



# OWNER-OCCUPIER ENGAGEMENT ON SUSTAINABILITY

Unlocking potential for collaboration

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# Executive Summary

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It is estimated that 25% of UK emissions are directly attributable to the built environment<sup>1</sup>. The imperative to reduce emissions is ever apparent – a [2023 IPCC report](#) underlined the need for “urgent, systemwide transformations to secure a net zero, climate resilient future”, and highlighted the need to retrofit and decarbonise buildings as a priority. Increasing regulations and legislation, higher energy prices, reduced energy security and increasing stakeholder pressure, means that addressing climate change is now a core consideration and an investment risk and opportunity for owners of commercial property.

Many commercial property owners have set emissions reductions targets. For example, the [BBP Climate Commitment represents 37 signatories](#) covering over £400bn of real estate AUM, who are committed to delivering net zero carbon buildings by 2050, with recent analysis showing that many are setting targets in advance of this deadline. Analysis of [BBP Climate Commitment signatory pathways](#) reveals that sometimes in excess of 70% of their carbon emissions are Scope 3, with occupier emissions making up a significant proportion of this. For property occupiers, managing property related emissions can make an important contribution to the achievement of their own carbon commitments including the reduction of scope 1 and 2 emissions. Energy costs now form a much more significant proportion of rental costs. So, if reducing building related emissions is important to both owners and occupiers, what are the barriers to greater collaboration?

This research was designed to answer that question and has been delivered and reviewed by the [BBP's Owner-Occupier Forum](#), which brings together commercial property owners and occupiers with the aim of aligning their sustainability ambitions. This research involved **8 property owners** representing £34.42bn AUM and **9 property occupiers**, representing organisations from the FTSE 250-100 across a range of sectors. It was based on independently conducted in-depth interviews, designed to better understand the challenges and opportunities that exist between property owners and occupiers.

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*“Only through aligning agendas and working together will we hit the net zero and science-based targets that so many across the industry have committed to. This study, drawn from a range of owners and occupiers demonstrates the challenges and the opportunities ESG collaboration can bring and sits alongside the fantastic new Green Lease Toolkit which the BBP are developing. The future is collaboration and we have welcomed being part of the teams brought together to deliver these essential industry tools.”*

Kirsty Draper  
Head of Sustainability - UK Agency  
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In this research, both owners and occupiers clearly acknowledged that collaboration between property owners and occupiers to reduce emissions was vital and aligning their climate change ambitions would be mutually beneficial. Addressing property related emissions is, however, complex in commercial buildings, and collaboration between owners and occupiers has had mixed results. While they often have net zero carbon targets in common, a series of institutional, technical and legal barriers have made progress challenging. Where collaborative principles are increasingly incorporated in guidance relating to green leases and energy data sharing, there have been challenges in their execution and

impact. Successful examples of collaborative good practice have also proved challenging to scale-up and replicate at the necessary pace.

Many of the challenges point to strategic, cultural, and legal barriers compounded by the existing structures that govern the relationship between owners and occupiers, and that exist outside the realm of traditional sustainability conversations. Furthermore, successful owner and occupier collaboration appears to rely heavily on the leadership, commitment, and enthusiasm of specific individuals rather than being systematically embedded within decision-making processes. Together, these factors can make the practical implementation of sustainability initiatives challenging across large portfolios of assets with diverse occupiers.

Nevertheless, the research also reveals an acknowledgement from owners and occupiers that overcoming these barriers is critical, alongside a renewed commitment to upscaling efforts in this area. A series of recommendations emerged that provide a helpful starting point for changing the incumbent dynamic, and identifying different stakeholder interventions that could deliver practical and impactful initiatives.

This research will be vital in informing the future work of the BBP Owner and Occupier Forum, but we also hope it will prove a valuable resource for the wider industry to initiate much needed radical collaboration between commercial property owners and occupiers.

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*“Gathering valuable insights on the most significant barriers and opportunities to collaboration between occupiers and property owners is essential to helping the built environment reduce its environmental impact and deliver positive social outcomes for communities. Radical collaboration is not straightforward but needs to sit at the heart of how we approach sustainability across the property sector.”*

James Manning  
Sustainability Transformation Lead  
Grosvenor Property UK

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## SUMMARY

The desire to move towards a more sustainable real estate sector was evident in abundance among the owners and occupiers who participated in our research.

A range of factors were, however, commonly referenced as presenting barriers to collaboration, and it will be necessary to develop practical solutions to overcoming these barriers in order to unlock the potential for change. The key findings of the research can be summarised as follows:

- Identifying inspirational examples of innovation and creativity in delivering sustainable outcomes, from sustainable financing to sustainable design and operations, are key in motivating both owners and occupiers to engage.
- To achieve their respective sustainability objectives, engagement between owners and occupiers will need to move away from a traditional approach based on transactional relationships to a more collaborative model where relationships are based on mutual understanding of longer-term needs and shared goals.
- If the step changes that are necessary to move towards a low-carbon real estate sector are to be taken, owners and occupiers need to clarify and accept responsibilities for driving change and taking action, both at the sector and the company levels.
- Clear and consistent applications of sustainability commitments made by owners and occupiers is fundamental in driving the changes that are required to achieve the desired sustainability outcomes in real estate.
- A significant change in regulatory gears is necessary to deliver the scale and pace of change if the real estate sector is to reach its intended low-carbon position.
- Practical solutions to overcoming legal, technical, and financing barriers are needed to unlock the potential for change and upscale action.

# 1. Introduction & methodology

Led by the Better Buildings Partnership (BBP), on behalf of its members, and delivered collaboratively through engagement with the BBP [Owner Occupier Forum](#), this BBP Industry Insight Paper is based on a series of structured, in-depth interviews with owners and occupiers.

This research was not intended as a whole occupier market analysis, but more as qualitative research to unpick the personal experiences of owners and occupiers when engaging on sustainability issues. The research focused on climate change and the drive towards net zero buildings, but also provided space to consider the wider sustainability agenda. Developed and overseen by a dedicated Forum Working Group, the interviews were conducted independently by [Real Service](#) who also aggregated and consolidated the findings and themes. These were reviewed by the Forum Working Group to inform the research conclusions and draft this BBP Industry Insight.

