

Future-proofing real estate: The sustainability imperative

How sustainability is redefining value in Indian real estate







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Executive summary



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For decades, India's real estate story was shaped by three familiar markers: location, square footage and brand. A fourth dimension is now becoming equally important — the sustainability quotient. Across Grade A offices, institutional portfolios, REIT-backed assets and premium residential projects, green-certified buildings are moving from a good-to-have feature to a measurable value driver.

India is already one of the world's leading green-building markets. The shift is being pushed by occupiers prioritising buildings with net-zero commitments - institutional investors assessing asset resilience, lenders evaluating long-term risk, and buyers who increasingly associate premium real estate with health, efficiency and climate-readiness. As a result, market participants are beginning to look beyond acquisition cost and focus more on how assets perform over time; not only what an asset costs to build or buy, but how efficiently it performs, how transparently it reports and how resiliently it holds demand over time.

If we look at commercial real estate segment, green-certified office buildings are increasingly becoming the preferred choice for occupiers, supported by stronger demand, higher occupancy levels, and enhanced asset performance. As sustainability becomes a key consideration in corporate real estate strategies, environmentally responsible buildings are increasingly viewed as more resilient, future-ready, and better positioned to deliver long-term value

The residential market is evolving differently. Here, the premium is tied less to formal ESG reporting and more to utility savings, wellness, thermal comfort, quality of life and long-term resale confidence. Sustainable housing features such as efficient envelopes, solar integration, water management, indoor air-quality systems, EV-readiness and smart energy controls are increasingly entering the vocabulary of luxury.

A growing luxury residential market, supported by rising household wealth, larger-format homes and increasing participation from non-resident Indians (NRIs), is expanding the pool of buyers who expect sustainability as a standard.

The green premium is no longer a broad sustainability claim. It is a value equation linking certified design, measurable operating performance, stronger occupier preference, lower transition risk and more resilient income streams.



01

Green building criteria and certifications

Green buildings are designed to reduce environmental impact while improving operating efficiency and user experience. Certification frameworks are important because they convert design intent into independently verifiable performance parameters. In India, the most relevant systems include Indian Green Building Council (IGBC) Green Rating for Integrated Habitat Assessment (GRIHA) and Leadership in Energy and Environmental Design (LEED). Global occupiers may also look at WELL Building Standard (WELL) and Building Research Establishment Environmental

Assessment Method (BREEAM) depending on portfolio policies.

Buyers and occupiers are increasingly citing the specific certification level (such as IGBC/ GRIHA/LEED) since its becoming important proof of the premium and a safeguard against the greenwashing occurring in the market. In a market where ‘sustainable’ has become a marketing default, certification provides the only reliable safeguard against greenwashing. For developers, this distinction matters: a certified asset commands a verifiable premium; an uncertified one does not.

What makes a building “Green”?

Parameter	What it assesses	Why it matters to value
Energy and carbon	Envelope, HVAC efficiency, lighting systems, renewable energy integration	Reduces utility cost and carbon exposure — directly improves net operating income
Water	Low-flow fixtures, greywater recycling, rainwater harvesting systems	Improves long-term resilience and lowers operating risk in water-stressed locations
Materials	Low-carbon construction materials, responsibly sourced inputs	Reduces embodied carbon — increasingly scrutinised by institutional investors and SBTi-aligned tenants
Indoor environment	Ventilation, daylight access, thermal comfort, acoustic quality, low-VOC finishes	Improves occupant experience and productivity — a key driver of WELL certification demand
Waste and operations	Waste segregation, recycling infrastructure, sub-metering, performance data systems	Enables auditable ESG reporting and supports green lease governance

For developers, certification provides a market-recognised signal of quality that travels into leasing conversations, valuations and ESG disclosures. For occupiers, it supports procurement processes, simplifies ESG reporting and contributes to employee-experience goals. For investors and REIT

unit holders, it reduces future obsolescence risk: a certified asset is easier to lease to quality tenants, easier to include in ESG portfolios and — critically — less likely to require expensive retrofit work to meet future regulatory or occupier standard



02

The green premium: A new value equation

The green premium refers to the additional value — in rents, sale prices, occupancy, absorption or valuation resilience — that a sustainable or certified asset can command versus a comparable non-certified asset. The related downside is the **brown discount** — the potential penalty faced by assets that are expensive to retrofit, weak on ESG data, or misaligned with occupier and investor expectations.

