

Office buildings with sustainability certifications command a 6% rental premium, new CBRE analysis finds

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Office buildings that meet Environmental, Social & Governance (ESG) standards command higher average rents regardless of the year they are built, according to a new European analysis from global real estate advisor, [CBRE](#).

The analysis reveals that buildings, both new and existing, that are certified to meet high environmental standards command higher office rents compared with non-certified stock. This finding is very supportive of the retrofitting challenge outlined by the European Green Deal, which aims to make Europe climate neutral by 2050.

CBRE found that sustainable buildings' rental premium is driven by a reduction in negative environmental impact, lower operational and maintenance costs, greater appeal to tenants concerned with corporate reputation and sustainability targets and increased occupant comfort, well-being and productivity. Government regulation, which is increasingly forcing occupiers to report on nonfinancial performance such as ESG metrics, is accelerating this trend. The findings are consistent with other CBRE studies over a long period of time, which suggest an enduring benefit to rents from verifiable measures to reduce carbon emissions.

In the 18 markets analysed, the share of the certified sustainable office stock stands at 20% as of mid-2022, compared with 14% in 2019. Leasing activity is following suit, with occupiers increasingly signing leases for space at certified buildings.

Dragana Marina, Sustainability Research Lead, Continental Europe, CBRE, said: For the CRE industry to scale up the sustainability agenda, the business case around sustainable buildings needs to be clear. Our analysis shows a significant correlation between sustainability certificates and buildings' market value – so the economic incitement is there.”

The CRE Industry has embraced sustainability in its decision-making, recognizing the fact that sustainable buildings have a pivotal role to play in ensuring the transition to a low-carbon economy, and managing potential risks. However, many European markets are still far from reaching significant adoption levels of sustainability certifications. This is highly interlinked with two key considerations: time horizons within which value creation is sought, and local market dynamics, including legislation and government regulation. Nevertheless, it is crucial for the European building sector to overcome the challenges to building certification and be future fit.