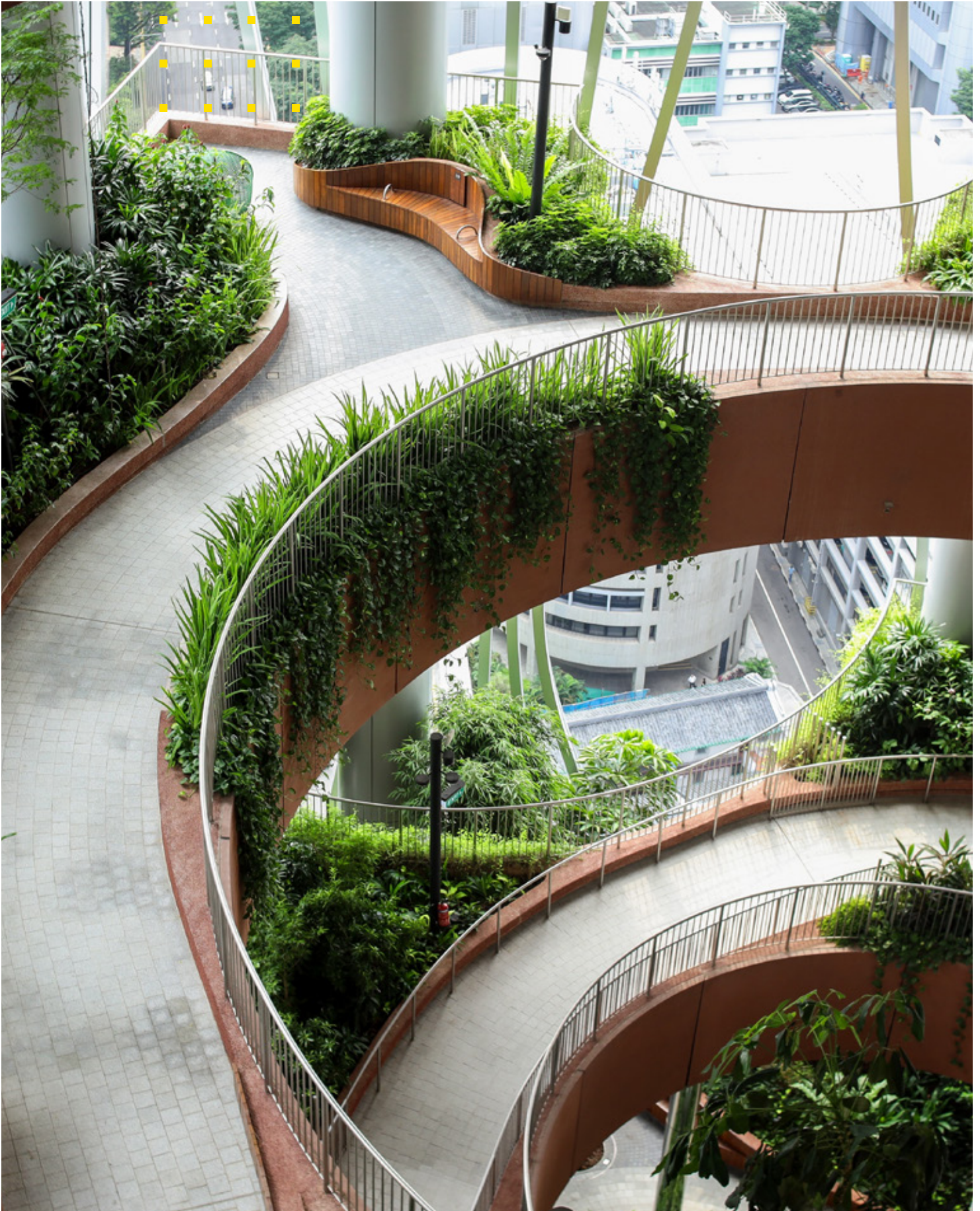


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SPOTLIGHT
Savills Research

Sustainable Real Estate: Strategies & Practices





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Foreword

As India moves toward its ambitious goal of achieving net-zero emissions by 2070, the real estate sector—one of the major contributors to greenhouse gas emissions—is undergoing a very conscious and profound transformation to attain carbon neutrality. In this decade, the pursuit of carbon-neutral real estate is not just a necessity but a transformative opportunity to reshape the future of our cities and communities. This underscores the critical need to integrate sustainable materials and energy-efficient technologies at every stage of development to effectively combat climate change.

