LifeProven

Proven Real Estate Performance

RICS: WHITE PAPER

PERFORMANCE CREATES VALUE

An investor's guide to evidencing real estate performance under the RICS ESG & Sustainability in Commercial Property Valuation Standard 4th Edition, 30 April 2026

Version 1 | Sept 2026 | lifeproven.co.uk

EXECUTIVE SUMMARY

For decades, value has been assessed primarily through location, income, covenant strength, lease structure, specification and comparable evidence. These fundamentals remain essential, but another consideration is becoming increasingly visible: performance.

The RICS ESG and Sustainability in Commercial Property Valuation Standard, 4th Edition formalises how environmental, social and governance factors should be considered where they are significant to value. It does not create a separate “ESG valuation” but strengthens how factors such as energy performance, physical climate risk, building adaptability, occupier experience, regulatory exposure and future capital requirements can inform the established valuation process.

This matters because building performance can influence the same commercial variables that have always shaped value: demand, passing rent, voids, operating costs, liquidity, obsolescence, risk and capital expenditure. Where material and supported by market evidence, valuers may reflect them through estimated rental value, yield, cash-flow assumptions, cost deductions or risk commentary.

The challenge for owners is not simply to provide more data. It is to provide the right evidence, in a form that can be understood, tested and related to value. A high-performing asset with fragmented records may be difficult to distinguish from an average asset. Equally, an underperforming asset with a credible, costed and funded improvement pathway may be viewed more constructively than one where the exposure is unknown.

The opportunity is to move from reactive compliance to proactive valuation readiness: defining what performance matters, understanding the asset and its evidence, improving weaknesses, delivering priority interventions and proving the resulting outcomes. This is the LifeProven performance pathway: **Define, Understand, Improve, Deliver and Prove.**

Key message

Better evidence does not guarantee a higher valuation. It supports a more informed, transparent and defensible valuation by reducing uncertainty, clarifying risks and costs, and ensuring genuine asset strengths are available for consideration.

The Central Proposition

Commercial property is no longer judged only by what it is, where it is, and the income it produces. It is increasingly judged by how it performs, how resilient that performance is, and whether the evidence is strong enough to support investment, lending, and valuation decisions.

Prepared by LifeProven

LifeProven help investors, managers and owners define, understand, improve, deliver and prove the performance of their real estate and portfolios

GUIDE CONTENTS

01 WHY COMMERCIAL PROPERTY VALUATION IS CHANGING

1.1 The market has moved beyond a narrow view of asset quality

Institutional investors, lenders, insurers, occupiers and regulators are asking more detailed questions about how buildings perform. They want to understand energy use, emissions, resilience, adaptability, health and wellbeing, operating efficiency, regulatory exposure and the capital required to remain competitive.

These factors are not separate from commercial performance. They can influence the occupier demand, affordability of occupation, durability of income, risk of obsolescence, access to finance, and future capital expenditure.

The result is a gradual shift from asset description to asset evidence. A specification, certificate or commitment may indicate intent. Performance data and a credible improvement pathway demonstrate what is actually happening and how future risk is being managed.

1.2 What the RICS 4th Edition changes

The 4th Edition took effect on 30 April 2026 and applies globally to RICS members and regulated firms undertaking Red Book valuations of commercial property. It expands the previous guidance by requiring valuers to consider and reflect ESG and sustainability factors wherever they are significant to value.

The consideration runs through the valuation process: terms of engagement, inspection and investigation, analysis of comparable evidence and the valuation report. RICS also identifies a set of globally recognised ESG and sustainability key performance indicators to support a consistent baseline, while making clear that these are not a universal checklist.
The valuer remains responsible for deciding which factors are relevant, whether they are significant to value and how they should be reflected with the level of investigation proportionate to the asset and valuation.

The strategic interpretation

The Standard should not be treated as another reporting exercise. It is a prompt for owners to improve the quality of the performance evidence that sits behind investment and valuation decisions.

