The Enduring Value of Green Real Estate

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Sustainability is reshaping Singapore's real estate, with green buildings moving from niche to core. The Singapore Green Building Masterplan and regulatory frameworks make energy performance a financial and governance priority, rewarding proactive boards with resilient assets and long-term value.

While sustainability is often viewed as a relatively recent priority across many sectors, in real estate it reflects a foundational shift that began more than two decades ago in Singapore.

The Building and Construction Authority (BCA) introduced the Green Mark certification scheme in 2005, followed by the first Green Building Masterplan in 2006. These early actions were not transient initiatives, but have set in motion a sustained market transformation that has embedded green buildings at the core of institutional investment and asset management strategies.

Today, the Singapore Green Building Masterplan 2021 sets out the "80-80-80 by 2030" targets, aiming for 80 per cent of Singapore's building stock to be green. As at 31 December 2025, 66 per cent of the country's building stock has been greened, signalling a maturing market where the green premium is no longer the primary concern.

Forward-looking boards increasingly recognise that going beyond regulatory standards is central to value creation by helping mitigate carbon-related risks and secure long-term capital appreciation.

Value of green buildings

Globally, green-certified assets command measurable rental premiums, reaching up to 10 per cent in Singapore. However, as sustainability becomes a baseline expectation, particularly within the Grade A office segment, the market is expected to pivot from rewarding sustainability leaders to penalising laggards.

Experience in jurisdictions with more stringent sustainability regimes, such as Europe's office and retail segments, suggests that asset values increasingly reflect "brown discounts", where non-compliant or underperforming buildings suffer value erosion due to regulatory compliance gaps.

In parallel, institutional occupiers are increasingly mandating green certifications as a requisite for leasing, driven by their own ESG commitments and emissions reporting requirements. As a result, green buildings consistently outperform conventional assets by attracting stronger tenant profiles, sustaining higher occupancy levels, and securing longer lease tenures.

Reinforcing value

Since 2008, Singapore has progressively tightened sustainability regulations for buildings, with recent policy shifts placing greater emphasis on enforcing performance outcomes across the existing building stock. The Mandatory Energy Improvement (MEI) regime took effect on 30 September 2025.

The MEI regime applies to buildings with a gross floor area of 5,000 m^2 or more that exceed prescribed Energy Use Intensity (EUI) thresholds for three consecutive years, where EUI is computed based on the annual energy consumption of a building over its gross floor area. Its scope is broad, encompassing commercial, healthcare, institutional, recreational and mixed-use assets. See box, "Examples of EUI Thresholds".

Under the MEI regime, owners of energy-intensive buildings are required to commission independent energy audits and implement improvements to reduce energy use within defined timelines. For directors and investors, this regulatory shift signals that energy inefficiency is now a legal and financial liability. With the EUI thresholds expected to be reviewed every five years, proactive energy management is no longer about operational savings, but about avoiding unplanned capital expenditure and safeguarding asset viability.

Financial benefits of energy retrofits

Beyond avoiding the penalties of the MEI regime, optimising energy performance delivers immediate bottom-line impact. Energy retrofits are not just green initiatives but also high-yield investments. Such projects routinely generate an internal rate of return that exceeds typical corporate hurdle rates, primarily through significant reductions in long-term operating expenses.

For boards concerned with capital allocation, Energy Performance Contracting (EPC) models offer an "as-a-service" approach to allow for major equipment upgrades with little to no upfront capital expenditure. Improvements are funded by guaranteed future energy savings, effectively shifting both the financial and technical performance risks from the asset owner to the contractor.

To mitigate execution risk, the Singapore Green Building Council (SGBC) maintains a directory of certified EPC firms, tiered by their financial capability and track record. Pre-validated EPC templates are also available to streamline procurement and ensure legal and financial clarity.

Examples of EUI Thresholds

Building Use	EUI (kWh/m2/yr)
Hotel	310
Office	200
Retail	495
Hospital or Specialist Clinic	360
Nursing Home	120
Autonomous University	190
Community Institution	155
Cultural Institution	270
Recreation Club	275

Note: Thresholds for mixed-use buildings are pro-rated by gross floor area percentage

Extracted from Building Control (Environmental Sustainability Measures for Existing Buildings) (Amendment) Regulations 2025.

Decarbonisation towards net-zero

As Singapore moves toward its 2050 net-zero commitment, decarbonisation is increasingly a core metric for institutional investors and portfolio valuation. With carbon taxes set to rise progressively, assets without a credible emissions-reduction pathway risk escalating costs, increasing regulatory exposure and an accelerated likelihood of becoming stranded assets.

To support the transition, SGBC and BCA have recently published a *Built Environment Decarbonisation Technology Roadmap*. The roadmap helps to identify proven technologies that can be deployed to meet more immediate decarbonisation targets, while also highlighting emerging technologies with longer-term potential.

Ultimately, timely action on decarbonisation will be critical not only for regulatory compliance but also for safeguarding asset value in a net-zero future.