India is a key stakeholder in the current wave of the global shift towards sustainability. The growing awareness among industry players is propelling the nation towards a net-zero future. By prioritising sustainable growth, India is striking a balance between economic development and environmental management. This demonstrates the country's vision of unimpeded growth and a deep understanding of the interconnectedness between economic progress and planetary health.



Introduction

India's real estate sector is accelerating its adoption of eco-friendly practices to meet the commitment of decarbonisation. A notable surge in green building certifications, renewable energy integration, and the use of sustainable materials has been reshaping the sector. This document delves into the pivotal strategies to achieve sustainability, both at the company and asset levels, outlining innovative approaches that are setting new benchmarks for sustainable real estate development in India. At the company level - a comprehensive sustainability strategy focuses on integrating environmental and social considerations into core business practices. This includes adopting energy-efficient technologies, reducing waste, and ensuring ethical supply chain management.

Adoption of sustainability at the asset level includes integrating sustainable design and construction practices, enhancing energy and water efficiency, and improving indoor environmental quality. By embracing these practices, companies not only advance the broader goal of achieving net-zero emissions but also enhance their operational resilience, positively impact their communities, and drive sustainable growth, leading to long-term value creation.

We have endeavored to explore the regulatory frameworks and sustainable practices that are driving the shift toward carbon-neutral real estate. It offers an in-depth look at the green-certified assets recognised by the Indian Green Building Council (IGBC) across India, assessing the steps taken toward achieving the net-zero target. The actionable strategies outlined in





this document are meant to inspire industry leaders and stakeholders to embrace sustainability not just as a compliance measure, but as a fundamental value that enhances the resilience and social responsibility of their projects. At this stage, we have presented insights to initiate and engage stakeholders in meaningful dialogue. As we move forward, these efforts will be further elevated and refined, strengthening our collective commitment to creating a built environment that harmonises growth and environmental care.



Net-zero Pathway: Commitments and Strategies

India, being the world's fastest-growing major economy with 7.0% growth rate projected in FY 25 by IMF¹, is playing a key role in combating climate change. As a prominent participant in international climate negotiations, the country has made substantial commitments to decarbonise its economy, reduce greenhouse gas (GHG) emissions, and transition to a more sustainable energy future. These commitments, outlined below, are crucial to the global objective of limiting warming to below 2°C, as set forth in the Paris Agreement.

India's Climate Commitments

	Aspect	Details
	International Agreements	Paris Agreement: India has committed to reduce its greenhouse gas emission intensity by 45% by 2030 from the 2005 level
	Nationally Determined Contributions (NDCs)	Aims to achieve about 50% of its installed electricity capacity from non-fossil fuel sources by 2030. This includes expanding renewable energy sources such as solar, wind, hydro, and biomass.
	Renewable Energy Targets	Plans to install 500 GW of non-fossil fuel capacity by 2030. This includes significant investments in solar and wind energy.
	Energy Efficiency Improvements	Implementing programmes like the Perform, Achieve, and Trade (PAT) scheme and the Standards & Labeling programme to enhance energy efficiency across sectors.

Source: Savills India Research

Indian companies are adopting sustainable strategies to align with national climate goals, and the real estate sector is following suit. This unified approach ensures that both company and asset-level initiatives support India's climate ambitions, driving progress toward a sustainable future while enhancing economic and environmental resilience.

