

Through the Occupiers' Lens:



Rethinking ESG Priorities in the Office Sector

May 2025

The report emphasises the critical role of ESG in commercial real estate, highlighting the shift towards sustainable practices for resilience and long-term growth.

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Introduction

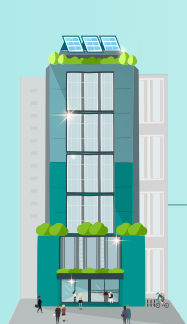
In the fast-evolving landscape of commercial real estate, Environmental, Social, and Governance (ESG) considerations have emerged as non-negotiable priorities for many. As the demand for sustainable practices intensifies, stakeholders—including investors, developers, and occupiers—are recalibrating their strategies to align with these values. This shift is not just about compliance; it is about resilience and long-term growth potential.

This study is based on the Q4 2024 Occupiers ESG Sentiment Survey of 153 office occupiers and Knight Frank's

analysis of 181 office buildings. It aims to explore how ESG features influence rental pricing and occupancy choices, identify occupiers-prioritised features, assess market availability, and offer practical strategies for occupiers and landlords. Some 48% of surveyed occupiers are dissatisfied with current ESG performance. The findings highlight a critical gap between occupiers' expectations and market realities, urging stakeholders to act to enhance sustainability and competitiveness.

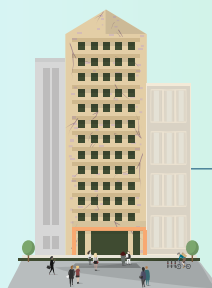
Key Findings

- 1 More than half of the respondents believe ESG features influence their perceptions of rental values, and among them:



UP TO
10%
Green Premium¹

50% of occupiers are ready for such **premium for buildings** that meet ESG standards, indicating that sustainable practices positively impact occupier satisfaction and loyalty.



UP TO
20%
Brown Discount¹

79% of occupiers expect **rental reductions** for non-ESG-compliant buildings, a stark warning that going green is no longer optional—it's a market mandate.

- 2 Occupiers look beyond certifications, valuing **six top ESG features** including traditional factors and new rising ESG features in rent and occupancy decisions—multinationals lead with a 20% edge on amenity focus.

- 3 Knight Frank's office buildings analysis unveils 78% of the Hong Kong landlords have pledge sustainability, yet **five out of the 17 features assessed have adoption rates below 50%, falling short of occupiers' demands.**



Energy, Water and
Waste Reduction
Systems



Security
and Access
Controls



Indoor Air Quality
Monitoring
Systems



Renewable
Energy
Sources



Building Management
and Smart Control
Systems

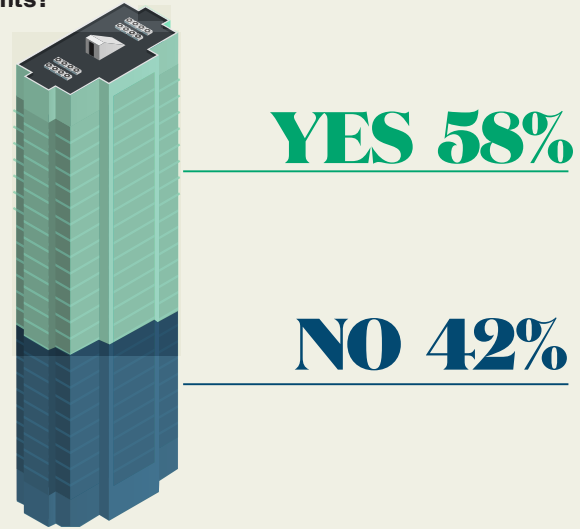


¹These figures are based on responses to our survey conducted among Hong Kong office building occupiers. These percentages reflect occupiers' perceptions of value associated with ESG features, rather than guaranteed or definitive market outcomes.

1. The Effect of ESG Features on Rental Pricing: Occupiers' Perspectives

Our data underscores a clear expectation from occupiers: financial incentives are closely tied to sustainability. According to the responses collected from the 153 office occupiers, 58% of respondents believe ESG features influence their perceptions of rental values of Hong Kong office buildings.

Figure 1. Do ESG Features Affect Your Views on Office Rents?



