



## Transforming real estate for a sustainable future

### Beyond compliance: Rethinking sustainability in real estate portfolios

Over the past decade, balancing profitability with the various pressures posed by increasingly frequent and severe weather events has proven to be a challenge. Following years of adaptation and negotiations, countries and markets have attempted to set a common trajectory. The European Union (EU) has found itself at a crossroads and, to strengthen its competitive edge, announced new initiatives in February 2025—the Simplification Omnibus package and the Clean Industrial Deal—collectively referred to as “the package.” These initiatives aim to make the EU environment more business-friendly, giving companies more time to adapt to sustainability obligations while staying aligned with long-term sustainability goals.<sup>1</sup>

Within this evolving regulatory and geopolitical landscape, the real estate sector stands out as an important focus area. As one of the most energy-intensive industries—responsible for 34% of energy-related CO<sub>2</sub> emissions and over 32% of the global energy demand in 2023<sup>2</sup>—real estate plays a central role in the energy transition. Adopting sustainable practices can help mitigate operational costs, protect asset value, and reduce exposure to regulatory and sustainability-related risks. From design and construction to daily operations of

assets, real estate stakeholders are now required to future-proof their assets against evolving regulatory frameworks, shifting investor priorities, and rising tenant expectations<sup>3</sup>.

As a result, several distinct trends are emerging across the real estate sector: retail stores are being renovated to improve their energy efficiency<sup>4</sup>, while residential assets are increasingly refurbished to help reduce reliance on traditional heating systems and enhance insulation<sup>5</sup>. Certifications for office buildings such as Leadership in Energy and Environmental Design (LEED) is a globally recognized building certification system developed by the U.S. Green Building Council<sup>6</sup>. It provides a framework for designing, constructing, operating, and maintaining buildings that are environmentally responsible, resource-efficient, and healthy for occupants. The Building Research Establishment Environmental Assessment Method (BREEAM) is a leading sustainability assessment method for master planning projects, infrastructure, and buildings. BREEAM, developed in the United Kingdom by the Building Research Establishment (BRE), assesses building environmental performance and promotes sustainable design.

Increasingly, such standards are prerequisites for tenants seeking productive workplaces and for investors prioritizing long-term asset value through sustainability<sup>7</sup>. Furthermore, new logistics facilities are being constructed to help meet sustainability building standards, incorporating energy-efficient designs and renewable energy solutions to help align with stricter regulations and tenant demands<sup>8</sup>. Additionally, hotels are being redesigned to help improve insulation, implement waste management systems, and reduce both energy and water consumption without compromising guest experience<sup>9</sup>. Moreover, digital tools across asset classes are enhancing sustainability integration and reporting<sup>10</sup>. Lastly, innovative materials and circular construction can help promote resource efficiency and reduce waste throughout the building lifecycle<sup>11</sup>.

At the same time, end-users and tenants (office employees, corporate occupiers, hotel guests, etc.) are placing increasing value on sustainability credentials and the environmental footprint of the buildings they use<sup>12</sup>. In parallel, valuation standards have already integrated sustainability factors, while the certification landscape has evolved into a highly specialized and competitive field<sup>13</sup>. These developments highlight the importance of integrating and implementing sustainability strategies, which are not linear processes with standardized solutions. On the contrary, investors and real estate stakeholders in general should actively engage with their assets, maintain a thorough understanding of emerging trends and regulations, and design tailor-made strategies that help balance resilience with long-term value creation.

These complexities are even more profound for portfolio owners, who can monitor and manage diverse asset types, each with its own regulatory requirements and risk profile. Addressing these challenges requires a forward-looking, structured strategy. The initial steps should include an as-is evaluation of the assets to help create a baseline for analyzing a portfolio's future development. This baseline enables alignment with both national and international regulations, as well as relevant industry standards. Based on this analysis, a broad corporate strategy should be formulated, taking into consideration projected revenues and value creation, including tailored action plans for each property within the portfolio. This strategy should outline specific workstreams, capital expenditure requirements, timelines, KPIs for tracking progress, and clear task responsibilities. In light of the rapidly evolving sustainability landscape, the strategy should be regarded as a dynamic framework—subject to regular reviews and adjustments to help incorporate legislative developments, shifting market expectations, and emerging sustainability trends, thereby helping to ensure regulatory alignment and sustained competitive positioning with the goal of increasing the value of the portfolio and safeguarding it for the future.

Despite recent regulatory delays and relaxed sustainability reporting requirements, Europe remains committed to an extreme weather-resilient economic transformation—driven not by generic solutions, but by future-proof, well-informed, and tailored strategies<sup>14, 15</sup>. The real estate sector—under increasing scrutiny for its energy use and carbon emissions—can view sustainability not merely as a compliance obligation, but as a strategic lever for resilience, efficiency, and long-term value creation. Unlocking this potential requires more than a one-size-fits-all approach; it calls for asset-specific strategies that are both informed and future-ready.

## Contacts:



### **Eleftheria Riga, MRICS**

Principal | Strategy & Transactions |  
Infrastructure & Real Estate | Deloitte  
Business Solutions S.A.

[eriga@deloitte.gr](mailto:eriga@deloitte.gr)



### **Stefania Gkiouzelli**

Senior Manager | Strategy & Transactions |  
Infrastructure & Real Estate | Deloitte  
Business Solutions S.A.

[sgkiouzelli@deloitte.gr](mailto:sgkiouzelli@deloitte.gr)



### **Michail Kyrilopoulos, MSc**

Consultant | Strategy & Transactions |  
Infrastructure & Real Estate | Deloitte  
Business Solutions S.A.

[mkyrilopoulos@deloitte.gr](mailto:mkyrilopoulos@deloitte.gr)

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