

Marketing Green Buildings to Tenants of Leased Properties

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Green buildings are associated with significant, positive impacts on tenant companies' ability to attract and retain talent, on corporate bottom lines and sustainability goals, and on brand image to customers, investors and community.

Whether you decide to move to green leased space, or you green your existing premises - the benefits reported are significant:

Sustainability goals	Mitigation of greenhouse gases Conservation of natural resources: energy, water & materials Waste and wastewater reduction Conservation of native species
Human Resources	Talent attraction & retention
	Higher occupant performance: specific green building measures are associated with productivity gains and lower health care costs
	Salaries are the highest costs over the lifecycle of building. Higher productivity delivers salaries savings: an increase of 1% in productivity means about \$2/fts/yr (\$21.50/m ² /yr)
Marketing	Altruistic sustainability brand: opportunity for differentiation
	Rapid market growth
	Current competitive advantage
	Viewed by corporate execs as key to market leadership, from economic, environmental and social standpoints
	Seen as key to remaining competitive in future
	Transparent evidence of sustainability
	Associated with innovative technologies
	High LEED brand recognition
	Seen as inevitable: government will mandate
Investment	Higher profitability: low capital costs, higher ROIs
	Higher building performance
	Lower operations and maintenance costs
	Higher Net Operating Income
	Higher retail sales
	Larger customer base
	Lower churn rates
	Mitigated risks from: <ul style="list-style-type: none"> • opportunity costs due to inaction on climate change • volatile and rising energy prices • business interruptions due to power failures • occupant health concerns • inclement weather impacts • employee turnover costs

Leasing green space is a strategic sustainability decision

Buildings contribute¹ 35% of Canada's greenhouse gases, as well as other major environmental impacts: they represent 33% of Canada's energy production, 50% of natural resources extracted, and 25% of waste going to landfill. Internationally, buildings are recognized as accounting for a minimum of 40% of energy consumption and 40% of GHG emissions over their lifespans.²

Choosing to lease green premises enables you to 'walk-the-talk' and act in accordance with your corporate sustainability goals, facilitating:

- Mitigation of greenhouse gases to address global warming and climate change
- Conservation of natural resources: energy, water and materials (reducing, reusing, recycling)
- Diversion of waste from landfill and reduction of wastewater
- Preservation and habitat protection of native species, promoting biodiversity.

Leasing green space is a strategic HR decision

Your company's single most strategic HR investment is likely to be your selection of green leased space. Two major HR benefits are enhanced occupant productivity and employee attraction and retention.

- **Occupant productivity gains**

Moving to a green building from an average one has been found to provide productivity gains of about 2-10%.³ A recent study by Davis Langdon Australia notes that according to the Building Commission of Victoria, Australian workforces' productivity could be enhanced by 30% with optimal indoor environmental quality.⁴

- Salaries represent about 88% of commercial costs; rent 9%, and maintenance, utilities and taxes account for 1% each.⁵ Salaries are the highest costs over the lifecycle of building. Productivity gains deliver salaries savings: an increase of 1% in productivity means about \$2/ft²/yr (\$21.50/m²/yr). Many green building features enhance occupant productivity:

- Comfortable temperature (ranked highest in importance by tenants of leased office space) ⁶
- Higher ventilation rates, which have been found to:
 - enhance productivity by between 4% and 17% ⁷
 - reduce absenteeism by 35% ⁸
 - reduce illness by between 9% and 50% ⁹
- Greater control of ventilation:
 - is linked with 0.5% to 11% higher productivity¹⁰
 - Daylighting, reduced energy use, and personal controls in the workspace^{11 12}
 - Lower glare¹³
 - Access to natural views¹⁴
 - Green buildings' healthier environments have been linked with lower health care costs and enhanced productivity¹⁵
- Employee attraction and retention

91% of Canadians today are concerned about global warming, 89% are in favour of immediate action,¹⁶ and employees are increasingly making professional decisions based on corporate ethics and social responsibility.

Green leased spaces are an attractive HR benefits package for tenants' talent. In addition to ecological and occupancy benefits:

- Choosing green workplaces gives employees peace of mind that they and their employers are actively addressing climate change and other environmental challenges.
- PNC Realty's VP noted regarding the company's new, green workplace: "people want to work here even to the point of seeking employment just to work in our building. Absenteeism has decreased, productivity has increased, recruitment is better and turnover less." ¹⁷

Leasing green space is a strategic marketing decision

Green buildings provide opportunities for market differentiation and leadership, and are associated with altruistic value and innovative technologies.¹⁸ They contribute to sustainability and enhance your corporate brand.^{19 20}

While market penetration of green leased space is now fairly low, it is expected to rise significantly, available across Canada, and offers tenants an opportunity to distinguish themselves from the rest of the marketplace:

- A recent international study (not including Canada)²¹ reported that 9% of tenants have been involved in green projects.
- Doug Hitchcox, Vice President & Director of Cushman & Wakefield LePage Inc., notes:²² "of all green spec office buildings currently available for lease in Canada that are represented by Cushman & Wakefield LePage, (Doug Hitchcox) represents approximately 50%. And, 80% of (his) leased properties portfolio is green. Although the total space available for lease within the Canadian market is currently very small, Cushman & Wakefield LePage's representation of this segment is Canada-wide."
- **Green buildings are here to stay:** McGraw Hill Construction's 2007 study of corporate America's leaders indicates **47% expect government to eventually mandate green building.**²³ As Dermot Sweeny of Sweeny Sterling Finlayson & Co. Architects Inc. has observed,²⁴ pension funds now own significant holdings in commercial property in Canada - and greening their property asset holdings is a significant means of achieving earnings and asset growth. For instance, over 50% of British Columbia Investment Management Corporation's real estate office building portfolio is certified green. BCIMC invests for 7 pension funds in BC, with \$9.5 billion of a total \$83 billion of assets under administration, invested in Canadian real estate.²⁵

A green building tipping point is at hand: 40% of corporate leaders in the US believe that ignoring green building will result in public relations problems.²⁶

Leasing green space is a strategic investment decision

Investors, insurers, consumers and employees expect corporations to achieve greater accountability to society and to the environment - and greater transparency in how these goals are achieved.²⁷ The (global) Association of Chartered Certified Accountants and investment index FTSE are urging companies to improve reporting on measures they take to mitigate and adapt to climate change.²⁸ Mercer Investment Consulting states that managing climate risk represents pension trustees' fiduciary responsibility.²⁹ These publics are clamouring for corporate action. Leasing green space makes it easy and rewarding.

The benefits:

- **Higher ROI:**³⁰
 - **68% of leading US executives whose companies are involved in green buildings report superior ROIs in green buildings compared to conventional ones.**³¹
 - Capital cost premiums for greening buildings are about 2% according to consensus studies.³²
 - **Productivity gains**^{33 34} **leverage significant ROI.**
 - CaGBC's Ian Theaker, LEED Program Manager, has noted ROIs in Canadian LEED buildings of 15-20% on the energy efficiency measures - not even counting additional O&M benefits from other green features.³⁵
 - **Lower operations and maintenance costs**³⁶
 - **Higher retail sales**^{37 38}
 - **Larger customer base**^{39 40}
 - **Lower churn rates** arising from greater design flexibility⁴¹
 - **Higher building performance** through smart solutions. Integrating low-cost design systems that deliver multiple goals, reduces the need for high cost technology
 - **High LEED brand recognition**

- Better investor relations
- Greater access to capital
- Reduced risk, and future-proofing to avoid^{42 43} :
 - reduction of corporate value through ignoring climate change
 - volatile energy markets and escalating costs⁴⁴
 - business interruption due to power failures
 - damage due to fire, wind, ice and water
 - costs of poorer indoor spaces and lighting
 - air quality litigation due to 'Sick Building Syndrome' and mould
 - employee turnover costs

Green buildings provide a significant opportunity for your company to act sustainably in favour of planet and people, while enhancing your corporate profits.

How to Find a Green Building:

Building rating systems: The best way to understand if a building is green is to rely on an independent green building assessment system. LEED Canada is the most popular Canadian green building rating system, although [Green Globes](#) and [BOMA GO Green Plus](#) are also examples of green building rating systems in Canada. While a building can certainly be green without reliance on a rating system, one should approach these buildings with caution. Information on the green nature of a building can be misleading, and can be clouded with extraordinary claims, or reliance on uncommon, non-independent and weak assessment tools.

LEED Canada: While LEED standards originated in the U.S., they are being used worldwide, and have been adapted for Canada via national experts' input and guidance throughout all sectors of industry.

In addition to using a green building rating system as a 'checklist' the following are questions that you, the prospective tenant, could ask your building owner or broker in your search for green leased space:

1. What is the actual energy performance of the space for lease? Who measures this ongoing?
2. What is the actual consumption of potable water? Is water reused? (e.g. for irrigation).
3. Is there a possibility of part-area and off-hours use? (This feature is an efficiency measure that allows lights/heating/air conditioning/ventilation to be operating only in the sections of a building that you will be using in off hours, and avoids having to engage the whole building's operations).
4. How many days was the building was out of operation last year?
5. What are the building's policies on tenant transportation? (Preferred space for bicycles? Shower facilities? Preferred parking for car-sharing services, or hybrid vehicles? Shuttle access to transit for outlying regions?)
6. What are the building's solid waste policies?
7. What measures that are associated with enhanced productivity are components of the building? (see above under productivity gains).
8. What consideration is there for habitat protection and species diversity?

Decide today to lease green space. Your stakeholders will appreciate the difference you'll make. As will you.

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