Among these respondents who recognise the influence of ESG considerations on rental, the survey reveals diverse expectations:

- Half of these respondents anticipate rental discounts for properties with inadequate ESG performance, seeking financial compensation for sustainability shortfalls.
 - In contrast, 21% are willing to pay rental premiums for buildings meeting their ESG standards, reflecting a commitment to sustainable investments.
- Additionally, 29% expect discounts for both underperforming buildings and premiums for ESG-compliant ones, indicating a sophisticated, dual-pronged approach to rental valuations shaped by environmental, social, and governance factors.

Figure 2. Occupiers' Expectation for ESG Driven Rental Pricing



“

Occupiers in Hong Kong show heightened awareness of office buildings with inadequate ESG performance, with 79% seeking brown discounts due to these shortcomings. This underscores the vital importance for landlords to incorporate ESG features into their properties to mitigate the risk of such discounts.

”

Martin Wong
Senior Director
Head of Research &
Consultancy,
Greater China



Up to 10% Green Premium & Up to 20% Brown Discount

Among those willing to pay a premium for buildings that fulfil their ESG requirements, **a majority indicated they would be comfortable paying no more than an additional 10%**. This indicates that while there is an appreciation for the intrinsic value of sustainable buildings, occupiers are cautious about the extent of the financial commitment they are willing to make. Beyond that, **Multinational Corporations (MNCs) occupiers have revealed a stronger financial incentive to align corporate ESG goals**, with 13% of them willing to consider premiums exceeding 10%, whereas none of the local

corporations surveyed expressed a similar openness to such premiums.

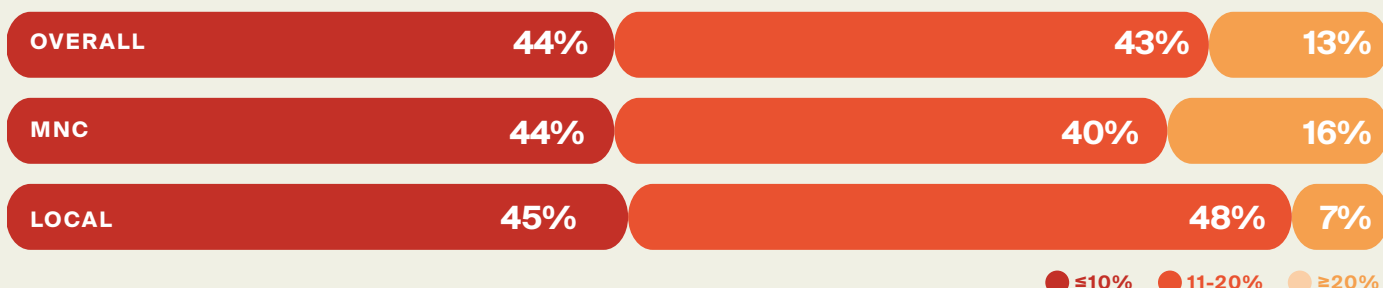
On the other hand, **most occupiers expect brown discounts equal to or less than 20%**. They clearly express their views that inadequate ESG performance should result in tangible financial consequences. The finding suggests that occupiers are increasingly holding property owners accountable for ESG performance. Landlords of obsolete office buildings may face increasing challenges in securing occupiers and attracting new occupiers if no upgrade is implemented for their properties.

Figure 3. Rental Premium (in percentage %) Expected for Office Building(s) Aligning with Occupiers' ESG Ambitions²



²Among those willing to pay a premium for buildings that fulfilling their ESG expectations.

Figure 4. Rental Discount (in percentage %) Expected for Office Building(s) Not Aligning with Occupiers' ESG Ambitions³



³Among those expecting to ask for a discount for buildings with ESG underperformance.

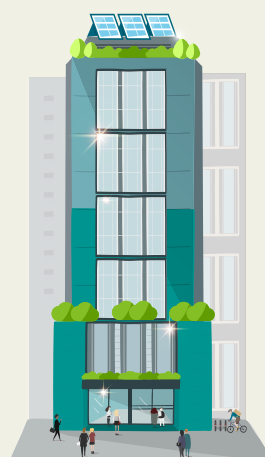
Are Occupiers Satisfied with The ESG Performance of Their Office Buildings?

Our survey revealed a startling insight: nearly half of our respondents (48%) **reported dissatisfaction with the ESG performance of their existing office buildings**. This significant gap highlights a critical disconnection between occupiers' needs and the existing conditions of leased properties.