¹ International Monetary Fund

Integrated Sustainability Strategies at Company and Asset levels

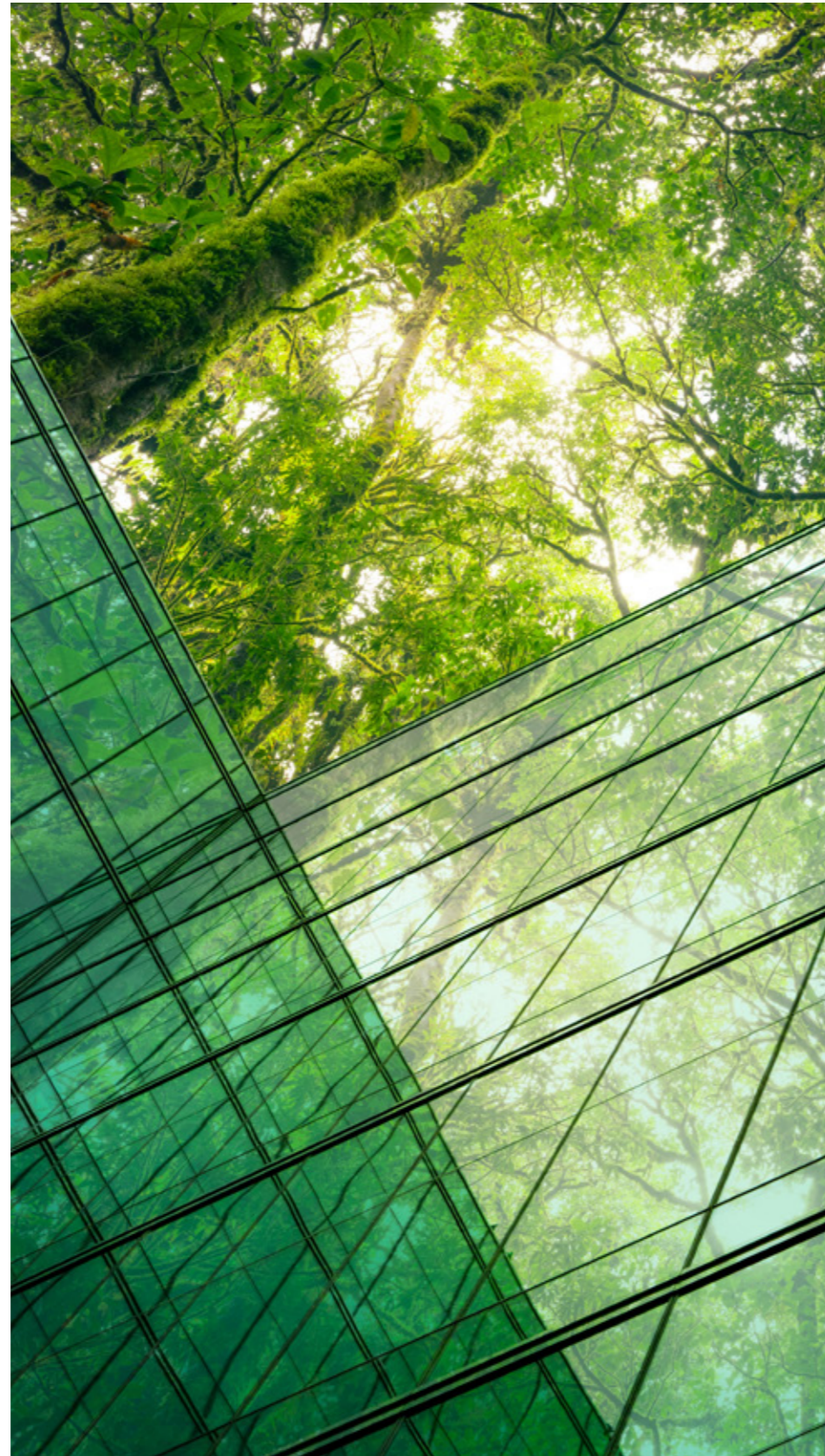
In recent years, there has been a conscious effort to align sustainability strategies and adhere to voluntary green initiatives. A crucial step towards achieving these goals is a comprehensive sustainability assessment at the company level. This assessment is essential for guiding decisions made by stakeholders and investors.

