blended approach distributes risk, aligns interests, and mobilises diverse investors to achieve scale. Implementing such blended financing requires integrated, collaborative strategies that coordinate various funding streams:

- **Public Sector Funding:** Tap into EU, national, and local programs for urban sustainability grants and tax credits.
- **Value Capture Mechanisms:** Use land value capture, tax-increment financing, and development charges to reinvest public and private gains into neighbourhood improvements.
- **Aligned Commercial Interests:** Engage utilities, mortgage providers, and insurers invested in infrastructure upgrades and climate risk reduction.
- **Long-Term Investment Vehicles:** Create investment products like green REITs to capitalise on long-term energy and operating savings.

4 Governance & Collective Ownership

Delivering decarbonisation at the neighbourhood scale requires governance structures that align interests, unlock investment, and embed long-term accountability.

One promising model is the Neighbourhood Innovation Centre for the Environment (NICE)—a platform designed to coordinate stakeholders around a shared climate and regeneration strategy. NICE connects local authorities, institutional investors, landlords, tenants, utility providers, transport agencies, and community organisations, acting as a central hub to facilitate planning, financing, and implementation across the real estate lifecycle.

Key operational functions of a NICE include:

- **Integrated planning:** coordinating decarbonisation, densification, mobility, and retrofit strategies under one roadmap;
- **Capital alignment:** layering grants, concessional finance, and commercial capital to reflect who benefits and who can pay;
- **Participation and legitimacy:** involving residents and civic actors in priority-setting to reduce delivery risk and ensure long-term buy-in;
- **Data and monitoring:** managing local emissions data, retrofit needs, and performance metrics to support investment decisions.

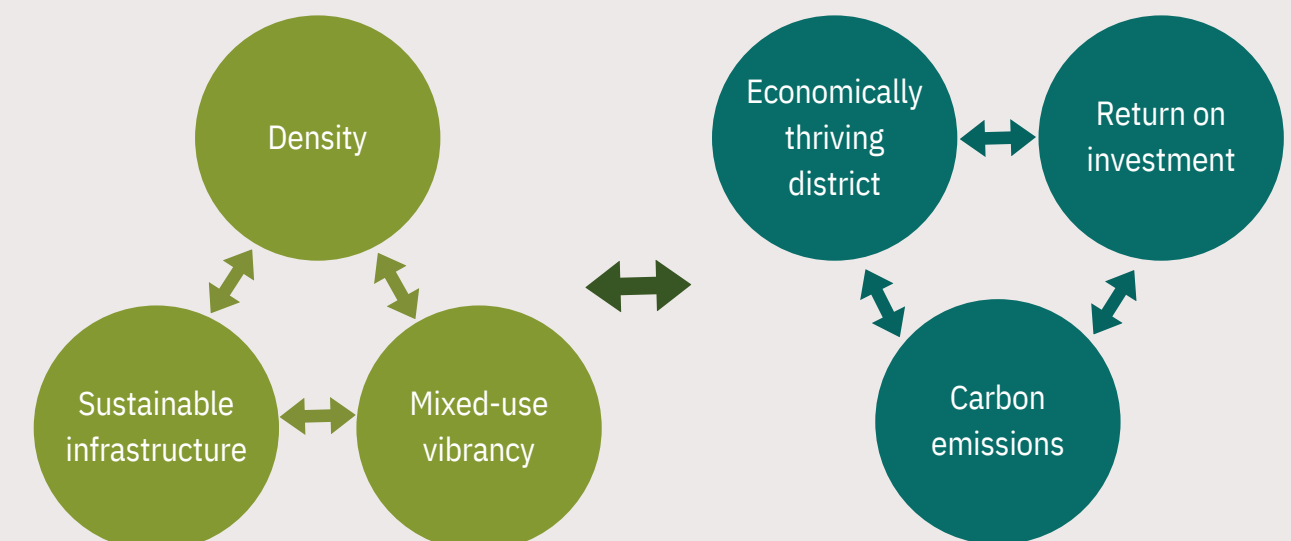
NICE platforms can support the creation of Local Climate Investment Plans, structure value capture mechanisms (e.g., green BIDs or land value uplift sharing), and act as a delivery arm for public-private co-investment. They offer institutional memory and stability for long-term programmes, unlock pipeline visibility, reduce stakeholder friction, and create conditions for sustainable value. Scaling this model across high-potential districts could catalyse systemic impact while de-risking investment at the neighbourhood level.