1.3 The Standard recognises a wider structural shift

The Standard responds to the growing importance of sustainability in regulation and market decision-making. It establishes a global baseline while allowing jurisdiction-specific matters to be considered alongside local regulation, market practice and available evidence.

In England and Wales, for example, MEES requirements can affect regulatory and capital exposure. In the EU, SFDR, the EU Taxonomy and the Energy Performance of Buildings Directive can influence the classification and deployment of capital. Elsewhere, climate disclosure and resilience requirements may affect how investors assess risk. For valuation, it is not the policy itself, but whether policy, market expectation or asset performance influence market participants and therefore affects value.

02 FROM ESG COMPLIANCE TO REAL ESTATE PERFORMANCE

2.1 Compliance is the baseline. Performance is the opportunity

Compliance establishes whether an asset meets a minimum requirement. It does not demonstrate that the building is efficient, resilient, desirable, affordable to operate or capable of supporting long-term income. Two assets may hold the same certification or EPC rating but perform very differently in use. One may have stable consumption, effective controls, strong occupier satisfaction and a funded capital plan; the other poor data, unresolved plant issues, rising service charges and no clear pathway.

A performance-led approach therefore looks beyond labels. It considers how the asset operates, how it is experienced, the risks to performance, the improvements required and how confidently these conclusions can be evidenced.

2.2 What we mean by real estate performance

LifeProven defines real estate performance as the measurable ability of an asset to deliver durable value for investors, occupiers and wider stakeholders. It brings together five interconnected dimensions:

Financial Performance	The asset's ability to protect and grow income, support rental and capital value, maintain liquidity, attract capital and deliver competitive risk-adjusted returns.
Environmental Performance	How effectively the asset manages energy, carbon, water, waste, biodiversity, climate exposure and the transition towards a low-carbon, resource-efficient future.
Operational Performance	The efficiency, reliability and cost-effectiveness of the asset's systems, services and resources, including maintenance, utilities, building management and operational expenditure.
Digital and Technology Performance	The asset's digital capability, connectivity and use of technology and data to measure, manage and optimise performance, improve decision-making and support future adaptability.
Human Performance	The extent to which the asset supports occupier experience, health, wellbeing, accessibility, safety, productivity, engagement and positive social outcomes.
Strategic Performance	The asset's ability to remain relevant and competitive over time, including regulatory readiness, adaptability, market positioning, resilience to change and alignment with investor and occupier requirements.

These dimensions are not valuation inputs in their own right, but performance characteristics through which commercial effects may arise and be evidenced.

2.3 Performance must be connected to market behaviour

A sustainability strategy can be important to the owner, but market value reflects the actions and expectations of market participants. The critical question is whether an asset's performance affects demand, income, risk, liquidity, costs or another factor recognised by the market.

This connection may be direct, such as a known upgrade cost, or indirect, such as stronger occupier demand supporting rent or lower obsolescence risk influencing yield. In both cases, reliable evidence and professional judgement are required.

03 HOW PERFORMANCE BECOMES RELEVANT TO VALUE

3.1 Significance is the threshold

Under the valuation framework, a performance factor matters when it is significant to value. This is determined by the valuer using professional judgement, considering the asset, market conditions and available evidence.

The same factor may therefore be significant for one asset and not another. An EPC rating may be central to a large, heavily regulated investment property but less influential for an asset where the market does not differentiate on that basis. Likewise, occupier experience may be especially relevant where retention, amenity and service quality materially affect income.

