

“TENANTS’ ESG: INFLUENCE ON PREFERENCES AND RENT PREMIUMS FOR GREEN BUILDINGS IN COMMERCIAL REAL ESTATE”

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EXECUTIVE SUMMARY

This paper investigates the impact of Environmental, Social, and Governance (ESG) considerations on occupiers’ preferences and willingness to pay (WTP) for sustainable buildings in commercial real estate. Using lease transactions of office and retail spaces in London, combined with ESG scores from the Refinitiv database, we analyse whether ESG-conscious firms are more likely to choose green-labelled properties, and how their WTP for such spaces varies according to their ESG profiles. Our findings indicate that publicly listed companies, which are more likely to emphasise ESG considerations, are more likely to occupy BREEAM-certified offices. Office tenants with higher Governance scores also exhibit a stronger preference for BREEAM-certified buildings. In contrast, these relationships are not observed in the retail sector. Although tenants’ overall ESG scores are not significantly associated with WTP for green-labelled properties in either market, retailers with strong Governance scores are willing to pay a premium for BREEAM-certified spaces

The link between tenants’ ESG scores and their demand for green-certified buildings appears to be stronger in recent years, reflecting the growing emphasis on ESG considerations. Our findings underscore the diverse priorities of tenants across the real estate market and offer valuable insights for property owners in developing effective leasing strategies.



KEYWORDS

- Tenants ESG
- Green Buildings
- Rent premiums
- Sustainability preferences
- Commercial Real Estate

RESEARCH RELEVANCE

- This paper explores occupier demand for sustainable buildings in the office and retail sectors, focusing on the role of CSR and ESG agendas.
- Tenants with strong CSR commitments are more likely to choose green buildings, indicating rising demand as ESG priorities grow.
- While sustainable buildings can yield income benefits, owners must weigh varied tenant preferences against the costs and long-term value of green investments.
- In the retail sector, targeted incentives or regulation may be needed to drive energy efficiency, as green premiums are less evident without policy support.

BIBLIOGRAPHIC INFORMATION

Liu, N., Zhao, Y., Yan, B., & Hutchison, N. (2025). Tenants’ ESG: Influence on Preferences and Rent Premiums for Green Buildings in Commercial Real Estate. *Journal of Property Research*. Advance online publication. <https://doi.org/10.1080/09599916.2025.2494562>

“As global concerns in sustainability, corporate responsibility, and social impact continue to grow, understanding occupiers’ ESG initiatives has become increasingly relevant to property owners, managers, and policy makers. Understanding occupiers’ demand for sustainable buildings can help mitigate risks related to regulatory changes, environmental liabilities, and evolving market preferences.”