5 Building the Business Case for Successful Urban Development

Density and Land Value Uplift: Density generates higher land values and economic productivity due to agglomeration benefits like labour market pooling, knowledge spillovers and reduced transportation costs. Increases in asset values create an incentive for property owners/developers to invest in upgrading buildings and neighbourhood amenities. Value capture mechanisms can then recycle a portion of this uplift back into funding public realm improvements and infrastructure.

Mixed-Use Vibrancy and Reduced Automobile Dependence: A mix of residential, commercial, retail, and community uses reduces commutes and travel separation, lowering car use and emissions. Higher-density, pedestrian-friendly neighbourhoods enhance vibrancy, boost consumer spending, retail revenues, and jobs. This economic productivity can be monetised through sales taxes or tax-increment financing for neighbourhood improvements.

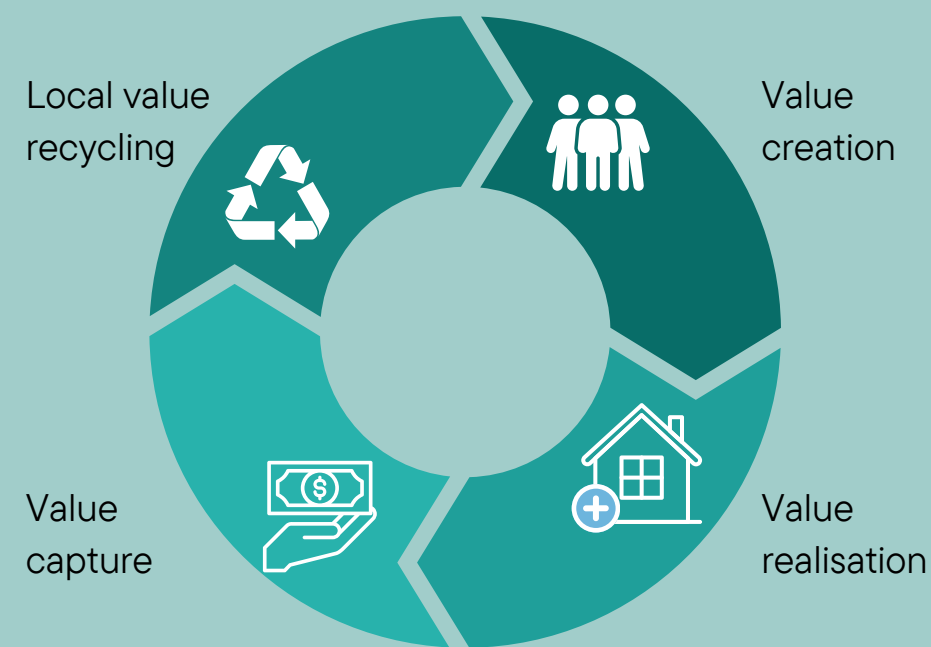
Sustainable Infrastructure Investment: Investing in sustainable infrastructure and digital connectivity can reduce operating costs, enhance climate resilience and improve liveability standards for an area, feeding back into higher property values. Capturing even a fraction of this value through mechanisms like land value capture or property tax increments can help fund the upfront capital costs.





Cyclical Value Creation

These strategies of densification, mixed-use development and sustainable infrastructure investment can catalyse cyclical value creation. Unlocking these positive feedback loops requires an integrated approach that coordinates public and private investment within a coherent placemaking vision. Value capture mechanisms that equitably distribute costs and benefits across stakeholders are key enablers. By building a robust business case around cyclical value creation, cities can drive the transition to decarbonised and economically vibrant neighbourhoods at scale.