The reasons for this discrepancy are multifaceted. One contributing factor may be the actual lack of ESG features in the buildings. Additionally, insufficient occupier engagement from landlords about ESG upgrades may exacerbate the issue, leaving occupiers unaware of any ongoing or planned initiatives to improve the ESG performance of their leased spaces.

This is a wake-up call for landlords to take action to avoid the brown discount expectation from occupiers.

Figure 5. Occupiers' Contentment in Existing Office Buildings



48%

Reported that their leased buildings **do not meet** their ESG expectations.

78%

Occupiers were **unaware of upgrades** in plan to address existing or future ESG requirements.

2. Key ESG Features Influencing Rental and Office Occupancy Decisions

A deeper analysis of the survey was undertaken to identify key ESG factors, among the **17 ESG features**, that affect respondents' views on office rents and occupancy decisions.

While traditional factors such as convenient access to public transport, onsite and nearby amenities, and security

and access controls remain highly valued by occupiers, our findings reveal a **growing emphasis on ESG features beyond solely sustainable building certifications**.

Among respondents associating ESG with rental values, the majority (>60%) prioritised six ESG features that significantly influence their rental perceptions:










These features highlight evolving occupiers' expectations. They are critical for enhancing rental premiums for ESG-compliant buildings and mitigating brown discounts for properties lacking such features, aligning with occupiers' growing emphasis on tangible sustainability benefits.

Occupiers increasingly focus on features that deliver direct advantages for their companies and employees when evaluating potential office spaces, rather than relying solely on certifications. Specifically, MNC occupiers exhibit a markedly higher emphasis on **onsite and nearby amenities** when considering relocation compared to

local companies. Driven by their need to compete in a diverse, global market and attract top talents, MNCs may value amenities that bolster employee well-being and productivity, such as gyms and cafes. In contrast, local companies may have different operational focuses, leading them to prioritise other ESG features that align more closely with their specific business models and employee needs. This emphasis is substantiated by a significant 20% gap in the importance assigned to the feature between the two occupier types.

Figures 6. Top ESG Features Affecting Occupiers' Office Rental and Occupancy Decisions Beyond Sustainable Building Certifications

ESG Features	% ⁴	Benefit of the ESG Feature for Occupiers
 Convenient Access to Public Transport	89%	<ul style="list-style-type: none"> Reducing commuting time for employees Increasing accessibility for employees without personal vehicles Potentially less Scope 3 – employee commuting emissions for occupier due to lower reliance on private vehicles
 Energy, Water and Waste Reduction Systems	75%	<ul style="list-style-type: none"> Reducing occupiers' environmental footprints Supporting occupiers in meeting their sustainability and decarbonisation targets, which may further enable sustainable finance opportunities
 Security and Access Controls	66%	<ul style="list-style-type: none"> Protecting occupiers' privacy and safety by preventing unauthorised access Potentially lower insurance premiums for properties with enhanced security systems Fostering a professional impression for clients during their visits
 Indoor Air Quality Monitoring System	65%	<ul style="list-style-type: none"> Enhancing the health and well-being of occupiers, contributing to improved productivity and overall workplace satisfaction
 Onsite and Nearby Amenities	63%	<ul style="list-style-type: none"> Enhancing occupant convenience by reducing travel needs Encouraging occupiers to integrate with the immediate neighbourhood, and unlocking opportunities for meaningful social impact Supporting employee rights, diversity and inclusion, and work-life balance
 Building Management and Smart Control Systems	62%	<ul style="list-style-type: none"> Enhancing operational efficiency Lowering utility costs (e.g., electricity and water consumption costs) Improving occupiers' comfort and user experience through tailor settings and automated controls
 Sustainable Building Certifications	37%	<ul style="list-style-type: none"> Enabling occupiers in achieving their portfolio sustainability certification targets and streamlining the site screening process Enhancing occupiers' reputation and brand image

⁴ The percentage of occupiers, among those who believe ESG features of office buildings influence their perceptions of rental values and occupancy decisions, selected the ESG feature.

3. Market Reality on ESG Features

Drawing on Knight Frank's market reports, we analysed the presence of 17 key ESG features across 181 office buildings identified in these reports to assess the alignment between occupiers' expectations and the current state of sustainability in Hong Kong's commercial real estate. This analysis provides a snapshot of the ESG-integrated building landscape, highlighting both progress and gaps in the market's response to evolving occupiers' demands.