Globally, the built environment has a large climate footprint. UNEP's Global Status Report for Buildings and Construction 2024/2025 states that buildings and construction consume 32% of global energy and contribute 34% of global CO2 emissions. This makes real estate central to corporate decarbonisation strategies and explains why sustainability is increasingly entering leasing, capital allocation and asset-management decisions.

How sustainability converts into a green premium

The green premium is not generated by a single lever. It flows from a chain of value: good design enables better performance, better performance commands stronger market preference, and that preference translates into the financial outcomes that matter to developers, investors and occupiers alike.



Green design

- Energy-efficient systems
- Water reuse
- Low-carbon materials



Market preference

- Higher occupier demand
- Better occupancy
- Green lease clauses



Measurable performance

- Lower operating cost
- Better ESG data
- Healthier workplace



Financial value

- Premium rents
- Stronger net operating income (NOI)
- Valuation resilience



03

**Commercial real estate:
The ESG-first occupier
takes centre stage**

The impact of sustainability is currently most visible in India's office market, particularly among Grade A developments competing for multinational occupiers and GCC demand. Global corporations, technology firms, BFSI players and GCCs are under pressure to reduce Scope 3 exposure, procure responsible workplaces and generate auditable environmental data across their real estate portfolios. As a result, green certification and operating-performance data are increasingly embedded into site-selection and lease-renewal decisions.

Green-certified assets have moved beyond a niche segment to become the dominant component of India's Grade A office market, accounting for roughly two-thirds of the overall stock. Hyderabad

and Bengaluru demonstrate the deepest penetration of green-certified inventory, with nearly three out of every four Grade A office spaces meeting green standards. With the expansion in the green-certified inventory, the market is expected to see a continued shift toward sustainable assets.

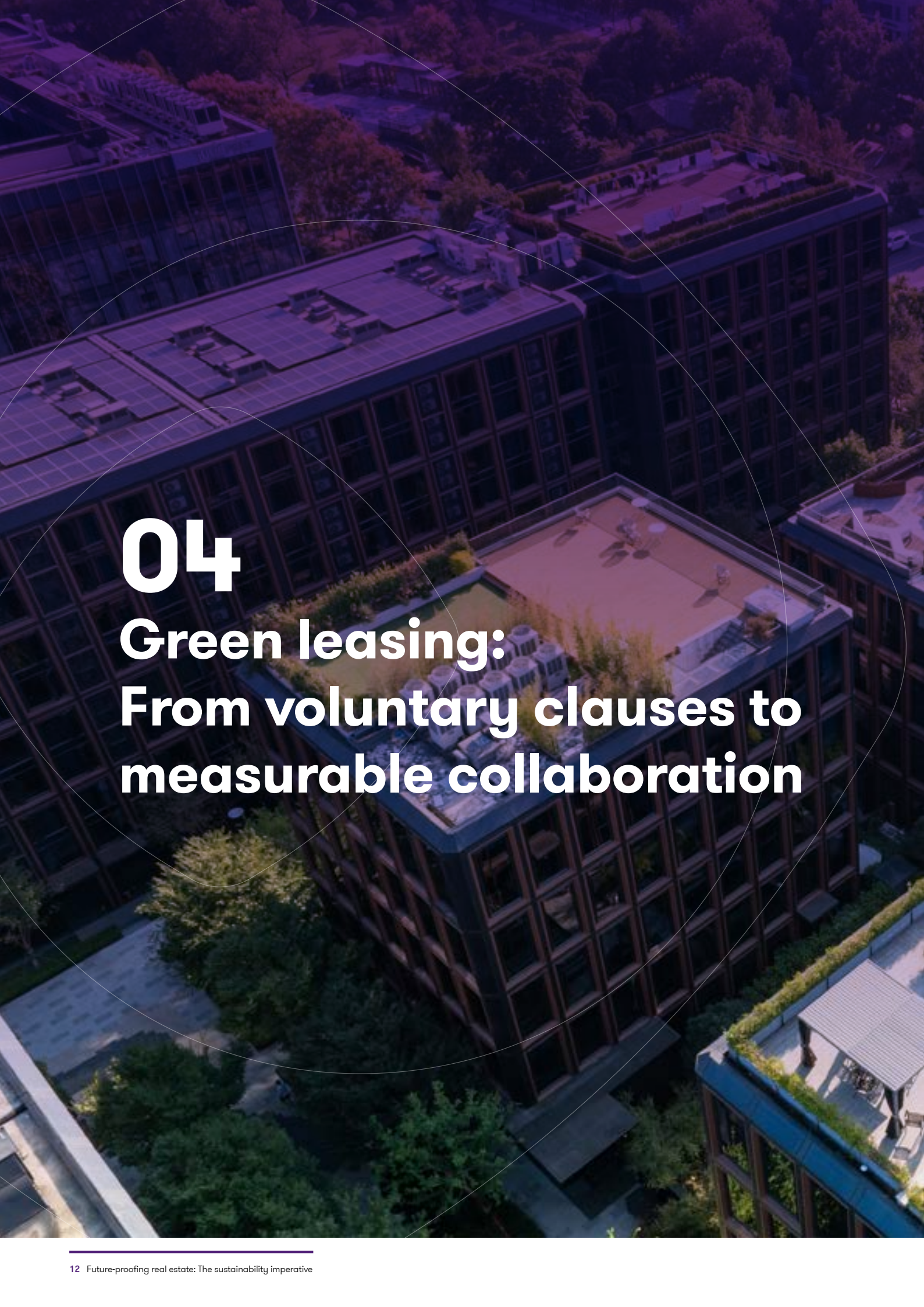
The demand-side momentum is even more pronounced in GCC-led markets. Leasing demand growth is highly influenced by GCC in markets like Hyderabad and Bangalore with increased transactions in recent years. Sustainability is increasingly becoming a core occupier requirement rather than a differentiator, particularly in India's leading GCC ecosystems where green-certified assets are emerging as the preferred workplace solution. as the preferred workplace solution

