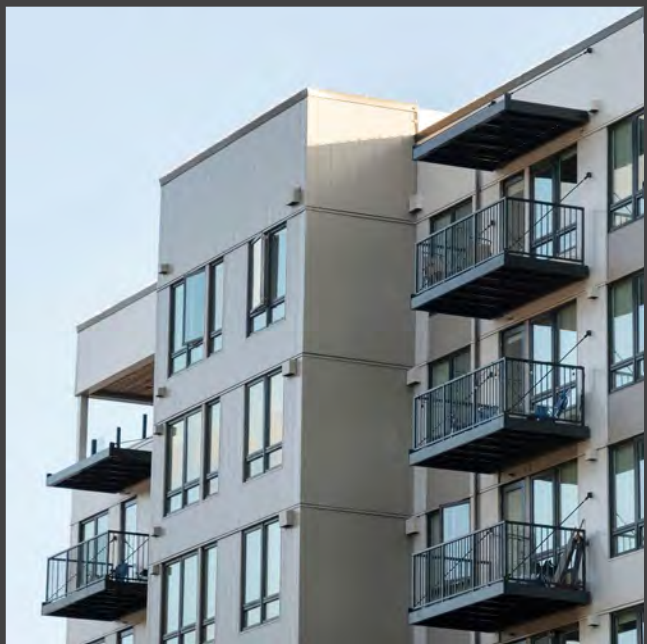
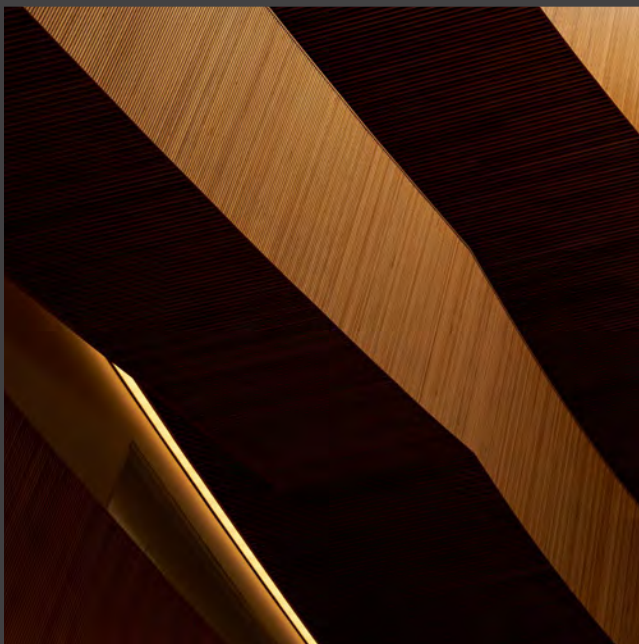


Rethinking Value

The Business
Impact of Green
Buildings



Acknowledgments

This project is funded in part by
the Government of Canada

Financé en partie par
le gouvernement du Canada.



Document prepared by PricewaterhouseCoopers LLP (PwC)

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ISBN: 978-1-998647-25-5

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At a Glance

Objective

Synthesize findings from interviews and surveys with owners across four asset classes — Residential, Institutional, Logistics/Warehouse, and Commercial Office — to identify cross-cutting trends, systemic investment levers, and policy implications for accelerating green building certification and market transformation across Canada.

Methods and Sample

Cross-sectoral comparative analysis of primary research comprising 22 project surveys and 12 semi-structured interviews across four building asset classes (Residential, Institutional, Logistics/Warehouse, Office) spanning British Columbia, Ontario, Québec, Manitoba and Nova Scotia. Surveys and interviews, conducted between Dec. 2025 - March 2026, reflect insights from owners, developers and operators of buildings certified between 2015 and 2025 as LEED® Gold or higher, and/or Zero Carbon Building - Design Standard™ (ZCB-Design) or Zero Carbon Building - Performance Standard™ (ZCB-Performance).

Green building certification in Canada is often assessed through a narrow financial lens focused on up front cost premiums. This framing captures only part of the story, overlooking the broader factors that shape certification decisions and the ways value is realized over a building's life cycle.

Drawing on original primary research — including surveys and in-depth interviews with owners, developers, and operators of certified buildings across residential, institutional, logistics and warehouse, and office asset classes — this summary examines the gap between perceived cost premiums and realized outcomes. The findings show that a compelling business case exists across all four sectors, but the pathways through which value is captured differ materially by asset class. While several cross-cutting themes emerge, no single rationale applies uniformly across the market.

Why Owners Certify — Cross-Cutting Drivers

Across the four asset classes, five drivers were consistently identified, to varying degrees, including:

- **Access to capital and preferential financing:** Canada Mortgage and Housing Corporation (CMHC) financing programs — particularly Mortgage Loan Insurance (MLI) Select — were identified as the most consequential financial driver, with reported interest savings ranging from hundreds of thousands to millions of dollars per project.
- **Funding eligibility:** Certification served as an enabler of funding, supporting access to federal, provincial, philanthropic, and public capital tied to sustainability criteria.
- **Regulatory and policy preparedness:** Tightening municipal building performance standards — in place or emerging in Vancouver, Toronto, and Montréal, among others — together with provincial and federal policy advancements, were cited as a non-financial driver of certification. Certification was also described as a proxy for asset readiness — signaling that buildings are positioned to meet evolving performance, disclosure, and transition-risk expectations without the need for costly retrofits later.

- **Operating cost stability and long-term asset performance:** For long-hold owners, predictable operating costs and reduced exposure to utility rate increases accumulate over multi-decade hold periods.
- **Sustainability commitments, reputational value, and market expectations:** Certification is described as a third-party signal of sustainability performance, and is increasingly viewed as a baseline expectation, particularly for institutional capital and corporate tenants.

Across the evidence base, the business case for certification is strongest when assessed through a portfolio, risk, and capital-allocation lens rather than a narrow first-cost lens. Certification functions not only as a building-level performance tool, but also as a market signal that supports access to capital, strengthens resilience to evolving regulation, and helps reduce the probability of future obsolescence. In that sense, green certification is increasingly part of mainstream asset strategy, not a sustainability overlay.