The findings reveal a complex interplay between landlord commitments, asset-level execution, and occupiers' priorities, underscoring opportunities for strategic enhancements to capture rental green premiums and mitigate brown discounts.

For instance, features such as convenient access to public transport and onsite and nearby amenities that enhance employee accessibility and well-being appear to be well-embedded in Hong Kong's office stock, likely contributing to competitive leasing outcomes for properties that prioritise them. Similarly, climate resilience features and electric vehicle charging infrastructure show moderate to high adoption rates, surpassing occupiers' expectations in some cases, which may position these buildings favourably as sustainability becomes a stronger leasing differentiator.

However, the analysis also uncovers notable deficiencies in several occupier-prioritised ESG features, signalling areas where the market lags behind occupiers' needs. Five key ESG features (as highlighted in figure 7) have adoption rates below 50%, while their adoption levels are also significantly

lower than occupiers' demand. These combined shortfalls may expose buildings to perceived risks that deter occupancy or necessitate rental discounts.



Landlords with a robust asset enhancement strategy that addresses the gap between key occupiers' needs and current market limitations across environmental, social, and governance dimensions are well positioned to unlock ESG premium potential, reduce the risk of brown discounts, and strengthen long-term rental resilience.



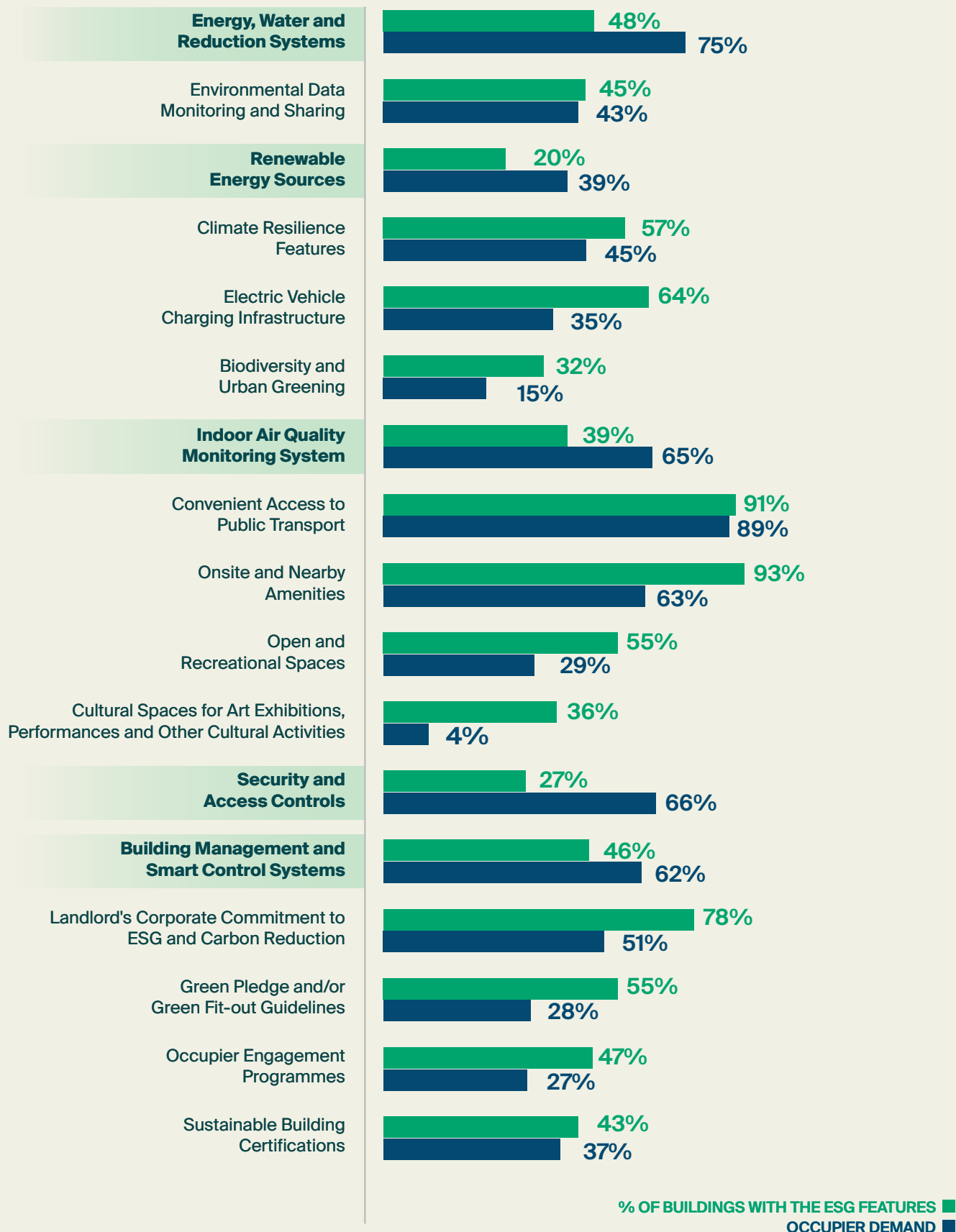
Jackie Cheung
Director
ESG, Asia-Pacific