Green certification has moved from brand optics to tenant procurement. For assets competing for global occupiers, the ability to demonstrate lower operating intensity and reliable ESG data is becoming a core leasing advantage.

Can you sustain the premium performance?

As organisations intensify their focus on ESG performance, climate resilience, and workplace quality, buildings that can demonstrate measurable environmental performance are better positioned to attract demand, maintain relevance, and preserve long-term value. The growing prominence of green-certified offices underscores a broader market transition where sustainability is becoming integral to the definition of quality real estate.

For landlords, the premium is not automatic. It is strongest where certification is supported by location, tenant quality, operating efficiency, building management data and a credible decarbonisation roadmap. Measurable, transparent and consistently improving performance is what keeps occupiers renewing and investors confident.



04

Green leasing: From voluntary clauses to measurable collaboration

Green leasing is the bridge between green certification and real-world performance. Traditional leases often separate the responsibilities of owners and occupiers, creating split incentives: the landlord invests in sustainability features while the occupier captures utility savings, or the occupier wants ESG data that the landlord does not routinely share. Green leases address this by building collaboration, data sharing and measurable sustainability commitments into lease documentation.

As organisations place greater emphasis on ESG commitments, climate resilience, and sustainability disclosures, green leasing is emerging as an important mechanism for translating sustainability aspirations into measurable building-level outcomes. By fostering greater collaboration and accountability, these arrangements help improve operational performance, enhance occupier experience, and support long-term asset value creation.

What changes in a green lease?

Clause area	What it covers	Why it matters
Energy data	Metering, sub-metering, reporting cadence and efficiency targets	Supports Scope 3 tracking and identifies retrofit opportunities
Water management	Consumption data, recycling, rainwater harvesting and low-flow systems	Reduces operating risk and improves resilience
Waste and recycling	Segregation, recycling obligations and vendor coordination	Improves operating discipline and tenant ESG reporting
Fit-out standards	Efficient lighting, HVAC guidelines, materials and indoor air quality	Aligns tenant fit-outs with building sustainability goals
Governance	Periodic reviews between landlord and occupier	Keeps sustainability performance active throughout the lease term

Looking ahead, occupiers are beginning to raise the bar further. Beyond the established green lease parameters, the next frontier of requirements includes advanced air purification systems, smart energy management with real-time dashboards, biophilic design elements, on-site renewable energy

integration, climate-responsive architecture and dedicated wellness infrastructure. Landlords who anticipate these requirements — rather than waiting to be asked — will be better positioned to retain quality tenants at renewal and to attract the next tier of sustainability-conscious occupiers.