How the Business Case Differs by Asset Class

- **Residential → Financing access is the primary driver.**
CMHC programs (MLI Select, Apartment Construction Loan Program or ACLP) that tie preferential financing to energy performance are the main reason owners certify in this sector. Tenants are generally unwilling to pay materially higher rents for sustainability features; value is instead captured through operating cost reductions, faster lease-up, lower vacancy, and preferential financing terms. The green premium can approach zero when sustainability is factored into design from the outset, through a reductive design approach.
- **Institutional → Funding eligibility and long-term operating cost stability.**
Institutional owners (colleges, universities, municipalities) hold buildings indefinitely, do not seek investor returns, and are motivated by their public sector missions. Conventional commercial metrics (cap rates, rent premiums, Internal Rate of Return) are largely inapplicable. Construction cost premiums of zero to ten percent are recovered through operating savings of 16 to 75 percent, compounding over 50 to 100-year hold periods. Certification also supports eligibility for grant programs and public funding, which is particularly relevant for colleges with more limited borrowing flexibility.
- **Logistics and Warehouse → Operational efficiency, rent premiums (where measured), and regulatory preparedness.**
Centralizing landlord-managed heating systems — the signature intervention in this sector — delivered operating cost savings of 55 to 84 percent in the Nova Scotia campus example studied. One pioneering portfolio also reported rent premiums of 10 to 30 percent, cap rate compression of 0.25 percent, and faster lease-up. More broadly, certification is described as functioning as a market-access threshold for institutional buyers, rather than as a universal rent premium driver. Regulatory and policy preparedness was also identified as a prominent non-financial driver, with risks shaping 10-to-20-year planning horizons.
- **Office → Reputation, regulatory compliance, market expectations, and risk mitigation.**
Survey responses in the office sector indicate that certification decisions are predominantly driven by **sustainability commitments, reputational considerations, regulatory and policy compliance, market expectations, and risk mitigation** — with higher rents and asset valuations not cited as primary motivators. Leadership in Energy and Environmental Design (LEED) is approaching baseline expectation status for Class A office, and the absence of certification is increasingly described as a negative signal by major tenants. With rent premiums and valuation uplift not yet materializing, the office business case is framed around risk mitigation and future-proofing — regulatory pre-compliance, avoidance of reactive retrofit costs, the emerging “brown discount,” and preservation of buyer-pool depth.

What the Numbers Show

Dimension	Cross-Cutting Finding	Additional Information
Operating Savings	16–84% vs. code-minimum baselines	Logistics (55–84%); Residential (17–37%); Office (30–52%); Institutional (16–75%)
Rent Premiums	Limited across all sectors	Modest in logistics (5–7% per square foot); minimal in residential (~5%); absent in office
Valuation Impact	NOI-driven (Net Operating Income); not yet systematically underwritten	Cap rate compression (~25 bps) discussed but not formally modelled anywhere
Financing as Driver	CMHC dominant in residential; grants critical for institutional	Strongest in residential; weakest in logistics and office
Technology	Electrification and heat pumps universal; reductive design highest Return On Investment (ROI)	Geo-exchange in residential/institutional; centralized heating in logistics
Future-Proofing	Regulatory preparedness is primary non-financial driver	Vancouver leads; Toronto, Montreal, Halifax following

Cross-Cutting Findings

The financial evidence is consistent with the following sector-specific drivers:

- **Capital cost premiums vary** by asset class, certification ambition, technology choices, and the degree of early design integration. Premiums are consistently lower when sustainability is integrated early and can approach zero in residential and institutional new construction through reductive design and envelope-first approaches.
- **Operating cost savings are significant, where tracked**, 17–37 percent in residential projects, 16–75 percent across institutional projects, 30–52 percent in office projects, and 55–84 percent in the logistics and warehouse centralized-heating projects. Realizing these savings in practice depends on the rigour of the technical protocol hand-off between design/construction and operations, and on the robustness of the ongoing O&M program — areas consistently flagged as determinants of whether modeled performance is sustained over time.
- **Rent and valuation outcomes are uneven.** Measurable rent premiums (10–30%) and cap rate compression were reported in one pioneering logistics and warehouse portfolio; rent premiums were limited for residential (a single five percent case); institutional projects reported Net Operating Income (NOI) and appraised value increases where measurable; and no meaningful rent premiums or valuation uplift were reported in the office sample.

- **Payback periods cluster within conventional commercial investment horizons**, ranging from under 5 to 10 years in logistics and warehouse, under five to 15 years in office, and five to 10 years for institutional projects where reported.

Co-Benefits and the Broader Value Proposition

Beyond direct financial returns, certified buildings consistently deliver co-benefits that strengthen the overall business case, even where they are not fully reflected in conventional financial models. These include improved indoor air quality and thermal comfort, enhanced occupant wellbeing, greater operational stability, and third party validation of sustainability performance (e.g., greenhouse gas (GHG) emissions). Additional sector-specific advantages — such as government contract eligibility in logistics and warehouse, and educational and mission alignment in institutional assets — further reinforce long term value and asset resilience.

The Bottom Line

The up front premium is one variable in the certification decision, and in many cases is not the decisive one. Value is realized through a combination of financing access, funding eligibility, operating cost stability, tenant and investor expectations, regulatory pre-compliance, and long-term resilience, with the relative weight of these drivers varying by asset class. In residential, the business case is led by financing; in institutional, by funding access and long-term operating cost stability; in logistics and warehouse, by operational efficiency and market access; and in office, by sustainability commitments, reputation, regulatory readiness, and risk mitigation.

Across all four sectors, certification is shifting from a market differentiator to a baseline expectation. As office sector respondents noted, the relevant question is no longer “will I earn a premium today?” but “what is the cost of not being certified in three, five, or 10 years?”.

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1 Introduction and Purpose

The Canadian real estate market is entering a period of accelerated transition, shaped by evolving capital market expectations, an expanding regulatory landscape, rising construction costs, elevated and shifting interest rates, and climate-related disruptions. These forces are reshaping how building performance, risk, and long-term value are understood.

In this context, green building certification is no longer viewed primarily as a pathway to incremental operating savings or standardized valuation uplift, but increasingly as a mechanism for managing downside risk, ensuring regulatory readiness, and future-proofing assets.

