Intelligent Investment

2026 Denmark Real Estate Market Outlook

REPORT

CBRE RESEARCH
FEBRUARY 2026

Contents

Executive Summary

- Denmark, alongside Europe, anticipates slower **Economic** growth this year, influenced by persistent geopolitical instability, trade policy challenges, and competitive pressures. Elevated government debt levels are expected to keep long-term interest rates high, impacting borrowing costs.
- Real estate **Capital Markets** continue to exhibit positive sentiment, with a faster recovery compared to the previous cycle. This recovery is largely driven by income-focused investment strategies and a strong lending appetite from Danish mortgage banks.
- A structural imbalance between supply and demand is expected to persist within the Danish **Living** sector, sustaining continued rental growth. Increased competition for prime, well-located assets in Copenhagen could lead to investors seeking opportunities in areas outside the central city.
- The Danish **Logistics** sector continues its robust performance, fuelled by dynamic tenant demand and rising rental levels. While investment volumes saw a decline in 2025, market sentiment for 2026 is notably more optimistic and we expect more sellers this year.
- **Office** investors will prioritize core-plus and value-add assets in prime locations. Investor demand is increasing, with early indications of rising transaction volumes. Although activity is recovering from low levels rather than booming, this trend suggests a healthy level of overall activity for the Danish office market in 2026.
- A resurgence in **Retail** investments is expected to continue across Denmark, driven by attractive current price levels and solid operational performance. Investor sentiment towards high-street retail is improving, while demand for grocery-anchored retail is anticipated to remain strong.
- **Sustainability** initiatives will continue to drive value creation within the evolving regulatory landscape, with efforts focused on strengthening resilience, mitigating risks, and protecting asset value in real estate portfolios.

Introductory Note by

Per Alexander Weinreich

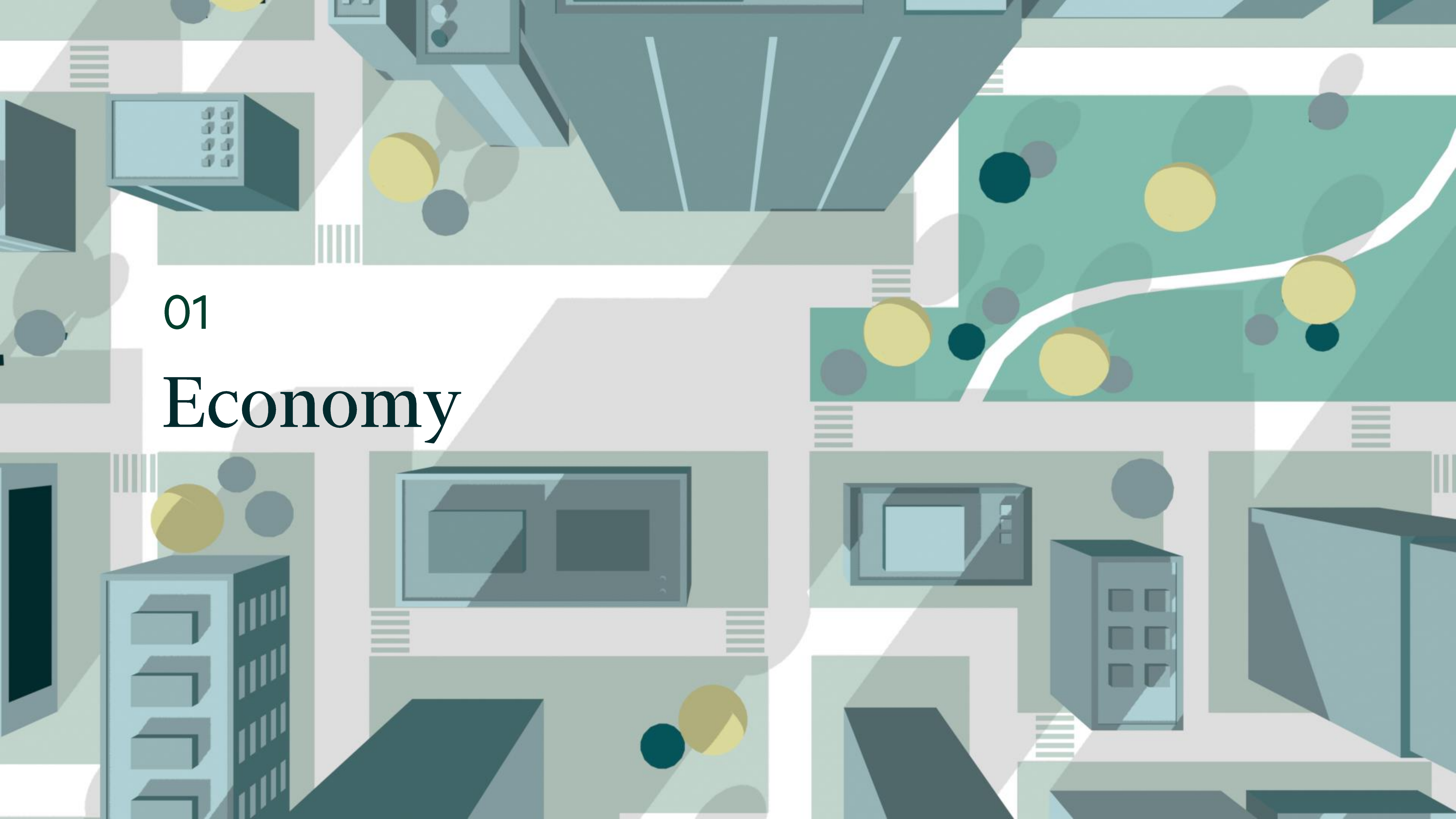
Managing Director, CBRE Denmark

Welcome to CBRE's Denmark Real Estate Market Outlook 2026.

The Danish commercial real estate market has now clearly entered the next cycle, but with key differences from previous ones. Long-term interest rates are estimated to remain elevated, limiting yield compression and making income-driven returns the focus.

Despite persistent geopolitical instability and political issues across Europe and globally, recovery is progressing faster than the last cycle, supported by stronger real estate fundamentals. Strong demand for residential assets, continued financing appetite from Danish mortgage banks, and a stable economic performance are driving resilience and attracting international investors. Looking ahead, investment volumes are expected to peak within two to four years, with rental growth as the main driver of capital value appreciation.

Moderate improvement is anticipated across most occupational markets this year, even within a somewhat weakened macroeconomic climate. Nevertheless, standout segments like Living and Logistics are poised for rental growth, primarily due to insufficient supply.



01

Economy

01
Economy

Sectoral balance and rising consumption central in 2026

Consumer spending is expected to be a key driver of economic growth this year.

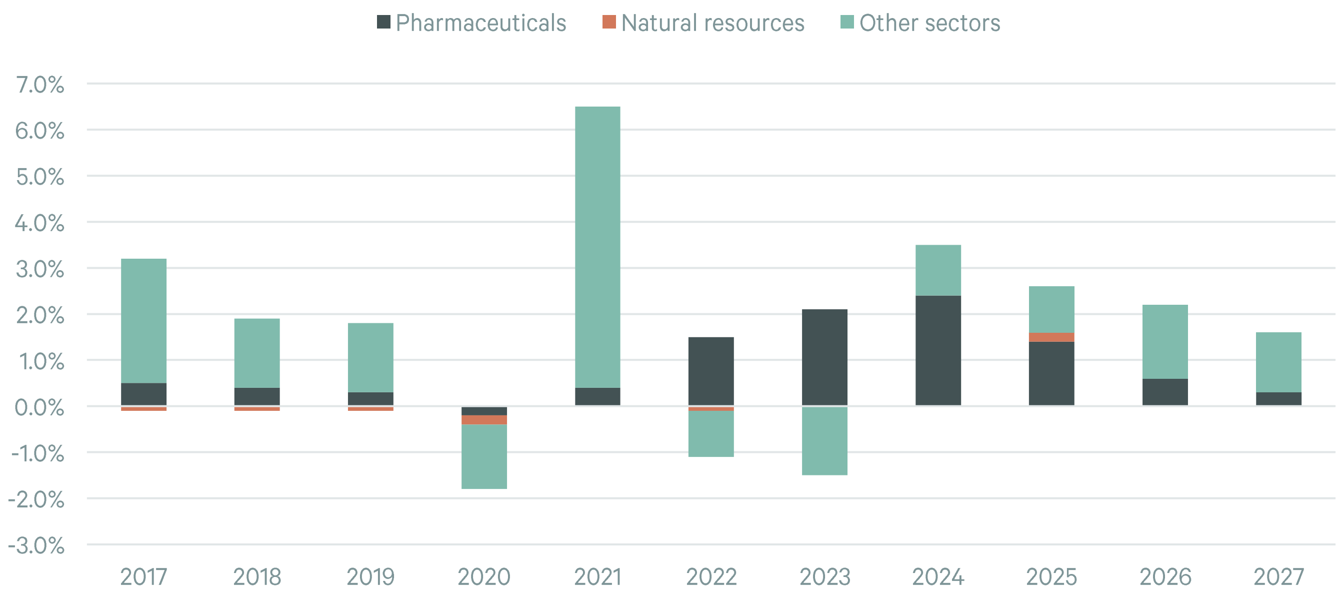
In recent years, growth in the Danish economy has been largely driven by a strong performance in the pharmaceutical sector. However, intensifying competition in the market for weight-loss drugs suggests that the exceptional export growth is unlikely to continue at the same pace.

