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CRE Finance Council®
The Voice of Commercial Real Estate Finance

# Sustainability Trends in the Commercial Real Estate Finance Industry

**UPDATE REPORT | FEBRUARY 6, 2026**

# Contents

# About This Report

**The CRE Finance Council (CREFC) recognizes the need for a robust and unbiased sustainability monitoring system that allows our industry partners to track the fast-paced and complex nature of the current and go-forward landscape in the United States.**

To this end, CREFC has partnered with Oxford Analytica to design a Strategic Issues Monitor (SIM). **The SIM identifies, assesses, and tracks the macro sustainability trends** that will have the most impact on U.S. commercial real estate and the commercial real estate finance industry, and our members over the next three years.

In early June 2023, CREFC published a **baseline report** that serves as the foundation for ongoing monitoring. CREFC and Oxford Analytica provide frequent updates on **new developments** and their **implications** for the trends enumerated in the baseline report.

**This February 2026 report is the fifth update.**

Previous updates were published in December 2023, June 2024, January 2025, and July 2025.

**Oxford Analytica** is a geopolitical analysis and advisory unit within Dow Jones drawing on a worldwide network of experts to advise its clients on their strategies, operations, policies, and investments. The team's trusted insights and judgements on global issues enable its clients to navigate complex markets where the nexus of politics and economics, business and society is critical to success.

Oxford Analytica's **Strategic Issues Monitor (SIM)** service assists organizations in proactively managing strategic, operational, and reputational risks, uncovering areas of engagement that add value to their organization, and identifying opportunities for expansion into new markets or sectors. It is an essential tool for pre-empting emerging regulatory and reputational risks.

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# How to Read This Report

**This update is structured according to the headline trends groupings:**

- **Resiliency and Efficiency Standards,**
- **Regulation, Policy, and Politics; and**
- **Emerging and Potential Trends.**

**The ratings of existing trends have been assessed and, where relevant, adjusted.**

**Each trend is rated by its current strength and expected direction over a one-to-three-year timeframe (trajectory – strengthening, stable, weakening).**

| TREND STRENGTH | |
|---|---|
|  | For **very strong** trends, the direction of change is clear and measurable, and the trend will cause the issue that is trending to become qualitatively different over the period in question. |
|  | **Strong** trends exhibit a direction of change that is clear, consistent, and measurable. |
|  | **Emerging** trends may be weak, of unclear direction, or partial. Unlike a potential trend, for an emerging trend, observable examples of the trend are currently ongoing. |
|  | **Potential** issues 'on the radar, but that have not yet become a trend, are classified as 'potential' trends. |
|  | **Changes in trends** since the previous update report are indicated by a plus symbol (upgrade) or a minus symbol (downgrade). |

Each section is subject to forward-looking analysis, structured as follows:

- **Latest developments:** A concise assessment of recent developments linked to the baseline trends and their drivers.
- **Implications:** The significance of the developments for the business environment.
- **Outlook:** How developments are likely to play out over the next three to six months.

# Summary

**In the period following the publication of CREFC's and Oxford Analytica's July 2025 update report, the U.S. Trump administration took steps to remove Biden-era green energy subsidies opposed wind and solar development, and defunded de-carbonization infrastructure projects. Its ongoing deregulatory efforts to accelerate permitting for energy infrastructure and its support for developing nuclear power were countered for commercial real estate (CRE) owners, investors, and financiers by the impacts of tariffs on imported construction materials, labor supply disruptions, and higher compliance costs as the sustainability regulatory landscape became more fragmented.**

The disruption to official statistics caused by the government shutdown in October and early November made it difficult to obtain a clear picture of the economy. For example, publication of the official October 2025 Monthly Construction Spending report, originally scheduled for early December, was postponed until January 21, 2026.

The latest available construction spending data, for last August, was $2.2 trillion, 1.6% lower than the same month one year earlier (down 1.5% for non-residential). This trend aligned with the year-on-year decline of 1.8% for the first eight months of the year, despite the administration's policies to expand domestic U.S. manufacturing and energy capacity and announcements of promised inward direct investment in exchange for tariff concessions.

Power-related construction in August increased by 1.1% year-on-year, but manufacturing construction fell by 8.2%. However, AI-driven data center construction starts have doubled according to private-sector estimates, though construction costs per square foot for large data centers have risen by 50% due to shortages of skilled labor and tariffs.

A stabilizing tariff regime, a less confrontational trade relationship with China, and Federal Reserve (Fed) rate cuts of 25 basis points in October and December, provided some macroeconomic stability. Financial markets have not yet definitively concluded that an AI 'bubble' exists, keeping equities at extremely high valuations. However, downside risks are associated with escalating tensions in Venezuela and purported regime change with the U.S. capture of former President Nicolas Maduro, and expectations of a more politicized Fed under a new chair from May 2026 when current Chair Jerome Powell's term ends.

With midterm Congressional elections due in November this year, 2026 is expected to see looser fiscal policy and possibly monetary easing. This raises the risk of economic volatility in 2026 and the potential for higher inflation in the near and medium term, as evidenced by the ten-year Treasury yield barely moving despite the Fed signaling further rate cuts. Mortgage rates may decline modestly, which may be sufficient to encourage some new borrowing and refinancing. However, home prices will probably continue to weigh heavily on the housing market.