This cross-cutting summary synthesizes insights from research prepared by the [Canada Green Building Council® \(CAGBC\)](#) and [PricewaterhouseCoopers LLP \(PwC\)](#) as part of a national business case study on green building certification in Canada. The research covers four asset classes — multi-unit residential (market and affordable), institutional, logistics and warehouse, and commercial office — and draw on primary research comprising 22 project surveys and 12 in-depth interviews with owners, developers, operators, and asset managers of LEED and Zero Carbon Building Standards™ (ZCB Standards) certified assets across five provinces.

Leveraging actual data and insights from building owners, this research captures how leading market participants are responding to changing conditions on the ground. Across building types and regions, respondents described a business environment in which traditional valuation narratives — often centred on payback periods or rent premiums — are becoming less decisive. Instead, certification decisions are increasingly shaped by factors such as climate exposure, building performance regulations, capital planning, tenant expectations, and long-term asset liquidity. A key insight is that the decision is no longer driven by whether certification costs more, but by what makes it viable—whether through financing, risk management, tenant expectations, mission alignment, operating resilience, or long-term asset positioning.

As the market continues to respond to the convergence of rising costs, regulatory expectations, and the need to future-proof assets, owners are being required to adopt more structured and forward-looking approaches to asset management. performance requirements become more formalized and capital decisions more constrained. In this context, certification is emerging not simply as an environmental outcome, but as a practical framework for aligning today's investment decisions with evolving market, policy, and disclosure requirements.

Each of the building asset classes examined reflect a distinct business case shaped by ownership structures, financing mechanisms, tenant dynamics, and policy context. Taken together, however, the findings reveal common cross-sector patterns. This summary therefore aims to:

1. Compare insights across asset classes and surface shared financial, technical, and strategic realities;
2. Identify policy, finance, and market implications emerging as climate and performance-related risks become more visible; and
3. Through regional case studies, illustrate how these dynamics differ across markets such as Ontario, Quebec, Western Canada, and Atlantic Canada.

This summary represents an initial step in a longer-term effort by CAGBC to document how the green building business case is evolving in Canada. As data availability improves and market practices continue to shift, CAGBC intends to build on this work through expanded engagement with building owners and investors, deeper sectoral analysis, and additional regional perspectives. The findings presented here are therefore best read as an early signal of emerging trends, grounded in current market experience and intended to inform ongoing dialogue and decision making.

2 Methodology

This summary draws on primary data from a national business case study, employing a mixed-methods approach that combines quantitative project surveys with qualitative, semi-structured interviews (approximately 45–60 minutes each) conducted across four asset classes, outlined below. Additionally, an industry engagement session was conducted to help validate the qualitative insights and findings within broader market realities. The session involved a collaborative review of preliminary insights with 30 cross-sector experts representing investors, owners, asset managers, government, finance and insurance professionals – please see the [Appendix](#) for more detail.

The cross-cutting analysis employs a consistent thematic structure across all asset classes (and briefs)—capital costs, operating performance, asset valuation, financing and incentives, technology and innovation, co-benefits, and future-proofing and resilience. This common structure enables direct comparison across asset classes while preserving sector-specific nuance.

The study targeted certified buildings that are LEED Gold or higher, and/or ZCB-Design or ZCB-Performance, across Canadian provinces. The resulting sample size varies by sector (four to eight surveys per asset class), geographic coverage is uneven, and metrics are not always reported in standardized formats. Accordingly, this compendium identifies directional patterns rather than statistically representative conclusions.

All findings are derived directly from respondent-reported data; no values have been inferred, extrapolated, or independently verified.

Sample Overview

Asset Class	Surveys	Interviews	Provinces	Certifications
Multi-Unit Residential	4	3	Ontario, Quebec	LEED Gold, ZCB-Design v1-v3
Institutional	5	3	British Columbia, Ontario	LEED Gold/Platinum, ZCB-Design, ZCB-Performance
Logistics / Warehouse	5	3	Nova Scotia, Ontario	LEED Gold, ZCB-Design, ZCB-Performance
Commercial Office	8	3	British Columbia, Ontario, Alberta	LEED Gold/Platinum, ZCB-Design, ZCB-Performance
Total	22	12	5 Provinces	LEED Gold/Platinum, ZCB-Design, ZCB-Performance

Taken together, the primary research, semi-structured interviews, and expert engagement provide decision-relevant evidence from early adopters operating at the intersection of performance-linked financing, LEED and Zero Carbon Building (ZCB) adoption, and large-scale delivery. CAGBC intends to expand this evidence base in 2027 with additional LEED and ZCB certified buildings, advancing toward a more comprehensive national dataset.

3 Business Case and Cross-Cutting Financial Performance

3.1 Business Drivers and Co-Benefits

Across asset classes, the research reveals that certification decisions are not primarily driven by cost-savings calculations or rent premium expectations. Instead, owners and developers described a convergent set of strategic motivators: financing access (particularly CMHC MLI Select in residential), long-term asset positioning, risk management, regulatory preparedness, mission alignment and sustainability commitments, and operating cost stability over extended hold periods. These drivers are expressed differently by asset class — residential is shaped by financing pathways, institutional by funding access and long-term cost stability, logistics by operational efficiency and repeatability, and office by asset resilience and regulatory readiness — but collectively they signal a structural market shift rather than niche behaviour. Co-benefits reinforce these drivers. Indoor environmental quality, reputational value, tenant attraction, and resilience to climate events such as wildfire smoke and extreme heat were consistently cited as material considerations in the certification decision, even where they are not yet monetized.

From an owner and operator perspective, certified buildings were associated with fewer maintenance complaints, lower tenant turnover, and reduced operational friction than non-certified buildings — outcomes that strengthen the long-term hold business case.

Taken together, the evidence supports a clear finding: LEED and ZCB Standards certification pathways are financeable, repeatable, and increasingly aligned with the risk and performance frameworks that institutional owners, lenders, and policymakers rely on. The business case is no longer theoretical; it is being executed across asset classes and regions.