In India, the Business Responsibility and Sustainability Reporting (BRSR) regulation established by the Securities and Exchange Board of India (SEBI) mandates specific ESG disclosures that provide valuable insights for various stakeholders.

These disclosures cover material risks and opportunities, implementation of rigorous environmental measures, promotion of workplace diversity, assurance of BRSR compliance, and detailed reporting on capital expenditure and research and development portfolios. Companies listed on the BSE must adhere to the 9 principles outlined by BRSR, based on the National Guidelines on Responsible Business Conduct (RBC).

At the asset-level, strategies emphasise the integration of sustainable practices into the management of individual properties. In the context of India's rapid urbanisation and industrial expansion, this approach is crucial for mitigating environmental impacts and enhancing resource efficiency. Essential components at this level include advancing energy efficiency through green technologies, improving water management, minimising waste, and adhering to local regulations and sustainability standards. To navigate the sustainable path, integrating green practices at the asset level is a key approach. This can be achieved through sustainable design and construction, pursuing green certifications, implementing decarbonisation strategies, and fostering voluntary tenant collaboration through green lease clauses.

The following section delves into the country's green growth initiatives, with a focus on property sustainability approaches.



Green Building Certification in India

Green building certifications are processes that assess a building's environmental and sustainability performance. They have become increasingly important in starting to address the challenges of rapid urbanisation and climate change. These certifications help ensure that buildings are designed, constructed, and operated in an environmentally responsible and resource-efficient manner.

Green-certified buildings set a benchmark for the use of sustainable materials, energy-efficient technologies, and water conservation practices, contributing to a lower carbon footprint and advancing the achievement of the UN Sustainable Development Goals (SDGs)

Global green building rating agencies play a crucial role in promoting sustainable construction and environmentally friendly building practices. Some of the most prominent global green building rating systems and agencies include (Leadership in Energy and Environmental Design (LEED), Building Research Establishment Environmental Assessment Method (BREEAM) and Green Business Certification Inc. (GBCI) among others. India has three green building certification systems, each with its own guidelines and rating parameters.

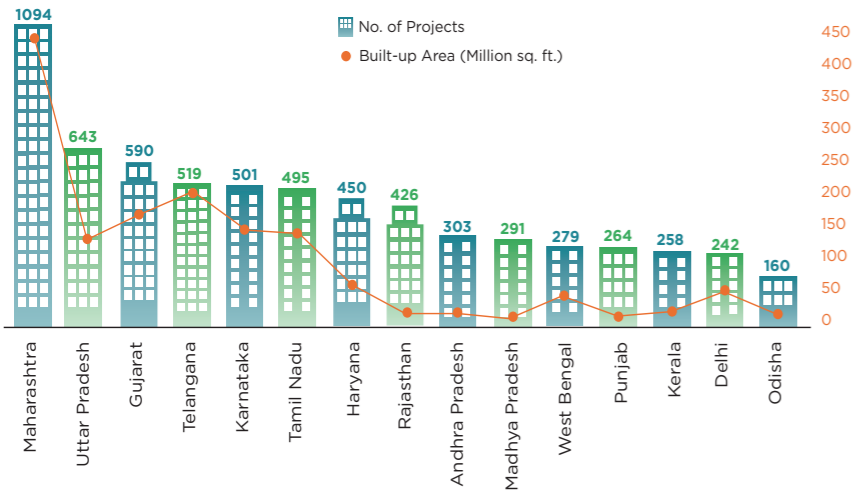
Green Building Certification Systems in India