While pharmaceutical output and exports are expected to remain robust, increased competition will gradually shift the contribution to overall economic growth toward the broader economy. Going forward, export prospects will also be supported by fiscal policies in Europe, especially in key markets such as Germany and Sweden.

Low consumer confidence has kept private consumption subdued relative to income levels, limiting overall economic activity. However, the substantial savings accumulated by households indicate significant potential for increased spending, which could provide a strong boost to economic growth in 2026.

Additional factors supporting consumption include a resilient labour market and recent real wage gains, which have restored purchasing power. Real wages are projected to rise further this year, reinforcing this trend. Furthermore, policy measures – such as the temporary suspension of electricity taxes, removal of certain excise duties, and reduction of the top income tax bracket – combined with continued strong employment, are expected to further stimulate household spending.

Figure 1: Components of Danish GDP growth and forecast



Source: Ministry of Economic Affairs, December 2025

01
Economy

Global weakness to weigh on Europe

Expansive fiscal policy will drive European growth but also push long-term interest rates higher.

Despite persistent geopolitical risks, financial markets have shown an increase in risk appetite among investors last year. Global equity markets performed strongly throughout 2025, with all major regions posting double-digit returns as short-term interest rates declined. In 2026, Europe is expected to continue to suffer from weaker global growth, trade policy challenges, a strong Euro and competitive pressures.

Growth expectations in Europe are likely to stay at modest levels as higher US tariffs will have a dampened effect on export. Expansive fiscal policies and substantial investments in defence and infrastructure will on the other hand be the main drivers for continued economic growth in 2026. This outlook is reflected in rising swap rates in the end of 2025, which also suggests a gradual future increase in long-term rates - partly driven by higher government bond issuance and elevated government debt levels.

More positively, inflation on the European continent has moderated significantly. We do not expect any further rate cuts from the ECB in 2026, while a single rate cut is expected from the BOE. The lower inflation environment in Continental Europe is supporting real household incomes, which should underpin consumption growth throughout the year.

Figure 2: 5Y swap rates

Source: S&P Global

01

Economy

Trends to Watch

- Increased competition in the weight-loss drug market will slow the exceptional export growth seen in recent years. Danish economic growth will become more broadly based as other industries capture export opportunities.

- Danish household consumption is expected to be a key economic growth driver in 2026, supported by substantial savings, strong employment, and real wage gains. Policy measures – including temporary tax reductions and lower excise duties – will further stimulate spending while easing inflationary pressures.

- The lingering impact of tariffs are anticipated to weigh more heavily on economic growth in Europe in 2026 than in the prior year. The world is changing and has become more unpredictable, why geopolitical instability and political issues remain a major downward risk factor. Greenland holds significant geopolitical importance, making it a key focus in the political relations among Denmark, the US, the EU and NATO.

- While the US represents 20% of Denmark's total goods export, this figure alone doesn't reflect the full picture. A considerable portion of what Denmark exports to the US is, counterintuitively, manufactured within the US itself. This means that the impact of tariffs on Danish GDP is likely to be less pronounced.

- Expansive fiscal policies and large-scale investments in defence and infrastructure are expected to drive European growth in 2026. Rising swap rates since end of 2025 signals economic optimism while pointing to gradual increases in long-term interest rates, partly driven by higher government bond issuance and elevated government debt levels.

- While unemployment is expected to remain stable in Denmark in 2026, the accelerating adoption of Artificial Intelligence (AI) presents a potential structural shift. More companies are actively exploring AI, and beyond labour market impact, it could reshape demand patterns across different real estate segments in 2026 and beyond.

02

Capital Markets

02
Capital Markets

Faster recovery compared to the previous cycle

A new peak in investment volumes is anticipated within two to four years, assuming current trends persist.

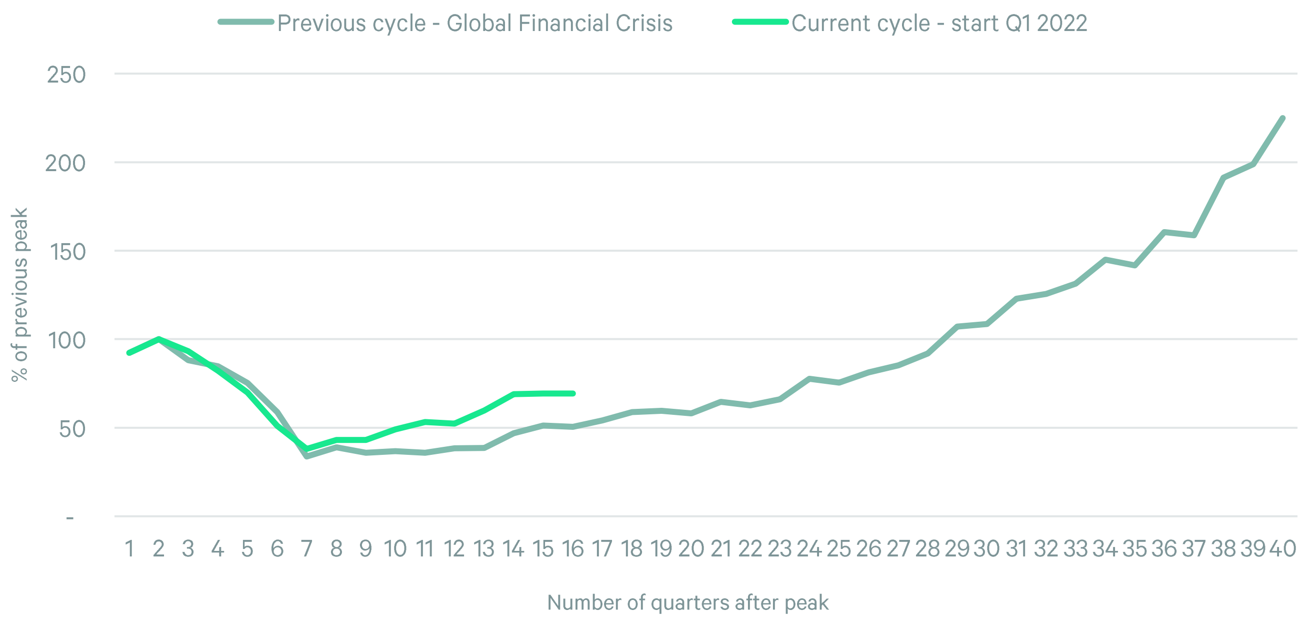
The Danish commercial real estate market is showing signs of a faster recovery than in the previously cycle, largely supported by declining interest rates and improving market fundamentals. Investment activity has been on an upward trajectory for some time, and in 2025 the volume is up by 33% compared to the previous year. The current cycle mirrors the post-global financial crisis pattern: In both cases, the trough in investment dynamics occurred after seven quarters. This suggests that pricing and investor confidence typically require this adjustment period before transactions resume scale.

Several factors explain why the current recovery in Denmark is stronger and more resilient than before:

1. High demand for residential investments, driven by urbanization and housing shortages in Copenhagen and other major cities.
2. Strong lender appetite, with Danish mortgage banks maintaining a willingness to finance quality assets.
3. A strong and stable economic performance, making it attractive for foreign investors to look toward the Danish market.

Looking ahead, a new peak in investment volumes is anticipated within two to four years, assuming current trends persist. The extent of this growth will depend heavily on rental performance, as initial yields are expected to compress only gradually. Consequently, rental growth will be a key driver of capital value appreciation in the Danish market.

Figure 3: Investment cycle evolution based on 12-month rolling investment volume – compare "Global Financial Crisis" versus current cycle



Source: CBRE Research

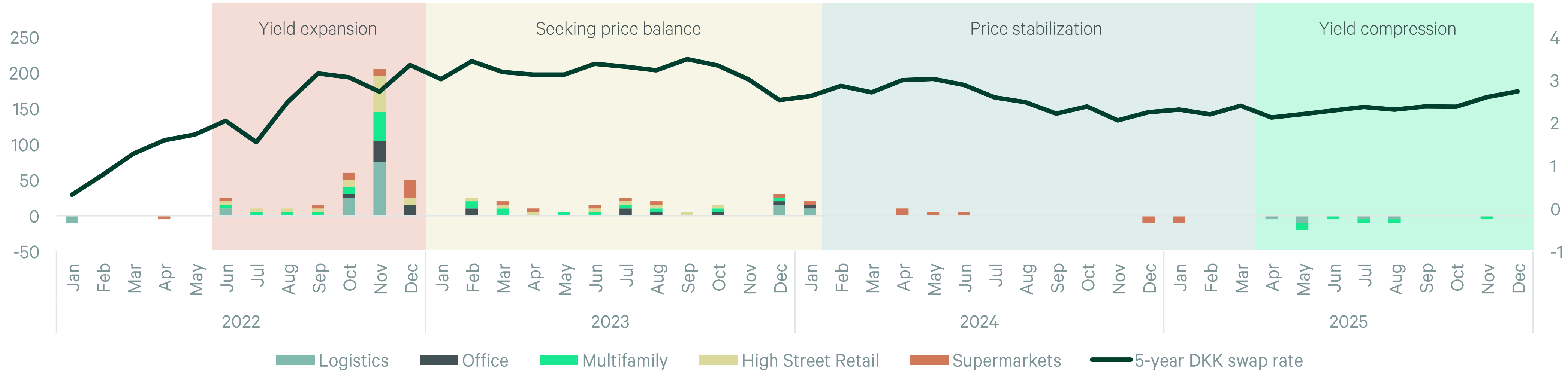
02
Capital Markets

Slight yield compression ahead

A positive yield spread is one reason CBRE anticipates a slight decline in initial yields within the Danish market.

