

# Higher returns for efficient office and industrial assets become more pronounced

## Sustainability Index results to H1 2025

### Main findings

Over the history of the index, total returns for efficient assets have been higher due to the underperformance of inefficient stock. This is the case across all sectors.

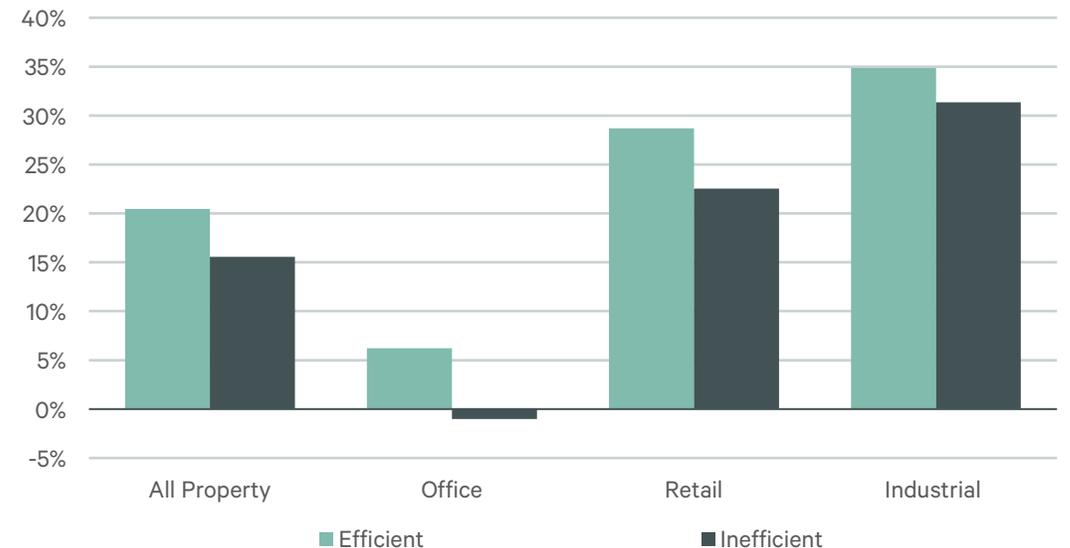
In the second half of 2025, the Government is expected to confirm [changes to Minimum Energy Efficiency Standards](#) for commercial property. The changes could increase the risks to value associated with energy inefficient assets. Despite the uncertainty on regulation, and not especially high transaction volumes in H1 2025, the index has shown evidence of increasing appetite for energy efficient assets from both investors and occupiers.

**Office:** Offices display the clearest correlation between inefficiency and value discounts. Over H1 2025, the rental value discount for inefficient stock grew, indicating weaker occupier demand for inefficient stock.

**Industrial:** The underperformance of inefficient stock became more pronounced in H1 2025. Market conditions may now be allowing investors to exercise more choice in asset selection based on sustainability features.

**Retail:** The seeming underperformance of inefficient assets reflects differences in sample composition rather than a strong link between efficiency and performance.