With federal energy and environmental regulations being rolled back and funding for energy efficiency improvements cut, U.S. states and municipalities are increasingly taking up the baton of advancing energy efficiency and continuing climate mitigation efforts. CRE industry stakeholders will face an increasingly fragmented policy landscape.

# Trends: At-a-Glance Summary

| | RESILIENCY AND EFFICIENCY STANDARDS | STRENGTH | TRAJECTORY |
|---|---|---|---|
| 1 | Net-zero carbon goals make Scope 3 emissions more salient | | |
| 2 | Energy efficiency standards become progressively stricter | | |
| 3 | Increasing demands for responsible water management | | |
| 4 | Climate resilience strategies grow in importance | | |
| | **REGULATION, POLICY, AND POLITICS** | | |
| 5 | U.S. and E.U. sustainability-related regulation diverges | | |
| 6 | U.S. sustainability regulatory landscape becomes more fractured | | |
| 7 | Crackdown on greenwashing intensifies | | |
| | **EMERGING AND POTENTIAL TRENDS** | | |
| 8 | Construction waste integrated into risk management processes | | |
| 9 | Commercial properties become important EV charging hubs | | |
| 10 | Cyber risk emerges as a sustainability issue for CRE companies | | |
| 11 | Biodiversity evolves into a mainstream sustainability issue | | |
| 12 | Lack of affordable housing hits crisis level | | |
| 13 | Growth of alternative financing for social and green projects | | |
| 14 | Growing demand for sustainable data centers | | |

# Resiliency and Efficiency Standards

## Latest Developments

### Net-Zero Goals at Risk

Several financial institutions lowered their short-term climate targets, but still retained long-term goals of achieving net-zero, typically by 2050. For example, HSBC replaced its fixed 2030-financed emissions-reduction targets for high-emitting sectors with target ranges, effectively downscaling them. JPMorgan Chase, in its 2024 Sustainability Report, published in October 2025, indicated a shift away from “time- and percent-bound targets” for its own operational emissions, without explicitly abandoning its net-zero financed emissions goals.

The UN-backed Net-Zero Banking Alliance (NZBA) ended in October. Many leading US banks, including JPMorgan Chase, had already withdrawn amid political headwinds. Its membership, which peaked at around 140 banks, voted to disband the organization, which was set up in 2021 as a coalition of global lenders committed to decarbonizing finance. The organization’s guidance will remain as part of the UN Environment Programme’s Finance Initiative, but there will be no mechanism for reporting or accountability.

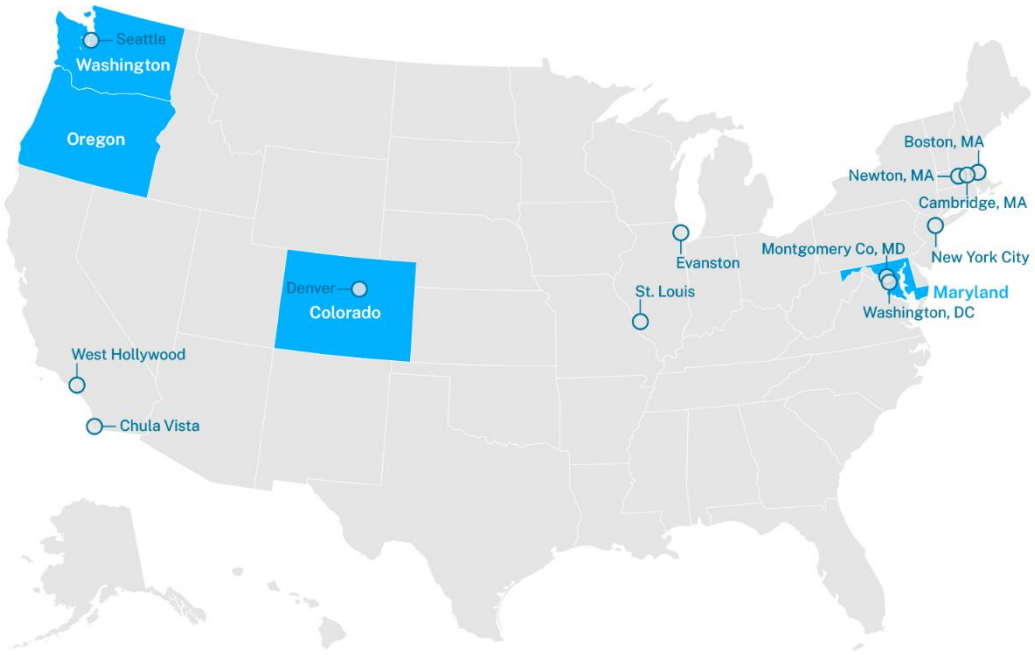
In November, the Science Based Targets initiative (SBTi) released a revised draft of its Corporate Net-Zero Standard, reflecting stakeholder feedback on the initial draft. The revised draft aims to provide a “simpler, more streamlined structure” for setting net-zero goals.

In December, the IFRS Foundation’s International Sustainability Standards Board (ISSB) announced amendments to the greenhouse gas emissions disclosure requirements under its climate-related reporting standard, IFRS S2, to ease and clarify requirements for financial firms’ disclosures about the climate impact of their financing activities. The changes particularly affect Scope 3 emissions related to financial services firms’ investment, financing, and capital markets activities *(Relevant trend: **1. Net-zero carbon goals make Scope 3 emissions more salient**).*

### States Drive Efficiency Standards

In the second half of 2025, the states of Colorado, Maryland, and Washington, as well as the city of Cambridge, Massachusetts, updated legislation regarding their adoption of the Building Performance Standards (BPS). Seattle issued draft regulations to clarify the scope of its adoption of the Building Energy Performance Standards (BEPS). The four sets of BPS legislative updates are mainly tweaks to make implementation more flexible for building owners and operators as states and municipalities seek to drive building efficiency and sustainability.