	Energy Conservation Building Code (ECBC)	Indian Green Building Council (IGBC)	Green Rating for Integrated Habitat Assessment (GRIHA)
Rating Parameters	<ul style="list-style-type: none"> • Building envelope • Heating ventilation and air conditioning • Lighting system • Service water heating • Electric power distribution 	<ul style="list-style-type: none"> • Sustainable architecture and design • Water conservation • Energy efficiency • Building materials and resources • Indoor environmental quality • Innovation and development • Site selection and planning 	<ul style="list-style-type: none"> • Sustainable site plan • Water management • Energy optimisation • Sustainable building materials • Construction management • Innovation • Socio-economic strategies • Occupant's comfort • Solid waste management • Performance metering and monitoring • Life cycle costing

Source: Savills India Research

The country has over 7,000 IGBC green-certified projects, accounting for an estimated total built-up area of 1,370 million sq. ft., across various states. The graph on the subsequent page highlights the top 15 Indian states/union territories with the number of commercial, green-certified projects under the IGBC.

IGBC Registered Projects with Estimated Built-up Area in Key States

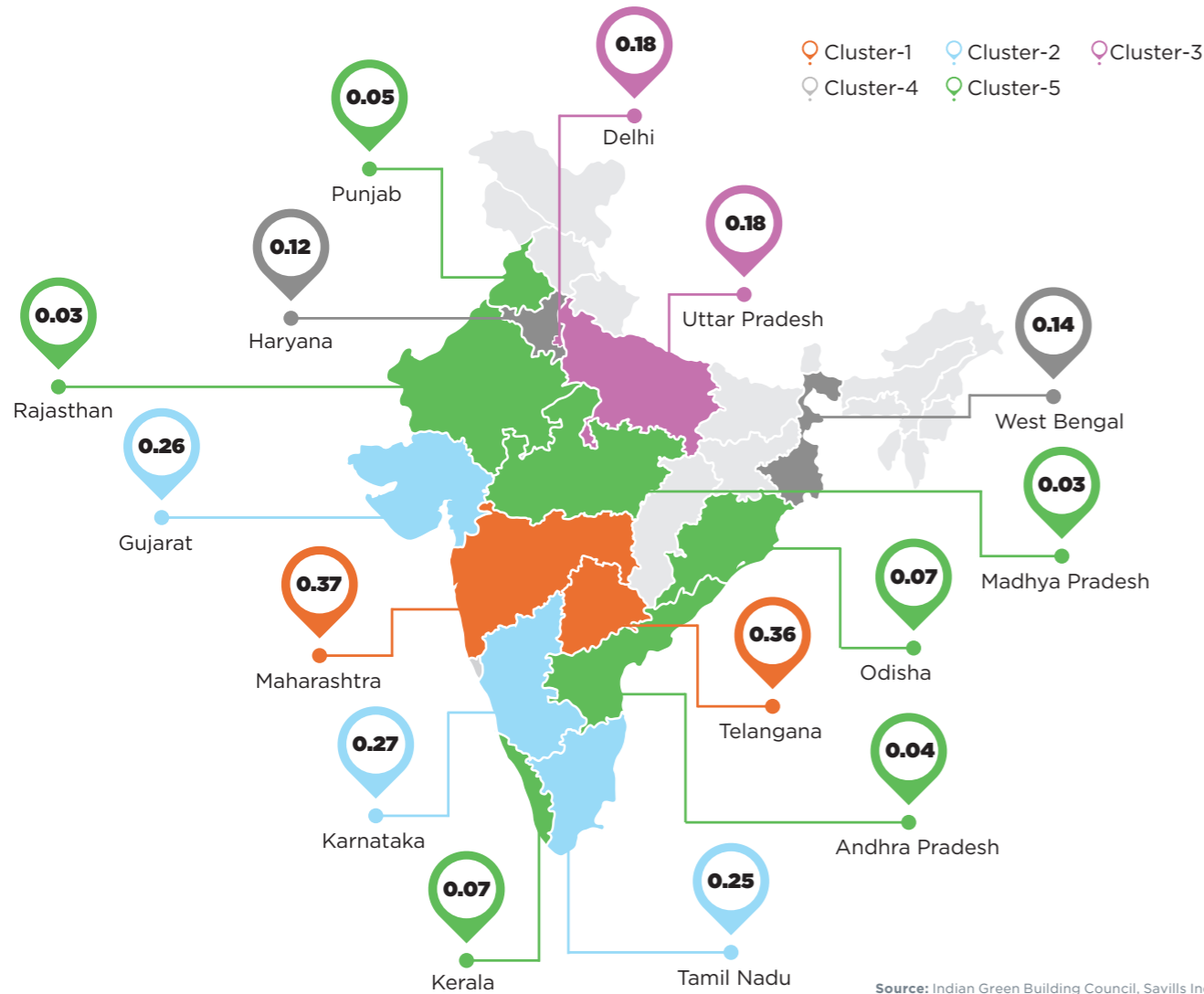


Source: Indian Green Building Council, Savills India Research

However, a closer look makes it evident that some states have much larger sized projects, that could be viable investments in future, apart from becoming lead demand magnets.

From the map below we can see that there are roughly 5 clusters in which these 15 states/union territories can be clubbed. Maharashtra and Telangana form the top ranked cluster where the average projects are 0.36 – 0.37 mn sq. ft. whereas Karnataka, Gujarat, and Tamil Nadu can be grouped into the second cluster where the projects are in the range of 0.25 - 0.27 mn sq. ft. Uttar Pradesh and Delhi form the third cluster, characterized by project size to the tune of 0.18 mn sq. ft. West Bengal and Haryana constitute the fourth cluster, with project sizes between 0.12-0.14 mn sq. ft. The final cluster represents a more fragmented market with relatively smaller projects' size in the range of 0.03-0.07 mn sq. ft.

Average Size of Green-Certified Asset in Mn. Sq. Ft.



Source: Indian Green Building Council, Savills India Research

Asset Decarbonisation