3.2 Capital Costs and Construction Premiums

Across asset classes, reported incremental capital costs ranged from near zero to approximately 20 percent above conventional code-minimum baselines. A powerful cross-cutting finding is that the magnitude of the premium is primarily driven by design approach and procurement practices rather than by the sustainability requirements themselves. The upper end of the range — particularly the approximately 20 percent figure reported in one residential project — reflects COVID-era supply chain disruption and cost escalation rather than a structural cost of certification. When these outliers are excluded, most projects reported premiums clustered in the sub-one percent to 11 percent range, with several achieving near-zero incremental cost.

Interviewees indicated that early integration of sustainability into core design consistently produced the lowest premiums. In residential, “reductive design” — consolidating heating, cooling, and Domestic Hot Water (DHW) into simplified electrified systems — eliminated approximately 25 percent of conventional mechanical equipment. In institutional buildings, a “fabric-first” approach prioritized high-performance envelopes to downsize mechanical systems. In logistics/warehouse, centralized heating replaced individual tenant-controlled units. In office, early cross-functional collaboration was consistently associated with lower premiums. Conversely, projects that layered green features onto conventional designs or labelled sustainability requirements explicitly in procurement reported higher apparent costs — multiple respondents noted contractors apply automatic pricing uplifts to anything described as “green.”

Dimension	Cross-Cutting Finding
Residential	Sub-1% to ~20% Reductive vs. additive design; COVID-era cost escalation inflated upper range. Lower premiums driven by simplified electrified systems and early integration (sub-1% to ~11% excluding outliers)
Institutional	0–10% Envelope-first strategy; grant funding offsets
Logistics / Warehouse	2–8% Centralized heating; loading dock innovation
Office (New)	2–15% Early integration; climate-technology alignment
Office (Retrofit)	10–25%+ Electrical capacity; mechanical replacement; tenant disruption

Key Observation

The green premium is not fixed, it is a function of design process, procurement strategy, and project timing. Early integration and reductive/fabric-first design consistently produced the lowest premiums across all asset classes.

3.3 Operating Performance and Energy Savings

Operating cost savings were reported across all asset classes. The most dramatic results came from logistics/warehouse (55–84 percent vs. code baselines), driven by centralized heat pump systems. Residential reported 17–37 percent, though value capture varies by ownership structure — savings accrue to condo corporations in condominiums (split-incentive) but flow directly to owners in purpose-built rental. Institutional buildings reported the widest range (16–75 percent), benefiting from indefinite hold periods that allow compounding. Office reported 30–52 percent, but with a critical caveat: electrification-driven emissions reductions did not always reduce costs where gas remains cheaper than electricity (the “fuel-switching cost gap”).

Regional energy pricing materially influences payback profiles. In Québec, even large percentage savings translate into modest absolute dollars due to low electricity rates. In Ontario and Western Canada, higher rates strengthen the operating case for electrification.

Asset Class	Operating Cost Savings Range	Primary Driver	Key Nuance
Residential	17–37%	Electrification, envelope	Split incentive in condos; strongest in rental
Institutional	16–75%	Envelope-first, geothermal	Compounding over 50–100 yr holds
Logistics	55–84%	Centralized heating, controls	Transformative system redesign
Office	30–52%	Heat recovery, electrification	Fuel-switching may increase costs

Key Observation

Operating savings are real across asset classes, but who captures the value — and how quickly — depends on ownership structure, energy pricing paired with grid generation, and technology choice. The fuel-switching cost gap in offices and split-incentive dynamic in condos are structural barriers not yet fully addressed by policy.

3.4 Asset Valuation and Market Perception

Green building certification is not yet systematically reflected in Canadian real estate valuations. Respondents across sectors reported NOI improvements driven by operating cost reductions, but cap rate compression, rent premiums, and appraised value uplift remain inconsistent and generally not underwritten into pro formas. Rent premiums were limited: five to seven percent per square foot in logistics (the strongest evidence), ~five percent in a single residential project, and largely absent in office where elevated vacancy constrains pricing power. A cap rate compression of ~25 basis points was discussed in residential and office but described as anecdotal and forward-looking. The emerging consensus is that certification's financial value flows through operating cost reduction and NOI stability rather than rent growth. This represents a significant “valuation gap” — the difference between the strategic value certification delivers and the value markets currently price. Closing this gap requires an evolution in appraisal practices, lender underwriting, and investor benchmarking.

There are early signs that this evolution is underway. A recent joint report by CAGBC and REALPAC signals that the market is beginning to move toward recognizing sustainability and climate-related risk factors in real estate valuations. The report provides a roadmap for integrating climate-related risks into Canadian commercial real estate valuation practices, including the adoption of updated international valuation standards, the establishment of climate-risk data frameworks and benchmarks, and the refinement of valuation methodologies to reflect the financial impacts of transition and physical climate risks. This emerging alignment between industry organizations suggests that the valuation gap identified in this research may begin to narrow as appraisal standards, data systems, and market practices evolve.

To support this shift, tools such as the Carbon Risk Real Estate Monitor (CRREM) have emerged to help investors, lenders, and asset owners quantify stranded-asset and transition risk by benchmarking building-level energy and carbon performance against 1.5°C- and 2°C-aligned decarbonization pathways. CRREM translates a building's current and projected performance into a 'stranding year' — the point at which its carbon intensity is expected to exceed a science-based budget — giving portfolio managers a forward-looking lens on which assets face the greatest regulatory, market, and refinancing exposure if left un-decarbonized.

Key Observation

A cross-cutting “valuation gap” exists across all asset classes. Certification delivers measurable benefits, but markets lack appraisal methodologies and lender frameworks to systematically price them. Closing this gap is key for market transformation.

3.5 Financing, Incentives and Insurance

Financing is the single most important external driver of certification in residential and a critical enabler in institutional buildings but remains largely absent as a lever in logistics/warehouse and office. CMHC MLI Select program was identified as the dominant mechanism in residential, producing savings of hundreds of thousands to millions of dollars per project. For institutional buildings, grants and public subsidies are critical, with sustainability increasingly embedded in infrastructure funding eligibility criteria.