**Figure 1: U.S. City and State Policies for Existing Buildings: Building Performance Standards**




Source: Institute for Market Transformation (as of 12/2025)

With federal energy regulations being rolled back and funding for energy efficiency improvements reduced, states and municipalities are increasingly taking up the baton of advancing energy efficiency. California plans to develop by the middle of this year (2026) a policy to implement the BPS for multifamily and non-residential properties with a gross floor area of at least 50,000 square feet. Los Angeles and Sacramento are also likely to release their BPS plans. Further city- and state-level BPS developments would lead to an expanding patchwork of codes for commercial real estate developers and their financiers to comply with *(Relevant trend: **2. Energy efficiency standards become progressively stricter**).*

## Water Management

In November, the U.S. Environmental Protection Agency (EPA) proposed a new Waters of the United States (WOTUS) rule that would tighten the definitions of tributaries and adjacent wetlands, and drop interstate waters as a standalone jurisdictional category, reducing the need for permitting environmental reviews under the Clean Water Act. Litigation could continue around the issue, as some of the definitions are still vague.

In December, New York State announced a $3.8 billion investment in local water infrastructure. Water reuse is also attracting attention. In October, Bluefield Research, a water research consultancy, said that the expansion of municipal water recycling in the United States would drive more than $47 billion in capital investment from 2025 to 2035, with potable water reuse projects accounting for $20 billion. In August 2025, an Illinois law took effect to expand the use of wastewater. In January 2026, a Texas law went into effect that provides developers with credits against water and wastewater impact fees for incorporating water reuse or conservation into their projects.

As states, not the federal government, regulate water infrastructure, developers will face a fragmented policy landscape, especially regarding permitting, which — despite some streamlining — varies by state. High up-front capital costs will be another challenge. Fiscally-strained states may focus their resources on renovating and upgrading existing water supplies, as New York plans to do *(Relevant trend: **3. Increasing demands for responsible water management**).*

### Extreme Weather

The U.S. National Oceanic and Atmospheric Administration's (NOAA) National Hurricane Center (NHC) reported in December that its initial assessment of its experimental use of AI for hurricane forecasting during the 2025 Atlantic hurricane season demonstrated AI's potential. In 2025, the number of tropical storms (13) and hurricanes (5) was slightly below their 30-year averages, but included three Category 5 hurricanes — the second-highest total on record. None of the hurricanes made landfall in the United States, sparing U.S. property owners damage and insurers claims.

Even without a hurricane making landfall, extreme weather events in 2025 caused around $400 billion in property damage and economic losses in the United States, according to preliminary estimates by AccuWeather issued in December. In addition, Insured losses surpassed $100 billion for the sixth consecutive year, according to the research institute of reinsurer Swiss Re.

In September, the Northern Illinois University and the University of Wisconsin-Madison established a new insurance-focused research center to better understand the effects of severe storms. The Centre for Interdisciplinary Research on Convective Storms (CIRCS) will receive $1.5 million in funding over five years from the U.S. National Science Foundation (NSF), along with additional financial support from a dozen private companies, primarily insurance related *(Relevant trend: **4. Climate resilience strategies grow in importance**).*

## Implications

### More Pragmatism

By revising near-term climate targets, financial institutions reflect a broader consensus within the business community that both acknowledges the political headwinds in the United States that are slowing de-carbonization and that the energy transition will take longer than initially expected. Big Tech companies face the challenge of reconciling their carbon neutrality targets with growing energy demand for AI and the rapid expansion of data centers.

SBTI's revision of its draft Corporate Net-Zero Standard takes a narrower but more pragmatic approach, providing companies with:

- More flexible, scope-specific target-setting methodologies,
- Greater clarity on the Scope 2 target and low-carbon electric purchasing, and a
- New Scope 3 framework that focuses target setting on the highest-priority value chain emission sources.

Meanwhile, the ISSB's key changes to IFRS S2 include that financial firms may limit their reporting on Scope 3 emissions to those attributed to loans and investments they make directly or, for asset management firms, to emissions associated with assets under management. However, emissions related to investment banking activities, insurance, and derivatives can be excluded. Financial institutions will also have greater flexibility in selecting the standards they can use for reporting.

### Focus on Water

The EPA's new WOTUS rule would exclude around half of U.S. wetlands and nearly all ephemeral streams from federal protection under the Clean Water Act. The EPA estimates that this will yield substantial cost savings for developers, as fewer Section 404 and 401 reviews will be required to certify that wastewater discharges from new development into navigable waterways will not degrade water quality.

New York's investment in water infrastructure will be focused on upgrading existing facilities rather than new builds, reflecting a national trend of applying digitalization and technological innovations to improve efficiency and sustainability. AI in water management is forecast to be an $11 billion market in the United States by 2030, led by automated water quality monitoring and network management. AI-enabled energy and water systems are becoming core building infrastructure, not 'smart building' extras.