The sustained positive spread between the government bond market and prime initial yields is again increasing the availability of capital for real estate investments. This favourable spread is one reason CBRE anticipates a slight decline in initial yields within the Danish market. This trend is most evident in the Living sector, where new construction is limited and competition for prime assets in Copenhagen intensifies. Given that capital interest rates will not fall to pre-2022 levels, yield compression for the next few years is expected to remain subdued.

Figure 4: Average adjustment net initial yield in Denmark per month in basis points (2022-2025)



Source: CBRE Research

02
Capital Markets

Trends to Watch

- The Danish commercial real estate market is showing signs of a faster recovery than in the previous cycle, largely supported by declining interest rates and improving market fundamentals. A new peak in investment volumes is anticipated within two to four years, assuming current trends persist.

- Foreign investors have re-entered the market, particularly in Copenhagen, following the classic pattern of starting in the largest, most liquid market before expanding to Aarhus and regional cities as prime locations become more expensive.

- Living remains the most sought-after segment and competition is expected to intensify. Investor behaviour is shifting: Previously focused on fully built and let assets, they are now open to acquiring developments that are not yet completed or leased.

- Industrial & Logistics (I&L) continues to perform, driven by dynamic rental demand, rising rental levels and sustained transaction activity. Despite a decline in 2025 investment volumes, market sentiment for the coming year is more optimistic.

- Two previously hard-hit segments – Office and Retail – are seeing renewed interest with early indications of rising transaction volume. Activity is up from a very low level, though not booming, and this pattern suggests a healthy level of overall activity in 2026 and 2027.

- Investor interest in Danish hotel assets is on the rise again, driven by strong tourism fundamentals in especially Copenhagen. Data Centres are furthermore gaining more investor interest in 2026: While most new supply in 2025 in Europe (70%) was delivered in the five largest markets, the Nordics is emerging as a strategic hub for digital infrastructure. AI adoption and renewable energy integration will underpin strong demand through 2026 and beyond.

03

Living

03
Living

Continued housing shortage will drive rental growth and demand for investment opportunities

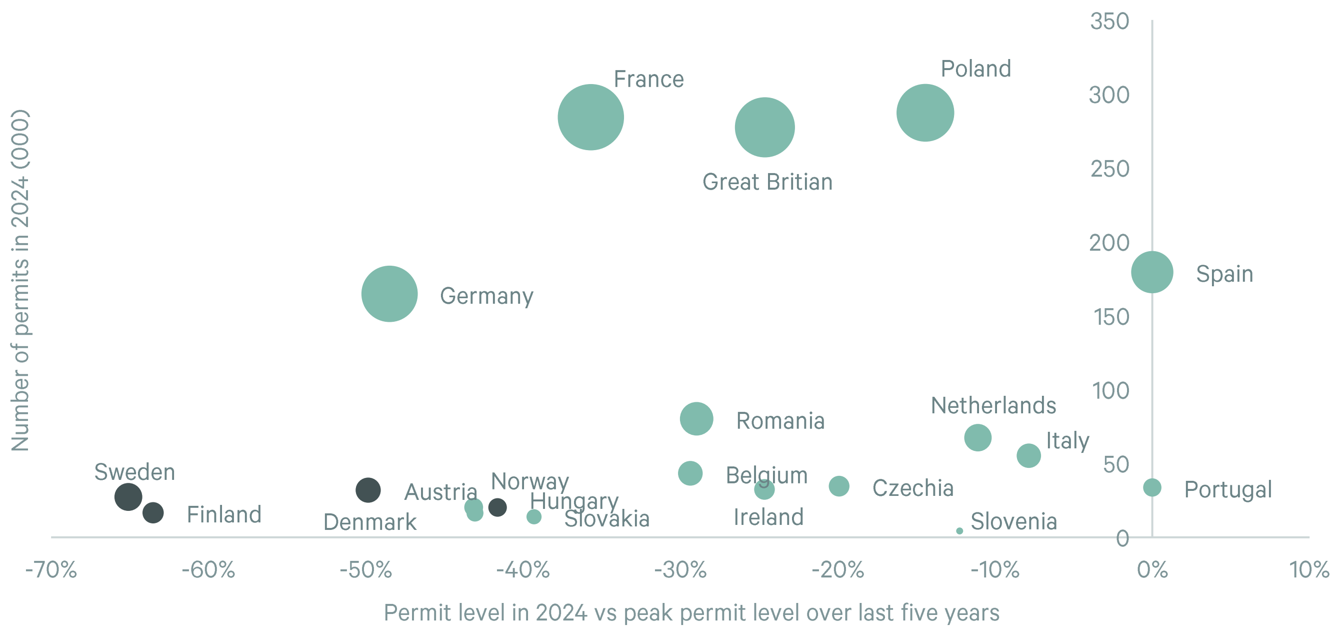
Rental growth has historically outperformed in urban areas, primarily due to population growth outpacing housing supply. The Capital Region, where this imbalance is most pronounced, have experienced some of the strongest rental price increases over the past ten years.

Demographic projections point to sustained population growth in urban areas over the coming decades, reinforcing demand and a positive pressure on rents. However, supply constraints are expected to persist as construction activity continued to be low in 2025, with building permits at historically low levels. While a modest increase in project launches is anticipated in 2026, this will not significantly expand the housing supply for several years.

Copenhagen already experience a housing shortage dating back to the Global Financial Crisis. Given the recent slowdown in construction activity, this shortage could widen further. The combination of a persistent housing shortage and rising housing costs in central locations has pushed demand toward more suburban areas. This trend will create attractive opportunities for investors as market fundamentals in these areas strengthen further.

While Denmark's living market is well established, investors are increasingly showing interest for alternative asset classes such as Purpose-Built Student Accommodation (PBSA) and senior living. This trend is driven by demographic changes, including a strong rise in the student population over the past decade and an aging population across Europe.

Figure 5: Residential permit level in 2024 (000) vs. 2014 permit level relative to recent peak (%)



Note: Size of bubble corresponds to the maximum permit level in the last five years

Sources: Eurostat, Glenigan, CBRE Research

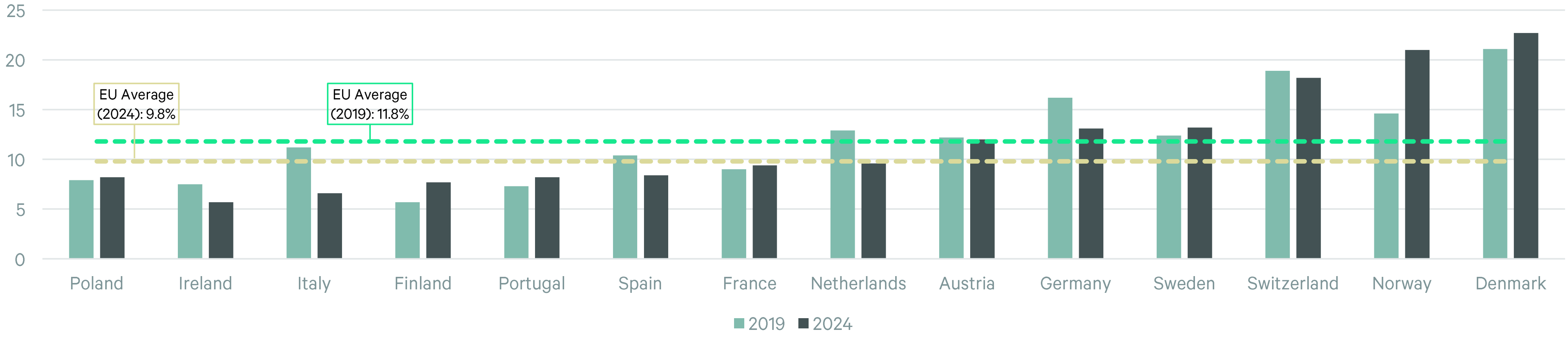
03
Living

Housing cost overburden rate expected to stabilise

Despite broader European trends towards stabilizing or declining housing costs, Denmark consistently reports one of Europe's highest housing cost overburden rates. Pressure will be further amplified by an increasing mismatch in housing stock and demand, as average household sizes continue to decline, driving demand for smaller units. The overall picture remains one of a severe housing shortage, which will place further upward pressure on rents. CBRE forecasts rents to increase by 2.4% at a European level this year.

While pressure has been steadily alleviating for the most financially burdened households, continued supply shortages will lead to rent increases.