3.2 The established valuation mechanisms remain

Performance does not require a separate valuation formula. Where material, its effects may be reflected through the existing components of the valuation:

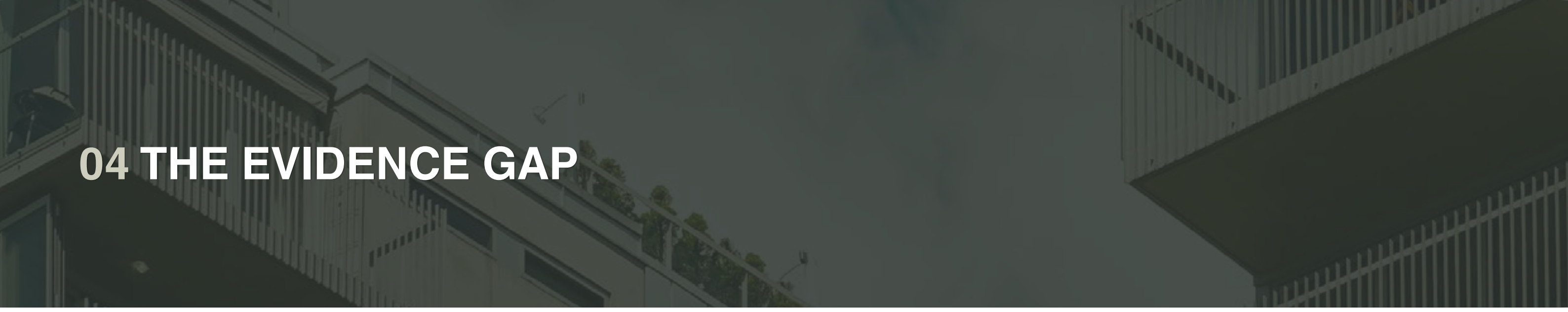
- Estimated rental value: where performance affects occupier demand, affordability or rental levels.
- Yield: where performance affects risk, liquidity, obsolescence or the durability of income.
- Capital expenditure: where works are required to comply, remain competitive, address physical risk or maintain performance.
- Discounted cash flow assumptions: including rental growth, voids, operating costs, capital expenditure, discount rates and timing.
- Valuation commentary: where a relevant matter cannot be reliably quantified, or information gaps and uncertainty must be disclosed.

3.3 Evidence can affect the level of uncertainty

Where reliable evidence is unavailable, the valuer may make reasonable assumptions, request further investigation, adopt a cost allowance or record a limitation. Missing information does not automatically reduce value, but can increase uncertainty and make it harder to distinguish the asset from comparable stock.
Conversely, good evidence allows the valuer to assess the asset on its actual characteristics rather than generic benchmarks. It can clarify whether a risk is material, whether it has been mitigated, what works are required and whether investment has created a meaningful market advantage.

Illustrative comparison: The following examples show how evidence may influence the quality of the valuation analysis. They are not forecasts of a particular valuation outcome.

Asset position	Potential significance	Evidence position	Possible valuation implication
Large asset with EPC D and exposure to a potential future minimum standard	Future compliance, marketability, exit risk and capital expenditure	No costed improvement pathway	The valuer may need to estimate cost and timing, apply cautious assumptions or report uncertainty.
The same asset with a technical assessment, funded programme and NRM 1-aligned cost plan	The underlying exposure remains relevant	Scope, cost, timing and expected performance are evidenced	The risk can be assessed as a managed exposure rather than an unknown liability.
Office with strong retention, satisfaction and indoor-environment evidence	Occupier demand, income resilience and positioning	Data is consistent, benchmarked and linked to management action	The evidence may support consideration of rental, void or risk assumptions where market evidence exists.



04 THE EVIDENCE GAP

4.1 Valuers cannot evidence every performance factor alone

The Standard expands the range of matters that may require consideration, but valuers are not expected to act as engineers, sustainability consultants, cost managers or building-performance specialists. They must work within their competence and rely on appropriate specialist evidence where necessary.

Relevant asset-level information is also not always readily available. Certifications, building systems, commissioning records, consumption, resilience measures, occupier evidence and transition plans may sit across different teams and systems. Comparable evidence may also be difficult to isolate from factors such as location, specification and lease structure.

4.2 More data is not the answer

A data room containing thousands of documents can still leave the valuer without a clear view of the asset. The evidence must be relevant, current, reliable and structured around the factors that may be significant to value.