Bluefield's water infrastructure forecasts suggest that, as demand for water rises rapidly due to industrialization, urbanization, and climate change, wastewater will be an increasingly attractive alternative to tapping fresh sources. This will create demand for water infrastructure and technologies to serve 'sewersheds' as well as watersheds. Heavy water users, such as AI data centers, may seek to include co-located water recycling facilities alongside their co-located power plants.

### A New Baseline?

The estimated insured losses from catastrophic weather events in 2025 were about 24% lower than in 2024, mainly because, unusually, the United States escaped the year without a single hurricane making landfall, and there were no major wildfires after the Los Angeles fires in January. However, as Swiss Re noted, annual $100 billion insured losses, much of which will be to commercial real estate, must be regarded as the new baseline. There is a risk that the rising premiums, more restrictive coverage, and, in some cases, policy cancelations and market exits currently seen with homeowners' insurance will become more common in the commercial real estate insurance market.

### 'Earth Intelligence'

AI models are still under active development, but Google's DeepMind has proven to be more effective at predicting the path and intensification of hurricanes than all traditional forecasting systems except the NHC's own. The U.S. government spending cuts on scientific services, such as weather data from the U.S. NOAA and the National Center for Atmospheric Research (NCAR), and making less of what it does produce public, have sparked a boom in private data and analytics companies that help businesses manage risks from droughts, floods, fires, and other climate-related hazards. Market research firm Gartner predicts that 'Earth intelligence' will be a $4.2 billion industry by 2030, with private companies outspending governments and militaries on weather

data by then. The fundamental weather research done by NOAA and NCAR is unlikely to be replicated by Earth intelligence firms. The White House said it will dismantle NCAR, however, much of its work — and assets such as its supercomputer and weather research aircraft — may be relocated elsewhere within government.

## Outlook

SBTi plans to publish the final version of its Corporate Net-Zero Standard later in 2026. Companies that decide to use this standard will start implementing it in 2028. Like the ISSB, it will adopt a pragmatic approach, allowing covered organizations some flexibility in how they report without compromising the goals of increased disclosure and compliance.

The impetus for decarbonization from financial institutions through their lending and investment financing is likely to slow but not reverse. It will increasingly be driven by the needs of their customers, for many of whom decarbonization remains a business issue.

U.S. federal deregulation of water is not expected to end disputes between local communities and developers of hyperscale data centers over aquifer drawdown and wastewater capacity, nor will it relieve utilities from accounting for data centers and climate risk in their long-range demand projections and, thus, their capacity development needs. It will also prompt some states to follow New York's lead in extending state regulation of waterways and wastewater management. The growing use of AI for water use and waste management, and for predictive maintenance, is expected to reshape design-build-operate projects, requiring new public-private partnerships that may also bring new funding models.

The trend of more frequent and more severe extreme weather events will result in continuously increasing insurance premiums for commercial real estate. Developers and investors will need to adopt more robust risk management strategies and invest greater sums in climate resilience and adaptation. At the same time, some state and local authorities are expected to tighten building codes to protect the built environment, further raising costs for CRE owners and operators, and resulting in a fragmented policy landscape.

More development will be needed before AI-powered models dominate extreme-weather and catastrophic event forecasting. More public-private initiatives like the CIRCS are likely to appear to address any gaps in climate-related scientific research.

# Regulation, Policy, and Politics

## Latest Developments

### U.S.- E.U. Divergence

In the second half of 2025, E.U. member states began implementing the European Commission's rollback of aspects of its sustainability reporting and due diligence rules in response to pressure from business lobbies and others. In December, the European Parliament gave final approval to a provisional agreement between Members of the European Parliament (MEPs) and E.U. governments on updated sustainability rules for companies, concluding the Omnibus I package. The changes mean that only the very largest companies will now be subject to the bloc's landmark sustainability rules — the Corporate Sustainability Reporting Directive (CSRD) and the Corporate Sustainability Due Diligence Directive (CSDDD). While many of the rules have been softened, the CSRD and the CSDDD are seen as landmark climate initiatives. The E.U. also continues to pursue its circular economy ambitions *(Relevant trend: **1. U.S. and E.U. sustainability-related regulation diverges**).*

### Fractured U.S. Regulatory Landscape

In January, President Trump said he was withdrawing the United States from the UN Framework Convention on Climate Change and from 65 other UN and multilateral groups, mainly focused on the environment, renewable energy, sustainable development, and the promotion of human rights. U.S. federal government officials did not attend the UN's annual COP climate conference in Brazil in November (COP30). Note that President Trump did remove the United States from the UN's Paris climate agreement early in his second term and closed the U.S. State Department's Office of Global Change, which represented the United States in international climate change negotiations, in July.

At a state level, the California Air Resources Board (CARB) released in December proposed regulatory text for the state's two climate disclosure reporting laws, SB 261 (Climate-Related Financial Risk Act) and SB 253 (Climate Corporate Data Accountability Act), despite both currently facing legal challenges. CARB also confirmed that it would not enforce SB 261 on the scheduled start date for large companies — January 1, 2026 — after an appellate judge granted an injunction in November against enforcement of the law pending the outcome of a legal challenge. Elsewhere, proposed Climate Corporate Data Accountability Acts before state legislatures in New York, New Jersey, Illinois, and Colorado for companies with at least $1 billion in revenue failed to advance during the second half of the year *(Relevant trend: **6. U.S. sustainability regulatory landscape becomes more fractured**).*