05

Residential real estate: Luxury goes green

In residential real estate, the green premium is more experiential than compliance led. Premium buyers increasingly look for homes that combine location and brand with healthier indoor environments, lower running costs, reliable water systems, thermal comfort and future-ready infrastructure such as EV charging and smart energy management.

Sustainable houses typically offer tangible benefits such as lower utility bills, better air quality and rental premiums of 5–10%. These benefits

are particularly relevant in premium housing, where buyers are willing to pay for comfort, resilience and long-term maintenance efficiency. India's luxury residential market is well-placed to accelerate this: rising household wealth, demand for larger and more experience-led homes, and the growing participation of high-net-worth NRIs are all expanding the buyer base that expects sustainability as a natural feature of premium living, not an add-on.

Features defining sustainable luxury homes



Climate-responsive architecture:

Orientation, shading, reflective roofs, insulation and natural ventilation to reduce heat gain.



Energy systems:

Efficient HVAC, LED lighting, solar integration, home energy monitoring and smart automation.



Water resilience:

Rainwater harvesting, water recycling, low-flow fixtures and smart irrigation.



Wellness-focused design:

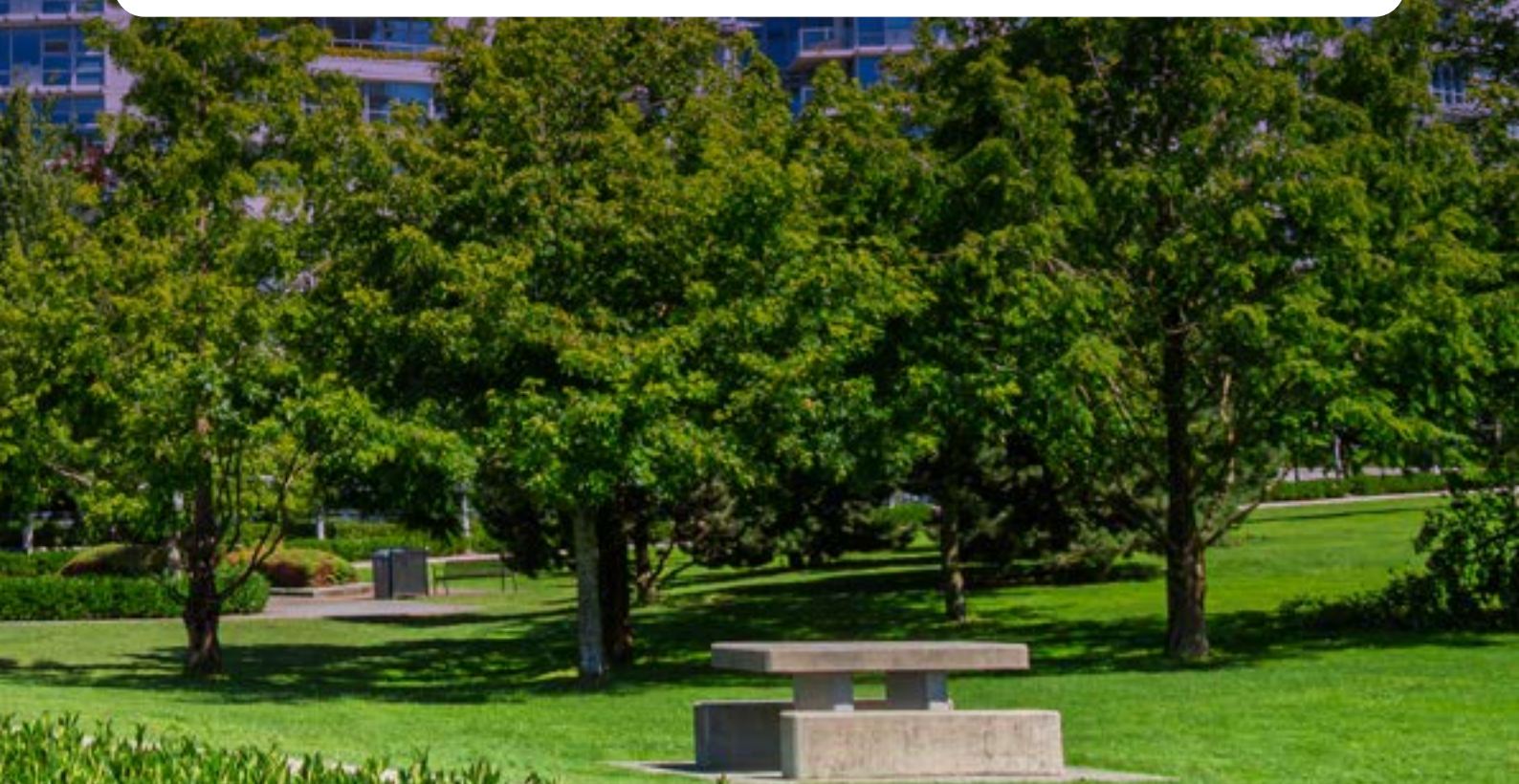
Better daylight, ventilation, air filtration, low-VOC materials and biophilic spaces.