In logistics/warehouse and office, the incentive landscape was described as thin, fragmented, and geographically uneven. For example, British Columbia offers significantly stronger programs than Ontario, Alberta, or Atlantic Canada. Green financing products offered pricing close to conventional terms. Insurance markets have not recognized certification as a risk-pricing variable in any asset class despite sharply rising climate-related losses, representing a major disconnect and untapped opportunity.

Asset Class	Primary Financing Lever	Incentive Effectiveness	Insurance Impact
Residential	CMHC MLI Select (dominant)	Secondary; project-specific	None observed
Institutional	Grants, public subsidies	Critical; embedded in criteria	None observed
Logistics	Limited	Thin, fragmented	None observed
Office	Limited	Uneven; strongest in BC	None observed

Key Observation

Performance-linked financing mechanisms are the strongest available lever but are concentrated in residential and institutional sectors. Logistics and office lack comparable financial catalysts, a gap constraining market transformation in the majority of Canada's commercial building stock.



4 Technology and Innovation: Systemic Trends

Despite variation in building type, climate zone, and certification pathway, the research reveals remarkably consistent technology themes across all asset classes.

Electrification: The Universal Pathway

Electrification, the transition from fossil fuel-based heating to electric alternatives, is the single most consequential technology decision across all sectors. Heat pumps (air-source, water-source, ground-source) are the default solution for new certified buildings. In logistics/warehouse, centralized air-to-water heat pumps delivered the most dramatic savings in the study. In office retrofits, electrification is the primary decarbonization driver and the largest source of capital cost and complexity. Climate-technology alignment is critical: air-source systems perform well in coastal BC, while colder regions may require geo-exchange or supplementary systems.

Reductive / Fabric-First Design: Highest ROI

The highest-return strategy across all asset classes is a design philosophy, not a technology. Whether called “reductive design” (residential), “fabric-first” (institutional), or “early integration” (office), the principle is identical: invest in envelopes and system simplification to reduce mechanical equipment, ductwork, and complexity. In residential, this eliminated ~25 percent of mechanical systems. In institutional buildings, high-quality passive level envelopes enabled substantial mechanical simplification. In logistics, centralized heating replaced dozens of individual units.

Sector-Specific Innovations

Several innovations are distinctly sector specific. In logistics/warehouse, loading dock thermal bridge elimination using vertical storing levellers from cold storage addressed the single largest heat loss source. In residential, CO₂ refrigerant heat pumps for domestic hot water — a technology that has been deployed on a small scale in British Columbia and is now expanding to other provinces — represent a frontier investment at approximately 3.75 times conventional cost. AI-driven building management delivers 10–15 percent additional savings across office and logistics but remains additive and dependent on engaged operations teams.

Technology	Residential	Institutional	Logistics	Office
Heat Pumps	✓ Core	✓ Core	✓ Transformative	✓ Core
Geo-Exchange	✓ Where feasible (?)	✓ Durability strategy	-	✓ Select
Reductive / Fabric-First	✓ 25% mech. Reduction observed (?)	✓ Strong passive envelope	✓ Centralized design	✓ Early integration
Solar PV	✓ Select	✓ Scalable	✓ Multi-building	✓ Select (?)
AI Building Mgmt	-	✓ Digital twins	✓ 10–15%; mixed	✓ 10–15%; maturing
Loading Dock Innovation	-	-	✓ Highest-impact innovation: eliminated single largest heat loss source	-

Key Observation

Electrification and reductive/fabric-first design are the two universal, highest-impact strategies. Technology selection should be driven by climate zone and operational capacity, not by novelty. The most successful projects deployed proven, operable systems.

5 Co-Benefits and Occupant Experience

Co-benefits are consistently reported across all asset classes and are often the primary rationale for certification, yet they are valued and monetized very differently by sector. From an owner and operator perspective, certified buildings are associated with tangible operational outcomes: fewer maintenance complaints, lower tenant turnover, reduced operational friction, and improved asset durability. During wildfire smoke and extreme heat events — increasingly frequent across Canadian markets — the airtightness and mechanical ventilation systems characteristic of certified buildings provide measurable resilience advantages for occupants and building operations alike.

Indoor environmental quality, improved air quality, thermal comfort, and acoustic performance were the most consistently cited co-benefits. Electrification and elimination of on-site gas combustion deliver quality of life improvements across all building types. In residential, these improvements expand usable living area and enhance unit quality. In logistics, in-floor radiant heating provides more consistent temperatures than conventional overhead systems.

Reputational value and sustainability positioning are the dominant co-benefits in institutional and office buildings. Institutional respondents described certified buildings as a “learning infrastructure” that supports curriculum and public engagement. In the office sector, certification decisions are driven by sustainability commitments and risk mitigation rather than financial return. Third-party certification serves as a credible communication shorthand across all sectors.

Tenant demand is evolving but has not yet become a decisive rent driver. Tenants value sustainability when all else is equal but are generally unwilling to pay explicit premiums. In residential, this manifests through faster lease-up and lower vacancy. In the office sector, LEED is table stakes for Class A, and its absence is a disadvantage. ZCB Standards remain aspirational for private tenants, though the federal government’s net-zero 2030 mandate for leased space could catalyze demand. In logistics, tenants who initially chose certified buildings for rent discovered certification became an asset when parent companies adopted Environmental, Social and Governance (ESG) mandates. A structural challenge across sectors is that standard leasing frameworks exclude energy costs, making certified buildings appear more expensive even though their total occupancy costs are lower.

Key Observation

Co-benefits: indoor quality, reputation, sustainability positioning, and risk mitigation, are the primary certification rationale across most asset classes but remain difficult to monetize. Developing standardized approaches to valuing these benefits will strengthen the business case.

6 Regional Case Studies

The business case for green certification varies materially by region, shaped by energy pricing, regulatory context, incentive availability, labour markets, and climate conditions. This section draws on project-level evidence to illustrate how these dynamics alter the calculus across Canadian markets.