A useful evidence base should help answer five questions:

1. **What is the asset and how was it designed to perform?**
2. **How does it perform in operation?**
3. **Which risks, strengths and gaps are material?**
4. **What action has been taken or planned?**
5. **What is the commercial relevance and how robust is the evidence?**

4.3 The evidence hierarchy

Level 1: Assertion	A policy, ambition or unsupported statement.
Level 2: Documentation	Certificates, specifications, surveys, records and contractual evidence.
Level 3: Measured Performance	Consistent operational, occupier and financial data showing actual outcomes.
Level 4: benchmarked insight	Performance tested against regulation, prior periods, peers, local markets or recognised benchmarks.
Level 5: managed pathway	Clear accountability, funded actions, cost plans, delivery dates and verification of improvement.

The question for Asset Managers:

If you were asked to evidence the performance of your portfolio tomorrow, how quickly could you do it?

LifeProven's Asset Performance Audit identifies where the evidence exists, where the gaps sit and which assets should be prioritised.

05 THE VALUATION-READY PERFORMANCE PATHWAY

LifeProven's five pillars provide a practical pathway for moving from fragmented ESG information to a clear, valuation-ready performance position.

DEFINE

We align strategy with investment objectives, ESG priorities and stakeholder needs.

UNDERSTAND

We collect, validate and analyse data to establish how assets and portfolios are performing today.

IMPROVE

We identify opportunities, prioritise investment and create actionable plans.

DELIVER

We manage and deliver programmes of work that improve asset performance.

PROVE

We measure outcomes, evidence value and report performance to investors and stakeholders.

5.1 Define: plan around the decision, not the document

Map valuation, refinancing, acquisition, disposal, lender review and reporting dates across the portfolio. Prioritise assets according to timing, financial exposure and known performance risks or opportunities. Agree responsibilities, evidence requirements, investigations and delivery dates before the valuer begins the work.

5.2 Understand: establish the asset's performance position

Bring together as-built information, operational data, regulatory analysis, market evidence, planned expenditure and specialist advice. Assess the asset against the factors relevant to its property type, jurisdiction and market. Identify strengths, material weaknesses, missing evidence and areas requiring further investigation.

5.3 Improve: turn exposure into a credible pathway

Where a material gap exists, determine whether it should be resolved, mitigated, monitored or accepted. Commission technical and cost advice where required. A credible plan should set out scope, timing, cost, responsibility, approvals, funding and the performance expected after implementation.

5.4 Deliver: make the improvement real

A plan has limited value unless it is delivered. Integrate the required works into capital planning, project governance, procurement, building operations and data management. Retain commissioning information, cost records and evidence of completion.

5.5 Prove: convert activity into decision-grade evidence

Measure whether the intervention achieved its intended outcome. Compare performance with the baseline, relevant benchmarks and market expectations. Present the results in a concise asset performance record that explains the evidence, commercial relevance and any remaining limitations.

06 THE PERFORMANCE EVIDENCE FRAMEWORK

The following framework translates the broad RICS ESG and sustainability factors into a practical evidence structure for owners and managers. Not every item will be relevant or significant for every asset.

Performance theme	What may be considered	Example evidence
Energy and carbon	EPC and operational ratings; energy consumption; renewable generation; greenhouse-gas emissions; transition pathways;	Utility data, EPCs, energy audits, metering plans, net-zero pathways, BMS data, improvement cost plans.
Environment and resources	Physical climate risk; water; waste; biodiversity; materials and embodied carbon.	Risk assessments, drainage and flood evidence, water and waste data, ecology plans, material records, resilience measures.
Building and occupier experience	Access; indoor air quality; adaptability; safety; wellbeing; accessibility and inclusion.	Surveys, sensor data, complaints, maintenance and incident records, accessibility audits, occupier satisfaction and wellbeing evidence.
Location and community	Mobility, local infrastructure, access to services, community impact and area-level resilience.	Transport and accessibility data, locality risk analysis, community programmes, planning evidence and stakeholder feedback.
Tenancy, ownership and governance	Owner-occupier relationships, green leases, governance, data quality, planning and legal issues.	Lease clauses, engagement records, governance structures, data assurance, legal documentation and management
Labels and certifications	BREEAM, LEED, NABERS, WELL and other relevant standards.	Current certificates, scope and expiry, supporting assessment reports and evidence of continued operational performance.
Capital and regulatory alignment	MEES and other local requirements; SFDR and taxonomy alignment; planned works and future exposure.	Regulatory assessments, fund classification evidence, technical advice, NRM 1-aligned cost plans, approved and funded capital programmes.