Future-ready infrastructure:

EV charging, smart meters, waste segregation and renewable-energy readiness.

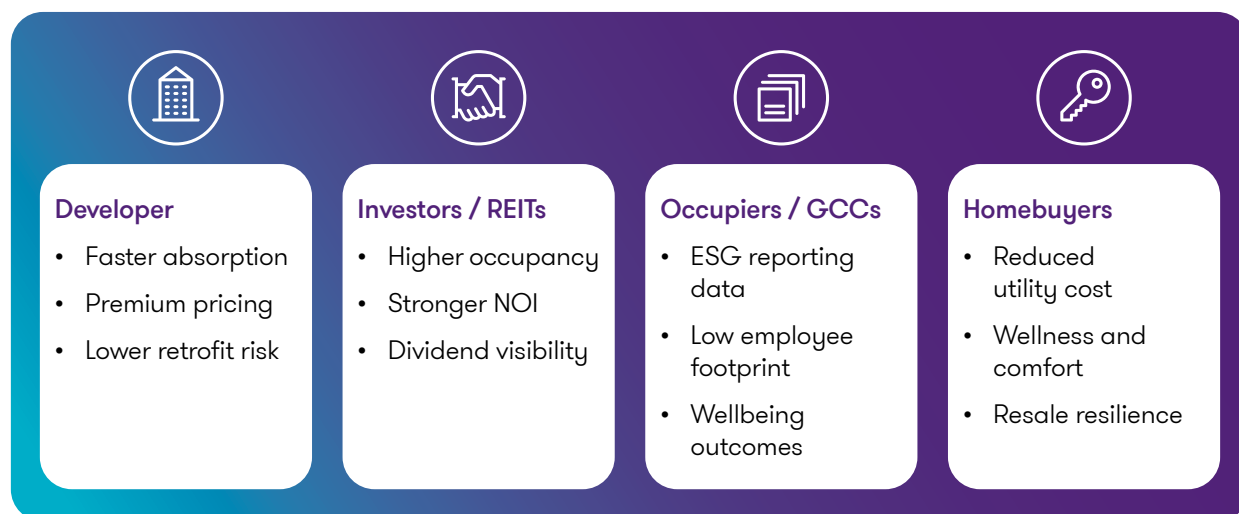
For developers, these features support differentiation in a crowded premium market. For buyers, they create a stronger ownership proposition: reduced running costs, better liveability and a potential resale advantage as sustainability becomes a mainstream expectation.





06

Who captures the green premium: Implications across stakeholders



The financial case for green real estate is strongest when the premium is viewed across stakeholders rather than as a single rental uplift. Developers capture faster absorption and differentiation; investors benefit through occupancy resilience and stronger income visibility; occupiers gain ESG reporting data and a workplace aligned with internal commitments; homebuyers receive improved comfort and lower usage costs.