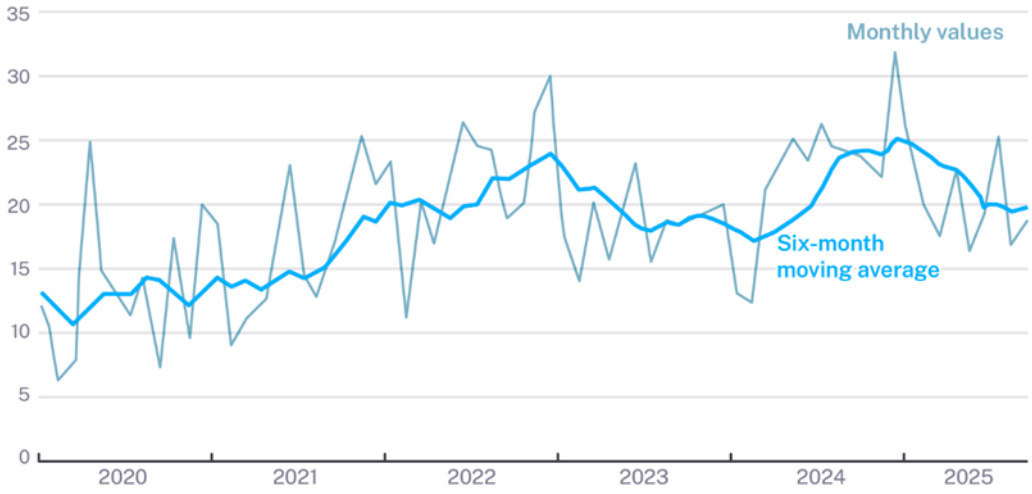
### Clean Energy under President Trump

In October, the Trump administration cancelled more than $7.5 billion of federal funding for over 220 clean energy projects approved under the Biden administration, including hydrogen and direct air carbon capture and storage projects. However, in November, ExxonMobil and German chemicals giant BASF announced they would construct a demonstration plant in Baytown, on the Texas Gulf Coast, which will produce 2,000 tons of low-emission hydrogen annually.

In December, the Trump administration suspended leases on all large U.S. offshore wind projects, citing national security concerns. This followed a federal court in Massachusetts overturning the halt to permits for onshore and offshore wind projects.. The suspension has drawn legal challenges from the wind-power construction companies with the projects nearest completion.

In November, the U.S. Energy Information Agency (EIA) said that fewer U.S. solar projects were reporting delays in their expected operational start dates than in the same period one year earlier. In the third quarter of 2025, solar projects representing about 20% of planned capacity reported a delay, the EIA said, a decrease from 25% in the same period in 2024. The latest data indicates that the U.S. solar project pipeline is stabilizing as the sector matures.

**Figure 2: Status of new U.S. solar photovoltaic generating capacity (Jan 2020 - Sep 2025): Share of planned capacity reporting delay (%)**




Source: U.S. IEA

Corning's solar wafer manufacturing plant in Hemlock, Michigan, became operational in November, giving the United States a complete domestic solar supply chain. Data from the Solar Energy Industries Association (SEIA) show that 23 gigawatts (GW) of solar module capacity, 34 GW of solar cell capacity, 25 GW of inverter capacity, and 95 GWh of battery cell capacity are planned or under construction in the United States. Solar has an easier path to market than wind energy, since its footprint is lower and can be incorporated into the built environment, making it a more attractive renewable option during the Trump administration *(Relevant trend: **6. U.S. sustainability regulatory landscape becomes more fractured**).*

## Greenwashing

The long-anticipated revisions to the Federal Trade Commission's (FTC) Green Guides, which provide guidance to companies on environmental marketing claims, were not published. The update of the FTC's Green Guides began under President Joe Biden in 2022, but the planned publication of the finalized revisions in 2024 was delayed due to the change in administration. It remains uncertain whether the Guides, which are referenced by courts and incorporated into some state legislation, will be updated under the Trump administration.

In November, Tyson Foods signed a legal settlement with the non-profit Environmental Working Group under which it agreed to stop marketing its beef as 'climate smart' and no longer claim it can reach net-zero emissions by 2050. Earlier in the month, meat-packing industry leader JBS reached a similar settlement with New York State over allegedly misleading claims that the company would reach net zero greenhouse gas emissions by 2040.

In September, the attorneys general of 16 conservative-run states, led by Montana, wrote to four of the large technology companies, accusing them of making misleading claims about being powered by renewable energy that were allegedly causing coal and gas power plants to be shut down *(Relevant trend: **7. Crackdown on greenwashing intensifies**).*

## Implications

### Climate Ambitions Continue

While the E.U. has delayed implementation of the CSRD for two years for large companies that have not yet started reporting — and introduced new thresholds and simplification measures that significantly reduced the scope of companies required to report — it has not abandoned either its centralized approach to mandatory sustainability reporting frameworks or its ambitions to be a global rule-giver on sustainability. The bloc is also continuing to promote circularity with new packaging, waste, recycling, and right-to-repair regulation due for adoption in 2026. In the United States, the Securities and Exchange Commission's climate risk disclosure rule remains effectively stalled, leading to increasingly fragmented state-level corporate sustainability reporting regulations.

The near-term impact of the U.S. withdrawal from a host of international organizations will be limited as the Trump administration had already disengaged from many of them. More significant for the organizations will be the extent to which Washington defunds them during the UN's next annual budget allocation process, which occurs in the second half of 2026. The administration has so far retained its UN membership. U.S. presence at future COP climate meetings will be limited to state and local officials. Their presence will underscore that climate mitigation efforts in the United States are continuing at the subnational level.

