Tracking the real estate energy transition

The energy transition continues to be an important, long-term trend for real estate investors, businesses and governments. A successful transition to a low-carbon economy is dependent on many factors, each of which can drive forward progress, or create challenges.

By *Abigail Dean*

Understanding the major issues affecting the real estate energy transition allows investors to gauge the pace of change for different locations and sectors, to better position real estate portfolios.

Our latest research explores how six influences – investor appetite, grid decarbonisation, supply chains, technology, regulation and occupier demand – are impacting the energy transition. The significance and progress of these factors will differ from one region to another. This highlights the fluctuating nature of the transition and the different adoption rate in different parts of the world. These factors create opportunities and challenges in the journey to a low-carbon economy. Here, we consider two of these six factors.

Investor appetite

Investment appetite for strategies that support the energy transition and positive environmental and social impact remains crucial. While wider economic and geopolitical volatility has tested sentiment, we continue to see healthy global demand supporting the energy transition.

When asked which factors influence investment decisions during Nuveen's Equilibrium Investor Survey 2025, 65% of Benelux respondents said the energy transition was already being factored in, while another 25% said it would become a factor in investment decision making in the next 12 months. Investors remain optimistic of the direction the transition is taking, with 85% of Benelux respondents maintaining a low-carbon economy is inevitable, up from 73% in 2022.

Along with the energy transition's prominence in decision making, the survey found that 55% of Benelux respondents considered net zero carbon as an investment decision factor, while another 20% said they plan to begin within the next 12 months. Across Europe, this number jumped to 80%, and 73% of Asian Pacific-based survey responses said the same. In the US, 50% said net zero carbon was an investment decision factor.

Globally, investors also factor ESG and climate risk into investment decisions, with 80% and 77% respectively reporting they consider or plan to consider them. Regional variances are quite stark, with US investors less likely to give weight to ESG, climate risk and net zero commitment factors than their EMEA or APAC counterparts.

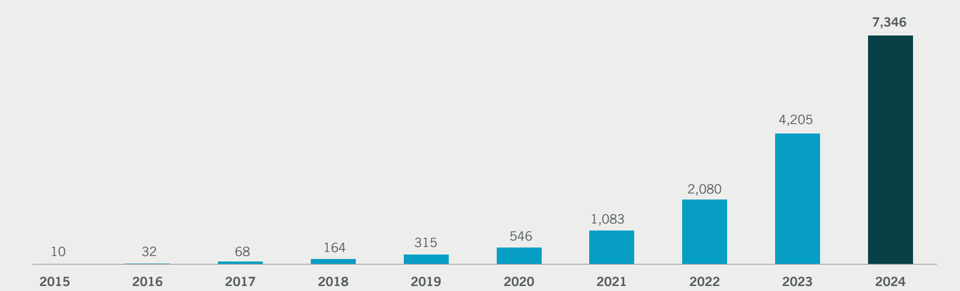
Even with the recent ESG backlash in certain markets, the majority of investors globally continue to favour ESG factors when considering investments. Recent reports from Europe and Asia Pacific indicate long-term investors continue to support ESG goals and are making allocation decisions away from managers seen to be rowing back on ESG commitments.[1]

Global occupier demand

Strong occupier demand is a crucial factor in decarbonising buildings. While some investments in energy efficiency improvements can be justified purely in terms of energy cost savings, the cost of the deeper retrofits necessary to deliver net zero carbon buildings can only be justified when a value gap between 'green' and 'brown' buildings exists.

Recent studies indicate occupiers are seeking landlords with clear plans on energy intensity, electrification and sourcing clean electricity alongside a willingness to work collaboratively on decarbonisation pathways. In 2024, more than 7,300 companies

FIGURE 1: SCIENCE BASED TARGETS INITIATIVE ALIGNED COMPANIES



Source: SBTI 2023, SBTI Monitoring Report 2023 representing over 40% of global market capitalisation had an approved science based target to decarbonise their business in place.[2]

Regulatory progress varies by region

Since the 2015 Paris Agreement, regulations supporting the low-carbon transition have developed at pace with new disclosures, taxonomies, ratings and accounting standards introduced. For real estate, the key regulations are those relating to building-level performance, where focus is placed on reducing energy consumption and carbon emissions.

