



# The Delivery Gap

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Workshop Summary | 21 April 2026

This summary was produced following **EVORA's Decarbonisation Breakfast Workshop**, held on 21 April 2026. Participants from across the real estate sector came together to examine the structural barriers preventing the industry from closing the delivery gap on decarbonisation. Discussion was organised across three working groups – covering the performance gap between design and operational reality, capital allocation challenges, and the split incentive between landlord and tenant. The synthesis below is presented using the TIPS framework (Trends, Implications, Possibilities and Solutions) and reflects the key themes, insights, and actions that emerged. All contributions were made under Chatham House rules; no comments are attributed to individuals or organisations.

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## TRENDS

- Data quality is the foundational bottleneck. Across all three groups, the inability to act on estimated or proxy data was raised independently. Decisions on significant capital are being made on proxies.
- The financial case isn't connecting with capital allocators. **CRREM** is regarded as too theoretical. Energy efficiency is the metric investors understand. Valuation frameworks are backward-looking and do not price in retrofit requirements or physical climate risk.
- Regulation without market demand does not move capital. A **£200m** transaction completed two weeks prior to the workshop – the buyer asked zero ESG questions. **EPC** compliance was the only requirement.
- Capital allocation for decarbonisation competes with everything else and often loses. Decarbonisation capex remains discretionary rather than embedded. More projects are competing for the same capital, and the ones with clearer near-term financial returns win.
- The skills gap is real and compounding. From heat pump engineers unable to meet demand for annual servicing (invalidating **NHBC** warranties on new builds), to asset managers carrying responsibility for 20 or more buildings where ESG competes with numerous other priorities. The industry does not have the human infrastructure to deliver at the pace required.
- There is a widening capability gap across the industry. Larger institutions are building specialist in-house teams with standardised methodologies and dedicated capital allocation processes, while smaller organisations remain structurally behind – not through lack of intent but lack of resource. This plays out at the individual level too: asset managers routinely carry responsibility for large portfolios where ESG sits alongside numerous competing priorities, illustrated by one participant managing 500 assets across 15 countries.
- Tenant engagement is unavoidable but structurally difficult. Scope 3 sits with landlords even where control over consumption does not. Excluding high-consuming tenants is not a viable strategy – ongoing engagement is the only path, but green lease obligations are routinely negotiated away.

## IMPLICATIONS

- Lease structure materially affects what is possible. Under FRI leases, where costs and risks largely sit with the tenant, landlords have significantly less control over energy performance and capital investment. Multi-let assets face further complexity - decarbonisation is typically implemented unit by unit, limiting speed and increasing coordination cost.
- The market is not uniformly asking for this. The **US REIT** transaction example was striking: a sophisticated institutional buyer, significant deal size, and ESG was essentially absent from the process. Where the buyer doesn't ask, the seller has no commercial incentive to invest in performance.
- Actual intervention costs consistently exceed audit estimates. Disruption costs – moving tenants, additional wiring, building-specific access constraints – are routinely excluded from initial business cases. This leads to repeated Investment Committee approvals, erodes trust in ESG cost modelling, and delays delivery.
- Data centres represent a disproportionate and frequently invisible emissions risk – just **2–3%** of floor area but over **60%** of energy use in some portfolios, routinely excluded from real estate reporting and classified as infrastructure. Gas generator backup systems compound this, often entirely unknown to ESG managers. The same pattern of passive progress masking inaction applies to grid decarbonisation: it does not improve regulatory thresholds, lower tenant bills, or close **CRREM** gaps – and should not be counted as managed delivery.
- Water usage in data centres is an overlooked climate resilience issue. As EU guidance develops, this is likely to become a more prominent reporting and risk management requirement – but is currently absent from most real estate portfolio-level analysis.
- There is a meaningful EPC-to-operational performance correlation in some European portfolios – in contrast to **EVORA's** UK finding of no statistically significant link. MEES-driven compliance behaviour on the continent may be a partial explanation. This warrants further investigation.
- Ambition is being set by the most passive participant in the chain. Several participants noted that the standard they hold themselves to on decarbonisation is effectively determined by what the eventual exit buyer will ask for. If the buyer won't ask, there is limited commercial logic to invest.
- Some assets will never be economic to decarbonise. The honest view expressed in the capital allocation group was that a portfolio-wide approach requires accepting this – and focusing capital on assets where the

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## POSSIBILITIES

combination of financial return and carbon reduction is highest, rather than spreading it thinly.