### Trump's Clean Energy Stance

The Trump administration's focus on unwinding the Biden administration's green energy agenda was expected after a first round of project cancellation in May. The second round of cuts in October was deeper than anticipated and included projects in development, involving two major demonstration hydrogen hubs, and nearly half of the direct air capture hub grants.

The Trump administration will continue to favor fossil fuel extraction over renewables, while encouraging the development of nuclear power, which it sees as part of the solution to rising U.S electricity demand. Trump's enthusiasm for nuclear technologies, including small modular reactors, is supported by U.S. tech companies looking to secure low-carbon power for their data centers. Meanwhile, solar power remains the fastest-growing source of new U.S. electricity generation.

### States Press Ahead

CARB is pressing ahead with creating the regulatory infrastructure for California's two landmark climate disclosure reporting laws, assuming that the legal challenges against them will be unsuccessful. An appeals court began hearing the suits against California's climate disclosure reporting laws last month (January). Meanwhile, CARB is encouraging companies to voluntarily submit climate-related financial risk reports in line with SB 261. Democrat-controlled states are expected to continue to advance climate-related legislation, even as the Trump administration seeks to challenge them.

The Trump administration's policy stance against green initiatives has created a situation in which companies have less incentive to make green claims about their products and services. The administration has also not shown much appetite for holding companies accountable over what environmental claims they do make. However, it is possible that state-level anti-greenwashing enforcement could strengthen in Democrat-controlled states, especially regarding sustainability claims, as federal regulatory momentum slows down, leading to a patchwork of compliance requirements for companies and investors. The enactment of more corporate climate risk disclosure laws by states following California's example could potentially form the basis of new greenwashing claims, including for financial institutions.

## Outlook

The gap in sustainability reporting requirements between the United States and the E.U. is likely to widen, increasingly putting sustainability regulation at risk of becoming a trans-Atlantic trade issue. The Trump administration is likely to regard the reporting requirements of the CSRD and the CSDDD for U.S. companies operating in the E.U. as discriminatory. This risk will be elevated where E.U. sustainability regulations conflict with the Trump administration's national security priorities, notably achieving energy abundance. Front lines in this trade war could include the E.U.'s Carbon Border Adjustment Mechanism (CBAM), which entered its definitive phase on January 1, 2026, despite the regulation covering only a small initial percentage of U.S.-E.U. trade.

Withdrawing from international climate, energy, and human rights organizations will leave the United States more isolated internationally on these issues. This will create space for China to assume global leadership in these areas and in the green economy, such as exerting influence over export markets and technical standards, potentially to the disadvantage of U.S. companies.

The Trump administration is expected to continue to prioritize oil and gas as the main fuels to achieve its goal of U.S. energy abundance. At the same time, as co-located power generation increasingly becomes the model for new data center construction, the administration is expected to support the development of nuclear power as a low-carbon alternative, mainly by speeding up the permitting of novel small-scale modular nuclear technologies, and removing environmental and other barriers to facility construction. In January, the U.S. Department of Energy (DoE) announced a $2.7 billion investment to expand domestic uranium enrichment as a way to reduce reliance on foreign suppliers as it looks to revive its domestic nuclear power industry. The government may also endorse — but not subsidize — low-carbon hydrocarbon fuels, such as hydrogen, as the oil and gas industry's interest grows in this area. Meanwhile, falling production costs, improved battery storage technologies, and institutional investors' continued willingness to finance clean energy generation will support the growth of solar power capacity, regardless of the administration's backing for fossil fuels.

# Emerging and Potential Trends

## Latest Developments

### Construction Waste Management

In December, New York State finalized rules requiring large greenhouse gas-emitting waste facilities to report their emissions annually from June 2027. The regulation also covers large waste haulers and transporters, natural gas and liquid fuels suppliers, electric power entities, and agricultural lime and fertilizer suppliers. New York's waste facilities' emissions reports follow a similar approach to California's, which targets the largest polluters rather than the largest companies, and could become a model for other states *(Relevant trend: **8. Construction waste integrated into risk management processes**).*

### Public EV Charging

The number of publicly accessible electric vehicle (EV) charging ports in the United States passed the quarter-million threshold in 2025, according to U.S. DoE data. In late December, the City of New York finalized a deal for the development of the city's largest public EV charging station near JFK Airport, featuring an initial 65 EV-ready charging stations, including at least twelve rapid charging stations *(Relevant trend: **9. Commercial properties become important EV charging hubs**).*

### Rising Cyber Risk

The second half of 2025 saw a rising number of cyberattacks targeting critical U.S. infrastructure. In November, AI company Anthropic reported the first large-scale, autonomously executed AI cyber-espionage attack against companies and government agencies.

Active infiltration efforts targeting systems supporting U.S. critical infrastructure by state-backed actors, mainly from China and North Korea, point to the likelihood of ongoing, systematic threats exploiting cloud computing environments and virtual infrastructure *(Relevant trend: **10. Cyber risk emerges as a sustainability issue for CRE companies**).*

### Investing in Biodiversity

The second half of 2025 saw a flurry of nature-based carbon credit deals, particularly by the big tech companies. However, a survey published in November by CDR.fyi, which monitors the carbon removal market, found that carbon removal companies — i.e, the suppliers of carbon credits — were struggling to raise project finance. CDR.fyi published an Open Standard Carbon Removal Agreement, a template for carbon removal transactions, to attract the new buyers needed for the carbon removal market to scale and to provide potential funders with standardized terms and conditions. Contracted offtakes and equity stakes in carbon credit deals will become increasingly important to scaling nature-based carbon credit markets, as will the development of standards and standardized contracts to reassure institutional funders.