Geographical fractures

Europe will likely continue to lead across the spectrum of regulation. At the building level, EU net zero carbon requirements are expected to tighten further, continuing to be the most stringent globally. A good example of European regulatory direction is France's Décret tertiaire which requires buildings to reduce energy consumption by 40% by 2030, 50% by 2040 and 60% by 2050, compared to a 2010 baseline.

The Asia Pacific region currently has less intensive regulation. However, it is moving in a similar direction to Europe, particulary in markets where Nuveen invests. In recent years, Asia Pacific nations have adopted new regulations around disclosure and climate risk management, and introduced numerous sub-regional and national taxonomies. Building-level requirements were introduced in China, Japan, Korea and others. Providing leadership in the region is Singapore, with its Green Plan 2030, as well as Australia.

The outlook in the US is more complex. At a federal level, it is unlikely that further regulation will be introduced. At city and state level, it is more nuanced. Some states may step away from environmental, social and governance regulation, while others adopt a progressive stance. Over 40 jurisdictions, accounting for almost 25% of US building stock, have joined the National Building Performance Standards Coalition[3] in committing to adopt building performance standards.

From a global perspective, we conclude current and coming building-level regulations signal support for the energy transition. However, we caution current and future commitments might not be met as political or economic pressures increase. This may be true of both voluntary commitments and legislation focused on building performance stringency.

A low-carbon economy is part of a bigger picture

The energy transition is a long-term, structural shift – and it is one of many. While the variables impacting the energy transition continue to create new challenges and opportunities, the progression of this structural trend has a ripple effect on other, long-term trends. ■

1 Nuveen's EQuilibrium Investor Survey 2025
2 SBTI 2023, SBTi Monitoring Report 2023
3 A voluntary group of states and cities launched in 2022 with a commitment to building performance policies and programs.

Disclaimer
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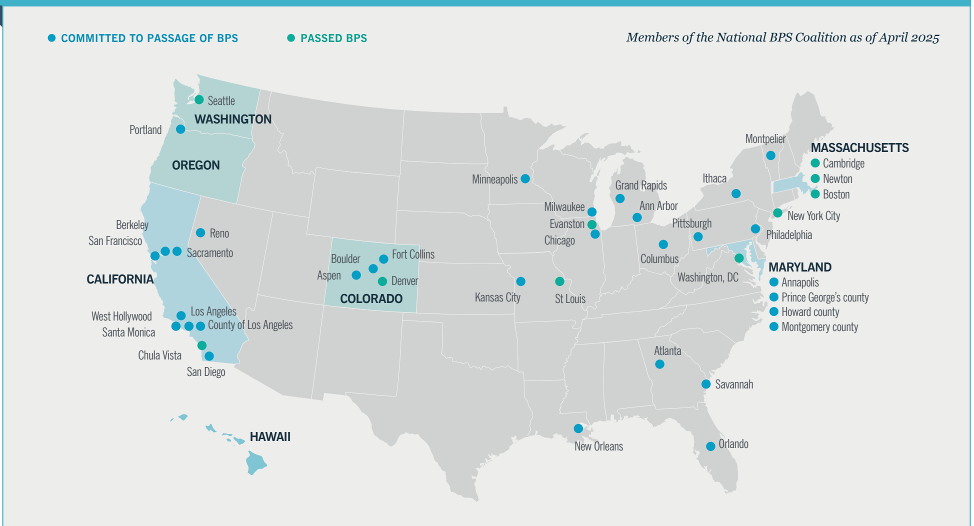
FIGURE 2: THE STATE OF BUILDING PERFORMANCE STANDARDS (BPS) IN THE US



Source: Institute of Market Transformation and National BPS Coalition

SUMMARY

Six factors drive real estate's energy transition, varying by region.

Investor demand for ESG and net zero remains strong, especially in Europe and the Asia Pacific region.

Occupiers favour landlords with clear decarbonisation plans, boosting green building value.

Regulation is strict in Europe, growing in APAC, and fragmented in the US.

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