

CBRE Hotels Research

# A conversation with Greenview: Assessing the Impact of Local ESG Regulations on Hotels

Staying abreast of the latest legislation, competitive dynamics, and macroeconomic trends impacting hotel fundamentals, valuations, financing, and project management is a core underpinning of CBRE Hotels' market-leading hotel practice. Concurrent with those goals and our positioning as a key industry advocate, CBRE Hotels seeks to enhance the broader understanding of these critical issues and increase transparency in the marketplace. To better understand recent environmental legislation in major cities such as New York and what it may mean for the hotel industry, CBRE turned to Greenview, the largest provider of sustainability programs and data management for the hospitality and tourism sector.

For the hotel industry, the implications of environmental legislation can range from impacting individual hotels (e.g., efficiency requirements and evolving waste management requirements) to impacting companies as a whole (e.g., increased due diligence requirements and stricter legislation about green claims). Most legislation takes time to develop and implement, but companies that can get ahead of the impending legislative requirements will be better off in the long term.

Major urban markets such as New York, Boston, San Francisco, and Denver have enacted environmental legislation to promote environmentally sound reinvestment and the modernization of legacy assets. These legislative changes could impact the financial performance of hotels and their valuations.

Take, for example, New York City's Building Emissions Reduction Local Law 97. This regulation sets greenhouse gas (GHG) emission limits for buildings over 25,000 square feet that need to be met by May 2025. The regulation becomes more restrictive over time<sup>1</sup>, with a goal of reaching net zero by 2050. Property owners can comply with emission limits by purchasing renewable energy greenhouse gas offsets or installing solar or battery storage onsite. Owners are likely to consider the payback period on efficiency investments relative to the fees and penalties associated with non-compliance.

<sup>1</sup> In the first phase from 2024-2030, hotels are allowed to emit 9.8 kg/sq ft and from 2030-2035 hotels must limit emissions to 3.85/kg/sq ft.

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To illustrate the potential financial implications of this legislation, we used data from the NYC Energy & Water Performance Map for three upper-priced full-service hotels averaging roughly 330,000 square feet with greenhouse gas emissions averaging 11.8 kg/square feet in Manhattan. For these properties, we estimate that the annual penalty for non-compliance averaged nearly \$190,000 per year for the first phase threshold set for 2024-2029 data. The annual penalty rises to nearly \$720,000 when the threshold is reduced for 2030-2035. Based on CBRE Hotel's Investment Performance NOI forecast, this penalty would average approximately 2% of 2025 NOI, increasing to almost 7% by 2030, assuming capital is not invested in improving the property's carbon footprint. (CBRE Hotel's Investment Performance data is available for purchase [here](#).) In the first phase from 2024-2030, hotels are allowed to emit 9.8 kg/sq ft and from 2030-2035 hotels must limit emissions to 3.85/kg/sq ft.

The financial impact of these regulations will differ for each building based on age, size, energy source, equipment, lighting, etc. The following is a brief overview of the data and tools available to help assess the impact. For those seeking a more bespoke quantification, reach out to [Greenview](#) and [CBRE Hotels](#) for additional information.

Greenview's Industry Resources, Tools, and Methodologies:

- [Greenview Global ESG Policy Tracker](#) - The Policy Tracker includes information on energy, green building, water, waste, plastics, and human rights regulations that are proposed or in place, as well as rebates and incentives. It also provides management information, such as prioritization and key actions to be taken in response to the regulation.
- [Cornell Hotel Sustainability Benchmarking - CHSB](#) - The Cornell Hotel Sustainability Benchmarking Index (CHSB) is an industry-led global data initiative, started in 2013 to enable any hotel to calculate its carbon footprint and benchmark its energy, water, and carbon emissions at low cost, drawing from a dataset of over 25,000 hotels around the world. Participants in the CHSB index include major hotel brands, operators, and owners representing 646 geographies (64 countries, 84 regions, 410 metro areas, and 88 climate zones).
- [Net Zero Methodology for Hotels](#) - This methodology provides the most comprehensive net zero guidance covering every aspect of the hotel industry's value chain. It serves as the referential methodology that can be used by all stakeholders in the tourism value chain when addressing net zero in developing, owning, operating, franchising, booking, and staying in hotels.
- [Hotel Carbon Measurement Initiative - HCMI](#) - The industry-agreed methodology for measuring the carbon emissions of a hotel stay or meeting.
- [Green Lodging Trends Report - GLTR](#) - The Green Lodging Trends Report (GLTR) is the leading global benchmarking study on hotel sustainability best practices. The GLTR benchmarks hotels worldwide to understand which best practices are in place.

- [Hotel Waste Measurement Methodology](#) - Greenview was the technical lead for developing the Hotel Waste Measurement Methodology, launched in partnership with WWF in 2021. This methodology provides the first comprehensive manual for industry-wide measurement and reporting of waste and food waste.
- [Greenview Hotel Footprinting Tool](#) - Using real data supplied by the industry's global benchmarking index – the Cornell Hotel Sustainability Benchmarking (CHSB) index – you can use the Greenview Hotel Footprinting Tool to estimate the carbon footprint of a single or multiple hotel room nights and meeting spaces across the world **free of charge**. This information can be used to calculate a company's business travel hotel stay carbon footprint for Scope 3 reporting and offsetting or provide information for clients on whose behalf you are booking or offsetting travel.

#### An Overview of Hotel ESG:

- [ESG Hotel Luminaries](#), featuring an interview with Eric Ricaurte, Greenview Founder and CEO
- [A Check-in on the Hotel Sector's ESG Initiatives](#)
- [Sustainability and ESG Adoption in the Hotel Industry: A Global Status Update](#)

#### Further Resources:

- [www.climate-laws.org](http://www.climate-laws.org)
- [www.climateactiontracker.org](http://www.climateactiontracker.org)
- [www.energystar.gov](http://www.energystar.gov)
- [www.natlawreview.com](http://www.natlawreview.com)
- [www.greenview.sg](http://www.greenview.sg)

#### About Greenview

Founded in 2008, Greenview is the largest provider of sustainability programs and data management for the hospitality and tourism sector. Greenview offers advisory and system implementation services, data analytics and intelligence, and support for industry-wide ESG initiatives to over 70 companies.