For REITs and institutional investors, green certification is particularly important because income stability and occupancy matter directly to returns. Almost all REITs have sustainability ratings thus resulted in higher occupancies. **This indicates that sustainability is becoming part of institutional asset-quality assessment, not a separate ESG overlay.**

Commercial case-study lens: REITs and institutional portfolios

A useful way to frame commercial case studies is to focus on portfolio-level sustainability rather than one-off building features. REIT-owned and institutionally managed office assets are increasingly using LEED/IGBC ratings, operating-performance data, green leases and retrofit planning to maintain relevance with global occupiers. This approach is more credible than simply listing amenities because it links sustainability to income durability and asset-management discipline.

For any portfolio assessment, the most credible data points are the ones that connect certification to outcomes:

- What is the occupancy profile of the certified assets relative to non-certified ones?
- What do green lease clauses commit both parties to?
- How have energy and water consumption intensities changed over time?

And what does the decarbonisation roadmap look like — both in terms of targets and the capital plan to meet them?

These are the questions that institutional investors, global occupiers and ESG-focused lenders are beginning to ask, and the assets with clear answers are the ones commanding the strongest premiums.

A photograph of a modern building with a green facade, featuring a grid of plants and a purple overlay. The building has a curved, tiered design with a grid of plants growing on its facade. The image is overlaid with a purple gradient and white circular lines. The text '07 Outlook: Sustainability as asset protection' is prominently displayed in the center.

07

Outlook: Sustainability as asset protection

The next phase of green premium will move beyond certification labels. As occupiers, lenders and investors seek measurable performance, assets will need stronger data systems, better operating benchmarks and clearer decarbonisation roadmaps. Older assets with weak sustainability credentials may face a brown discount if they become costlier to lease, finance or retrofit.

Three shifts will shape the market.

1

Green leases will become more common as occupiers need data for ESG reporting.

2

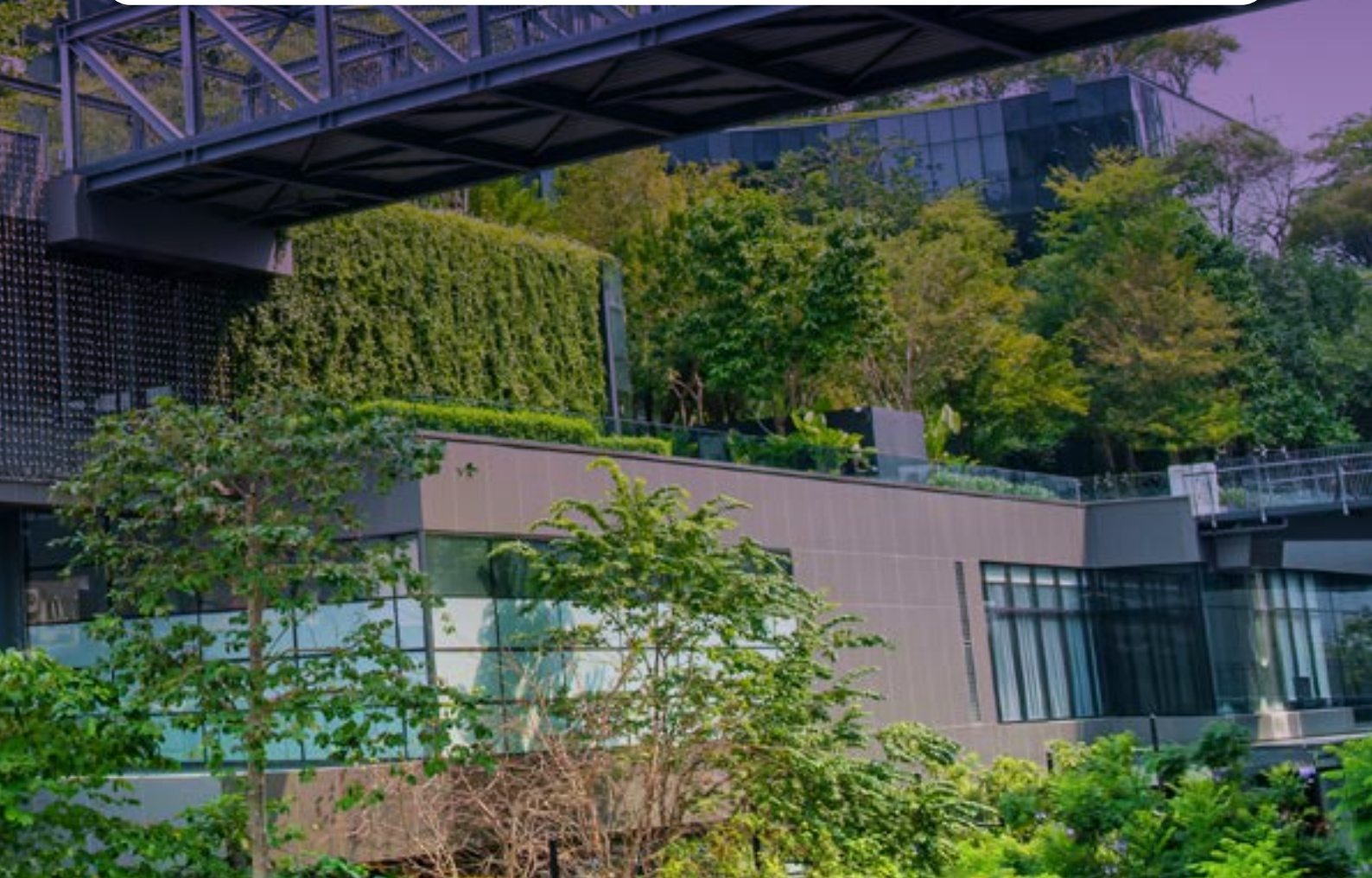
Retrofitting will become a major opportunity as older buildings seek to stay competitive.