Figure 6: Housing cost overburden rate in urban areas (%)

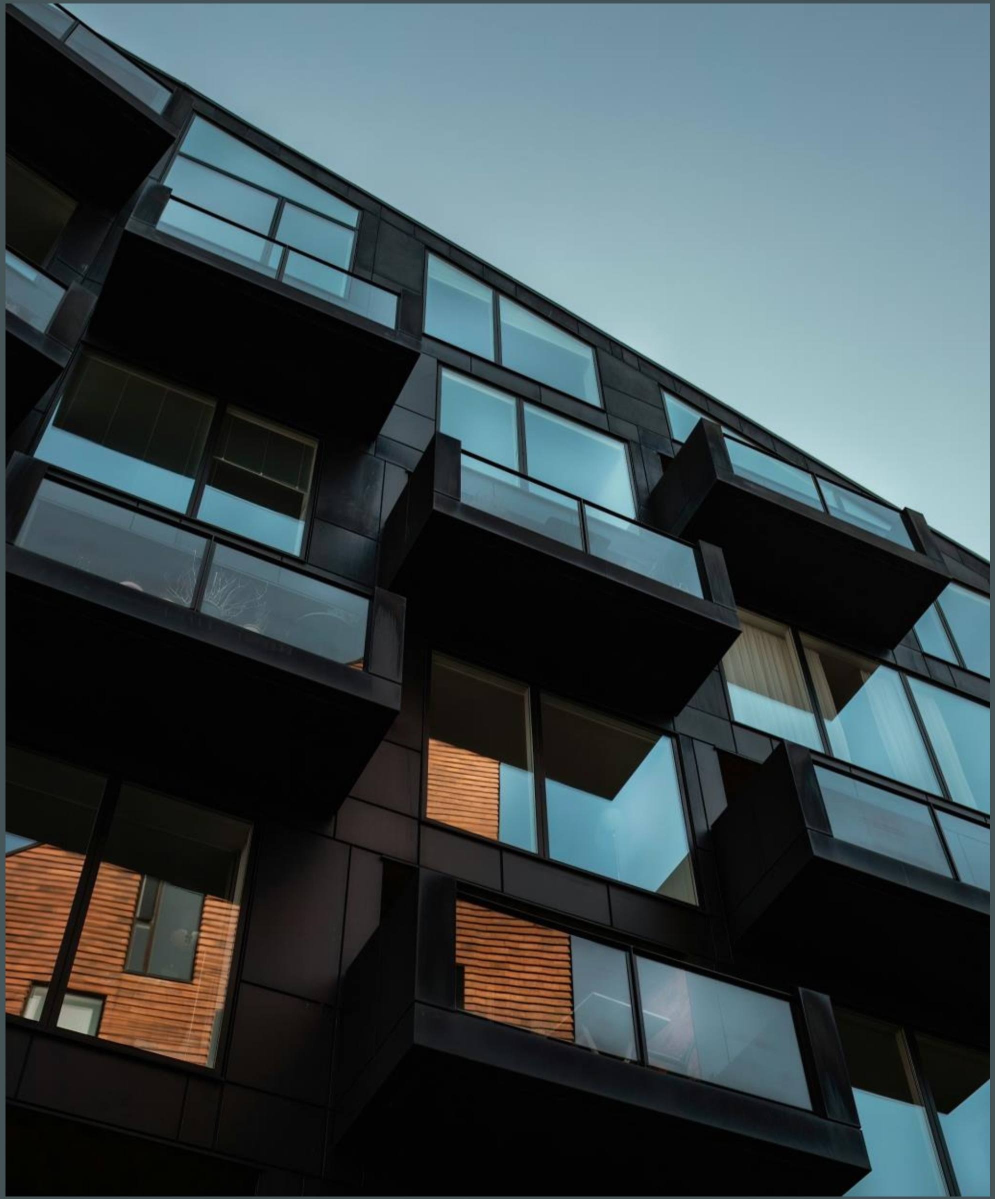


Note: The housing cost overburden rate is defined as the percentage of the population living in households where total housing costs represent more than 40% of the disposable income.

Sources: Eurostat, CBRE Research

03
Living

Trends to Watch



— Population projections indicate sustained growth in urban areas. With building permits at record lows, supply-demand imbalances are expected to persist into 2026. Pressure will be further amplified by the increasing mismatch in housing stock and demand, as average household sizes continue to decline, driving demand for smaller units. This fundamental mismatch will most likely reduce ramp-up periods and leasing voids in assets with strong single-occupancy options.

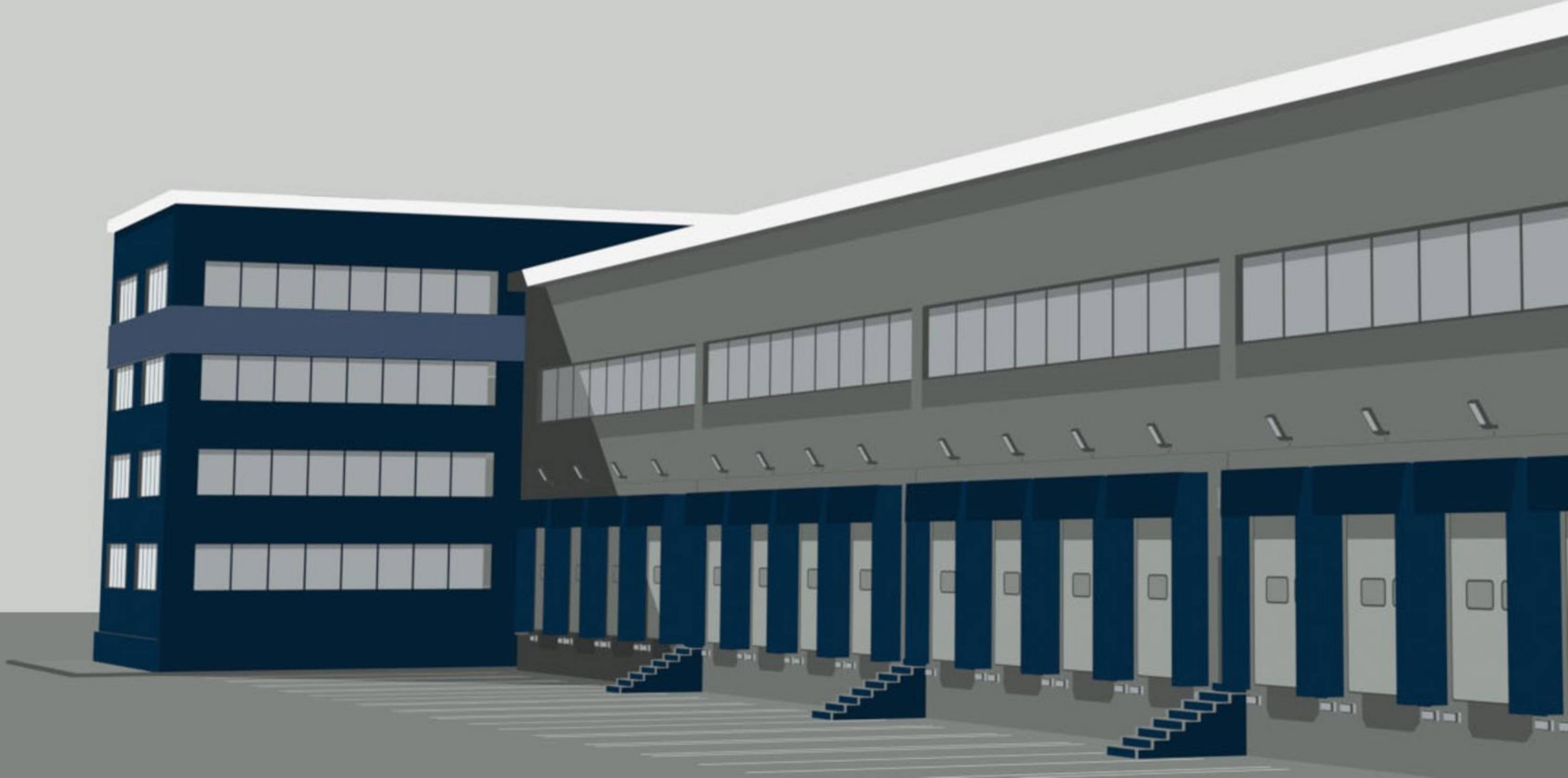
— The combination of an existing housing shortage and higher housing costs in central locations will push demand to more suburban areas. This trend will create attractive opportunities for investors as market fundamentals in these areas strengthen further. While housing cost overburden rates are on a downward path for market-rent properties in Europe, the index has been on a rise in Denmark. CBRE forecasts rents to increase by 2.4% at a European level this year.

— Across a number of European cities, a favorable environment exists for a privatization strategy. While nonexistent in Sweden, this trend has been visible in Denmark and is anticipated to persist and broaden in scope, largely influenced by the divergence between vacant possession values and capital values. The precise extent of these impacts will be contingent upon several factors, including the characteristics of the specific properties, tenant turnover rates, the strength of existing tenant protections, and anticipated developments in vacant possession value.

— Investor interest in alternative living sub-sectors – such as PBSA and senior living – is growing. This trend is driven by demographic shifts, including a rising international student population in Europe and an aging population.

04

Logistics



04
Logistics

Market investor confidence returns despite recent decline

In 2025, investment in Denmark's industrial and logistics real estate reached approximately DKK 10.3 billion, marking a significant drop of more than 25% compared to 2024. Despite this decline, market sentiment for this year is notably more optimistic. While investor appetite previously centred on core+ and value-add strategies, interest now spans the entire risk spectrum - from core assets to opportunistic plays.

International investors, historically the dominant players in transactions above €50 million, are re-emerging with increased activity. This renewed engagement signals improving liquidity and confidence in Denmark's logistics investment market in 2026.