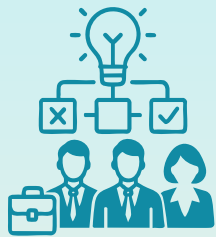
The chart below summarises the availability of these 17 ESG features, contrasting adoption rates with occupiers' demands to highlight areas of alignment and discrepancy. This analysis reveals a market at a crossroads: while

landlords are making strides in certain areas, the under-provision of high-demand ESG features risks undermining leasing competitiveness.

Figure 7. ESG Maturity in Hong Kong Office Market



Key Takeaways



CORPORATE LEVEL



ASSET LEVEL

78%

Landlords demonstrate a **commitment to ESG principles or carbon reduction target**. However, this commitment does not appear to be fully integrated at the asset level.

Deficiency in Asset's Implementation



4 out of 6 top occupiers' prioritised ESG features with under 50% adoption rates

- Energy, water and waste management systems **48%**
- Security and access control **27%**
- Indoor air quality monitoring system **39%**
- Building management and smart control systems **46%**

Only 20% utilise on-site renewable energy

Among 64% of buildings having EV charging facilities, only 2% of those equipped with more than half of their parking spaces

<50% provide occupiers with separate energy / water / waste data monitor in lettable areas

Implementations Fulfilling the Demand



Landlords have begun to align with occupiers' ESG expectations through engagement initiatives:

- Around 55% of the buildings provide green pledges or green fit-out guides, while nearly half (47%) provide occupier engagement programmes

Close to half (43%) have attained sustainable certifications, including BEAM Plus, LEED, WELL, WiredScore and SmartScore

2 out of 6 top occupiers' prioritised ESG features with over 90% adoption rates

- 91% of the office buildings are within a 10-minute walking distance of public transport
- 93% provided by onsite and nearby amenities

The market maturity reveals a gap between occupiers' needs and available supply, highlighting the need for landlords to implement a comprehensive **asset enhancement strategy** to address these evolving demands in a competitive real estate landscape.

4. Turning Statistics into Action

The findings from our survey underscore a pivotal reality: ESG considerations are critical to occupiers' decision-making. By analysing 17 ESG features, this report showcases the 6 most prevalent in detail to provide occupiers insights into peer priorities for ESG-integrated office choices. The complete list of features is included in Appendix 2, supporting due diligence and sustainable leasing strategies.

Additionally, with nearly half of surveyed occupiers expressing dissatisfaction with current offerings, the call for landlords to adapt is urgent and clear. As occupiers increasingly seek spaces that reflect their corporate values and commitment to sustainability, the ability to integrate ESG features into the asset will be a defining factor in retaining and attracting occupiers.

Here are some suggestions for both occupiers and landlords to translate the research insights into collaborative, actionable strategies to align on shared priorities and deliver more sustainable, future-focused office solutions.



Sustainable offices deliver mutual value, aligning occupiers' sustainability goals with landlords' leasing success. By translating report insights into collaborative, actionable strategies, landlords and occupiers can align on shared priorities and deliver more sustainable, future-focused office solutions that benefit all.



Keiko Pun
Manager
ESG, Greater China

Occupiers: Acting on ESG Requirement

Figure 8. Knight Frank's Five Key Steps to Enable Occupiers to Integrate ESG into Their Occupancy Decisions

STEP
01

Set ESG Goals

Assess key ESG goals and priorities important to stakeholders in guiding relocation and fit-out.