Interviewees were drawn from members of the Owner Occupier Forum along with several non-Forum individuals, in order to reflect the diversity of both property owners and occupiers. The interviews were undertaken on the basis that no specific comments or findings would be attributed to individuals or individual companies.

Interviewees included:

- **Eight property owners**, with a global market value of approximately £34.42bn AUM, participants comprised a range of ownership models and sector representation. While a number of owners had international property portfolios, the focus was primarily on their UK experience.
- **Nine property occupiers**, ranging from FTSE 250 -100. While a number of occupiers had international operations, the focus was primarily on their UK experience.

To ensure that the research accurately reflected real-life experiences and would inform an in-depth understanding of previous successes and failures, in relation to collaboration, interviewees included representation from both sustainability professionals alongside professionals with responsibility for contracting and leasing. A series of interview topics were designed and considered by the Working Group, providing a structure for open discussion on experience and the identification of common themes. The interview topics were:

1. The engagement characteristics that govern the relationship between owners and occupiers.
2. The balance between change driven by enthusiasm of individuals or embedded in company decision making.
3. The strategic, cultural, legal, and practical barriers to effective engagement on sustainability issues.
4. Specific barriers to positive outcomes e.g., financing and funding models for property improvements.
5. The changing nature of the owner-occupier relationship, prior to, during and following, the COVID pandemic.
6. Critical success factors for effective collaboration and common themes influencing mutually beneficial outcomes.
7. Solutions that can re-frame owner - occupier ESG collaboration with potential to be scaled across the real estate sector.

The findings from this paper are aimed at a range of audiences who have a role to play in the transition to a more sustainable real estate sector with net zero buildings. Key audiences include, but are not limited to:

- Property owners and asset managers
- Occupiers
- Managing agents
- Leasing agents and property legal service providers
- Industry bodies
- Policy makers and regulators

## 2. Overview of Drivers for Action

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### Corporate Climate Commitments

As stakeholders increasingly demand more robust, transparent, and evidence-based corporate climate commitments, the drive to achieve more evidence-based net zero targets will require more effective owner-occupier collaboration. The [Better Buildings Partnership's Climate Commitment](#), requires that property owners include emissions generated by occupier activities within their net zero pathways. Likewise, the [Science Based Targets Initiative](#), with over 2,000 companies committed globally, requires companies to account for emissions within their value chain, including properties, within their near and long-term targets.



### Societal changes

Whilst we have seen a gradual shift towards sustainability across all sections of society, the climate and biodiversity crisis, compounded by the effects of the COVID-Pandemic, is driving a radical change in demand for sustainable living and work environments, as well as changing consumer behaviour. For example, employees are seeking employers with workplaces that meet ethical, wellbeing and sustainability expectations. Demonstrating this will require providing more sustainable workplaces and relying on collaboration between owners and occupiers in the design, fit out and operation of commercial real estate.



### Regulatory drivers

Ever-more stretching environmental regulations within the property sector inherently involve collaboration between owners and occupiers. For example, proposed changes to the Minimum Energy Efficiency Standard (MEES), if implemented, will increase the required Energy Performance Certificate (EPC) rating for rented commercial property, this will rely on owner-occupier collaboration concerning the specification and fit-out of properties.



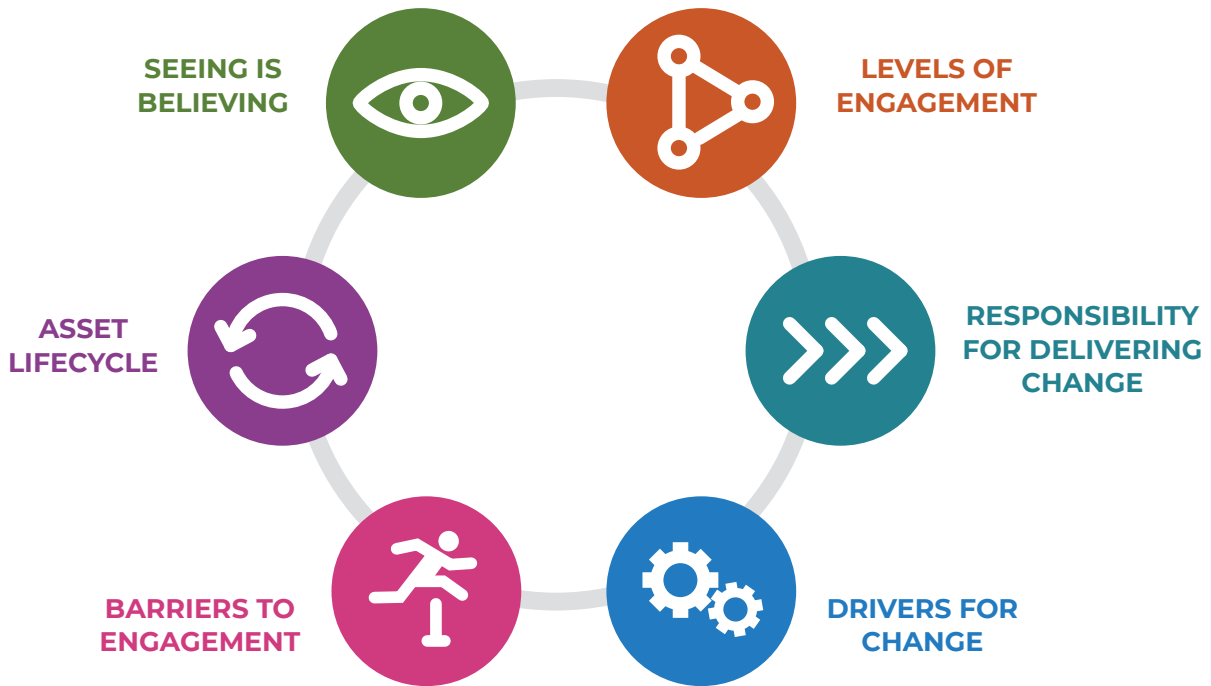
### Finance and risk

The commercial real estate finance sector is witnessing a dramatic shift in attitudes towards the sustainability agenda. Leading lenders are exploring new opportunities that go well beyond traditional risk management, with sustainability initiatives that drive new business, strengthen customer relationships, and improve the data that lenders hold on the buildings which they have underwritten.