The most important takeaways vary materially by jurisdiction: British Columbia leads on incentive depth and step-code alignment, making it the most economically favourable environment for high-performance buildings; Ontario's momentum is driven by CMHC MLI Select in residential and by Toronto's forthcoming Emissions Performance Standard (now expected at Council in early 2027); Nova Scotia demonstrates the strongest operational savings evidence while also highlighting an important policy discussion regarding the Halifax climate tax. Meanwhile, Alberta and Atlantic Canada remain materially behind on incentive architecture, which suppresses the business case even where technical performance is achievable. Each sub-section below expands these signals, with deeper jurisdictional context available in the sector-specific briefs.

Ontario

Ontario is the most represented province in the research, with projects spanning all four asset classes. CMHC's MLI Select program is the dominant certification driver in residential, as one Toronto project accessed a \$1.5M Toronto Green Standard (TGS) Tier 2 incentive. Developers of affordable housing described assembling layered capital stacks (CMHC, pension investors, affordable housing funds) to make projects viable. Regulatory momentum is accelerating: in Toronto, institutional owners have embedded high-performance standards into internal policies, based on the potential for local building performance bylaws. Ontario's electricity-to-gas price ratio creates a fuel-switching cost gap for office electrification. CO₂ refrigerant heat pump deployment for residential DHW is expanding in the province, and supply chain constraints for heat pumps are increasingly evident.

Québec

Québec's business case is shaped by its paradox: low electricity rates make electrification cost-effective from a capital perspective, but even dramatic energy savings (a Montréal project achieved 59 percent Energy Use Intensity or EUI reduction, the strongest in the residential sample) translate into modest absolute dollar returns, extending payback beyond 15 years. However, Québec's clean hydroelectric grid simplifies the emissions pathway – electrified buildings achieve meaningful carbon reductions with lower grid emission factors than other provinces. The Government of Québec is advancing a province-wide building performance disclosure framework, providing a regulatory tailwind for early adopters across the province.

Western Canada

British Columbia (Vancouver in particular), represents Canada's most advanced regulatory and incentive environment. Vancouver has the country's most stringent building performance requirements, and BC's incentive landscape was described as significantly more effective than any other province. Mild coastal climate enhances air-source heat pump performance, strengthening the electrification business case. Institutional projects in BC demonstrated the fabric-first approach at its most advanced, with strong passive envelopes and integrated geothermal. Alberta presents a more challenging calculus: higher grid carbon intensity, weaker incentives, and different regulatory priorities mean the business case relies more on internal ESG commitments and long-term risk mitigation than external financial drivers.

Atlantic Canada (Nova Scotia)

Nova Scotia provides the strongest operational evidence in the study: a logistics/warehouse campus achieving 55-84 percent operating savings through centralized heat pumps, loading dock innovation, solar photovoltaic (PV), and battery storage. The Halifax Climate Action Tax illustrates a policy approach with potential national relevance. As a value-based levy, it is intended to provide stable funding for climate programs, which occur through the initiatives it supports. As other municipalities consider similar models, there is an opportunity to consider whether performance-based measures—such as rebates or incentives for buildings that demonstrate improved energy or carbon performance—could help align financial contributions with outcomes, while preserving the tax’s role in enabling long-term climate investment. Supply chain delays for heat pump systems and a smaller labour pool presents additional challenges, yet the evidence demonstrates that committed owners can achieve exemplary performance even in smaller markets.

Region	Key Enabler	Key Barrier
Ontario	CMHC financing; TGS; regulatory momentum	Fuel-switching cost gap; contractor premiums
Québec	Clean grid; low electrification cost	Low energy prices extend payback periods
British Columbia	Advanced regulation; best incentives; mild climate	Scaling beyond Vancouver; high construction costs
Alberta	Corporate ESG mandates	Weak incentives; carbon-intensive grid
Nova Scotia	Owner commitment; centralized systems	Supply chain; small labour pool

The composition and capacity of provincial electricity grids appear to be a significant factor shaping regional business cases. Provinces with hydro-dominated grids such as Québec and British Columbia tend to offer a more straightforward path to operational decarbonization through electrification, given their lower grid emission factors. In contrast, provinces with greater reliance on natural gas or coal generation such as Alberta and parts of Atlantic Canada may see more modest emissions benefits from electrification until the grid itself transitions. Grid capacity constraints also warrant consideration: several provinces are reported to be approaching peak capacity limits, which could affect the feasibility and timing of large-scale building electrification, particularly in dense urban markets where electrical service upgrades can add cost and complexity. These dynamics suggest that technology and policy strategies for green building certification may need to be calibrated to local energy infrastructure realities rather than applied uniformly across regions.

Key Observation

The business case varies materially across regions. British Columbia leads in regulation and incentives. Ontario benefits from CMHC financing but faces a fuel-switching gap. Québec's low energy prices weaken the savings case despite a clean grid. Atlantic Canada demonstrates strong outcomes but highlights the risks of poorly designed carbon policies. National coordination of incentives, regulation, and financing would reduce geographic disparity.



7 Policy and Finance Implications for Market Transformation

The primary research reveals a consistent set of policy and finance gaps that, if addressed, could materially accelerate green building adoption across Canada.

Two cross-cutting themes emerged with clarity:

- Fragmented municipal standards and lengthy approval cycles add cost regardless of certification, reinforcing the value of nationally consistent frameworks; and
- Performance-linked financing mechanisms are more effective than fragmented, time-limited incentives that are difficult to navigate and rarely decisive on their own.

Certification promotes a common language across investors, lenders, tenants, and regulators; accelerates market and technology movement by standardizing performance expectations; and, as adoption scales, supports the elimination of the certification premium through supply-chain maturity and repeatable delivery models.

Viewed together, these findings suggest that the next phase of market transformation will be shaped by the interaction between rising costs and regulatory and disclosure regimes, with a growing imperative to future-proof assets. The International Sustainability Standards Board (ISSB)'s International Financial Reporting Standard S2, the Office of the Superintendent of Financial Institutions' (OSFI) Guideline B-15, and other climate-related risk reporting mandates (e.g., for federal entities), are all based on the same framework and have established standardized and investor-grade reporting of material climate-related financial (physical and transition) risks, which may affect strategy, cash flows, and asset values over the short, medium, and long term.

Policy and finance mechanisms will matter most where they help owners manage capital constraints, prepare for formalized performance expectations, and avoid locking in assets that may become more costly to operate, retrofit, disclose on, or transact over time. In this context, certification can serve as a practical bridge between today's investment decisions and tomorrow's market requirements.