STEP
02

Research the Market

Evaluate buildings for ESG compliance, focusing on features that match your environmental and social goals.

STEP
03

Discuss ESG with Landlords

Working with the landlord, identify and monitor ESG metrics to track and improve building performance, reduce risks, ensure compliance.

STEP
04

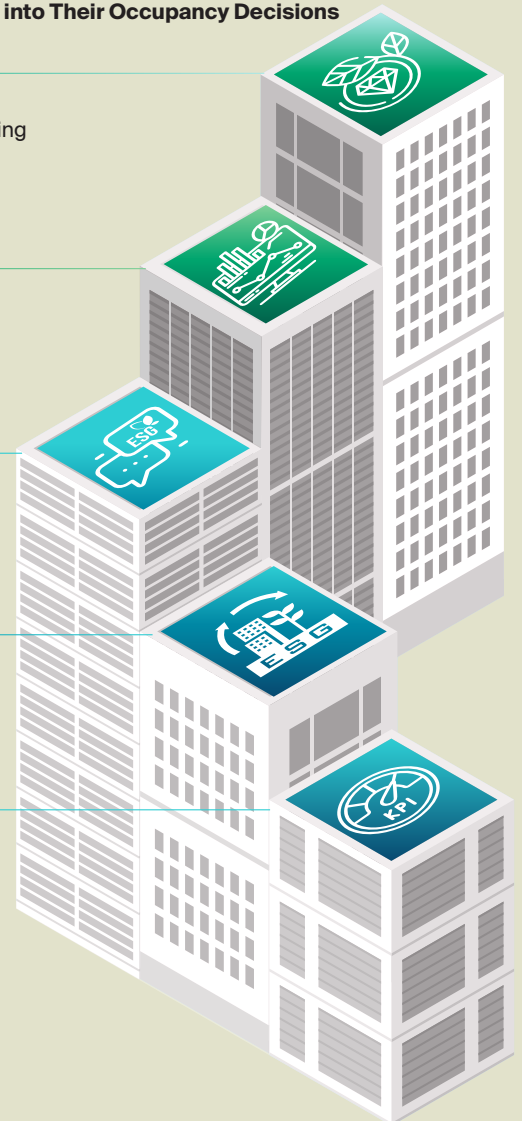
Design Sustainable Workspaces

Use eco-friendly materials, energy-efficient systems, water-saving solutions, and natural light to create healthier, productive offices.

STEP
05

Track Performance

Monitor ESG metrics, such as energy use, emissions, or green certifications, to ensure accountability and support ESG reporting. Regular audits identify savings and improvements.

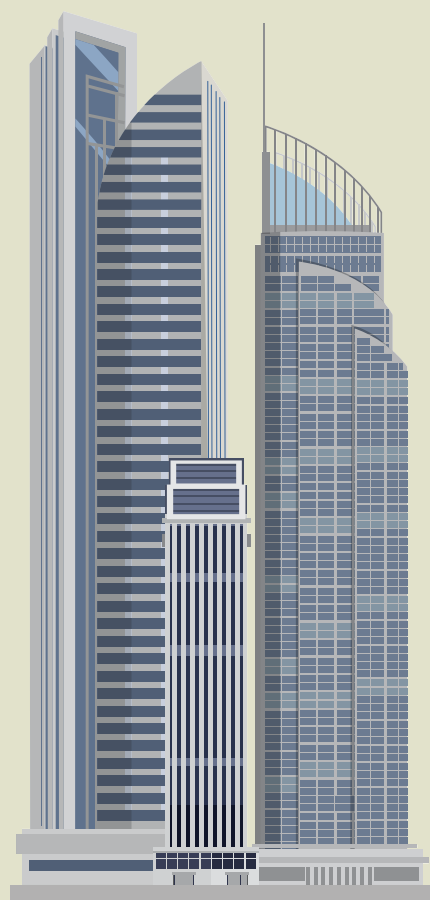


Landlords: Enhancing Assets to Unlock ESG Opportunities

To address occupier demands and remain competitive, landlords can adopt the following five strategies to enhance assets, maximise rental premiums, and ensure sustainable property management:



Figure 9. Enhancing Asset to Unlock ESG Opportunities



1 Drive Strategic ESG Upgrades

Assess building performance and market trends as well as perform cost-effective analysis to prioritise cost-effective ESG upgrades.