Decarbonising assets is a critical component of the broader strategy to combat climate change. Building decarbonisation involves reducing the carbon footprint of assets by addressing both embodied carbon-

emissions associated with the materials and products used in buildings, and operational carbon-emissions resulting from building operations. This is achieved through various measures and technologies designed to

minimise greenhouse gas emissions throughout the lifecycle of the asset.

Some Important Steps in Decarbonisation

Energy Efficiency

- Improved insulation
- Use of LED lights
- Proper HVAC System

Utilise Sustainable Building Materials

- Low carbon materials
- Prefabrication and modular construction
- Circular economy

Monitor, Report & Iterate

- Continuous monitoring
- Reporting
- Iterate and Improve



Transition to Green Energy

- On-site renewable energy
- Green energy procurements

Engage & Educate Occupants

- Occupant behaviour
- Training sessions
- Engage stakeholders

Source: Savills India Research



The government plays a crucial role in decarbonising buildings by creating policies, regulations, incentives, and initiatives that guide and support the transition to low-carbon, energy-efficient buildings.

Government's Role in Decarbonisation

Regulate

- Introduce zero carbon standards for all new buildings
- Mandate the use of renewable energy with standards
- Decarbonise heating and cooling
- Ensure compliance through a comprehensive enforcement strategy

Facilitate

- Ensure skilled and informed workforce
- Engage key stakeholders in planning process
- Track progress towards zero emissions
- Increase institutional capacity for enforcements of codes and standards

Setting Clear Targets

- Establish a roadmap to reach zero carbon emissions from buildings by mid-century
- Increase retrofitting rates 2.5-3.5% per year
- Make new buildings zero carbon as of now

Incentivise

- Access to low-cost debt
- Develop financial support packages
- Provide credit risk guarantees
- Establish and fund a green bank
- Directly incentivise purchase of best-in class technologies

Source: Climate Action Tracker, Savills India Research



Green Leases & Tenant Collaboration

A green lease is one where the landlord and tenant agree to sustainability-linked targets and measurable key performance indicators as part of the lease agreement or a separate voluntary arrangement. A green lease might place requirements on the landlord, the tenant, or more usually both, and locks in collaboration between the two.