Likewise, initiatives such as the Taskforce for Climate-related Financial Disclosures, provide a framework for companies to consider the sustainability credentials of their property portfolios, and guide both owners and occupiers towards collaboration in developing more climate resilient properties that are fit for a low-carbon society.

# 3. Research Findings

## Overview



### SEEING IS BELIEVING

Identifying inspirational examples of innovation and creativity in delivering sustainable outcomes, from sustainable financing to sustainable design and operations, is key in motivating both owners and occupiers to engage. We now need to invest in sustainability education and upskilling, at all levels of seniority, throughout property owners and property occupiers, to underpin the required shift in sustainable decision making and behaviour.



### LEVELS OF ENGAGEMENT

A 'one-size-fits everyone' approach fails to reflect the respective needs of owners and occupiers. It is vital that both parties identify solutions to resolve the challenge presented by limited resources in order to tailor engagement and the adoption of more personalised collaboration.



### RESPONSIBILITY FOR DELIVERING CHANGE

**Sustainability should become a cultural norm and be embedded in owner-occupier relationships.**

The research found that, until sustainability becomes a cultural norm, as is becoming the case for occupational health and safety, driving sustainable outcomes will remain as a bolt-on or an afterthought in the leasing process. It is important that owners and occupiers both enhance the profile of sustainability professionals as participants in the early stage of leasing, so that their visibility and meaningful contribution can be an enabler for ongoing collaboration.



## DRIVERS FOR CHANGE

**Non-regulatory sustainability drivers provide only limited incentive for owners and occupiers to collaborate** towards higher levels of sustainability performance, primarily among more forward-thinking organisations. It is crucial that owners and occupiers re-enforce the need for government to underpin ambitious sustainability goals with a regulatory framework that drives the bar up for the wider built environment sector.



## BARRIERS TO CHANGE

The research found that a lack of clarity and agreement on the allocation of financial responsibilities for investment often led to a frustrating dialogue and a slow pace of change when seeking to evidence broader sustainability benefits. It is important to create an opportunity to better incentivise the adoption of sustainability good practice with occupiers as part of commercial models within lease agreements.

The research found that short-lease duration, and a lack of certainty about future occupier needs, limited incentives to invest in sustainability improvements within the built environment. It is important that property owners now recognise sustainability improvements as long-term investments and that occupiers look beyond immediate sustainability performance and seek arrangements that deliver sustainability improvements over time.

The research found that traditional concepts of a 'green lease' required revisiting if the agreement is to be used to drive more sustainable outcomes. It is now important that owners and occupiers look beyond the conventional green lease to find more collaborative ways of agreeing and delivering more sustainable outcomes across the built environment.

The research identified a range of practical, technical, and organisational issues that constrained effective engagement. It is vital that owners and occupiers invest time in developing on-the-ground relationships to support effective collaboration.

The research found that simple, common approaches to energy data sharing are required to support the step change towards a low carbon real estate sector. Owners and occupiers should collectively review approaches to energy data sharing, for example those set out within the Better Buildings Partnership [Green Lease Toolkit](#).

The research found that leveraging supply chain pressure to achieve more sustainable outcomes is constrained and that there needs to be investment in the development of suitable sustainable building stock that is sufficient to meet the demand of a range of occupier sectors.

The research found that managing the natural diversity of occupier types is critical in successfully delivering more sustainable outcomes. Owners and occupiers need to invest time in tailoring engagement approaches to meet the local circumstances of each property.



## ASSET LIFE-CYCLE

The research found that traditional windows for engagement within the property life cycle need to be revisited, with owners and occupiers becoming more proactive in influencing one another's views as a property moves from development through fit-out and refit, to operations.



# Detailed findings

## 1. SEEING IS BELIEVING

### KEY FINDING

The research found that identifying inspirational examples of innovation and creativity in delivering sustainable outcomes, is key in motivating both owners and occupiers to engage.

### IN THE INTERVIEWS

- Owners and occupiers both expressed their belief and expectation that the real estate sector will overcome barriers to sustainability. However, a common theme was the critical role that connecting their business leaders via both their hearts and minds would play in raising the bar and creating the necessary paradigm shift in sustainable property investment.
- Owners and occupiers both highlighted the key role that sustainability awareness, knowledge and skills will play in the transition to a low carbon society. This will rely on the availability of market insights, evidence (data) based messaging and repeatable examples of successful sustainable commercial property.

### RECOMMENDATIONS

- Develop examples and case studies of commercially successful sustainable properties and share these with the wider industry.
- Share case studies with the BBP so that they can help to amplify impact.
- Find out more about the [BBP's schedule of "knowledge share visits"](#) including how to get involved.
- Invest in sustainability education and upskilling at all levels of seniority within both owner and occupier groups. Learn more about the [BBP's ESG Training Course for Real Estate Professionals](#) | [Better Buildings Partnership](#).

## 2. ALIGNING COMMITMENTS DRIVES CHANGE

### KEY FINDING

The research found that clear and consistent applications of sustainability commitments made by owners and occupiers is fundamental in driving the changes that are required to achieve sustainability outcomes in real estate.

The research highlighted the importance of ensuring that corporate sustainability commitments made by owners and occupiers are adhered to and delivered throughout all parts of the business and within all business activities. Once made, sustainability commitments should apply from global levels to regional and local levels and should be a reference point for owner-occupier engagement.

When instances of a disconnect between a corporate commitment and local circumstances are identified, it is important that owners and occupiers resolve this in a positive manner and work together to deliver the sustainability outcomes intended by the corporate entity.