2. Rental Analysis

Conduct a rental analysis to quantify the financial benefits of ESG-compliant buildings in Hong Kong's market. By benchmarking properties with ESG features against non-compliant peers, landlords can justify investments and set competitive features to attract ESG-focused occupiers.



3. Sustainable Property Manager

Engage property managers with expertise in sustainable practices to oversee ESG implementation. These professionals can implement energy-efficient operations, occupier engagement programmes, and green lease frameworks, ensuring buildings meet sustainable building certifications criteria LEED or WELL, and also address occupiers' evolving ESG needs.



4. Renewable Energy and Data Transparency

Increase adoption of renewable energy sources and install systems for occupier-accessible energy, water, and waste data monitoring. These initiatives align with occupier priorities, support net zero targets, corporate ESG reporting, and enhance eligibility for green financing.

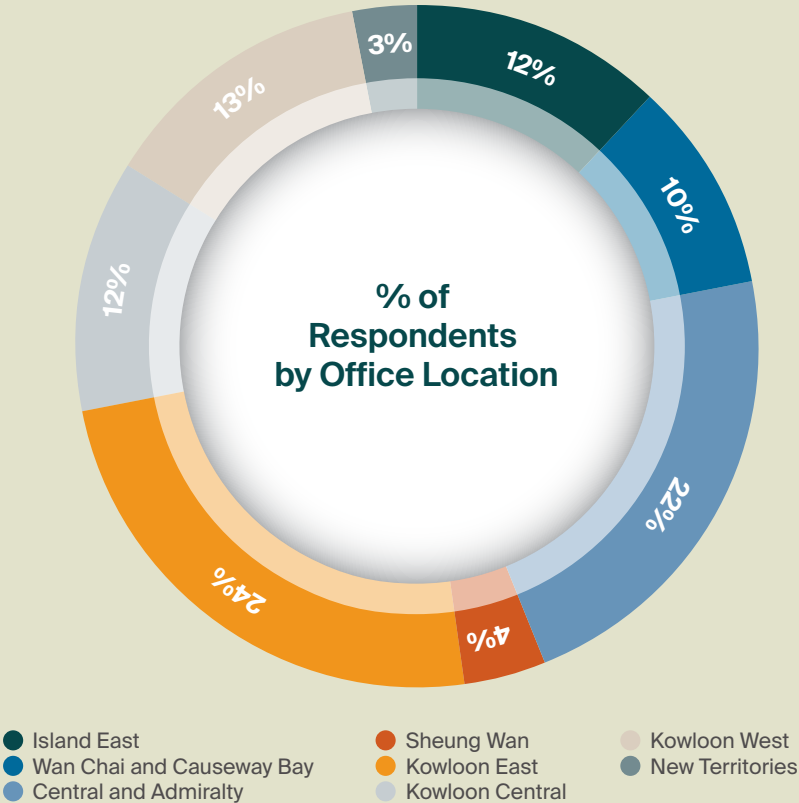
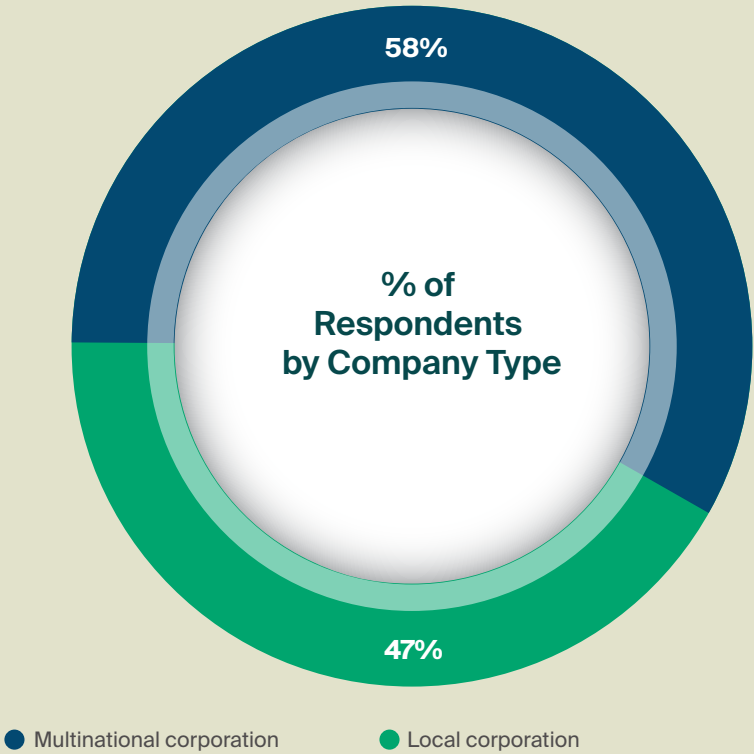


5. Occupiers' Engagement

Strategise occupier engagement programmes, such as green workshops and sustainability pledges, to build collaborative relationships, strengthen occupiers' loyalty, and foster a shared commitment to sustainability.