6.1 As-built and design evidence

As-built and design information establishes what the asset is, the systems it contains and how it was intended to perform. Relevant evidence may include building fabric, heating and cooling, ventilation, controls, meters, sensors, materials, drainage, flood protection, U-values, air permeability, commissioning information, plant schedules, warranties and technical surveys.

6.2 Operational and market evidence

Operational evidence shows how the asset performs over time. It may include energy, water, waste, emissions, maintenance, plant condition, operating costs, service charges, occupancy, voids, retention, rents, incentives, satisfaction, wellbeing, accessibility, green leases and community activity. Data should be governed, retained and assessed against appropriate baselines and benchmarks.

6.3 Cost and delivery evidence

Where works are material, evidence should address the amount, timing, scope and responsibility for expenditure. Cost advice should distinguish between immediate and future works, compliance and discretionary improvement, landlord and occupier responsibility, gross and recoverable cost, and whether expenditure is proposed, approved, funded, underway or complete.

07 APPLYING THE APPROACH IN PRACTICE

7.1 Before a valuation

- Confirm the valuation purpose, timetable and scope.
- Identify likely performance risks and strengths by asset type and jurisdiction.
- Create a document and data request aligned to material issues.
- Commission technical, operational or cost advice early enough to influence the evidence position.
- Resolve straightforward gaps and prepare credible pathways for matters that cannot be completed before valuation.

7.2 During the valuation

- Agree what information the owner will provide and what the valuer will investigate independently.
- Present evidence in a concise, indexed format rather than an unstructured data room.
- Explain the relationship between the evidence, the market and potential significance to value.
- Make specialist advisers available to answer technical questions.
- Record limitations honestly and avoid making unsupported claims about value.

7.3 After the valuation

- Capture the valuer's information requests and any recurring evidence gaps.
- Integrate material findings into the asset strategy and capital plan.
- Improve data governance and operational monitoring.
- Track whether planned actions are completed and whether they improve performance.
- Retain the evidence so it can support future valuation, refinancing, insurance, reporting or disposal events.

7.4 Portfolio application

At portfolio level, valuation readiness should become a managed programme rather than a one-off response. Assets can be triaged by upcoming decision dates, regulatory exposure, data quality, capital requirements and potential performance advantage. This allows limited technical and management resources to be directed towards the assets where improved evidence is most commercially relevant.

08 THE FUTURE OF PERFORMANCE-LED VALUATION

The direction of travel is towards a more continuous, evidence-led understanding of asset performance. Smart metering, connected building systems, occupier analytics and structured asset records are enabling a clearer picture of how buildings operate and how interventions affect outcomes.

Artificial intelligence may accelerate the analysis of technical documents, operating data and market evidence, but it will not remove the need for governance, professional judgement and reliable source information. Poorly structured or unverified data will simply produce faster uncertainty.

The most valuable capability will therefore not be the volume of technology deployed, but the ability to convert asset information into trusted performance intelligence that decision-makers can use.

Over time, the strongest assets may be those that can continuously explain their own performance: how they operate, where they outperform, what risks remain, what investment is planned and how those conclusions have been verified.

The future-ready asset

A future-ready building is not only efficient or certified. It is measurable, improvable and capable of proving its performance to investors, occupiers, lenders, insurers and valuers.