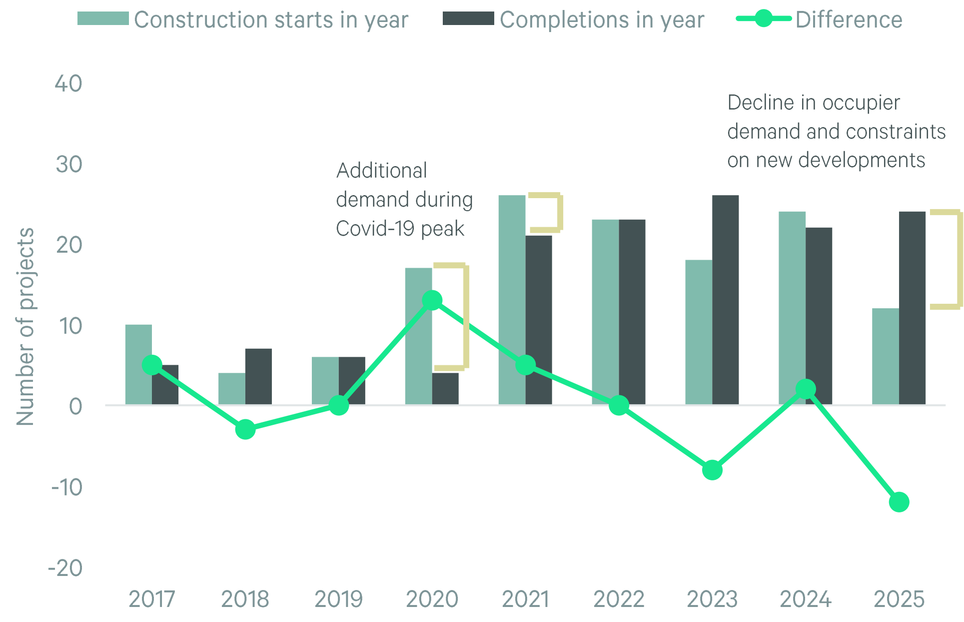
However, this surge in investor interest contrasts with a subdued occupier market. Leasing activity slowed sharply in 2025, with total take-up at 375,000 sq m - the lowest level recorded since 2021. Despite the prime segment maintaining some resilience, take-up within second hand is up with almost 8% compared to 2024. This underscores how critically important location still is for the occupiers.

Many occupiers adopted a wait-and-see approach in the first half of the 2025, assessing the impact of trade tariffs. Momentum rebounded in the second half of the year, fuelled by optimism surrounding a potential US/EU trade agreement, ultimately showcasing a dynamic market. Looking ahead to 2026, the ongoing geopolitical uncertainties are expected to weigh on occupier demand, leading to a more subdued leasing environment throughout the year.

A notable trend is the increased reliance on incentives to close deals. While prime headline rents have been stabilizing in 2025, landlords are increasingly relying on incentives to secure tenants. This trend underscores a competitive landscape where pricing alone is no longer the decisive factor—flexibility and added value are becoming critical in attracting occupiers.

The development pipeline is facing a pronounced slowdown. Speculative projects have largely disappeared, as developers increasingly require pre-commitments before breaking ground. This means competition for the best locations is expected to intensify in 2026 and headline rents could potentially see an increase in the South Corridor and Copenhagen Suburbs.

Figure 7: Number of new logistics developments: Year of construction start vs. year of completion



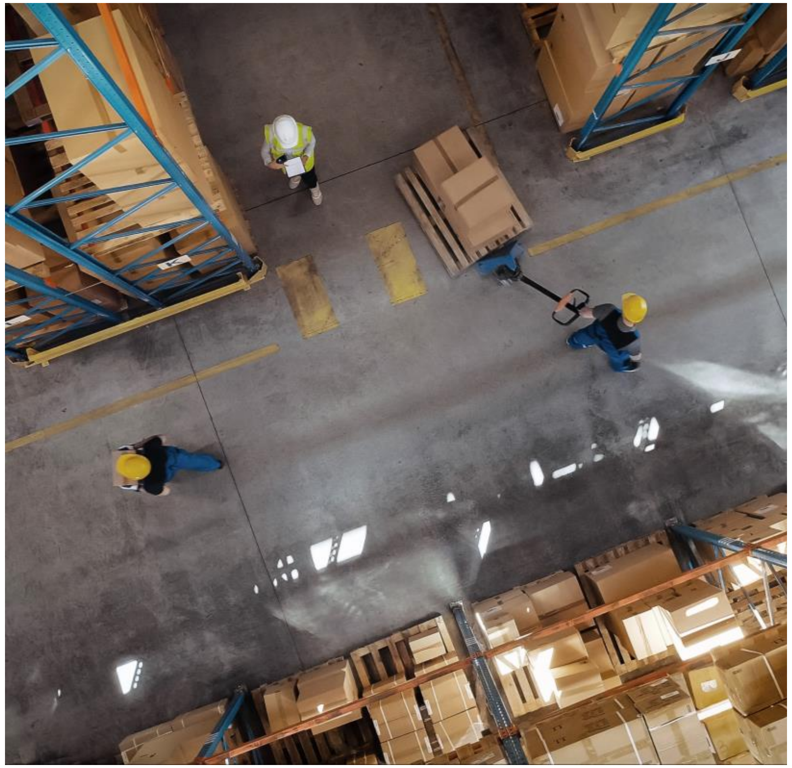
Sources: Byggefakta, CBRE Research

04
Logistics

New investment opportunities emerging

The Danish industrial and logistics market is entering a phase of regional divergence and strategic repositioning. Yield spreads between the South Corridor and the Triangle Region are widening, reflecting slower growth and persistent investor preference between Greater Copenhagen and the rest of the country. Cross-border freight transport is also emerging as a key factor, with sustainability goals making border-adjacent locations increasingly attractive for investors.

The Triangle Region stands out as a strong performer with low vacancy and solid take-up, benefiting from close proximity to Germany. Meanwhile, the South Corridor is poised for long-term transformation driven by the Fehmarn Belt connection. Similarly, the Copenhagen-Helsingør transport corridor in North Zealand offers potential, as freight flows shift north to alleviate Oresund capacity constraints, supported by "very high-level" plans for an additional fixed link to Sweden.



The Triangle Region stands out as a strong performer with low vacancy and solid take-up, benefiting from close proximity to Germany.

04
Logistics

Trends to Watch

— Investment market for industrial & logistics properties is expected to recover despite a standstill in the occupier market. International investors are re-emerging, particularly in large-ticket transactions (EUR 50m+), improving liquidity and confidence in the market. Investor appetite now spans the full risk spectrum, and more core investors are expected to look towards Denmark in 2026.

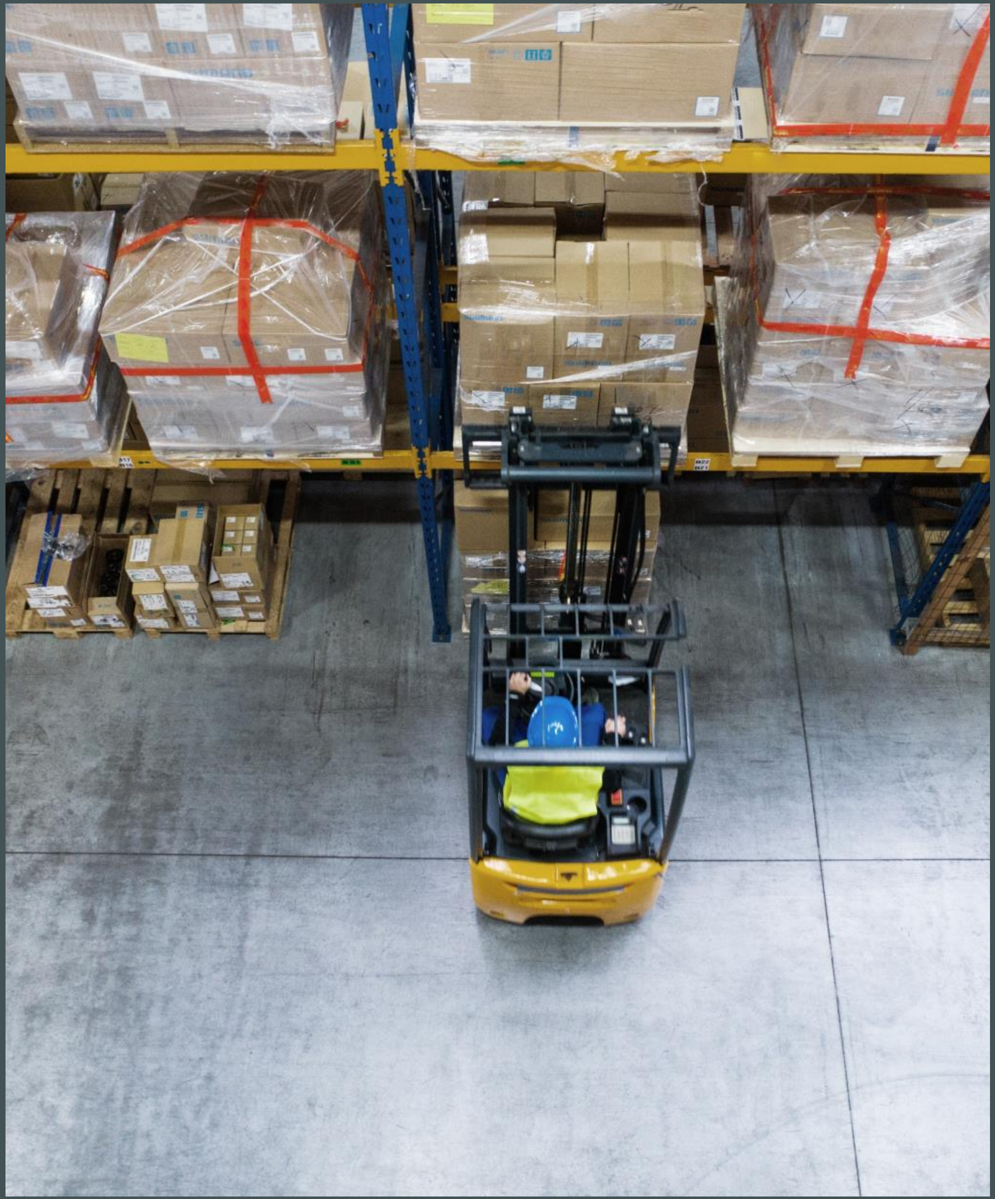
— Yield spreads between the South Corridor and the Triangle Region are widening, reflecting slower growth and persistent investor preference between Greater Copenhagen and the rest of the country.