Appendix 1 – Occupiers’ ESG Sentiment Survey Profile

In Q4 2024, we surveyed 153 office occupiers in Hong Kong:



Appendix 2 – List of ESG Features

1	Energy, Water, and Waste Reduction Systems	This refers to building design features and technologies that the landlord adopts to minimise energy, water, and material consumption and reduce waste. Examples include decarbonisation technology, energy-efficient electrical and mechanical systems, rainwater harvesting system, and waste recycling systems.
2	Environmental Data Monitoring and Sharing	This refers to the data processing system that empowers the landlord to collect, track, and share information related to the environmental performance of the building or occupier space. Examples are meters for energy and water consumption data as well as waste generation data.
3	Renewable Energy Sources	These refer to building integrated renewable energy system, such as solar panel, wind turbine, biodiesel generator, etc.
4	Climate Resilience Features	These refer to design elements, technologies, and strategies incorporated into a building to improve its ability to withstand, adapt, and recover from the impact of climate change and extreme weather events. Examples are floodgates, typhoon-resistant façade, and backup power systems.
5	Electric Vehicle (EV) Charging Infrastructure	This refers to charging stations installed in the building's parking areas to support EV usage.
6	Biodiversity and Urban Greening	This refers to the integration of natural elements into built-up areas. Examples include green roofs, indoor plants, and landscaped gardens.
7	Indoor Air Quality Monitoring System	This refers to a system that continuously evaluates indoor air quality of the building by measuring factors such as temperature, humidity, carbon dioxide levels, and pollutants.
8	Convenient Access to Public Transport	It denotes a building's close proximity to public transportation networks, such as bus stops, train stations, or subway lines, facilitating easy access for occupants.
9	Onsite and Nearby Amenities	These refer to services and facilities located within or near the building, such as quiet and prayer rooms, lactation and nursing rooms, dining options, fitness centres, or retail stores.
10	Open and Recreational Spaces	These refer to indoor or outdoor areas within the building, such as sky gardens or podiums, intended for short breaks, informal meetings, or relaxation.
11	Cultural Spaces for Art Exhibitions, Performances and Other Cultural Activities	These refer to designated areas within the building, such as galleries, performance venues, or multipurpose halls, dedicated to hosting art displays, presentations, or events.
12	Security and Access Controls	These refer to tools and systems implemented to protect the office building and its occupants. Examples include surveillance cameras, access gates, and other restricted entry methods.
13	Building Management and Smart Control Systems	These refer to systems adopting advanced technologies and automated processes aimed at optimising building operations and maintenance. Examples include smart lighting control system, mobile application control system, and Internet of Things (IoT) networks supported by devices and sensors.
14	Landlord's Corporate Commitment to ESG and Carbon Reduction	This refers to any policies, strategies, and actions undertaken by the landlord's company to integrate ESG principles into its business strategies and reduce carbon emissions across its real estate portfolio.
15	Green Pledge and/or Green Fit-out Guidelines	These refer to a set of voluntary commitments, standards, and recommendations that outline sustainable practices for the operation, fit-out and refurbishment of commercial spaces to improve their environmental performance.
16	Occupier Engagement Programmes	These refer to initiatives led by office building management to involve occupiers in sustainability efforts. Examples include sustainability-related workshops, campaigns and events.
17	Sustainable Building Certifications	These refer to third-party certifications confirming that the building meets a certain of sustainability requirements or standards. Examples include BEAM Plus, LEED, WELL, WiredScore, SmartScore.

We like questions. If you've got one about our research, or would like some property advice, we'd love to hear from you.

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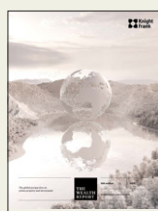
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