CoreNet Global/JLL: More companies say they will pay extra for green leased space (EU)

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Companies that occupy office space around the world consider sustainability a key factor in their space occupancy plans, and half of corporate real estate executives say they will pay extra for space in green buildings, according to the fourth annual Sustainability Survey conducted by CoreNet Global and Jones Lang LaSalle.

Conducted in the fourth quarter of 2010, the survey results reveal a corporate real estate industry in the process of reconciling the focus on reducing environmental impacts of buildings with the need to control costs and support corporate financial performance. CoreNet Global, the premier association of corporate real estate professionals worldwide, and Jones Lang LaSalle, a leading global commercial real estate services firm, have conducted the survey each year since 2007. Responses come from around the world, with many responses from multi-national corporate executives. Key findings of the survey include:

- Sustainability is a critical business issue today for 64% of respondents and 92% consider sustainability central in their location decisions.
- The number of respondents willing to pay more for green leased space jumped from 37% in 2009 to 50% in 2010.
- 31% of corporate executives ranked employee productivity and health as their top sustainability concern, and an additional 11% rated employee satisfaction as the most important factor.

"Corporations increasingly view sustainability strategies as a permanent aspect of their business, and real estate executives are key to implementing those strategies," said Michael Anderson, Manager of Research and the Knowledge Center at CoreNet Global.

"The high percentage of corporate real estate executives worldwide who consider sustainability in making location decisions shows how deeply this issue is engrained in the business community."

"The Sustainability Survey results reflect an evolution that we’re seeing in the industry," said Dan Froeb, Chairman of Energy and Sustainability Services at Jones Lang LaSalle.

"Five years ago, a corporate real estate executive might have thought sustainability was a costly way to make the company look good to employees. Two years ago, that same executive probably focused on energy management as a way to save money in the short run. Today, he or she may be pursuing green strategies that enhance employee productivity."

CoreNet Global representatives in the EMEA region have expressed support for the findings:

Stuart Bowman, Director of Energy & Sustainability, harley-palmerflint and Vice President for Sustainability at CoreNet Global’s UK Chapter, comments, ‘‘In the UK, there is a great appetite among occupiers to be more proactive in terms of sustainable solutions. However, both the legal and policy/compliance implications of the green lease are often very unclear, and this has caused some inertia. For example, concerning the legal ramifications of the green lease, does it refer to the building or to the people occupying it. There is some uncertainty, and this hinders progress.‘‘
“When you compare the UK to countries such as Australia, where the public sector has led the way and the private sector followed suit, we’re a ways behind. Certainly, the UK’s move towards sustainability is an ethical aspiration, although the business case for it is often constrained by funding, and the legal and policy issues are currently still in a state of flux.”

Filip Vanwassenhove, Managing Director at TNT and also Chairman of CoreNet Global’s BeneLux chapter, adds: “Based on the input received from our members, we can conclude that ‘greening real estate’ is no longer a pipe dream. Instead, we need to have a mature discussion on the topic of sustainability, corporate social responsibility and sustainable re-development of existing real estate. On top of that we have to focus on our personal behavior.”

Paying for green space
The jump in the percentage of respondents saying they would pay extra for green leased space may be a reflection of the more stable economic climate today than in the previous two years. An additional 23% said they would pay more in rent if it were offset by lower energy costs, reinforcing the idea that green space has financial benefits.

In general, corporate executives are more willing to invest in space they own than they are willing to pay extra for leased space. Most survey respondents – 57% – confirmed anecdotal consensus of one to three years as an acceptable payback period for energy efficiency measures in owned space. Just 4% said they expect strategies to pay for themselves the first year, while 30% said payback periods of three to five years may be acceptable, and 9% would consider sustainability measures even longer payback periods.

Although a lot of energy management strategies pay for themselves the first year, many companies have exhausted those opportunities and want to go to the next level,” Probst said. “By replacing lighting systems or putting in ‘smart’ systems, companies may see their investment pay off within three years. A more extensive retrofit or a solar power installation usually will take longer to pay for itself, but still make sense in some situations for financial reasons, or as a way for a company to demonstrate a commitment to sustainability.”

Employee health and productivity
A small but important shift in the survey results from 2008 to 2010 involves the relative importance of operational costs compared to less-tangible workforce benefits of sustainability. In 2010, 32% of respondents ranked energy cost as their most important sustainability metric, down from 37% who ranked it number one in 2009. At the same time, employee health and productivity was ranked as the most important measure of success by 31% in 2010, up from 29% in 2009. An additional 11% ranked employee satisfaction as the most important criteria.

These results reinforce trends that Jones Lang LaSalle has experienced in serving corporate real estate clients worldwide. “The focus on containing operational cost remains a driver of many sustainability programs, but corporate real estate executives also recognize the value of enhancing workplace effectiveness with strategies that promote employee health, well-being and productivity,” Probst said.

Additional findings of the CoreNet Global Jones Lang LaSalle Sustainability Survey include:
- Green building certifications are considered by 88% and energy labels by 87% in administering their portfolio.
- 48% of occupiers would pay up to 10% premium for sustainable space, while 2% expect to pay over 10%.
- Respondents still focus on energy efficiency program (85%) and waste recycling (61%).
- Corporate real estate directors are highly involved in providing sustainability performance data and funding sustainability-oriented investment with the purpose of reducing cost and increasing employee satisfaction.