

The role of sustainability in commercial mortgage approvals

Blog

20.06.25



Sustainability is no longer a secondary consideration in commercial real estate lending; it is becoming a key factor in how it is priced and the conditions of the loan. As ESG standards tighten across the industry, lenders are under pressure to align their loan books with sustainable practices. For borrowers, this means that the environmental performance of a property must be considered carefully.

Green lending is on the rise

Green lending products are becoming more popular across the UK and Europe. These include commercial mortgages that offer ESG discounts and meet a specific criterion of environmental practices towards the exit fee of their mortgage.



Commercial buildings with poor EPC ratings (typically D or lower) may face stricter lending requirements or reduced loan-to-value ratios. Meanwhile, high-performing green assets could be offered higher LTVs towards their loan and may be eligible for ESG discounts on their exit fee, providing the correct evidence of environmental practices of their commercial property.

Risks and limitations

While the environmental practices of a property could lead to ESG discounts towards your exit fee, it comes with limitations. Criteria differ widely between lenders, and many still lack a clear or consistent framework.

Older or non-retrofittable properties may struggle to meet the ESG criteria for discounts towards their exit fee, raising concerns about asset stranding and market segmentation. Borrowers must also be prepared to provide documentation, reporting, or verified third-party certifications.

While past performance on sustainability may influence approval, it does not guarantee ongoing eligibility.

How lenders are adapting

Lenders play an important role in green finance innovation. Many are experimenting with incentive-based pricing models tied to energy efficiency or carbon reductions.

At TAB, we offer ESG discounts on commercial mortgages for qualifying properties.

As sustainability becomes further embedded in financial regulation and borrower expectations, green lending will evolve from a niche alternative to standard practice. Therefore, borrowers with environmentally efficient assets will have an advantage.

For lenders, integrating ESG into credit decisions is more than just regulatory compliance; it is a way to strengthen portfolios and align capital with long-term economic and environmental value.

The importance of ESG in commercial mortgages is gaining industry-wide attention, and TAB is proud to be part of that conversation. Our approach was recently featured in *Finance Day*, where our founder, Duncan Kreeger, shared his insights on why ESG in commercial lending isn't just a passing trend but a necessary transition. His article explores how lenders and borrowers alike can embrace this shift and what it means for the future of property finance. You can read the full piece here: ESG



in Commercial Mortgages: Not a Trend, a Transition.

This article is for information only and does not constitute advice or a personal recommendation. TAB is not authorised by the Financial Conduct Authority and TAB loans are unregulated so will not lend on your principal property. You will have no access to the Financial Ombudsman Service (FOS). Any property used as security is at risk of repossession if you do not keep up with your payments. If you are unsure of the risks, you are advised to obtain appropriate professional advice.



Capital is at risk. Property values can go down as well as up. Borrowers may default and investments may not perform as expected. Interest and income are not guaranteed. Returns may vary. You should not invest more than you can afford to lose. TAB is not authorised by the Financial Conduct Authority. Investments are not regulated and you will have no access to the Financial Services Compensation Scheme (FSCS) or the Financial Ombudsman Service (FOS). Past performance and forecasts are not reliable indicators of future results and should not be relied on. Forecasts are based on TAB's own internal calculations and opinions and may change. Investments are illiquid. Once invested, you are committed for the full term. Tax treatment depends on individual circumstances and may change.

You are advised to obtain appropriate tax or investment advice where necessary. Understand more about the key risks here.

TAB is a trading name of TAB London Limited. Registered in England and Wales with registration number: 11225821 and whose registered office is at 101 New Cavendish Street, London W1W 6XH.

