

# Rising ESG adoption in real estate sector

Sustainability demanded by tenants, investors, financiers

## PROPERTY

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**PETALING JAYA:** Property experts are seeing a rise in environmental, social and governance (ESG) adoption within the real estate sector, driven by heightened awareness among industry stakeholders.

Zerin Properties chief executive officer Previn Singhe noted that ESG adoption has been “cascading across Malaysia’s property sector,” particularly in the Klang Valley, Penang and Johor.

“This isn’t merely regulatory compliance – it’s a fundamental market shift. Tenants, investors and financiers now demand sustainability as table stakes,” he told *StarBiz*.

By asset class, Previn said the commercial segment (comprising the office, retail and hotel sub-sectors) was the most advanced when it came to ESG adoption, as it was driven by investor mandates and tenant demand.

“Key ESG practices include energy optimisation, electric vehicle charging, green leases (office and retail), low-carbon materials and enhanced indoor air quality monitoring – all of which are increasingly expected in premium assets.”

He added that healthcare facilities were investing in high-efficiency heating, ventilation and air conditioning upgrades; air filtration systems that improve indoor air quality; and building automation systems that optimise temperature and airflow in real-time.

“Meanwhile, in the industrial/logistics sectors, which are being driven by global supply chain requirements, ESG is gaining ground through rooftop solar, green tenancy clauses and tracking of resource use especially in export-oriented industrial parks.”

As for the residential segment (comprising both landed and strata developments), Previn noted that developers like Gamuda Bhd, Sunway Bhd and Sime Darby Property Bhd are integrating ESG into landed homes through solar panel infrastructure, bioswales and sustainable landscaping.

“In strata properties, the management corporations are beginning to adopt waste separation and water-saving retrofits, though progress is often limited by fragmented ownership and funding constraints.

“Individual private landed homeowners

**“ESG is becoming increasingly embedded in both the strategy and compliance frameworks across the sector.”**

Previn Singhe



are also tapping into solar panel incentives under Tenaga Nasional Bhd’s Net Energy Metering 3.0 scheme to reduce energy bills.”

Olive Tree Property Consultants chief executive officer Samuel Tan said ESG adoption within the property market, has been gaining traction over the years.

“Going forward, it will become the norm rather than a mere white-washing or marketing gimmick.

“Beyond ESG adoption in the construction and development stage, there will be further integration (of ESG practice) right from the acquisition and planning phase, to the eventual stages of building completion, maintenance, leasing and asset management.”

Olive Tree Property Consultants executive director Tan Wee Tiam, meanwhile, said it was not surprising that ESG adoption had gained prominence within the real estate market.

“ESG adoption in real estate development ensures long-term compliance of environmental integrity and conformity of ethical practice.

“Such practice will definitely become more prevalent moving forth in view of the challenges such as global warming and extreme temperature changes, rapid building obsolescence due to lousy construction method and sloppy maintenance, lack of ethical and proper governance control in the whole development cycle.

“All the malpractices, if not curtailed in the initial stage of the development cycle, the adverse impact will eventually manifest itself subsequently. The risk to the buyers and investors will be very high and likely become a costly one.”

Going forward, Previn said the outlook for ESG adoption within the real estate industry remains promising.

“ESG is becoming increasingly embedded in both the strategy and compliance frameworks across the real estate sector.

“Over the next three-to-five years, we anticipate deeper integration of ESG principles into investment decisions, asset management and day-to-day operations.”

Previn believes that there will be stronger policy alignment, including mandatory disclosures, green building codes and carbon pricing mechanisms.

“There will also be improved digitalisation of ESG data, with tech tools enabling real-time monitoring of energy use, emissions and indoor air quality.”

He also expects to see a rise of ESG-linked financing such as green loans and sustainability-linked bonds tailored for real estate players.

“There will be a broader adoption beyond prime assets, reaching into mid-market residential, industrial parks, logistic hubs and especially in energy-intensive sectors like data centres, which are expanding rapidly across Malaysia.

“We also see continued use of global ESG benchmarking platforms like the Global Real Estate Sustainability Benchmark which (provides ESG assessments and sustainability benchmarks for commercial real estate and infrastructure), particularly among real estate investment trusts and fund managers, to assess performance, identify gaps and communicate progress to investors.”

However, Previn emphasised that capacity building remained critical.

“This is particularly among small and medium enterprises, property managers, valuers and strata communities to ensure ESG integration goes beyond compliance and becomes embedded in valuation, leasing strategies and long-term asset planning.”