Extend Performance-Linked Financing

CMHC financing programs (MLI Select) are the most effective market-transformation mechanism identified in this research, directly linking energy performance to financial outcomes. Their impact is concentrated in residential, where the combination of MLI Select interest rate reductions, extended amortization, and higher loan-to-value ratios has made certification a financially rational decision rather than a discretionary one. Extending similar performance-linked mechanisms to commercial, logistics, and institutional buildings — whether through CMHC or through parallel instruments developed in partnership with institutional lenders and provincial housing agencies — could replicate this catalytic effect across the broader building stock.

Consolidate and Stabilize Incentives

The incentive landscape is fragmented, difficult to navigate, and subject to frequent changes that undermine planning. Consolidating information into centralized platforms and ensuring multi-year program stability would increase uptake. Design-stage funding (e.g., Natural Resources Canada's Deep Retrofit Accelerator Initiative or DRAI) is particularly valuable for complex retrofits but limited in scope. Expansion would address a critical gap in the capital deployment cycle.

Promote Carbon Pricing Stability

Changes in carbon pricing policy disrupt financial models across asset classes, removing a line item that had supported life cycle business cases. Long-term, stable, escalating, and credible carbon pricing signals can provide the certainty developers and investors require.

Reform Appraisal Methodologies to Capture Sustainability Performance in Valuations

The cross-cutting “valuation gap” requires evolution in appraisal methodologies to incorporate sustainability performance, operating cost trajectories, and regulatory risk, not just traditional income metrics. Industry collaboration between CAGBC, the Appraisal Institute of Canada, institutional investors, and lenders could develop standardized valuation frameworks.

Engage the Insurance Industry on Risk Planning

Across all four asset classes, no respondent identified reduced insurance premiums attributable to green building certification despite certified buildings demonstrating superior envelope performance, reduced mechanical complexity, disciplined site selection, and design for future climate conditions. At the same time, insurance costs are rising sharply across Canadian real estate due to increasingly frequent and severe climate events. This disconnect represents both a market gap and an opportunity. For insurance providers, site selection and addressing potential, relevant hazards (such as wildfire or flood) are most directly relevant to risk reduction. Resiliency measures in a building to mitigate flood, wind, smoke and other hazards — and the risk assessment necessary to include them — are now recognized in some certification systems, such as LEED v5. Along with site selection, resiliency measures may be the most relevant ways to engage with the insurance industry on the value of certification.

Expand Design-Stage Funding for Deep Retrofit Feasibility Studies

The research consistently identifies deep retrofits as among the most complex and financially challenging decarbonization pathways, particularly for existing office buildings where electrical capacity constraints, tenant disruption, and mechanical system interdependencies create layered costs that are difficult to predict without detailed upfront analysis. Programs like DRAI were highlighted across asset classes as among the most valuable supports available, precisely because they fund the feasibility studies and pre-construction design work where the highest-impact decisions are made. However, these programs remain limited in scope and geographic availability. Expanding design-stage funding, both in dollar terms and in eligibility across building types and provinces, would address a critical gap. Building owners consistently reported that the business case for deep retrofit becomes clearer and more investable once rigorous feasibility analysis has been completed, but that the cost of this analysis is itself a barrier, particularly for mid-market owners without dedicated sustainability teams.

Adapt Incentive Programs to Reflect Affordable Housing Financial Realities

Affordable housing projects have financial constraints that need to be addressed within incentive programs for sustainability. Projects with meaningful affordable components cannot rely on market-rate rents to absorb capital premiums, which impacts project feasibility or housing supply. Intensity-based performance metrics, particularly Thermal Energy Demand Intensity (TEDI), can inadvertently penalize projects where unit sizes are intentionally reduced to deliver more homes within a fixed building envelope. The ZCB Standards have developed an all-electric pathway that allows fossil fuel-free compliance without requiring the most stringent prescriptive envelope thresholds. While this change was to recognize broader market realities, it also is relevant for affordable housing where there may be smaller units. LEED similarly offers multiple tiers of performance, providing existing points of entry for projects at varying levels of ambition. Incentive programs can set appropriate requirements for energy efficiency and emissions reductions, while leveraging the standardization, industry familiarity, third party verification and other benefits of rating systems and standards.

Policy and Finance Recommendations Summary

1. Extend performance-linked financing
2. Consolidate and stabilize incentives
3. Promote carbon pricing stability
4. Reform appraisal methodologies to capture sustainability performance in valuations
5. Engage the insurance industry on risk planning
6. Expand design-stage funding for deep retrofit feasibility studies
7. Adapt incentive programs to reflect affordable housing financial realities

8 Investment Levers and Actionable Insights

Drawing on cross-cutting evidence across all four asset classes, the following actionable insights represent the recurring themes and strategies that emerged from the research.

Insight 1 Design Sustainability in from the Start	The single most consistent finding: sustainability must be integrated at the core of the design process. Three distinct but complementary approaches emerged — “reductive design” in residential (simplifying and consolidating mechanical systems), “fabric-first” in institutional (prioritizing high-performance envelopes to downsize mechanical equipment), and “early integration” in office (cross-functional collaboration from project inception). All three reduce cost, complexity, and the green premium.
Insight 2 Follow the Financing and Advocate to Expand It	CMHC programs have demonstrated that performance-linked incentives transform market behaviour. Residential developers should align certification with MLI Select. Other sectors should advocate for extending similar mechanisms to commercial, industrial, and institutional buildings.
Insight 3 Build the Operating Cost Case, Not the Rent Premium Case	The financial value of certification flows through operating cost reduction and NOI stability, not rent premiums. Model investments on life cycle operating performance, utility cost avoidance, and regulatory risk reduction. Total cost of occupancy should become the standard evaluation framework.
Insight 4 Lead with Performance-Based Specifications in Procurement	Developers who issued performance-based specifications — without explicitly labelling requirements as “green” or “sustainable” — consistently reported better cost outcomes, as contractors are less likely to apply automatic pricing uplifts. Procurement strategy is as important as design strategy.
Insight 5 Plan for Operational Handoffs and Workforce Readiness	High operational performance requires clear handoffs, ongoing commissioning, and workforce training on electrified systems. The gap between building technology sophistication and operator capability is a systemic industry challenge.
Insight 6 Quantify the Future-Proofing Value	Regulatory preparedness is the primary non-financial driver across all sectors. Explicitly quantify the cost-avoidance value of early action for investors and lenders. Frameworks such as CRREM provide tools for this analysis.
Insight 7 Engage Regional Dynamics	Technology, incentive, and financial modelling choices must reflect local conditions: climate (heat pumps in British Columbia vs. geo-exchange in Ontario), incentive availability, energy pricing, carbon tax exposure, and municipal regulatory trajectory. National portfolio owners need region-specific strategies.