3

Sustainability will spread across asset classes including data centres, retail, hospitality, healthcare, industrial and logistics parks.

Sustainability is becoming a measure of asset quality. In the short term, green-certified and well-managed properties can attract occupiers and investors more effectively. In the long term, performance data, retrofit readiness and climate resilience will determine whether assets preserve value or face obsolescence.

The green premium in Indian real estate is not about paying more for symbolism. It is about paying for measurable performance, lower transition risk and stronger long-term relevance.



08

Interview excerpts Badal Bagri – DLF group



How are occupiers' ESG and net-zero commitments changing leasing negotiations in Grade A offices?

Across the industry, the office leasing conversation has changed decisively. Earlier, decisions were driven largely by location, rental economics and workplace quality; however, today, sustainability performance is a primary consideration, particularly for multinational occupiers and GCCs with public ESG and net-zero commitments. For DLF, this shows up in occupiers scrutinising the operational transparency of Grade-A assets around energy, water, waste and carbon. Prestige finds the same occupiers referencing its LEED Platinum offices, GRESB Green Star and WiredScore smart-building ratings as decision inputs. Godrej Properties — which has committed since FY2011 that every project would be green-certified and now holds India's largest certified net-zero portfolio — sees SBTi-aligned tenants choosing space that helps them meet, not merely report, their own targets. Lodha, the first Indian developer with SBTi-validated net-zero, is asked directly about embodied and operational carbon and reporting-grade data. Oberoi Realty, with 88% of its portfolio already green certified and a 100% minimum-Gold target by 2030, and Brigade, on its Net-Zero-by-2045 roadmap with WELL Health-Safety certification for its lease portfolio, both report the same shift. This indicates that leasing discussions now extend well beyond space requirements to data availability, efficiency metrics, wellness features and long-term sustainability outcomes. Sustainability is no longer a standalone initiative — it has become an integral part of corporate real estate strategy.



Are tenants willing to pay a rental premium for certified buildings, and what proof points matter most — certification, lower energy use, employee wellbeing or reporting data?

Certification remains an important starting point because it offers independent validation, but occupiers are increasingly focused on outcomes rather than labels alone. Whether it is DLF's emphasis on measurable operational efficiency and reliable ESG data, Prestige's solar, LED and water-recycling systems validated by GRESB and WiredScore, or Godrej Properties' carbon-neutral, water-positive, zero-waste-to-landfill operations and IGBC Health & Well-being certified workspaces, the strongest proof points are the same: measurable efficiency, access to reliable ESG data, employee wellbeing, and the ability to support corporate sustainability reporting. Lodha points to carbon-neutral Scope 1 and 2 operations, renewable electricity above 78% of consumption and assurance-grade GRI/SASB/TCFD data; Oberoi to water-efficient fittings, rising renewable consumption and its Great Place to Work and IGBC Health & Well-being credentials; and Brigade to eco-labelled and green-certified materials, water-positive performance and an independently assured BRSR. Tenants recognise value where sustainable features reduce operating cost, improve workplace experience, strengthen talent attraction and enhance business resilience. In many cases the conversation has shifted from whether a building is certified to how effectively it performs throughout its lifecycle.