Total returns for efficient and inefficient buildings since index inception



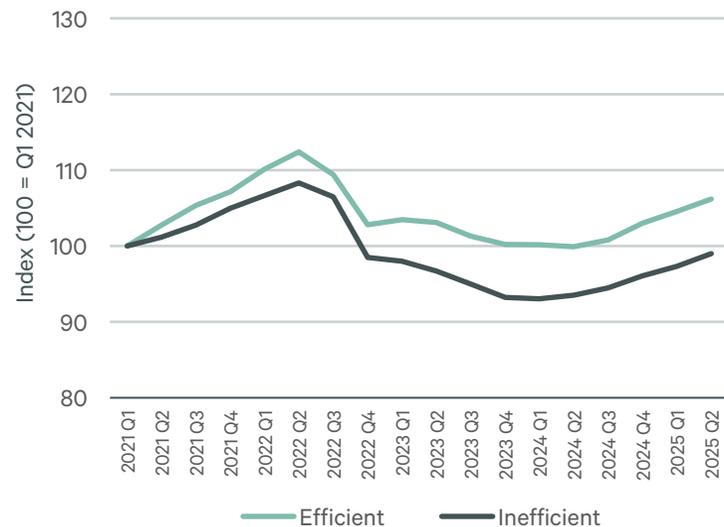
Source: CBRE Research

# Office

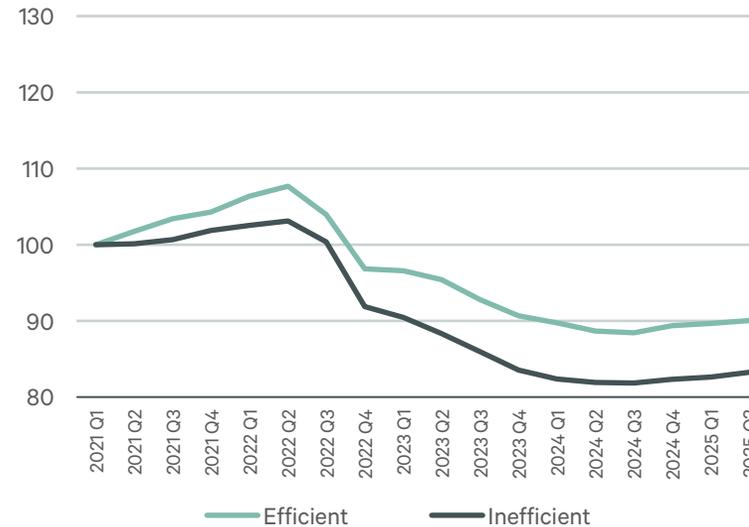
Rental growth for efficient offices continues to exceed that of the inefficient sample, suggesting better occupier demand for high quality, energy efficient office space.

The underperformance of inefficient offices continued in H1 2025, perhaps driven by concerns about the capital expenditure required for refurbishment to improve sustainability and other building features. Inefficient offices remain the only group tracked by the index with a negative total return (-1.0%) over the index history.

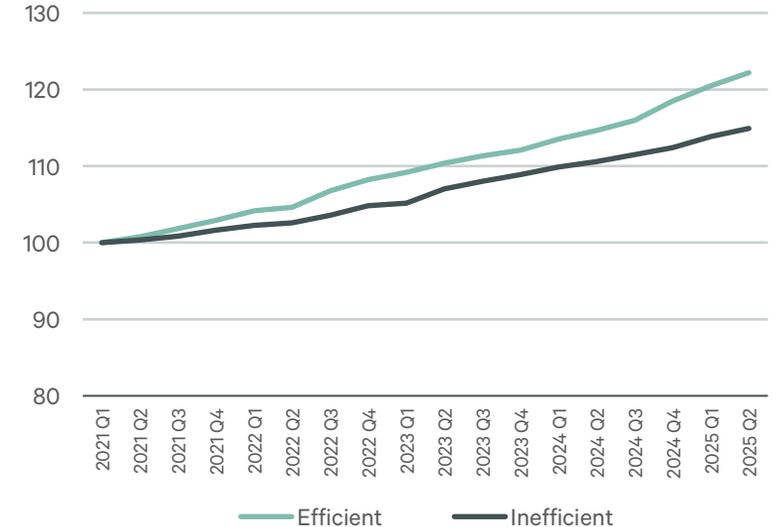
**Total returns**



**Capital growth**



**Rental value growth**



Sample at Q2 2025: 67 efficient, 187 inefficient.

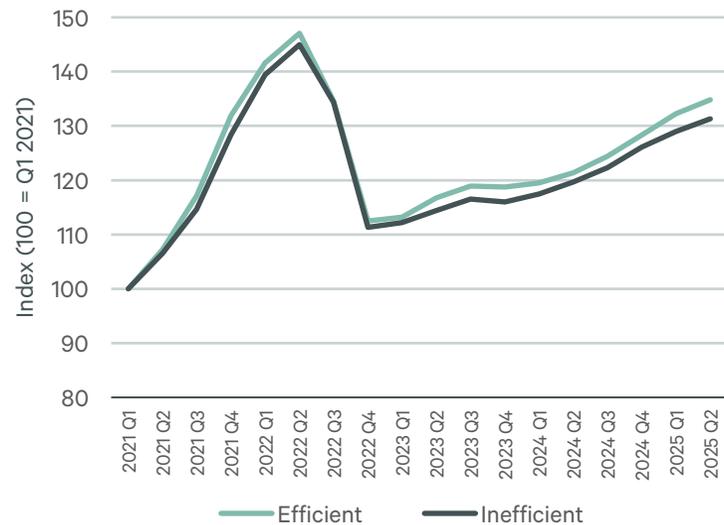
Source: CBRE Research.