— The gap between prime logistics assets compared to the wider market is likely to continue to expand, reinforcing the flight to quality. This trend will also create opportunities to reposition older but well-located properties to meet modern standards.

— Competition for land and construction resources will intensify as logistics and data centre developers compete for prime sites and contractor services. This rivalry is likely to influence development costs and timelines across both sectors.

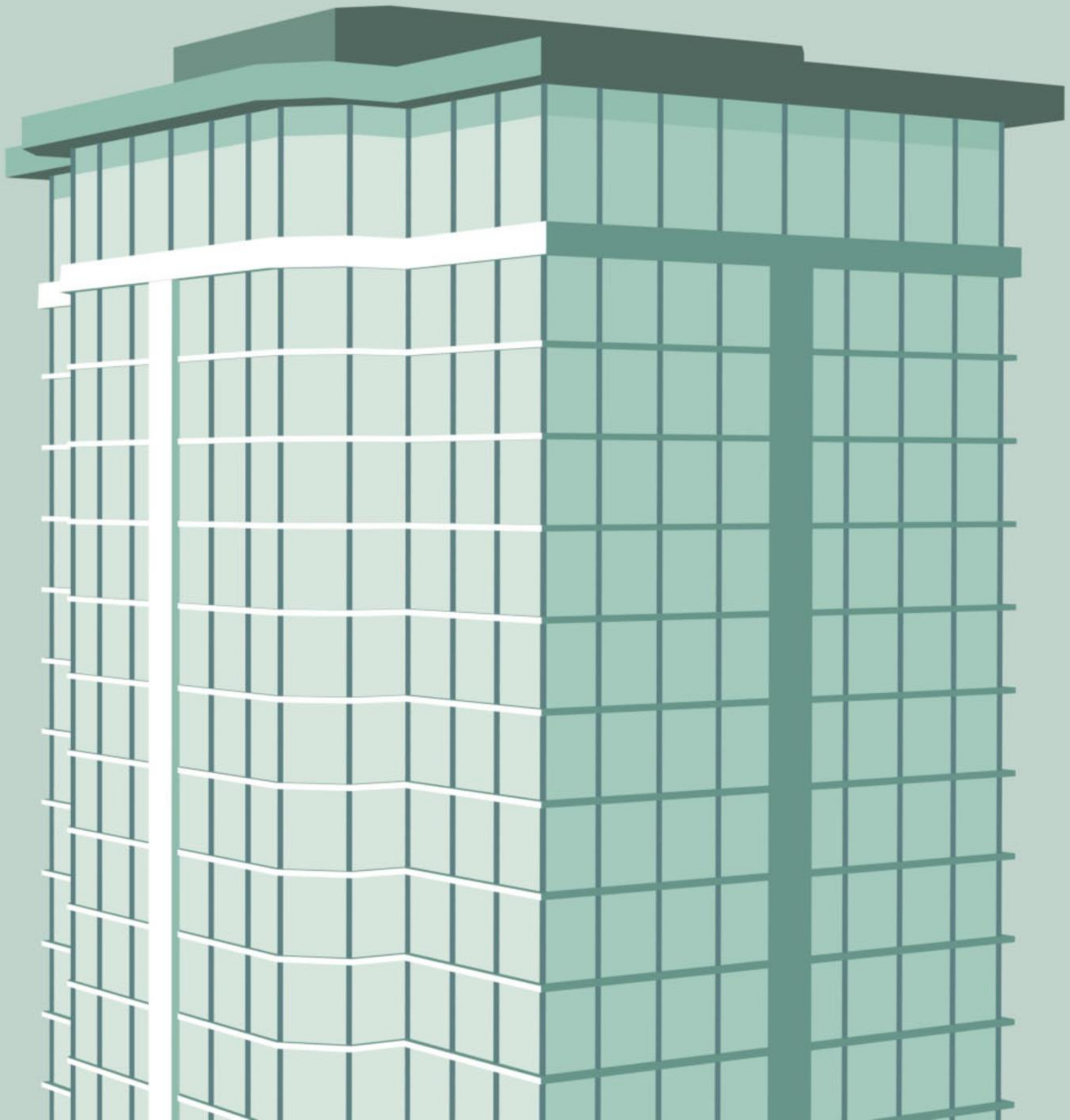
— Occupier demand for prime locations is expected to intensify in 2026 as a result of a significant slowdown in new construction, including speculative development. This sets the basis for increases in headline rents in the South Corridor and Copenhagen Suburbs clusters, while prime rents in the Triangle Region and West Corridor are expected to stabilize.

— Ability and resilience will shape strategic decisions. Geopolitical tensions and regulatory changes will drive the testing of alternative trade routes, alongside initiatives like renewable-powered container vessels. At the same time, occupiers will shift focus from green certifications to pragmatic climate transition plans, recognizing the significant capital investment required to achieve net zero targets.



05

Offices



05
Offices

Corporates shift demand further to high-quality offices

Fiercer competition for new space in the best locations is expected, as new supply has reached low levels.

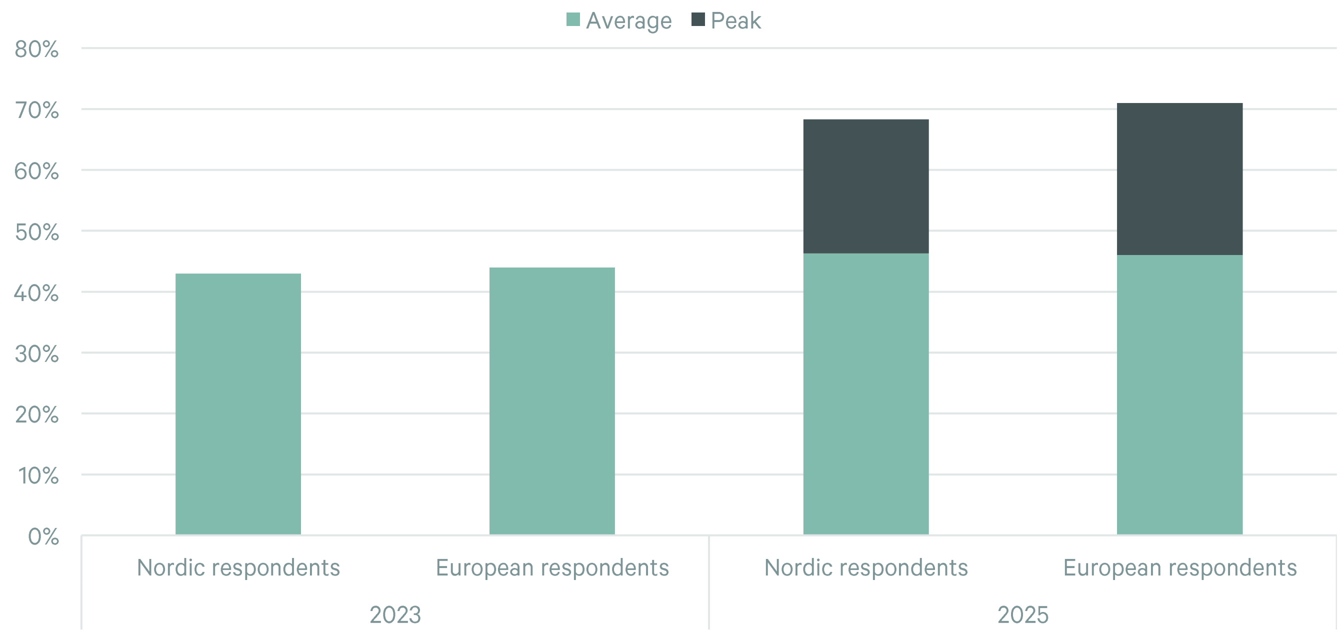
Most offices are full on peak days and usage across the Nordics is expected to rise further, according to nearly half of the respondents in our 2025 CBRE Nordic Office Occupier Sentiment Survey. This highlights the trend of tightening return-to-office and attendance policies in the Nordics. Demand for flexible workspace is furthermore accelerating, with 29% of Nordic occupiers targeting the majority of their portfolios in flex by 2027. This trend is primarily driven by a desire to avoid capital commitments (62%) and addressing uncertain demand levels (43%).

The 'Flight-to-Quality' trend in the office market has created tight market conditions for higher quality and well-located office space, and Nordic occupiers which are considering moving to new spaces in the next three years are showing concern for the availability of desirable space. 45% of Nordic occupiers that are considering a medium-term move are concerned about the availability of well-located and / or high-quality space.

New office supply, particularly in Copenhagen, has been reduced due to higher construction costs. This limits new developments and intensifies competition for the attractive leases, especially for prime properties located in CBD and North Harbour. A tight supply in central areas, coupled with strong demand, is expected to lead to slight prime rental growth.

From an investor perspective, the Danish office market is indeed showing renewed investor interest and early signs of increased transaction activity. While activity is recovering from a low base, the current trend points towards a healthy and sustainable level of activity for both 2026 and 2027.

