

# The role of sustainability in commercial mortgage approvals

Blog

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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](#).

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