There is benefit in owners and occupiers collaborating to identify common strategic initiatives and accreditations, for example ISO14001, Science Based Targets or common approaches to supply chain evaluation. Using engagement forums to leverage good practice examples that can contribute towards stated corporate commitments, is also advantageous.

### RECOMMENDATIONS

- Owners and occupiers should take time to understand each other's sustainability commitments and look for opportunities for alignment.
- Consider how shared/aligned commitments can apply, affect, and can be accommodated within a local lease agreement.
- Identify where there are common strategic initiatives and accreditations (e.g., SBTI, TCFD) and explore how they might provide a framework to guide and influence consistent engagement at the local level.

### 3. DIVERSE ENGAGEMENT FOR DIVERSE PORTFOLIOS

#### KEY FINDING

The research found that to achieve their respective sustainability objectives, engagement between owners and occupiers will need to move away from a traditional approach, based on transactional relationships to a more collaborative model, where relationships are based on mutual understanding of longer-term needs and shared goals.

#### IN THE INTERVIEWS

Owners and occupiers reported a sense of lost opportunity when engagement between one another was limited. As a result:

- Occupiers were increasingly likely to ‘vote with their feet’ to reflect frustration when engagement was perceived as being one-way.
- Owners selected occupiers to engage with based on who they identified to be more collaborative.
- Owners and occupiers both highlighted limitations in the current generic approach to engagement. For example:
  - Off-the-shelf’ sustainability programmes provided by owners were criticised by occupiers as providing inflexible engagement channels which failed to adequately address their needs.
  - The limited bandwidth of occupiers for engaging with owners on non-essential matters often dampened owners’ enthusiasm for trying out new initiatives.
  - A ‘one-size-fits everyone’ approach fails to reflect the respective needs of owners and occupiers. It’s crucial that both parties identify solutions to resolve the challenge presented by limited resources in order to tailor engagement and the adoption of more personalised collaboration.
  - The quality of relationships between individuals with key roles within owners and occupiers is fundamental to the achievement of meaningful sustainability outcomes in real-estate.

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*“An overriding point is about having open lines of communication between the right people. That is the key, the gateway to making all this work. It is such a simple concept - you can ignore all the science, all the environmentalism, because the best way to run a business is to have the right communication between the right people. I think that has been lost and much of the communication has become de centralised and impersonal.”*

Interviewee – owner

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Establishing and maintaining relationships that foster collaboration and facilitate effective communication between the relevant parties is crucial at the earliest stages of an owner-occupier relationship. This should involve identifying the roles and individuals who can influence the desired business and sustainability outcomes.

For relationships to be successful, owners and occupiers should discuss collaboration within the context of the long-term perspective. Both parties should keep in mind the importance of nurturing relationships from the pre lease stage all the way through to operational delivery. They should constantly adopt a collaborative approach, emphasising the reputational, financial and societal advantages of achieving sustainability outcomes.

Owners may consider targeting the biggest occupiers who are ready to engage. It is vital that owners listen to occupiers in order to determine how to streamline sustainability engagement, considering both time constraints and capacity limitations. This includes breaking net zero goals into achievable actions.

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*“You cannot force a landlord to change to green energy, but as tenants, if we had a beauty parade of three or four landlords, we would go with the green ones where possible.”*

Interviewee – occupier

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## OCCUPIER DIVERSITY

The wide range of occupier types can act as a barrier to effective engagement with owners, in particular, in cases where the priorities of owners and occupiers are not closely-aligned.

Owners and occupiers both recognised that while there is limited variation between owner types, there is significant variation in occupier types. Spread across a range of sectors, from office to logistics, manufacturing, high street retail and supermarkets, and larger retail, occupiers are diverse, and their needs are not homogeneous.

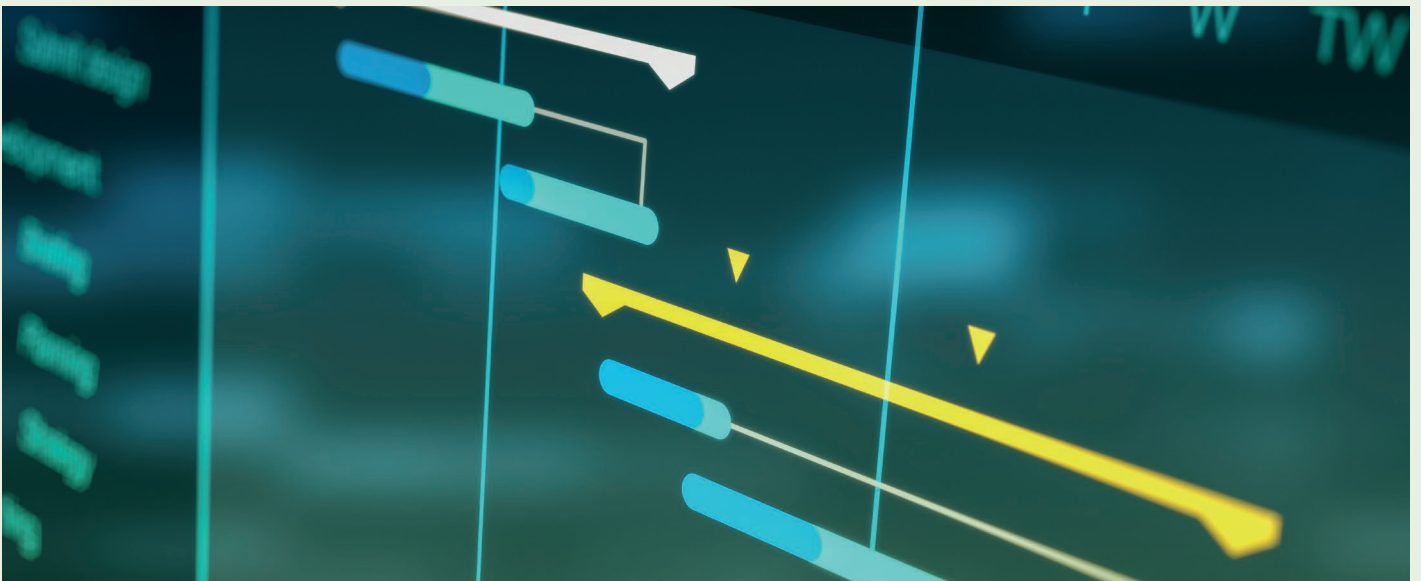
- Owners highlighted that the diversity of occupier needs presented a challenge to collaboration due to the level of resources necessary to tailor engagement methods to multiple circumstances.
- Occupiers highlighted that, in instances where time is invested by both owners and occupiers to identify where there are – and where there are not – common interests relating to the desired sustainability outcomes of a property, conflict and mistrust was less likely to arise.