Figure 8: Typical weekly average and peak space utilisation rats – Nordics vs. European results

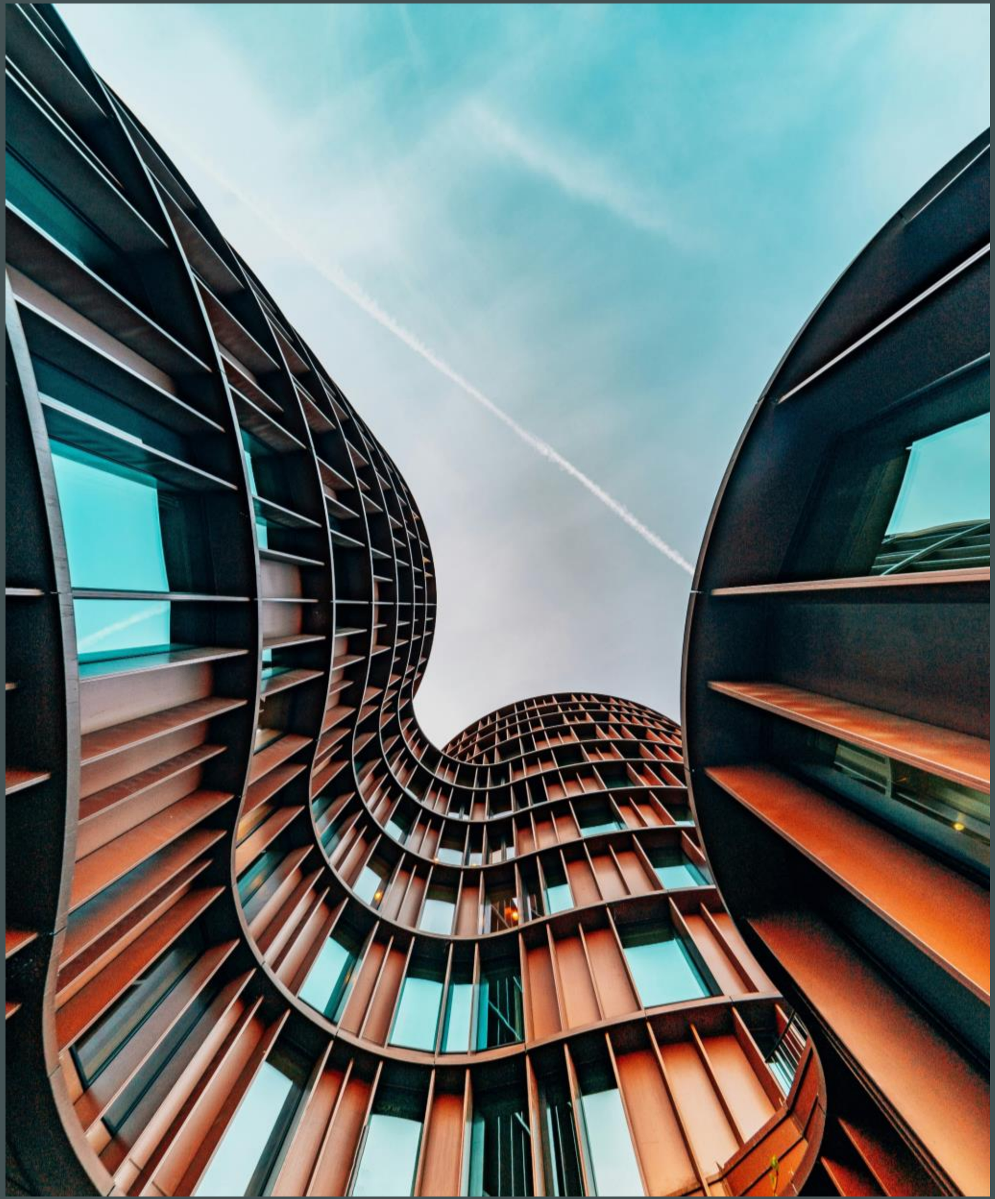


Source: CBRE Nordic Office Occupier Sentiment Survey 2025.

05
Offices

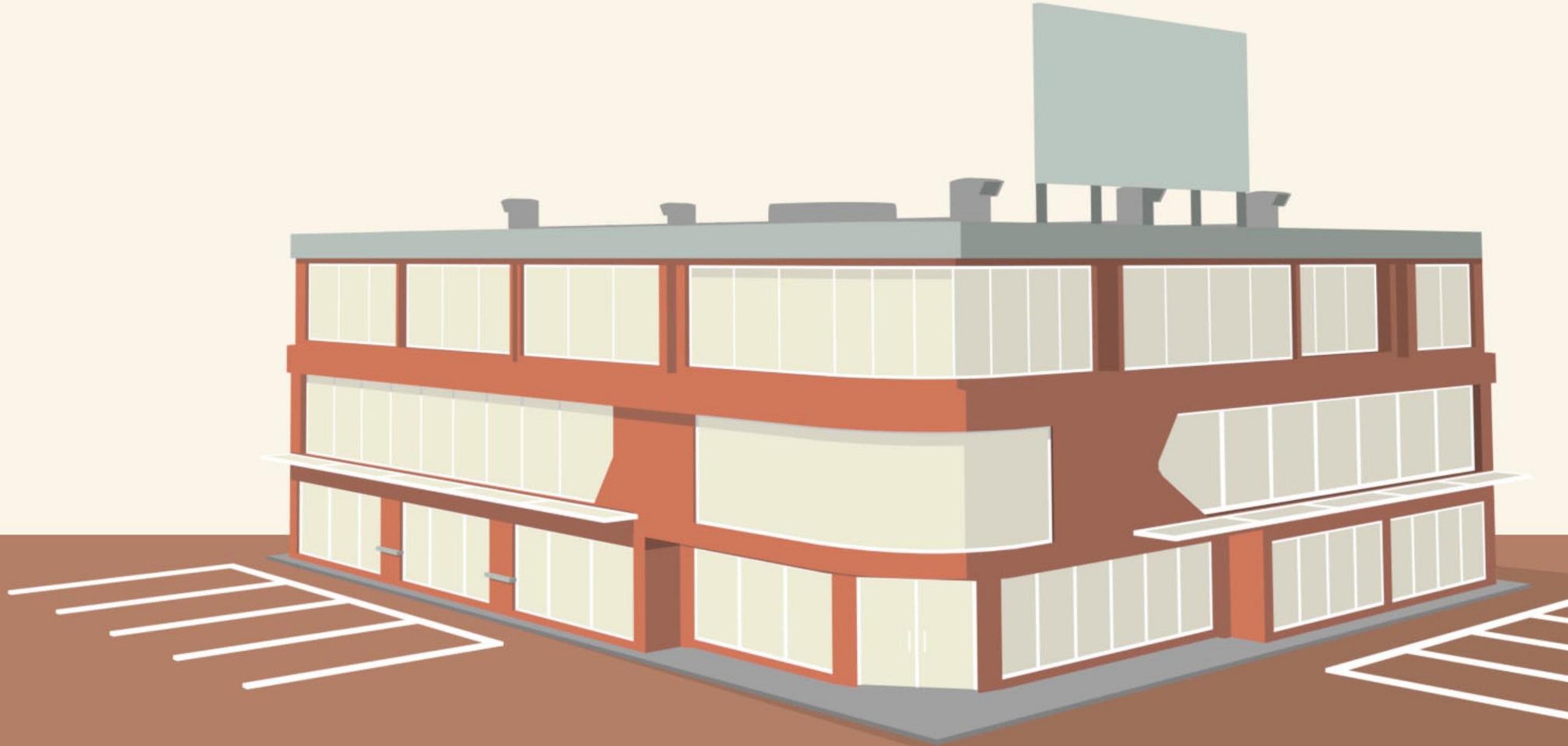
Trends to Watch

- More businesses will choose flexible office solutions, to allow them to respond to rapid market shifts. This agility is increasingly sought after by business leaders, whose companies are embedding flexibility in their portfolios by shifting a significant proportion of their footprint into flexible office space. According to our 2025 Nordic Office Occupier Sentiment Survey Report, 29% of Nordic occupiers are targeting the majority of their portfolios in flex by 2027.
- Many offices are already full-on peak days, with increasing attendance expected. In the Nordics, employer requirements have shifted from a majority-in-office model of three days per week to more frequent presence - often four days. Increasingly, companies are also specifying which days employees should be on-site, for example mandating Mondays and Fridays for team alignment.
- Fiercer competition for new space in the best locations is expected, as supply has reached low levels. As demand for premium office space is outpacing supply, this will drive headline rental growth in 2026.
- Financial impact and ESG considerations remain central. Occupiers and landlords are reviewing refurbishment costs and prioritising sustainable construction practices, aligning with long-term resilience goals.
- AI-enabled data analytics will increasingly be used to forecast future office usage and how to encompass high peak utilisation. Attendance patterns, required workspace types (desk, focus room, collaboration area) and predicted interactions will be used to spread utilisation throughout the building and across the week. Flexible facilities management schedules will ramp up and down in response to these predicted patterns, enabling low-cost, low-waste operations.



06

Retail



06
Retail

High Street Retail gains momentum amid tourism boom

Consumer spending has become increasingly cautious in recent years, driven by geopolitical and economic uncertainty. While overall consumption is under pressure, luxury brands are expected to deliver the strongest growth across Europe. This trend emphasizes the importance of securing prime locations and, for shopping centres, curating the right tenant mix.