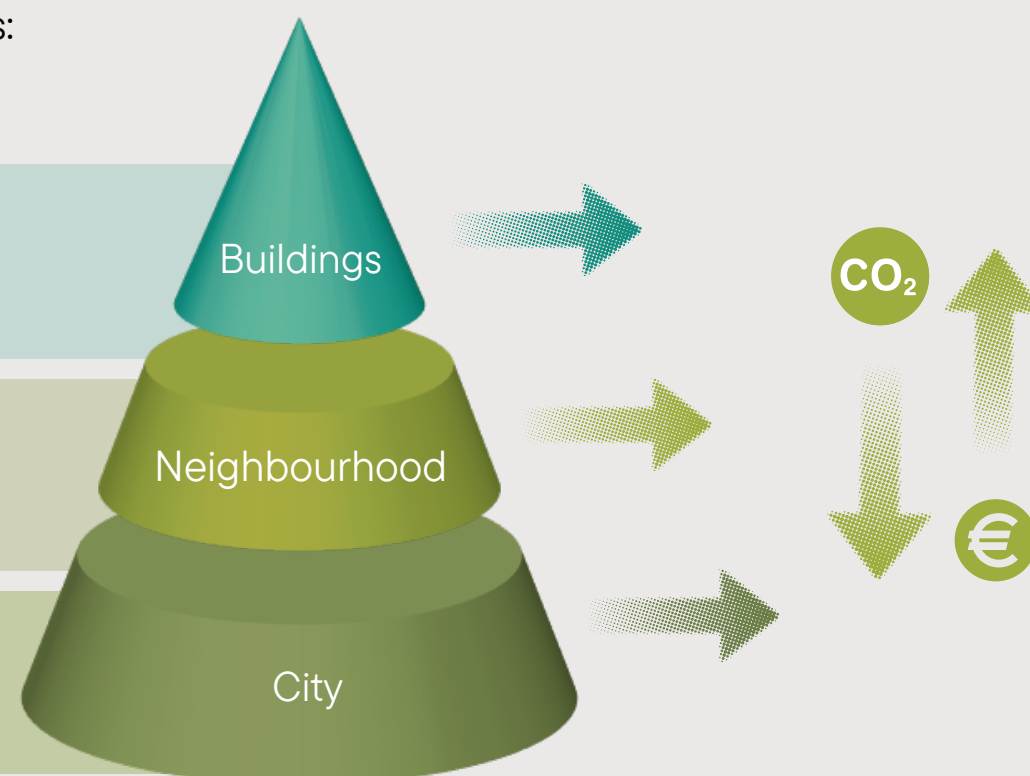
Systems Thinking Across Scales

Achieving these principles necessitates taking a systems-level approach to decarbonisation that holistically integrates strategies across scales:

1. Densify and mixed functionality
2. Retrofit
3. Energy generation
4. Energy efficiency

1. Active mobility
2. Shared energy solutions
3. Resource management and logistics
4. Climate change resilience

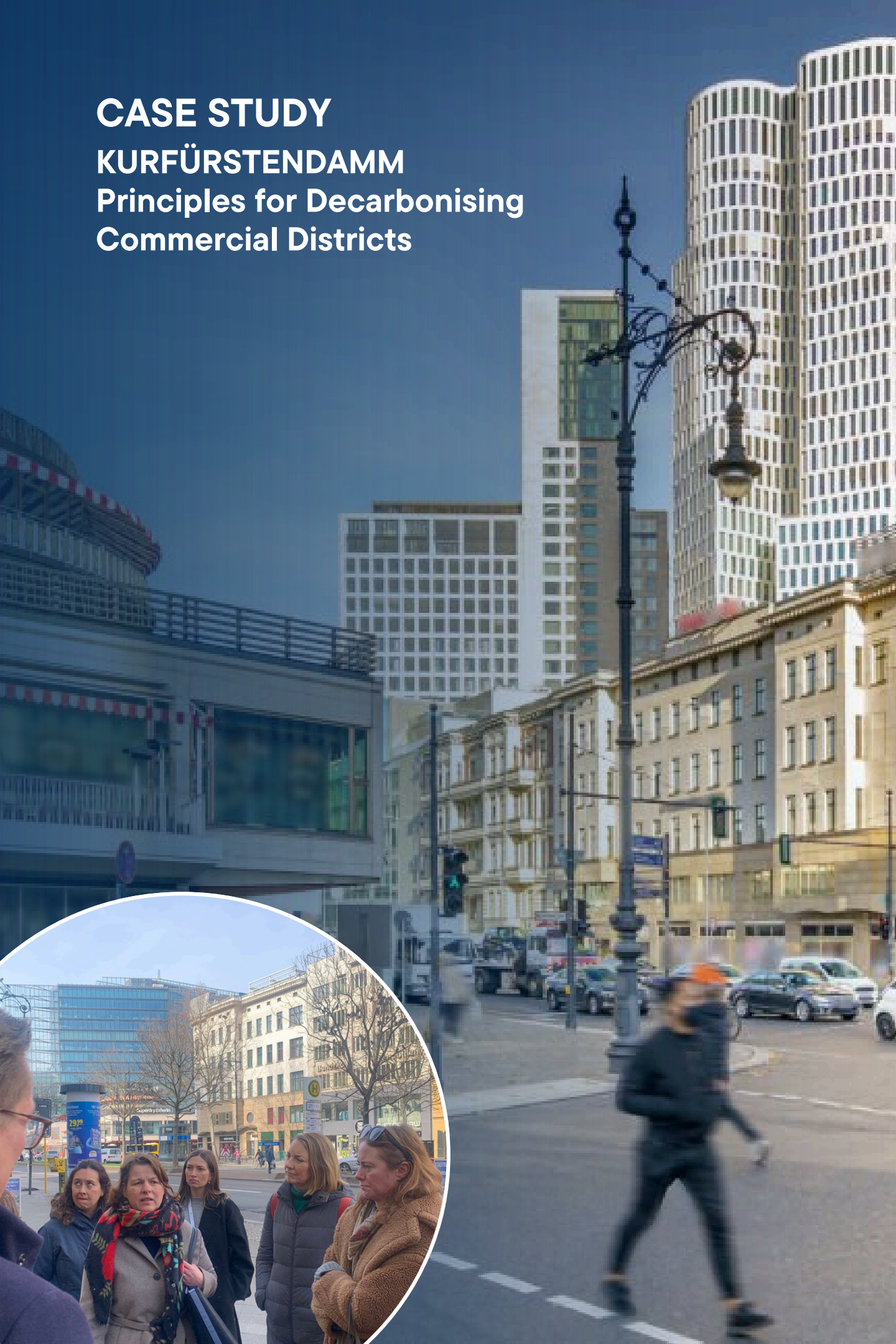
1. Shared vision, alignment of needs, spending and effort
2. Systems approach to energy, water, waste and mobility
3. Collaboration and learning across sectors, neighbourhoods and use groups



CASE STUDY

KURFÜRSTENDAMM

Principles for Decarbonising Commercial Districts



Background

Located in West Berlin, the Kurfürstendamm High Street and its associated commercial real estate pose a unique set of urban transformation challenges. These challenges are emblematic of the broader shifts occurring in urban centres, driven by changing patterns in how people work, shop, and interact within city environments. As cities grapple with the urgent need to decarbonise and transform their built environments, these principles offer a roadmap to drive equitable, community-centered urban renewal:



Integrated District Approach: Cities must shift from isolated asset-level interventions to a holistic, district-scale strategy that aligns sustainability efforts across buildings, mobility, energy, water, waste, and public space.



Maximising Impact Through Alignment: Coordinating retrofits with mobility investments, district energy solutions, and green infrastructure enhances climate resilience, liveability, and economic productivity.



Unlocking Economies of Scale: Aggregating retrofit demand and infrastructure investments can reduce capital costs by 15-30%, streamline supply chains, and enable industrialised construction techniques.



Catalysing Urban Regeneration: Sustainability-driven placemaking enhances liveability, attracts investment, and creates a positive feedback loop of increasing property values and economic activity.



Promoting Mixed-Use Density and Vibrancy: Compact, walkable, mixed-use developments drive consumer spending, optimise land use, and reduce embodied carbon from new construction.



Investing in Workplace Placemaking and Mobility: Enhancing pedestrian zones, public spaces, and mobility hubs improves district attractiveness, boosting property values, rents, and occupancy rates.



Fostering Circular Commercial Ecosystems: Integrating district-scale renewable energy, waste recycling, and urban farming reduces costs, enhances resilience, and future-proofs assets and neighbourhoods.



Prioritising Climate Resilience: Flood risk mapping, green infrastructure, and energy backup systems protect assets, reduce climate risk, and yield significant economic benefits.



Collaborative Governance: Public-private-people partnerships align interests, formalise roles, and build trust to accelerate sustainable urban transformation.



Innovative Financing: Blended financing, value capture, and monetisation of energy savings unlock capital while aligning economic, social, and environmental incentives.