# Industrial

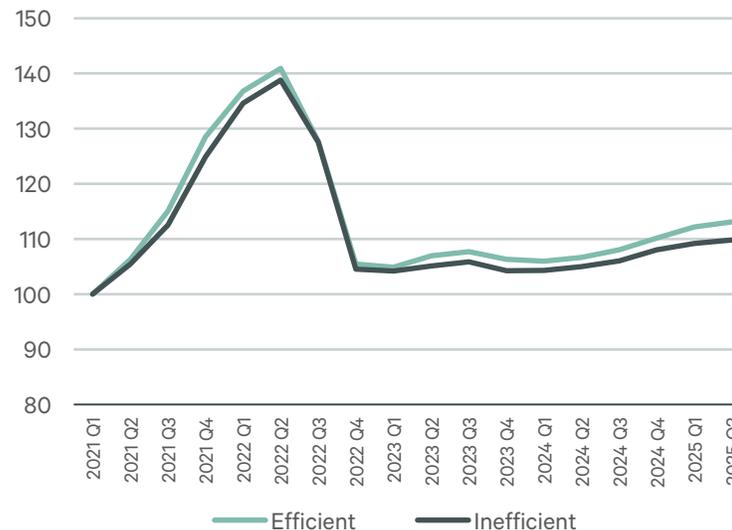
In H1 2025, the difference in total returns and capital growth for efficient and inefficient stock was the largest it has been over the history of the index. This trend becomes more pronounced for large industrial assets over 100,000 sq ft.

While the performance gap is still relatively small, it could indicate that investors and occupiers are starting to favour more efficient assets in a market where higher levels of supply are allowing for greater choice in asset selection.

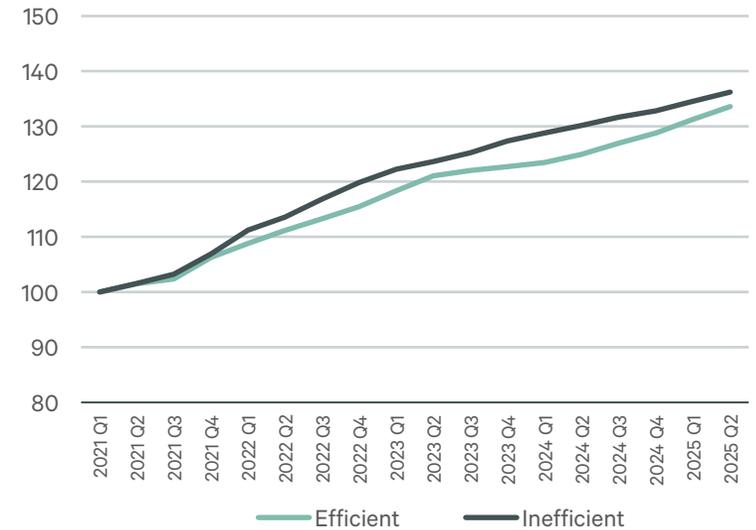
Total returns



Capital growth



Rental value growth



Sample at Q2 2025 73 efficient, 228 inefficient.

Source: CBRE Research.

# Retail

The underperformance of inefficient retail stock is not principally caused by the relationship between energy efficiency and value.

The main driver is an imbalance in the samples. Much of the efficient sample is comprised of retail warehouses, which have outperformed other retail asset types over most of the index history.

The inefficient sample reported better performance in H1 2025 due to strong rental and capital growth for several assets in prime Central London locations.

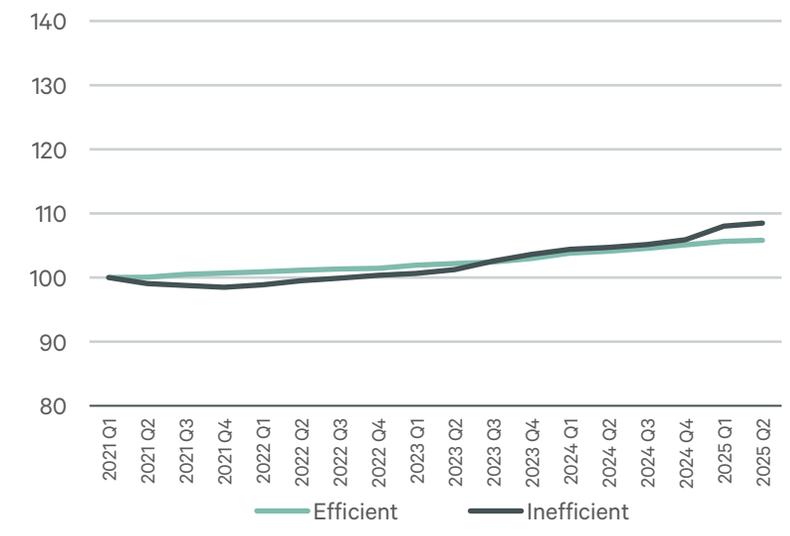
**Total returns**



**Capital growth**



**Rental value growth**



Sample at Q2 2025: 93 efficient, 186 inefficient.