The research found that managing the natural diversity of occupier types is critical in successfully delivering more sustainable outcomes. Owners and occupiers need to invest time in tailoring engagement approaches to meet the local circumstances of each property.

- Owners highlighted that they face practical challenges when engaging multiple occupiers in multi-let buildings or retail parks. For example, when engaging a large number of companies, roles, and individuals, each with their own time-pressures and preferred styles, efficient communication can be challenging.

## RECOMMENDATIONS

- Develop a matrix of owner and occupier contacts at the earliest stage of engagement concerning a property. This matrix should be held and updated jointly via an agreed process.
- Facilitate engagement with senior colleagues responsible for sustainability, highlighting the importance of buildings in delivering on corporate sustainability ambitions.
- Facilitate engagement with commercial and leasing teams to develop an understanding of sector-specific sustainability impacts and how these might influence engagement with occupiers.
- Develop an approach for prioritising and tailoring engagement across the owner/occupier portfolio considering factors such as impact, size and receptibility.
- Establish owner-occupier dialogue outside the transactional environment to explore strategic and collaborative engagement and networking opportunities, through initiatives such as the BBP Owner-Occupier Forum and Green Lease Working Group.



## 4. SPACE AVAILABILITY NEEDS TO MATCH DEMAND

### KEY FINDING

The research found that owners and occupiers often held conflicting views about where the 'balance of influence' lay in achieving sustainability outcomes within the built environment. The lack of suitable properties available presents a fundamental challenge in moving towards a more sustainable real estate sector.

*"It should really get to the point where an occupier would say 'we are not going to occupy that space if it does not fit our sustainability expectations'. But the reality is that there is not enough supply to meet our demand, so we end up having to accept what is there, as we just need the building delivered."*

Interviewee – occupier

### IN THE INTERVIEWS

- Occupiers were clear that the supply of real estate to meet their desired sustainability requirements did not reflect the customer-supplier relationship they experienced in the supply of other services. Occupiers perceived the cause of this market failure to be a combination of:
  - property owners' lack-of-responsiveness to occupiers.
  - Lack of drive from the upper layers in real estate hierarchy, i.e., policy makers, city and regional authorities, and major asset owners, to adequately set the context for a more sustainable built environment.
- Owners perceived a lack of willingness from occupiers to commit to sustainability features within properties that matched their publicly stated sustainability ambitions. For supply chain pressure to take effect, owners emphasised the need for occupiers to seek out, demand - and invest in - the required level of sustainability performance in the built environment.
- Occupiers highlighted the lack of choice in properties in preferred locations as constraining their ability to drive market change from a customer perspective. For example, within the rapidly expanding industrial and logistics sector, demand for warehousing space in prime locations exceeds availability.
- Owners highlighted that they are fast-tracking development plans, as the supply of modern, efficient warehousing assets does not meet current market demand. As a result, occupiers with pressing logistics needs are less able to exert their supply chain pressure or vote with their feet.
- The research found that leveraging supply chain pressure to achieve more sustainable outcomes is constrained. There now needs to be investment in the development of suitable sustainable building stock that is sufficient to meet the demands across a range of occupier sectors.

## 5. ACCOUNTABILITY IS NEEDED ACROSS ASSET LIFE CYCLES

### KEY FINDING

The research found that if the step changes that are necessary to move towards a low-carbon real estate sector are to be taken, owners and occupiers need to clarify and accept responsibilities for driving change and taking action, both at the sector and the company levels. Alongside this, the research identified that, until sustainability becomes a cultural norm, as is becoming the case for occupational health and safety, driving sustainable outcomes will remain an add-on or an afterthought in the leasing process.

### IN THE INTERVIEWS

Owners and occupiers held a common view that sustainability must become more embedded within the property life cycle. This could include, for example:

- Incentivising sustainable outcomes alongside other commercial outcomes in the leasing stage, such as through the introduction of bonuses for those involved in contract negotiations.
- Mapping respective roles for collaborating on energy efficiency to facilitate the process of change.

### RECOMMENDATIONS

- Identify key contributors and accountability for sustainability across the asset life cycle.
- Set out in the Heads of Terms the desired sustainability outcomes conceived from the outset of the property relationship, so that these remain a focus throughout the leasing negotiations and are suitably prioritised by those involved at each subsequent stage.



## 6. NEW FINANCING MODELS ARE REQUIRED

### KEY FINDING

The research found that a lack of clarity and agreement on the allocation of financial responsibilities for investment often led to frustrating dialogue and a slow pace of change when seeking to evidence broader sustainability benefits. Furthermore, short-lease durations and a lack of certainty about future occupier needs, limited incentives to invest in sustainability improvements within the built environment.

### IN THE INTERVIEWS

Owners and occupiers highlighted the allocation of investment costs as a barrier to achieving lower carbon emissions within tenant demise spaces.

- Owners highlighted the challenge of longer return on investment periods, particularly when upgrading existing properties, where capital investment could not quickly be recovered through enhanced rentable values.
- Occupiers cited their experience of resistance from owners when their request for upgraded sustainability infrastructure did not provide a simple and clear return on investment.

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*“The big investment funds are pushing sustainability, and their senior people are asking about it. It is coming through from the directors, but the challenge is about how the mechanics and finance of it all works.”*

Interviewee – owner

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This research suggests that a step change in financing sustainability initiatives, which aligns lease durations with sector sustainability targets, will be central in achieving the transition to low-carbon real estate.