09 HOW LIFEPROVEN SUPPORTS VALUATION READINESS

9.1 The LifeProven Asset Performance Audit

LifeProven helps owners and asset managers consolidate, assess, improve and present the evidence that supports real estate performance. Our Asset Performance Audit is designed to create a structured, decision-ready record for valuation, refinancing, insurance, investment and disposal events.
The Audit can bring together:

- Asset characteristics and as-built evidence.
- Operational, environmental and occupier performance.
- Regulatory, market and resilience exposure.
- Evidenced strengths and differentiators.
- Missing or incomplete information.
- Material risks and mitigation actions.
- Planned improvements and delivery pathways.
- Supporting technical, cost and operational advice.

9.2 How the service aligns to the five pillars

Define	Agree the decision, material themes, evidence requirements and programme.
Understand	Audit the asset, consolidate information and assess performance and gaps.
Improve	Develop mitigation, optimisation and capital-planning recommendations.
Deliver	Support implementation through project and cost management where required.
Prove	Verify outcomes and prepare a clear performance evidence pack for the valuer and other stakeholders.

9.3 What a good outcome looks like

- The valuer receives relevant evidence early and in a usable format.
- Material risks are understood, costed and presented with credible management action.
- Completed improvements and genuine strengths are visible and supported.
- Information gaps and limitations are transparent rather than concealed.
- The owner retains a reusable performance record for future decisions.

Conclusion

The RICS 4th Edition strengthens the connection between real estate performance and the established valuation process. Its significance, however, extends beyond compliance with a professional standard.

It signals a wider market shift. Investors and asset managers will increasingly need to understand not only whether a building meets a requirement, but how it performs, whether that performance is resilient and whether it can be evidenced to support commercial decision.

The organisations best placed to respond will not wait for the valuation instruction. They will define the performance that matters, understand their assets, improve weaknesses, deliver priority interventions and prove the outcomes.

The next generation of high-performing real estate will not simply make claims. It will be able to evidence its performance, explain its risks and demonstrate how investment is protecting long-term value.

Performance creates value

Not because every sustainability measure commands a premium, but because better-performing, better-evidenced assets can give the market greater confidence in income, risk, cost and future readiness.

How valuation-ready is your portfolio?

The question is no longer simply whether your assets perform.
It is whether you can prove that performance when it matters at valuation, refinancing, acquisition, disposal or investment committee.

Start with a LifeProven Asset Performance Audit

We will review your portfolio against the principles set out in this guide to identify:

- where performance could become material to future value
- where evidence is strong, fragmented or missing
- assets with potential regulatory, operational or capital exposure
- where planned investment could strengthen future performance
- which assets should be prioritised ahead of upcoming valuation, refinancing or transaction events and
- the practical actions required to move from performance claims to decision-ready evidence.

The outcome:

A clearer view of where your portfolio is already well positioned, where uncertainty remains, and where action should be prioritised.

Is your portfolio ready to prove its performance?

Book a LifeProven Asset Performance Audit →

Adam Hinds
Co-Founder

+44 (0) 7761 080 806
adam@lifeproven.co.uk

LifeProven
Proven Real Estate Performance

Disclaimer

This document has been prepared by LifeProven Holdings Limited for general information and market-commentary purposes only. It is not specific to any particular asset, transaction or recipient and does not constitute valuation, investment, financial, legal, tax, insurance or other regulated or professional advice.

Nothing in this document constitutes a valuation, an opinion of value or a recommendation to acquire, dispose of, finance, refinance, insure, develop or invest in any property. Recipients should obtain independent advice appropriate to their circumstances.

The information reflects LifeProven Holdings Limited's interpretation of the referenced standards and market context at the date of publication. No representation or warranty is given as to its completeness, applicability or continued currency. Valuation treatment remains the responsibility of the appointed valuer, based on the terms of instruction, available market evidence and professional judgement. No particular valuation or commercial outcome is guaranteed.

References to RICS standards and other third-party materials are provided for information only. LifeProven Holdings Limited is not affiliated with, endorsed by or acting on behalf of RICS or any other body referenced.

LifeProven

Proven Real Estate Performance

THANK YOU

Version 1 | Sept 2026 | lifeproven.co.uk