

LEED takes the lead

FEATURE | Metro office developers find going green is trendy and profitable: a fifth of tenants say it is a “critical consideration” when planning a lease

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Commercial development has caught the green wave, according to recent studies that show 21 per cent of potential tenants deem environmental sustainability a critical consideration when deciding on where to lease space.

Colliers International notes, however, that its first survey on factors driving office leasing since 2007 shows that efficient space and employee retention now trump a green appeal.

Seven years ago, 90 per cent of survey respondents identified green real estate as a priority for landlord, and more than 60 per cent of tenants were willing to pay a premium for environment-friendly space. Approximately 69 per cent considered location “important” or “extremely important,” and 14 per cent felt it was key.

The latest survey indicates that 71 per cent of tenants wouldn't consider a location more than 10 to 15 minutes from transit, while 72 per cent wanted to be in the “right” location – defined by Colliers as “proximity to vendors, competitors, interconnected

companies and employees.”

Yet environmental aspects are now entrenched in the mainstream mindset, analysts say.

“[Employers] are deeply concerned about the battle for talent and losing their employees,” said Sandy McNair, president of Altus InSite, of current tenant attitudes.

Leadership in Energy and Environmental Design (LEED) is now a key component of large-scale British Columbia commercial development, notes Veronica Owens, project manager with the Light House Sustainable Building Centre Society in Vancouver.

Two reports released in 2013 illustrate why green buildings are top of mind and provide competitive advantages, Owens said.

The 2013 global Energy Efficiency Indicator survey, conducted by Johnson Controls' Institute for Building Efficiency, polled 3,000 facility management executives and found that 93 per cent had a public goal to achieve green building certification with at least one of their facilities and 73 per cent intended to achieve nearly zero or net zero for at least one new facility. These figures indicate an overall increase of 10 per cent year-over-year for companies paying a lot more attention to energy



Exchange tower in Vancouver is among the new office developments being built to LEED (Leadership in Energy and Environmental Design) standards. | CREDIT SUISSE

efficiency.

In June 2013, Oxford Properties Group released the Future of Work Study, which examined the changing face of the office and included a section on sustainability. Of the 2,000 respondents surveyed, 34 per cent say that environmental focus is very important to them and 50 per cent believe working in a sustainable office will continue to be important to them within the next five years. The top three desirable office features are: air quality (81 per cent), comfortable temperature control (81 per cent) and natural light (74 per cent).

“Think again”

“If we don't think our customers are looking for this, that they are looking for green, that they are

looking for sustainability, that they understand the long-term business model, I encourage you to think again,” said Andrew McAllan, managing director of real estate management, Oxford Properties.

Both studies touch on the top green building triggers that are driving the growth of green buildings:

- Belief that there is strong market demand from commercial tenants and residential customers (35 per cent);
- Belief that energy efficiency provides a competitive advantage (30 per cent);
- Rent and sale premiums, higher occupancy rates and minimized risk are cited by 33 per cent; and
- Differentiation from competitors through branding and public relations were cited by 30 per cent of respondents.

Rental lift

Tenants are willing to pay a premium for renting in LEED buildings, according to a recent study conducted by CoStar's Property and Portfolio Research subsidiary. The study showed renters are willing to pay a 35 per cent rent premium for properties in downtown city cores, a 50 per cent premium for properties close to mass transit and a 25 per cent premium for LEED-certified buildings.

Tridel Group of Companies, Oxford Properties Group, Cadillac Fairview and First Capital Realty are all developers that have a high percentage of LEED-standard construction in both new buildings and renovations.

Vancouver's newest \$200 million office tower to break ground, the Exchange tower on Howe Street, is targeting the premium LEED Platinum certification. Franz Gehrigler, CEO of its developer, SwissReal Group, said of this decision: “We are long-term investors and we believe that everybody has to go this way.”

LEED is also being pushed by large cities, including Vancouver and Calgary. Both of these cities have instituted green building policies that require LEED certification or equivalent.

In many cases, green building policies specify LEED Silver or gold, as is the case for properties rezoned in Vancouver, where LEED Gold certification is required as a condition of development, building and occupancy permits, Owens noted. ■