The concept of green leases in India is in early stages but gaining traction due to growing awareness about sustainability. There is a rising demand for sustainable buildings among corporations, especially multinational companies with global sustainability goals.

Effective implementation of green leases requires active participation and cooperation from the tenant to achieve sustainability goals.

Four Pillars of Tenant Collaboration

Shared Responsibility

- **Joint Commitment:** Mutual agreement on sustainability goals
- **Cooperation on Initiatives:** To achieve sustainability goals



Data Sharing

- **Resource Monitoring:** Track and share data on energy usage for transparency and to improve energy efficiency



Financial Incentives

- **Cost Sharing:** For sustainability upgrades
- **Performance-Based Rent Adjustments**



Behavioural Change

- **Green Fit-outs:** Tenants to use sustainable materials and practices
- **Tenant Engagement:** Through workshops and awareness programs



Source: Savills India Research

With ESG principles at the forefront, companies are increasingly prioritising sustainability commitments. By proactively implementing ESG guidelines and effective

reporting processes, companies can enhance transparency, accountability, and stakeholder engagement. This approach not only builds trust but also attracts

responsible investors, reinforcing their commitment to a sustainable future.

Implementation and Reporting

The primary goal of ESG reporting is to achieve measurable sustainability performance improvements and compare progress towards stated goals. This is done by conducting materiality assessments with

customers, investors, employees and other stakeholders. The steps involve implementing quality reporting practices, setting measurable targets, ensuring accountability through regular audits and

inspections, and enhancing resilience and market appeal.