9 Conclusion

This research points to a clear inflection point in the Canadian real estate market. Across asset classes and regions, green building certification is moving beyond just a discretionary sustainability measure to becoming a core component of asset strategy. As cost pressures, regulatory requirements, and investor expectations converge, certification is increasingly being used to manage risk, maintain competitiveness, and protect long-term asset value.

Certification decisions are embedded within broader considerations of capital access, performance accountability, and future market positioning. Owners and developers are adapting to a landscape in which climate-related risks, disclosure standards, and operating resilience are integral to how assets are evaluated, financed, and transacted. In this context, LEED and the ZCB Standards provide structured, widely recognized frameworks that translate evolving expectations into actionable and measurable outcomes.

The project sample underpinning this research spans buildings certified between 2015 and 2025, capturing decisions made under significantly different market conditions than those faced today. In retrospect, many early adopters effectively anticipated emerging risks and positioned their assets accordingly. As climate disclosure requirements advance and performance expectations formalize, certification is proving to be a practical tool for navigating this transition. Reported outcomes — including enhanced resilience, operating cost stability, and improved building performance — demonstrate that these early investments are yielding tangible benefits.

Ultimately, certifying buildings is an investment in asset performance and risk management. It equips assets to perform in a more demanding, climate-constrained, and disclosure-driven market — while supporting resilience, stability, and long-term value. As expectations continue to evolve, certification enables both industry and policy to move forward with greater certainty, ensuring today's buildings remain viable, competitive, and fit for purpose in the decades ahead.



10 Appendix: Industry Engagement Session and Limitations

Industry Engagement Session

To provide a deeper context for the research, an industry **engagement session** was conducted in February 2026. The primary purpose of this session was to gather cross-sector perspectives on sustainable finance, climate risk, and market barriers, while sharing and validating preliminary research findings with key stakeholders. This collaborative forum allowed for a more granular understanding of how qualitative insights and contextual observations ground sustainability data in real-world market operations.

Engagement Session Participants

The session included a diverse group of **30 industry professionals** representing a broad cross-section of the Canadian real estate and financial sectors.

Industry Category	Number of Participants
Real Estate Owners / Developers	8
Consulting / Sustainability Advisory	7
Nonprofits / Industry Associations	8
Financial Institutions / Investors	5
Public Sector / Government	1
Climate-Focused Organization	1

Market discussions emphasized that sustainability is increasingly evaluated through core financial outcomes rather than environmental intent alone. Asset performance is judged on factors such as net operating income, operating costs, cash flow stability, cap rates, and long-term value retention. Reduced energy and maintenance costs, lower tenant expenses, and improved operational efficiency were consistently seen as meaningful contributors to financial performance, while participants acknowledged that returns are influenced by building type, location, and ownership horizon.

Risk management emerged as a central market theme. Physical climate risk and location-specific exposure were viewed as just as important as building design or certification, particularly from lending and insurance perspectives. Market participants highlighted the need to understand how sustainability features interact with long-term operational reliability, maintenance requirements, and replacement cycles, as uncertainty in these areas can affect perceived financial risk and underwriting confidence.

Key Observation

Sustainability is increasingly evaluated through core financial outcomes like net operating income and cap rate compression, framing certification as a primary tool for mitigating financial and operational risk. To accelerate market adoption, findings must be translated into “market language” for lenders while addressing critical operational barriers, such as the systemic shortage of trained building operators.

Differences across asset classes were also a recurring market consideration. Office and industrial assets were seen as better positioned to absorb or recover sustainability-related costs due to tenant structures and institutional ownership models, while residential and mixed-use assets showed more variability in outcomes. Overall, market views reflected that financial performance, risk exposure, asset class dynamics, and geography collectively shape how sustainability is valued within real estate decision-making.



Limitations

The findings in this study should be interpreted in the context of the following limitations.

Limitation	Description
Aggregate sample size	22 surveys and 12 interviews across four asset classes. Findings are directional and illustrative, not statistically representative.
Geographic coverage	Five provinces represented but coverage is uneven. Ontario over-represented; Prairies, Northern Canada, and most of Atlantic Canada absent.
Self-reported data	All quantitative data is self-reported and not independently verified. Baseline definitions and measurement methods vary.
Operational maturity	Many projects are recently completed or under construction. Strongest operational evidence comes from logistics buildings with multi-year histories.
Cross-asset-class comparability	Energy data reported in different units; not normalized for size, occupancy, climate zone, or use type. Direct EUI comparisons across sectors are not meaningful.
Retrofit under-representation	Sample weighted toward new construction. Deep retrofit evidence is concentrated in office. The retrofit business case is structurally different and underrepresented.
Incentive/policy currency	The regulatory and incentive landscape is evolving rapidly. Specific program details referenced may have changed since data collection.
Valuation evidence	Cap rate, rent premium, and appraised value findings are based on limited, often anecdotal observations. No formal econometric analysis was conducted.
Carbon pricing uncertainty	Research conducted during significant policy uncertainty. Financial models incorporating carbon tax assumptions may no longer reflect current policy.

Despite these limitations, this summary provides rare, primary, evidence-based insight into the business case for green building certification across Canada's built environment. The convergence of findings across independent samples, diverse asset classes, and multiple provinces strengthens confidence in the cross-cutting patterns identified. These findings are intended to inform, not replace rigorous, project-specific analysis by building owners, developers, policy makers, and investors.



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