It is important to now create an opportunity to better incentivise the adoption of good sustainability practice by occupiers as part of commercial models within lease agreements.

It is important that property owners now recognise sustainability improvements as long-term investments and that occupiers look beyond immediate sustainability performance and seek arrangements that deliver sustainability improvements over time.

It is important that there is genuine executive awareness about the critical role that real estate plays in tackling the climate crisis, and that there is an in-depth understanding and acceptance of the different life cycles of sustainability initiatives, when compared to traditional return on investment periods.

Achieving Board-level acceptance of the required capital outlay and associated suitable funding models is essential. It will be necessary for asset owners to align investment planning with timeframes for sustainability targets up to 2030 and 2050, to alleviate any immediate financial impact resulting from upfront investment. This may involve owners establishing a decarbonisation fund for non-service-chargeable features, for example, or rewarding occupiers for investments that deliver sustainability benefits that go beyond the duration of the lease.

It is also necessary to increase sustainability knowledge within roles that control budgets at an operational level, to increase recognition of the broader benefit of sustainability initiatives, alongside greater empowerment over sustainability investment decision making. This should include awareness of challenges, and potential solutions relating to shorter lease durations and emerging regulatory requirements, such as the current proposals for changes to Energy Performance Certificates.

### RECOMMENDATIONS

- Provide a space for the respective Boards and senior leadership to discuss the systemic change needed in leasing and finance models to deliver on their sustainability targets.
- Ensure that the length of a lease is reflected in the sustainability requirements of owners/occupiers and associated investment models/cost attribution.
- Discuss and agree arrangements for funding sustainability improvements early in the lease negotiation process, looking for innovative and equitable solutions that reflect costs and benefits.

## 7. GREEN LEASES ARE NOT DELIVERING ON THEIR POTENTIAL

### KEY FINDING 1: SHORT LEASES

The research found that while green leases are increasingly common, both owners and occupiers emphasised that they are currently failing to deliver their full potential in leveraging more sustainable outcomes. Owners and occupiers both noted that shorter lease durations act as a barrier to investment in improving the sustainability of commercial real estate.

### IN THE INTERVIEWS

- Occupiers reported that shorter leases made securing financial sign off for capital projects more challenging, due to the risk of losing part of their return on investment within the lease duration. This was the case for larger capital investments, such as solar panels or electrical charge points.
- Owners recognised that, in instances where shorter lease durations were in place, gap funding may be required by the owner, with investment costs recharged to future occupiers. However, they were concerned that future occupants may be potentially unwilling to cover the extra cost of non-standard features.

### KEY FINDING 2: GREEN LEASES AND MOUS

The research found that traditional concepts of a 'green lease' required revisiting if the agreement is to be used to drive more sustainable outcomes. It is important that owners and occupiers now look beyond the conventional green lease to find more collaborative ways of agreeing and delivering more sustainable outcomes from the built environment.

### IN THE INTERVIEWS

Owners noted that occupiers often resisted green clauses, particularly if the lease was perceived as being imbalanced in favour of the owner. Occupiers' legal teams were perceived as automatically removing green clauses before they were reviewed by contract lease and operational teams.

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*“Shorter leases can cause friction between tenants and landlords, as it is hard to justify changing the kit if there is not long enough to see out the benefit. If landlords could consider some incentivisation or kick-back for putting in the kit on a shorter lease, that would be amazing.”*

Interviewee – owner

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*“If you include sustainability issues within a legal contract, then that expects a responsibility, and therefore a penalty can be involved. It is that point which is proving quite difficult. Owners are often just as committed as occupiers to sustainability, but no one wants to take on a potential penalty for something they feel they are already doing. Putting it onto a piece of paper makes people nervous.”*

Interviewee – occupier

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*“When you make something legal, it is often struck out by the lawyers. The occupier may be a small company, who does not have a sustainability team to interpret a green lease clause. There is often a knowledge and skills gap in facilities management and operational teams of what a green clause actually means. It ends up sounding very complicated and highly technical and not something they wish to do.”*

Interviewee – owner

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Occupiers expressed caution about accepting green leases that are were perceived as being hard to enforce, especially when combined with penalties for discontinuing activities the occupier may already be undertaking voluntarily. Occupiers also highlighted that green lease clauses could appear complicated and unnecessarily technical.

It is important that communication between owners and occupiers about sustainability begins early in the leasing process, so there is time to understand and reflect on sustainability requirements and how to respond to these within formal and less-formal agreements.

For leasing agreements to deliver the desired sustainability outcomes, it is important to take time to identify the most appropriate agreement pathway. Legally binding contractual agreements are likely to be appropriate for sustainability issues that relate to regulatory requirements or investment commitments. However, mechanisms such as a Memorandum of Understanding may be more suitable for voluntary commitments such as data sharing or participation in sustainability initiatives.

Ultimately, owners and occupiers should focus on nurturing a positive business relationship which is most likely to enable joint working towards mitigating against the climate crisis. For elements that are harder to enforce, adopting a Memorandum of Understanding may support collaboration and create more flexible forms of green lease, for example, a charter of actions to achieve together without hierarchy.

## RECOMMENDATIONS

- Enhance the profile and engagement opportunity of sustainability professionals within the respective businesses, involving them as early as possible in the leasing process.
- Develop a clear plan for sustainability engagement throughout the leasing journey.
- Set out desired sustainability outcomes clearly in the Heads of Terms for leases, ensuring that they are prioritised and remain a focus throughout negotiations.
- Incorporate sustainability clauses in leases to provide the legal foundations for owner-occupier engagement using tools such as the BBP Green Lease Toolkit.
- Supplement sustainability lease clauses with a Memorandum of Understanding, to enable owners and occupiers to work together voluntarily to improve the performance of the buildings they own/occupy.
- Prepare 'plain English' versions of lease agreements and MOUs that reflect the intent of both parties' corporate sustainability commitments and provide a clear guide to the actions that need to be taken.