ESG Reporting Process



Source: Savills India Research



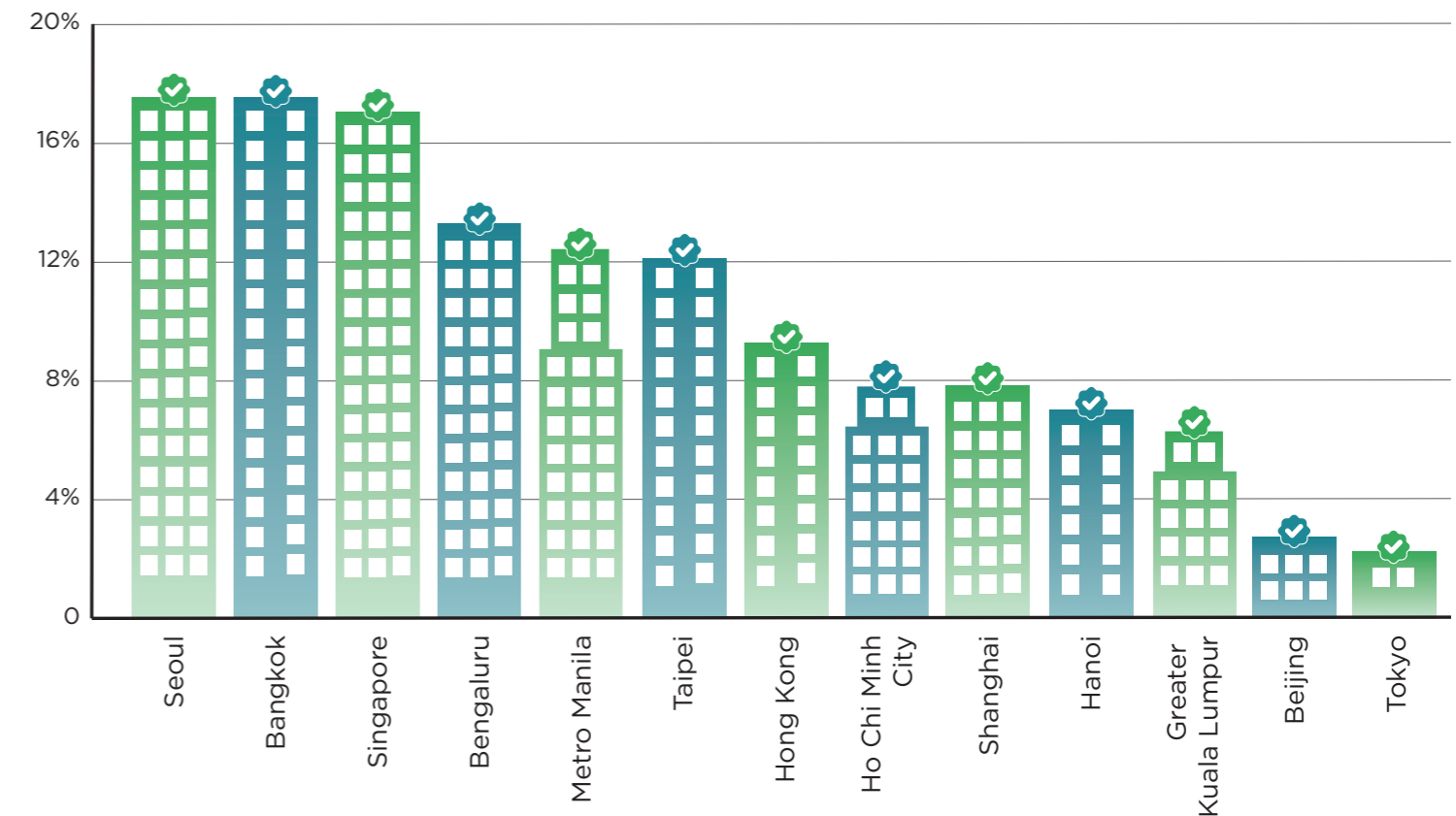
Way Forward

India's real estate and construction sector is experiencing a significant shift in terms of sustainable development practices. Growing awareness has been transforming underutilised and energy-inefficient spaces to align with sustainable practices and support environmental responsibility. Heightened demand for low-carbon

infrastructure is leading to the development of greener cities and buildings, as states and municipalities work to meet ambitious sustainability targets. This change is creating substantial benefits for both developers and occupants by ensuring long-term asset performance and favourable financial outcomes, such as rental

premiums. Building owners that focus on ESG to drive energy efficiency and deliver on their green building certification targets have begun to benefit from a green premium. This is seen across the Asia Pacific region, but the figures should be approached with caution as the greenest buildings also tend to be the newest, which skews the data.

Rental Premium of Green-Certified Offices in Asia Pacific, H1 2024



Source: Savills India Research

Despite the progress made, the journey toward true sustainability is far from complete. The road ahead is filled with considerable challenges, including the imperative for broader adoption of green technologies and an increased commitment from stakeholders at every level, especially in existing buildings.

For India to meet and exceed modern sustainability standards, it is crucial to cultivate greater awareness among the public and policymakers alike.

This heightened awareness must be coupled with decisive action to craft and enforce forward-looking policies, that not only incentivise sustainable practices, but also drive innovation in sustainable development. The stakes are high, and the responsibility is immense, but with concerted efforts and a clear strategic direction, India has the opportunity to emerge as an outstanding player on the global stage.



Savills

Savills PLC is a global real estate services provider listed on the London Stock Exchange. We have an international network of more than 700 offices and 40,000 associates throughout the Americas, the UK, continental Europe, Asia Pacific, Africa and the Middle East, offering a broad range of specialist advisory, management and transactional services to clients all over the world.

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Savills India is a group company of Savills PLC and is a premier professional international property consulting firm. With full-service offices in Ahmedabad, Bengaluru, Chennai, Hyderabad, Delhi-NCR, Mumbai, Kolkata and Pune, the firm serves occupiers, investors and developers of real estate.

Savills India provides services across office leasing, project management, capital markets, valuations, research, consulting, industrial and logistics, and residential services. Started in India in 2016, the company employs over 700 professionals.

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