CDR.fyi's survey is biased towards smaller firms, often the creators of nature-based carbon credits, which may explain why it identifies a funding crunch for those growing too large for philanthropic funding but still too small for institutional finance. The survey highlights that traditional debt and venture structures are seldom suitable for a sector where projects have long timelines, high initial costs, and uncertain revenues. It recommends that funders develop customized financing models.

In November, the ISSB announced plans to develop investor-focused nature-related disclosures, drawing on the work by the Taskforce on Nature-related Financial Disclosures (TNFD). It aims to have an Exposure Draft ready by the Convention on Biological Diversity COP17 in October. The move confirms growing investor demand for information on nature-related risks and opportunities *(Relevant trend: **11. Biodiversity evolves into a mainstream sustainability issue**).*

### Focus on Affordability

Affordability, including housing, became a theme of November's off-cycle elections, most prominently in the New York City mayoral election. Mamdani has proposed building 200,000 affordable homes in the city over ten years, requiring $100 million in investment, partly funded by a luxury real estate tax and cuts to developers' subsidies. However, lengthy zoning processes, community opposition, and the city's housing authorities' $80 billion repair backlog pose logistical challenges. The city's bureaucrats, City Council, state government, and powerful Manhattan real estate lobby, could pose even greater political challenges.

On January 7, 2026, Trump said he plans to take steps to ban large institutional investors from buying single-family homes in the United States, framing it as part of a broader effort to address housing affordability. Congress would need to pass legislation to make the ban effective. The amount of homes owned by single family investors is less than 1%, meaning that this ban would have little to no impact on cost or, even more importantly, on housing supply. *(Relevant trend: **12. Lack of affordable housing hits crisis level**).*

### Alternative Financing

The growth in global ESG bond issuance stalled for the first time since 2022, Bloomberg reported in November. Total volume for the year to November 7 was $918 billion, down from $922 billion in the corresponding period one year earlier. The decline was across all ESG categories — green, sustainable, municipal, social, and sustainability-linked — for both bonds and loans. Bonds are generally facing a trickier market, given concerns about stubbornly persistent inflation and uncertainties about U.S. government spending. Green bonds face an additional challenge as U.S. companies are more selective about branding their funding (loans or debt) as 'green' in the current political environment.

However, Bloomberg also reported that for the fourth year in a row, Wall Street's biggest banks earned more from financing green projects (2025 revenue: $3.7 billion) than from working with fossil fuel companies ($2.9 billion). Back in 2020, green fees were half of brown fees for these banks at $1.9 billion versus $3.6 billion.

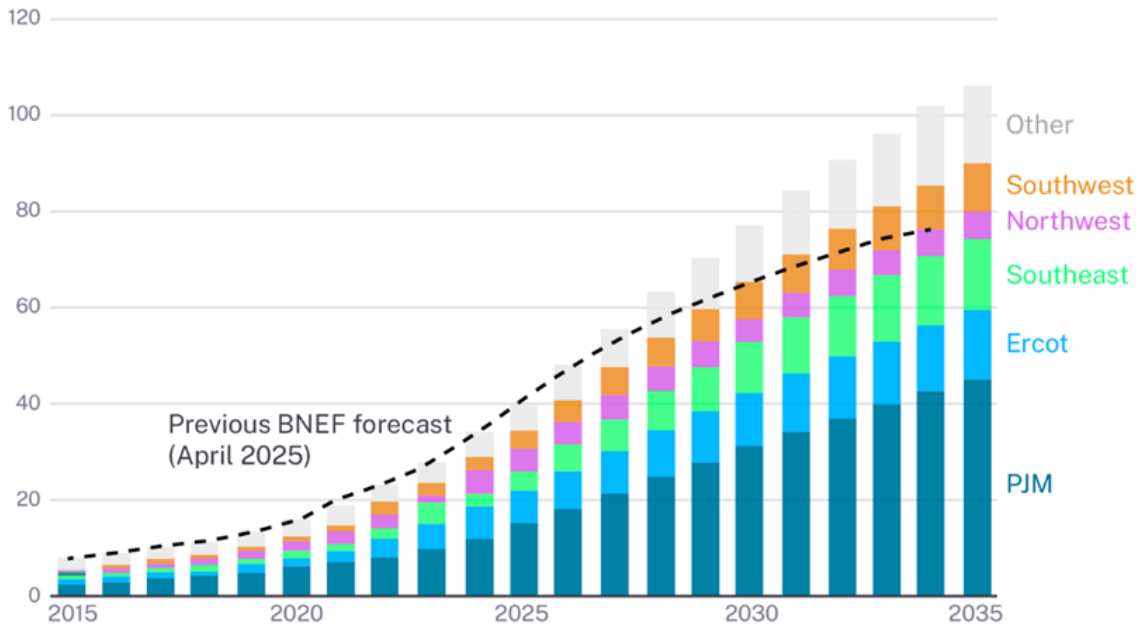
In November, Brookfield Renewable Partners (BRP), the clean power arm of alternative asset manager Brookfield Asset Management, said it had raised $650 million in an equity offering to be used for renewable power project partnerships. Private equity firms invested a record $68.5 billion

in data center energy and cooling infrastructure in 2025, up 43% on the previous year, according to Pitchbook data *(Relevant trend: **13. Growth of alternative financing for social and green projects**).*