Phased Implementation: An iterative approach – starting with stakeholder mobilisation and pilot projects, followed by supportive policies and scaled investments – ensures effective delivery and continuous improvement.



CASE STUDY

BUCKOWER HÖFE

Principles for Decarbonising Large-Scale Affordable Housing Estates

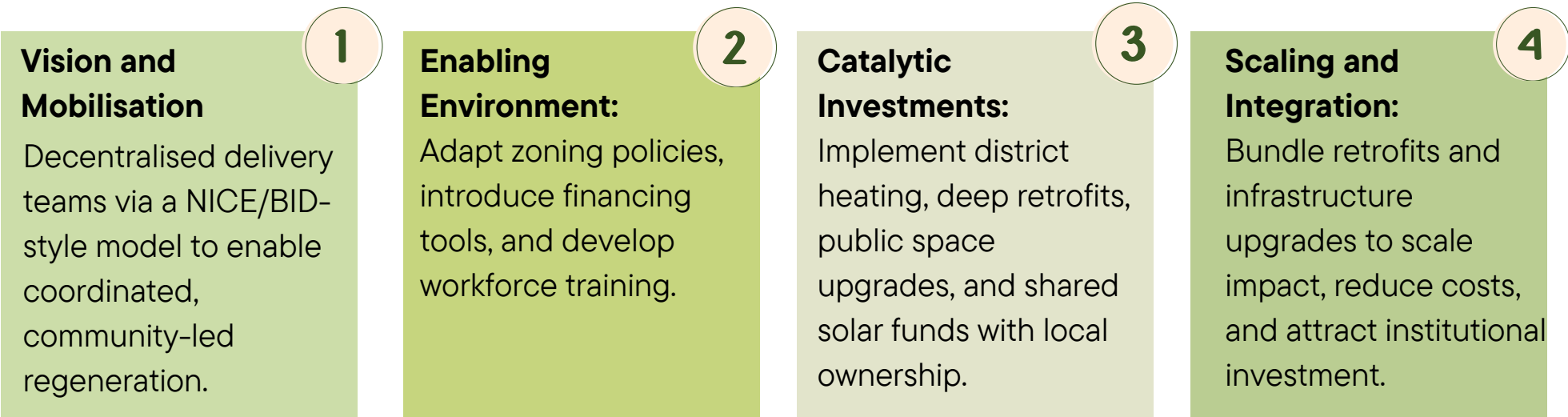
Background

Buckower Höfe is an affordable housing estate in Berlin’s Neukölln district. It comprises over 2,000 apartments managed by GEWO BAG, one of the city’s major housing associations. The area faces aging infrastructure, inadequate amenities, poor transport connectivity, and limited economic opportunities. However, strengths include a district heating network, new developments nearby, and GEWO BAG’s commitment to long-term refurbishment plans.

Decarbonisation Strategies

A holistic approach integrates deep retrofits, renewable energy, sustainable mobility, and community-scale delivery mechanisms. The primary challenge in this context is the scale of the retrofit and the need to build a viable investment case that aligns with affordability constraints and local value creation. Deep retrofits focus on retaining embodied carbon while improving energy performance with minimal disruption to residents. The existing district heating network can be enhanced with decentralised renewables—such as rooftop solar, biomass, and heat pumps—to reduce operational emissions. Mobility improvements—including cycling infrastructure, pedestrian routes, and better public transit—support liveability and access to opportunity.

Implementation Roadmap



Financing Mechanisms

Densification and mixed-use development are central to building a viable business case and securing stakeholder buy-in. Increasing density improves efficiency, leverages existing infrastructure, and unlocks land value, while complementary uses diversify income, support jobs, and enhance liveability. These strategies reduce per-unit retrofit costs and create conditions for scalable investment. Funding the regeneration requires a mix of public and private sources, including green municipal bonds, regeneration grants, ESG-aligned investors, and value capture tools like land value capture and tax increment financing. Green loans and the monetisation of energy savings further attract institutional capital, ensuring a financially viable and socially inclusive urban regeneration model.



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COVER: Berlin, Deutschland, iStock, bluejayphoto, 2016

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Recommended bibliographic listing: Urban Land Institute, ULI Advisory Services Panel Summary Report – Berlin – Turning Risk into Opportunity: Decarbonising Stranded Assets at a Neighbourhood Scale. London: Urban Land Institute, 2025.