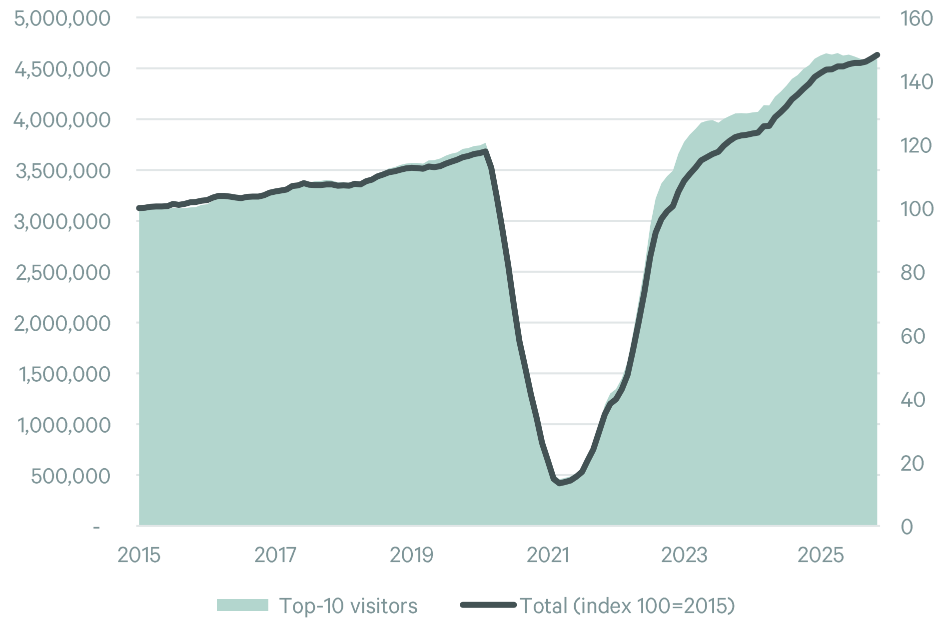
High-end brands continue to report robust growth, whereas mid-market concepts are showing signs of stagnation. Global brands - particularly from Asia - are expanding across Europe, and Food & Beverage (F&B) is taking up a larger share of retail space, though maintaining a balanced offering remains critical.

Investor sentiment toward high-street retail is improving, supported by price corrections that have brought expectations closer to reality. Retail properties could regain traction as investment targets, with buyer and seller expectations aligning and activity rising from previously low levels.

Tourism remains a key driver of retail performance. Copenhagen recorded over 10 million international overnight stays in 2025 and more than 31 million international passengers at Copenhagen Airport. International visitors accounted for 25.4% of pedestrian traffic on Strøget in 2024, up from 22.7% in 2023, and are projected to remain at the same level in 2026. The significant number of international visitors combined with an evidently increasing number of tourists will continue to drive performance for high-street retailers on Strøget.

Grocery-anchored retail remains a resilient segment and food retail is considered essential, with low online penetration compared to other retail categories, making these assets less vulnerable to e-commerce disruption. Major players like Cibus Nordic Real Estate and AKA have been expanding their portfolios in 2025, signalling strong investor confidence in this segment. Retail parks furthermore show signs of strong fundaments across Europe (including Nordics), with low vacancy rates and competitive operating costs.

Figure 9: Total amount of overnight stays (index 100=Q1 2015) and top-10* visitors in Copenhagen (rolling 12 months)



*US, Germany, UK, Sweden, Norway, France, Italy, Netherlands, Spain, Switzerland.

Source: Statistics Denmark

06
Retail

Trends to Watch

- Cautious consumer spending continues amid geopolitical and global economic uncertainty, putting pressure on overall consumption. Consumer fundamentals are expected to keep on improving in 2026.
- Luxury brands expected to deliver strongest growth across Europe, reinforcing the importance of securing prime locations and curating high-end tenant mixes in shopping centres. While mid-market brands show signs of stagnation, high-end concepts remain robust.
- Tourism remains a key driver for High Street Retail: Copenhagen's overnight stays have grown since 2015, with international visitors accounting for ~25% of the footfall at Strøget – this trend is expected to remain stable through 2026.
- Experiential retail will expand. Examples include events spaces, competitive socialising, and in-store fitness classes in the case of sports and athleisure brands. We expect to see this spreading to other parts of the continent. Food & Beverage (F&B) elements will continue to be incorporated into flagship stores.
- Grocery-anchored retail remains resilient and is expected to remain one of the favoured retail subsector for many investors, benefitting from low online penetration and essential status. Food & Beverage is in general gaining share of retail space, though maintaining a balanced offering is critical for long-term performance.
- Retail parks show strong fundamentals across Europe, with low vacancy rates, competitive operating costs, and continued investor interest across the Nordics.

07

Sustainability

07
Sustainability

Transition plans will catalyse value creation despite regulatory shifts

Transition plans will act as a catalyst for transformation to ensure real estate assets remain compliant, resilient, and high performing in a net zero future.

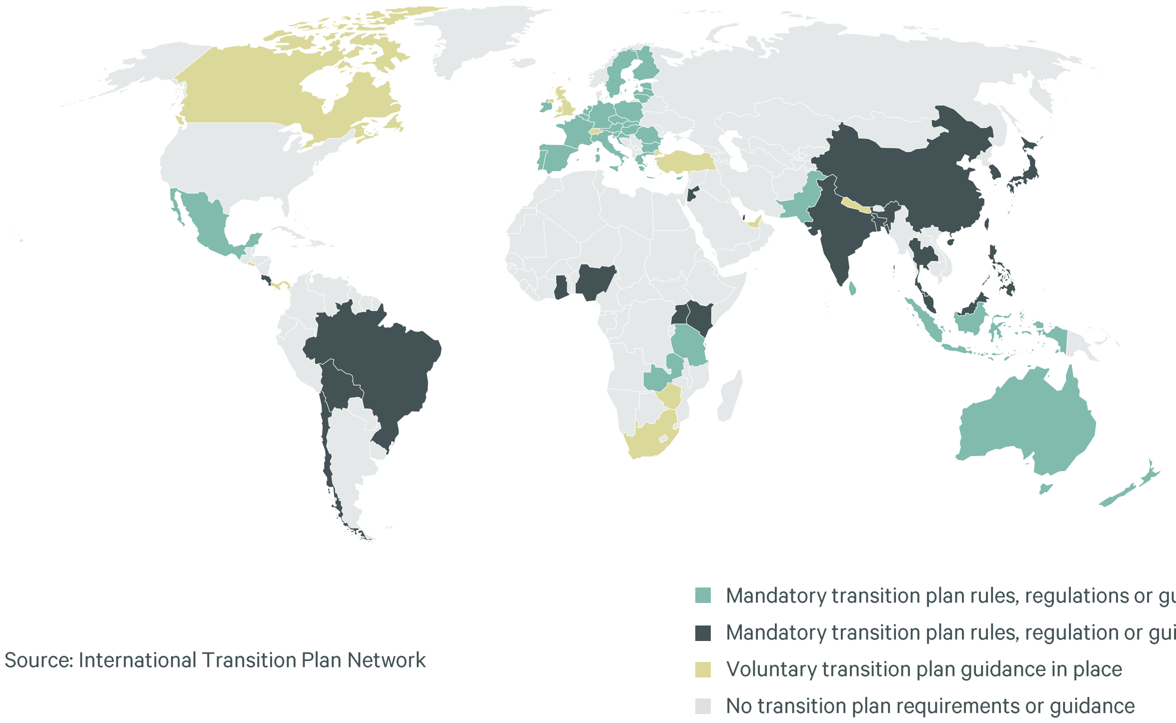
The Green Claims Directive, the Omnibus package negotiations, the SFDR 2.0 revision and the Energy Performance of Buildings Directive (EPBD) transpositions are all examples of either recent or proposed regulatory changes in Europe. They will increasingly influence real estate decisions for investors, developers, and occupiers this year and beyond.

Globally, more jurisdictions now require transition plan disclosures, with standards converging around the International Sustainability Standards Board as the baseline framework. While initial requirements target financial institutions and large listed companies, we expect smaller firms will follow.

In real estate, a transition plan serves as a strategic roadmap to align portfolios with a low-carbon economy and meet net-zero targets. The adoption of transition plans will continue despite regulatory shifts. They remain a critical tool for demonstrating credible climate commitments, managing long-term risks and identifying opportunities for value creation.

Investors, developers, and occupiers will need to implement solutions that simplify compliance, ensure consistent data quality, and provide a single source of truth for portfolio reporting. These solutions are likely to deliver measurable benefits, such as improved Net Operating Income, operational savings, and increased resilience, while enabling accurate financial risk quantification to inform valuation, insurance, and capital planning.

Figure 10: Global transition plan requirements



Source: International Transition Plan Network

08
Sustainability

Trends to Watch

- Embedding sustainability into real estate strategies is no longer optional, it is a critical consideration for both risk mitigation and value creation. By addressing sustainability factors, organisations reduce exposure to regulatory penalties, physical climate risks, reputational damage, protect property and rental values, and boost occupancy rates and leasing activity.

- Investors will increasingly act to improve their buildings' energy efficiency due to rising energy market volatility and the forthcoming implementation of the revised EPBD. The updated directive introduces phased minimum energy performance standards (MEPS) for existing buildings, based on nationally defined benchmarks. This regulatory framework aims to require the renovation of the least efficient buildings (targeting the worst-performing 16% by 2030 and 26% by 2033).

- There will be increased focus on future-proofing real estate portfolios with a solid and robust transition plan. This is no longer just about compliance. Decarbonization and climate risk management are becoming central priorities, particularly for vulnerable assets where climate hazards could impair long-term functionality and value.

- CapEx implementation will present significant challenges when organizations look to move from strategy to action. Organizations can overcome this via phased investment, prioritizing projects with strong ROI and regulatory benefits, using green financing, and digital tools for energy monitoring. Partnerships with technology providers and government incentives can further reduce financial risk.

- Biodiversity and social factors are gaining importance in real estate. Tools like biodiversity assessment frameworks, social impact metrics, and reporting standards will enable transparent quantification of these impacts, potentially influencing building permit negotiations.

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