## 8. DATA SHARING IS A CRITICAL BUILDING BLOCK

### KEY FINDING

Challenges in sharing energy consumption and carbon data present a barrier to achieving a lower-carbon real estate sector. The research found that simple, common approaches to energy data sharing are required to support the step change towards a more sustainable sector. It is important that owners and occupiers now collectively review approaches to energy data sharing, for example those set out within the Better Building Partnership's Green Lease Toolkit.

### IN THE INTERVIEWS

- Owners and occupiers both identified greater visibility and accessibility of energy data as being critical to collaboration towards lower carbon real estate. They also highlighted energy data sharing as a key challenge.

Factors that inhibit data sharing referenced by owners and occupiers included:

- a lack of local metering and infrequent billing
- perceptions about the confidentiality of commercially sensitive data
- practicalities involved in providing energy data across diverse property types; and
- awareness of who to contact for data requirements.

In less complex situations, such as a single occupancy property with local metering, where the landlord provides energy and data supply, the process of sharing data can be more straightforward. However, in more complex situations, such as a multi-let property with mixed metering, where some tenants secure services, including energy provision, independently, the process of collecting data can be onerous and complex.

*“The property industry is much more data driven and people are starting to catch up with that. However, tenants do not always appear to understand what data can or cannot be collected according to GDPR, and they tend to say their data is protected, especially when they have a high energy consumption.”*

Interviewee – owner

*“Getting data is about trust and knowledge. When we asked a landlord for data, they thought we were going to challenge them about things, such as service charge.”*

Interviewee – occupier

It is important that owners and occupiers commit to being transparent about the type and source of energy that is procured and supplied to a building, and to share data on how much energy is being consumed.

For engagement to be successful in delivering lower carbon buildings, a base-level of energy management infrastructure is necessary. Owners should commit to charging for energy based on actual usage, wherever possible, i.e., where dedicated metering is in place. This should build on owners committing to fund the installation of dedicated sub-meters in properties, where this is practical, and occupiers committing to pay to maintain sub-meters as part of the property rental agreement.

Ultimately, owners and occupiers should commit to sharing basic energy consumption data. It is important that owners and occupiers consider how to enable energy data sharing in a simple manner, and that they work together to agree the format, frequency and other arrangements that will facilitate the transfer of data that meets the needs of both parties.

### RECOMMENDATIONS

- Develop templates for owner-occupier data sharing to make the process as streamlined and as least onerous as possible for all involved.
- Support industry -wide efforts to standardise data sharing, ensuring that both parties have the information needed to calculate greenhouse gas emissions.

## 9. SUPPORTIVE POLICY IS A KEY DRIVER

### KEY FINDING

The research found that while drivers for sustainability have been strengthened across business and society over recent decades, a significant change in regulatory gears is necessary to deliver the scale and pace of change required, if the real estate sector is to reach its intended low-carbon position.

### IN THE INTERVIEWS

Owners and occupiers both identified regulation as the primary factor driving sustainability decision making. However, the relatively low bar currently set by regulation was recognised as an entry point for sustainability performance, rather than the destination. There was consensus in the research that greater ambition and enforcement from government is necessary to help drive the required investment and behaviour changes from owners and occupiers, to achieve a more sustainable real estate sector.

- Owners highlighted examples outside of the UK where regulation was driving significant change. For example, the Tertiary Decree in France sets a binding regulation that requires the reduction of energy consumption in the French real estate sector.
- Occupiers highlighted areas where more direct legislative intervention would encourage more sustainable outcomes, such as integrating a requirement to share energy data within the current review of the Landlord And Tenant Act or establishing minimum standards for new buildings based on BREEAM or NABERS UK.
- Owners and occupiers highlighted non-regulatory factors as providing an incentive for owners to move beyond regulation. These factors were not, however, put forward as providing a significant drive towards the paradigm shift in sustainability necessary across the built environment.

- Owners noted the recent focus of occupiers towards their broader 'social purpose', as raising the prominence of sustainability on the corporate agenda. However, in reality, this factor provided only limited real world change across the built environment.
- Both owners and occupiers observed cost drivers relating to energy and carbon as highlighting sustainability issues. However, these cost drivers were acknowledged as historically, being cyclical factors.

Government policy has under-pinned much of the recent transition to a more sustainable built environment. However, if the necessary transition to a low-carbon real-estate sector is to be achieved, a robust regulatory framework will be required to turn intent into positive actions and desired outcomes.

It is essential that government policy continues to act as a mechanism to enhance the minimum environmental performance thresholds within buildings. In addition, government policy can add value by stimulating innovation and incentivising the adoption of more sustainable practices by owners and occupiers.

While policy development, such as the proposals to increase the Energy Performance Certificate rating of non-domestic, private rented properties, are intended raise the bar on the environmental performance of buildings, it is important that regulatory frameworks also consider the mechanisms to implementing the necessary changes. For example, how funding models could be structured to encourage owner-occupier collaboration and incentivise joint working.

It is also important that government policy more directly addresses collaboration between owners and occupiers in relation to sustainability. For example, as part of the review of the Landlord Tenant Act, consideration could be given to collaborative practices around

sharing energy data, which would enable better targeting of carbon reduction initiatives. Another consideration could include increasing flexibility in the dilapidations process to encourage sustainable alterations.

The research found that, non-regulatory sustainability drivers provide only limited incentive for owners and occupiers to collaborate towards higher levels of sustainability performance, primarily among more forward-thinking organisations. It is now important that owners and occupiers re-enforce the need for government to underpin ambitious sustainability goals with a regulatory framework, that drives the bar higher for the wider built environment sector.

## RECOMMENDATIONS

- Advocate for greater sustainability ambition from Government concerning the regulatory mechanisms that underpin the owner-occupier relationship and the efficacy with which they are enforced. Particular areas of focus could include the Landlord Tenant Act Review, EPCs, Data Sharing and Performance in-use disclosure.
- Engage in advocacy and lobbying (including consultation responses) to encourage the Government to establish the appropriate foundations for more active owner and occupier dialogue. Join forces with industry bodies such as the BPF and UKGBC to amplify messaging, utilising an evidence-based approach facilitated by organisations such as the BBP.