- Tenants purchasing green energy to maintain Net Zero trajectories is a material risk to portfolio reporting integrity. In some cases, ESG managers have no visibility that this is happening – meaning reported scope 3 reductions may be tenant-driven rather than asset-level improvements.
- Embed decarbonisation capex into decisions already being made – replacement cycles, lease events, planning applications and refurbishment programmes – rather than treating it as a standalone commitment. One practical example shared: restructuring service charge and energy cost at lease renewal to make solar PPA investment work financially for both landlord and tenant.
- Appoint ESG leadership with board-level authority and link asset manager remuneration to ESG performance outcomes. The observation across groups was consistent – a Head of ESG is focused, but an asset manager has twenty other priorities. Financial incentives are the lever the industry is underusing.
- Build cross-functional alignment between asset management, property management, and sustainability teams. In many organisations these functions operate in parallel rather than together. Decarbonisation decisions require all three to be in the room – and top-level leadership to mandate that coordination.
- Integrate decarbonisation outputs into financial planning models and asset management platforms. Currently these sit in separate workstreams. The ask across groups was for sustainability data to flow directly into the tools asset managers already use for capital planning and portfolio monitoring.
- Reform acquisition due diligence to supplement EPC with operational energy intensity data. Energy use intensity (kWh/m<sup>2</sup>) and carbon intensity should become primary metrics alongside EPC rating, with electrification viability assessed at point of acquisition rather than deferred to a future retrofit decision.
- Improve costing accuracy for decarbonisation business cases. Audits should consistently incorporate disruption costs, building-specific constraints, and contingency. Better briefs for consultants and engineers, and accreditation for **CRREM** assessors, will improve the reliability of financial cases to IC.
- Focus on tenants who are engaging while maintaining a light-touch relationship with those who are not. The narrative will shift as energy costs

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## SOLUTIONS

remain elevated and regulatory pressure increases – the groundwork laid now will matter at that inflection point.

- Adopt shadow carbon pricing at portfolio level to prioritise capital allocation. Assigning an internal carbon cost to assets and interventions allows decarbonisation projects to compete on a level footing with other capex – and identifies the assets where delay compounds cost most significantly.
- A persistent communication gap exists between ESG professionals and the fund and asset managers they work alongside. ESG teams need greater financial literacy to frame interventions in investment terms; asset and fund managers need sufficient ESG literacy to engage meaningfully with the analysis. Until both sides speak the same language, the conversation defaults to compliance and reporting rather than what it should be – value protection and creation.
- Valuation frameworks must evolve. The **Red Book** is backward-looking and cannot currently price in retrofit requirements, transition risk, or physical climate exposure. The **ULI C Change Preserve tool** – an open-source solution for integrating transition risk into discounted cash flow models – was referenced as a step in the right direction. The tool has been piloted by 17 investment managers and is due for European deployment in mid-2026. Until valuations change, the investment case for many interventions cannot be made to IC.
- Green lending incentives need to be more material. Current discounts on green loans remain too marginal to influence capital allocation decisions, as participants with direct experience of testing them against live portfolios confirmed. Lending frameworks should more meaningfully reward demonstrated sustainability performance – and EVORA is exploring how to facilitate better engagement between funds and lenders on this.
- **GRESB's** current framework has structural gaps. It does not recognise transition efforts – a fund acquiring a brown asset to improve it is penalised for current performance, not credited for the trajectory. This was raised as a deterrent to opportunistic green investment.
- Industry standardisation of analytical tools and consultant outputs is needed. One participant's **CRREM** assessment should produce the same result as another's. Professional accreditation is a step forward. Consistent output specifications for decarbonisation audits and transparent methodologies – with one large firm cited for already publishing its methodology – would raise the floor for the whole market.

## Conclusion

The workshop made clear that the delivery gap in real estate decarbonisation is not primarily a technical problem – it is a structural, financial, and behavioural one. The barriers are well understood; what is missing is the alignment of incentives, data, and decision-making authority needed to act on them at scale. Progress is possible, but it requires deliberate effort across the investment chain – from acquisition due diligence through to exit.

## Our Commitments

**EVORA** will follow up individually with participants where themes from the workshop connect directly to your portfolio or programme. The findings will be shared with relevant industry partners – including **GRESB**, **CRREM**, and **CREFC** – so that the intelligence gathered in sessions like this informs the frameworks the industry depends on. Where participants wish to test any element of the analysis against their own assets – whether **CRREM** pathway work, the Carbon-Adjusted NOI framework, green loan structuring, or transition risk valuation – **EVORA** is ready to support that work directly.



## Disclaimer

This summary has been prepared for informational purposes. Reasonable professional care has been taken in the development of this report. Where our analysis, conclusions and recommendations are based on information provided to us (for example by you and/or a data agent), EVORA cannot be held responsible for the accuracy of this information. We have clearly identified where estimates have been used to provide indications of performance. Estimates are not a guarantee of current or future performance. We have also indicated where our work is based on certain assumptions, which assumptions were made at a given point in time based upon prevailing industry practices, available technologies and client data. These assumptions may change over time, which could have a resultant impact on any recommendations given. Neither this report nor any other statements or representations by EVORA should be construed by the named client or any third party as legal and/or financial advice. Further, EVORA cannot be held responsible for reliance on the contents of this report by any third parties other than the named client.

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