Source: CBRE Research.

# One in five commercial buildings in the UK are exposed to flood risk

The industrial sector is most exposed in terms of value at risk

## What is commercial property’s exposure to flood risk?

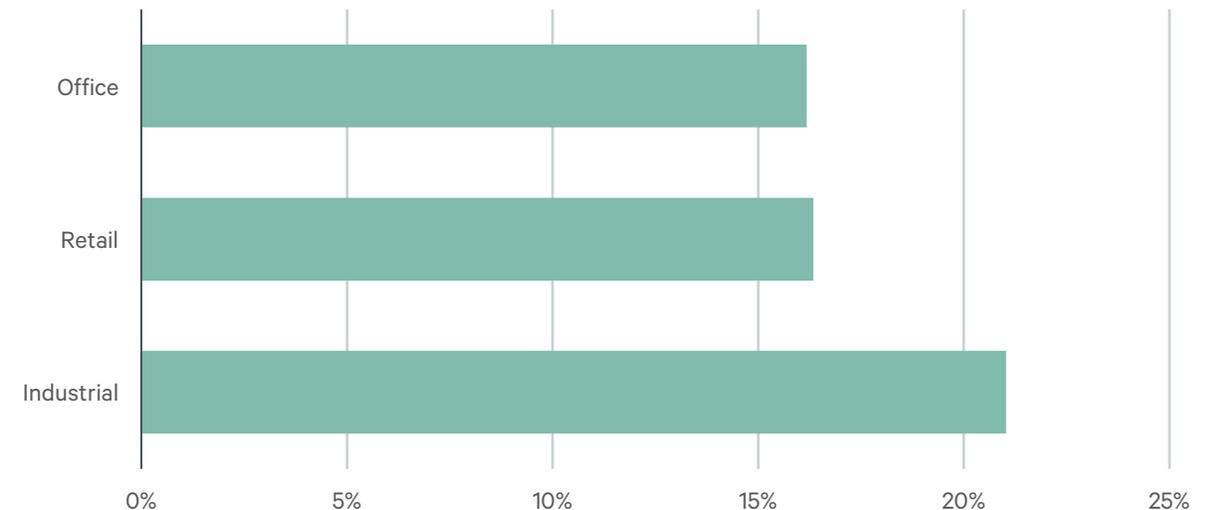
Across all sectors, 21% of assets are exposed to flood risk. Surface water flooding was the most common type of flood risk, affecting 75% of the exposed assets. River flooding affected 36% of exposed assets, and coastal flooding only 1%\*.

Surface water flooding occurs due to heavy rain and is not necessarily associated with proximity to a river or the coast.

The industrial sector has the greatest exposure to flood risk by value at 21%. Lower exposure for the office and retail sectors is likely due to their concentration in urban areas which benefit from greater investment in flood defences and adaptation.

These findings are the results of an analysis of a over 2,200 commercial buildings’ exposure to flood risk including river, coastal, and surface water flooding.

Proportion of sample’s capital value exposed to flood risk, by sector



Sample as at Q2 2025, assessed under RCP 4.5 scenario for river flood risk in 2025. At risk defined as predicted losses from a flood event higher than 2.5% of asset replacement value.

Source: CBRE Research, Climate X

\*Percentage of assets exposed to flood risk sums to over 100% because some assets are exposed to multiple types of flood risk.

# Further Information



To create the Sustainability Index, Energy Performance Certificates (EPCs) at the unit level were aggregated into an asset level EPC rating. This was done using a weighted average. Unit level EPCs were weighted according to their share of floorspace in the whole asset. We only used assets valued at a quarterly or monthly frequency and where EPCs were available for more than 80% of the total floor area recorded for that asset. We then defined efficient assets as those with an aggregate EPC of B or higher and inefficient assets as those with an aggregate EPC of C or lower. Our definitions of efficient and inefficient are consistent with those used by the Sustainable Finance Disclosure Regulation (SFDR) in principle adverse [impact 18](#). EPC ratings for asset valuations prior to Q1 2022 were applied using the aggregated asset level EPC ratings calculated for assets from Q1 2022 onwards. We do not demonstrate a causal relationship between energy efficiency and investment performance in this analysis, but we do illustrate how they correspond.

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