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*“The fact is that the legal changes that are coming down the track are only going to increase. Those who do not do anything about it at the moment will find it hard to catch up. There is a chance that people will end up with stranded assets, which no one will touch once the regulations start to ratchet up.”*

Interviewee – owner

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*“If there was a legislative stick saying you have to disclose Scope 3 carbon emissions, then I think this would drive companies harder to provide that data. You would see more wording in leases to say that you must disclose your energy data.”*

Interviewee – occupier

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# 4. Recommendations Checklist Template

This checklist has been designed to support Better Buildings Partnership Members as well as Members of the BBP Owner and Occupier Forum. Other organisations are welcome to use and adapt this if they find it beneficial.

Recommended action(s)	Recommendation type	Allocated to	Completed
Seeing is believing			
Develop examples and case studies of commercially successful sustainable properties and share these with the wider industry.	Communications		
Share case studies with the BBP so that they can help to amplify impact	Communications		
Find out more about the BBP’s schedule of “ <a href="#">knowledge share visits</a> ” including how to get involved.	Communication		
Invest in sustainability education and upskilling at all levels of seniority within both owner and occupier groups. Learn more about the BBP’s <a href="#">ESG Training Course for Real Estate Professionals   Better Buildings Partnership</a>	Skills/training		
Aligning commitments drives change			
Owners and occupiers should take time to understand each other’s sustainability commitments and look for opportunities for alignment.	Alignment		
Consider how shared/aligned commitments can apply, affect, and be accommodated within a local lease agreement.	Alignment		
Identify where there are common strategic initiatives and accreditations (e.g., SBTI, TCFD) and explore how they might provide a framework to guide and influence consistent engagement at the local level.	Alignment		
Diverse engagement for diverse portfolios			
Develop a matrix of owner and occupier contacts at the earliest stage of engagement concerning a property, this matrix should be held and updated jointly via an agreed process.	Relationships		

Recommended action(s)	Recommendation type	Allocated to	Completed
Facilitate engagement with senior colleagues responsible for sustainability, highlighting the importance of buildings in delivering on corporate sustainability ambitions.	Skills/training		
Facilitate engagement with commercial and leasing teams to develop an understanding of sector-specific sustainability impacts and how these might influence engagement with occupiers.	Skills/training		
Develop an approach for prioritising and tailoring engagement across the owner/occupier portfolio considering factors such as impact, size and receptibility.	Relationships		
Establish owner and occupier dialogue outside the transactional environment to explore strategic and collaborative engagement and networking opportunities, through initiatives such as the BBP Owner-Occupier Forum and Green Lease working group.	Relationships		
Accountability is needed across asset life cycles			
Identify key contributors and accountability for sustainability across the asset life cycle	Relationships		
Set out in the Heads of Terms the desired sustainability outcomes conceived from the outset of the property relationship, so that these remain a focus throughout the leasing negotiations and are suitably prioritised by those involved at each subsequent stage			
New financing models are required			
Provide a space for the respective Boards and senior leadership to discuss the systemic change needed in leasing and finance models to deliver on their sustainability targets.	Financial		
Ensure that the length of lease is reflected in the sustainability requirements of owners/occupiers and associated investment models/cost attribution.	Financial/leasing		
Discuss and agree arrangements for funding sustainability improvements early in the lease negotiation process, looking for innovative and equitable solutions that reflect costs and benefits	Financial/leasing		

Recommended action(s)	Recommendation type	Allocated to	Completed
Green Leases are not delivering on their potential			
Enhance the profile and engagement opportunity of sustainability professionals within the respective businesses, involving them as early as possible in the leasing process.	Leasing		
Develop a clear plan for sustainability engagement throughout the leasing journey.	Leasing		
Set out desired sustainability outcomes clearly in the Heads of Terms for leases, ensuring that they are prioritised and remain a focus throughout negotiations.	Leasing		
Incorporate sustainability clauses in leases to provide the legal foundations for owner-occupier engagement using tools such as the BBP Green Lease Toolkit.	Leasing		
Supplement sustainability lease clauses with a Memorandum of Understanding to enable owners and occupiers to work together voluntarily to improve the performance of the buildings they own/occupy.	Leasing		
Prepare 'plain English' versions of lease agreements and MOUS that reflect the intent of both parties' corporate sustainability commitments and provide a clear guide to the actions that need to be taken.	Leasing		
Data sharing is a critical building block			
Develop templates for owner-occupier data sharing to make the process as streamlined and as less onerous as possible for all involved.	Relationships/data		
Support industry -wide efforts to standardise data sharing, ensuring that both parties have the information needed to calculate greenhouse gas emissions	Relationships/data		
Supporting policy is a key driver			
Advocate for greater sustainability ambition from Government concerning the regulatory mechanisms that underpin the owner-occupier relationship, and the efficacy with which they are enforced. Particular areas of focus could include the Landlord Tenant Act Review, EPCs, Data Sharing and Performance in use disclosure.	Policy		
Engage in advocacy and lobbying (including consultation responses) to encourage the Government to establish the appropriate foundations for more active owner-occupier dialogue, joining forces through industry bodies such as the BPF and UKGBC to amplify messaging, utilising an evidence-based approach facilitated by organisations such as BBP.	Policy		

# 5. About the Owner and Occupier Forum

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Initiated as part of the Better Buildings Partnership (BBP) Climate Commitment, published in 2019, The Owner Occupier Forum brings together senior real-estate decision makers representing both property owners and occupiers to collaborate with the objective of enabling the transition to a more sustainable real estate sector and delivering net zero carbon buildings by 2050. The Owner Occupier Forum enables owners and occupiers to tackle these barriers by creating strategic alliances and sharing knowledge to scale up action across portfolios.

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- Real Service
- Simmons and Simmons
- Owner Occupier Forum Industry Insight Working Group Co-Chairs and members

## Further information

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