### Sustainable Data Centers

In September, Microsoft invested in Fortera, a California-based developer of low-carbon cement to help address the carbon footprint of its data centers. This followed the expansion of Amazon's partnership with Brimstone, also based in California and a manufacturer of lower-carbon Ordinary Portland cement — the most widely used type in construction, including data centers. Microsoft also signed two agreements with Swedish steelmaker Stegra for near-zero-emission steel. In December, BloombergNEF forecast that power demand for data centers would reach 106 GW by 2035, which is nearly two-fifths higher than its previous forecast seven months earlier *(Relevant trend: **14. Growing demand for sustainable data centers**).*

**Figure 3: U.S. data center power demand (GW)**




Note: Ercot refers to Electricity Reliability Council of Texas. "Other" include Midcontinent Independent System Operator, Southwest Power Pool, California, New England, New York, and Florida.

Source: BloombergNEF

## Implications

### Construction Waste Transparency

Under New York's mandatory greenhouse gas reporting program, the first waste facilities emissions reports, covering 2026 data, are due by 1 June 2027. The rule applies to owners and operators of landfills, waste-to-energy facilities and anaerobic digesters that generate 10,000 or more tonnes of carbon dioxide equivalent annually, as well as to some waste haulers. The data collection rules do not set reduction requirements, but the state says they will serve as a backstop to declining federal data collection. Construction waste impacts CRE value by increasing costs,

raising insurance and credit risk, and weakening sustainability credentials — making it a material issue for investors, lenders, and insurers.

### Sustained Demand for EV Charging

U.S. demand for EV infrastructure remains firm, with municipalities and commercial businesses such as gas stations and retailers steadily adding small numbers of charging stations. This indicates that end-user demand will persist even as federal tax credits are canceled, and in some areas, these may be offset by state subsidies. In August, the EVgo network said in an earnings report that each of its charging stations generates annual revenue of less than $12,000, which highlights the advantages of placing them in locations where drivers can shop or eat and drink (and be in well-lit, safe environments) while their vehicles charge. Although canceled tax credits for EVs have led to declines in sales, the existing volume of EVs in use should support further expansion of charging infrastructure, which has lagged sales.

### Innovative Infrastructure Funding

The equity capital raised by BRP will be used to fund more partnerships, such as those it has established with tech companies Google and Microsoft to develop hydropower projects, and its public-private partnership with Westinghouse Electric and the U.S. government to build baseload nuclear power in the United States. The growing complexity and lengthy timelines for energy infrastructure projects are increasing the utility of collaborative financing-design-build-operate-and-offtake private and private-public partnerships to spread risk, share costs, and accelerate delivery.

Private equity investment in energy and cooling infrastructure for data centers underscores the growing prevalence of co-location for more reliable and sustainable power supply and avoiding the need to connect with a grid, which has not attracted the investment it needs to keep up with the rapid increase in demand.

### Co-Location Benefits

Co-locating data centers with their power and cooling sources could facilitate greater automation to optimize energy and water use, with developers expected to design in such operational efficiencies. Co-location also makes using renewable power sources more practical, as battery storage can be installed on-site, and facilitates the use of on-site water treatment and recycling systems. The sustainability benefits of these approaches would be amplified if local authorities require data centers to adopt greener practices, such as water recycling. A second-order benefit would be lower Scope 3 emissions for data centers' customers.

Both Microsoft and Amazon aim to reduce the carbon footprint of their new data centers by using greener materials. However, the Big Tech companies are investing in an 'all-of-the-above' approach to reconcile their construction of energy-intensive data centers needed for their fast-growing AI and cloud computing businesses with their long-term net-zero targets. While securing long-term supplies of co-located renewable and nuclear power is their core strategy, investing in low-carbon construction materials is a low-cost alternative with little downside and potentially significant upside.

## Outlook

Government and investor pressure to strengthen the cyber defenses of infrastructure is expected to accelerate rapidly: much infrastructure is privately owned and has many vulnerabilities due to outdated, unprotected Internet of Things (IoT) connectivity through equipment such as smart heating, ventilation, and air conditioning (HVAC) and lighting systems. Upgrading cyber defenses, including deploying new AI-powered cyber defense tools, will be costly. However, the private sector will face government pressure to cover those costs — the Trump administration regards cyber defense against foreign state actors as a national security priority. Autonomous AI-powered cyberattacks on infrastructure could quickly become widespread and pose a potentially significant risk to private-sector owners and operators of property.

Trump's January statement that he wants to ban institutional investors from buying single-family homes — an action only Congress could take — is a signal that affordability is likely to be a prominent theme of the mid-term elections in November 2026. Democrats see it as having been key to their candidates' successes in November 2025, and Republicans also see the fulfilment of candidate Trump's November 2024 promise to bring down prices as critical to their success in November 2026.

Tech companies are expected to continue to back product development that will potentially reduce their carbon footprint and that does not require extensive capital investment. If the start-ups they invest in can establish a commercial market for low-carbon cement, in particular, it would have a broad impact, as cement making accounts for 6% of global emissions. In the meantime, the backing of two tech giants signaling future demand will make low-carbon construction materials a more attractive destination for climate finance.