

Keeping Up With the Greens: Competing Factors for Commercial Building Owners

by Beth Young, CCIM, LEED AP

It's hard not to notice that everywhere you look, companies are stating their interest in going "Green", reducing energy and improving our environment? Many corporations are making public statements about their policies regarding this responsibility. You can't even go to the grocery store without feeling guilty about using a plastic bag to carry your groceries. You're supposed to bring your own re-usable bag or buy some while you're there.

For owners of office buildings, "going Green" has become a competitive edge. Buildings that were not built to "LEED" (Leadership in Energy and Environmental Design) standards that want to be considered by companies with a conscience and health concerns for their employees will want to consider going Green at least a little bit at a time, just to compete for tenants.

Major companies have started including questions about energy savings and environmental advantages in their requests for proposals (RFPs). In the next couple of years, landlords can expect these questions to be normal; and the tenants and their brokers will definitely be comparing the Green factors of the building choices.

Landlords may want to consider checking the Corporate Responsibility Policy of large corporations before submitting a lease proposal. 43% of Fortune 1000 firms have filed their Corporate Social Responsibility with the SEC. Federal, state, county, and local government tenants are demanding more Green levels too. They are declaring their sustainability goals, and must find ways to implement them. You can be ready to help them by making changes through maintenance and repairs to your building right now. In addition, (here's the big point), even though the building is not LEED certified, tenant spaces can be awarded LEED certification.

Recent studies show that the "coasts" are leading the way with RFP's that include requests for information about buildings' Green level or LEED certification levels. San Francisco "Green" information requests in 70 percent of all RFP's. Washington D.C. is seeing 50 percent of RFP's with the inquiries. And Green buildings are regularly achieving up to 25% premiums on rental rates.

Landlords and tenant rep brokers will be on a learning curve for a while. An understanding of Green terms and costs will become necessary. Lease language regarding materials for improvements, cleaning products, CO2 emissions calculations, water flow levels, recycling, public transportation access, preferred parking spots for fuel-efficient cars, etc. will be expected.

Organizations with a focus on commercial real estate such as CCIM, SIOR, and CoreNet are providing some of the education for brokers and other industry professionals. The LEED AP (Accredited Professional) has gone through a rigorous education process and exam and has a thorough understanding of Green buildings and the knowledge and skills to facilitate the LEED certification process. Many landlords and property management companies are making an effort to lead the way by requiring key employees to achieve the designation.

Landlords can survey competing buildings to determine which buildings are not Green to give their project an advantage over the competition. They need to make sure someone on their staff can sell “Green”. Reasons that tenants want to be in Green buildings include:

Employee’s productivity increases by five to 17% when exposed to improved indoor environmental quality (IEQ) of office space, classroom space, and/or light assembly space,

16-37 million cases of colds and flu could be avoided by improving indoor environmental quality (IEQ),

Sick building syndrome symptoms, a condition that causes temporarily illnesses, could be reduced by 0%-50%,

Employees rate the ability to control their air temperature and quality of great importance. Surveys show that 75% of buildings don’t have the ability for tenants to adjust the air quality, although tenants would pay higher rents for the option.

General production increases by as much as 15 percent a year. (Shopping malls with skylights see sales volumes as much as 40 percent higher than other malls.)

Surveys show that 36 percent of employees want to work for a “Green “ company, and almost double that amount believe their current employer should be doing more to improve their environment.

Younger employees want their employers to be environmentally friendly. As many as one third of Generation Y workers say they would sacrifice on average, 6.2 per cent of their wages to work in an environmentally friendly atmosphere.

The feeling of a better moral sense of community.

If that’s not enough, Green buildings have lower vacancy rates compared to non-Green buildings.

-Building Investment Decision Support (BIDS), Bolker Harkopf Professor & Director, Cent of

1) The Fortune 1000 Review

The attached was a recent study completed by Grubb-Ellis on the Fortune 1000 on the “Green” trend with these firms. Some of the more proactive firms will only go to Green Buildings. Know who they are and create your marketing program at these firms.

If you are Green, sell the benefits-

So why is this important to your owners of commercial real estate?

CoStar did a study from their database of buildings saying that a Green building has lower vacancy rates, 7.4% vs. 11.6% (non-Green). They (Green buildings) also have shorter lease up periods, 20.4 months vs. 22.3 months for non-Green. Green also attracts higher rental rates at \$39.00 psf. vs. \$29.00 psf. for non-Green. There is lease up value to be Green.

So why is this important to Fortune 1000 firms? Costs associated with a company related to square footage are as follows:

- \$318 per SF Salaries
- \$50 per SF Technology
- \$2.25 per SF Energy Consumption

Compare this to your rental rate number per square foot. So, any more productivity and/or less sick days affect the \$318 per SF in salaries and goes directly to the firm's bottom line.

Be in front of the "Green" wave! For today the key would be to do at least a LEED audit and register your building. This will A) give you the knowledge of cost to become "Green" (LEED Certified) to compare the cost with going Green to secure a new tenant and the value that tenant will mean to the project; B) have an answer to the "Green" RFP question, we can be "Green" – we have completed an audit. So, then you can be ready to do it if you need that lease.

Green is here to stay. Get in front of the move and you and your clients will have more Green in your wallets!