Which green features are now baseline in premium homes, and which still command a buyer premium?

Features such as energy-efficient lighting, water conservation and recycling, rainwater harvesting, waste-management infrastructure, EV-ready parking and high-performance glazing are now baseline expectations across premium residential developments — buyers of DLF, Prestige, Godrej, Lodha, Oberoi and Brigade homes alike view these as markers of quality and responsible design rather than differentiators. Godrej's minimum-Silver green mandate and Lodha's zero-local-liquid-discharge water systems illustrate how quickly these have become standard. The premium continues to accrue to features that enhance everyday living and future readiness: smart energy management systems, advanced air purification, wellness-focused and biophilic design (from Godrej's Vikhroli mangroves to Oberoi's flagship addresses), renewable energy integration, climate-responsive architecture and community-level sustainability infrastructure — including Lodha's and Brigade's biodiversity and water-resilience commitments, and Prestige's million-plus trees and zero-waste operations. Luxury homebuyers are increasingly looking for developments that combine environmental responsibility with superior comfort, wellbeing and long-term value retention.



How do developers balance upfront green capex with faster absorption, premium pricing and lower long-term retrofit risk?

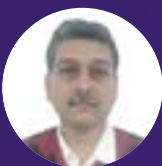
Leading developers now view sustainability-related investment not as an additional cost but as a strategic investment in asset quality and longevity. While certain interventions involve increased upfront capital expenditure, they typically contribute to stronger market positioning, improved occupier demand and enhanced operational performance over the asset's life. Crucially, integrating sustainability at the design stage is far more efficient than retrofitting later — a principle evident in Godrej's SBTi pathway (Scope 1 and 2 intensity down 72.6% by FY2035), Lodha's target of a 97.9% absolute Scope 1 and 2 reduction by FY2028, Prestige's ESG-Council-led design decisions, Oberoi's 2040 net-zero pathway governed by its CMD-led ESG Board Committee, and Brigade's 15% year-on-year carbon-intensity reduction towards net-zero by 2045, supported by a Sustainable Procurement Policy. As regulatory expectations, investor scrutiny and occupier requirements continue to evolve, future-ready developments remain more relevant and resilient. From the industry's perspective, DLF's included, the value created through stronger demand, reduced obsolescence risk and improved asset durability outweighs the initial incremental investment.



Do lenders and investors already price sustainability into capital availability or cost of capital?

Investor expectations have clearly evolved, and sustainability is increasingly part of the broader risk and quality assessment applied to real estate assets. Institutional investors and global capital providers are looking more closely at climate resilience, energy efficiency, governance standards and long-term asset relevance. This is already visible for the sector's leaders: Godrej Properties, ranked No.1 globally on GRESB and the S&P DJSI and on the CDP A-List, and Lodha, the first Indian developer with SBTi-validated targets, a Dow Jones Sustainability Indices member ranked 1st in Asia in GRESB's residential benchmark, both find these credentials strengthening how capital assesses their assets. Prestige (BRSR Core with reasonable assurance), Oberoi (improving standing in global indices) and Brigade (SBTi member with an independently assured BRSR) report the same trend, as does DLF. While financial decisions continue to be influenced by multiple commercial considerations, assets with strong sustainability credentials are generally viewed more favourably because they are perceived to be better positioned for future regulations, occupier demand and operational performance. The growing focus on ESG reflects an important shift in the market: sustainability is no longer simply a reputational consideration — it is increasingly linked to asset quality, resilience and long-term value creation.

“



The future of real estate will not be defined by sustainability alone, but by how effectively sustainability enhances value. The green premium is ultimately about creating better assets—assets that are more efficient, more resilient, more desirable, and better aligned with the evolving expectations of occupiers, investors, and homebuyers

Badal Bagri – DLF group

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