

PEOPLE: THE KEY TO DRIVING SUSTAINABLE PRACTICES

Energy management is now an emerging focus for corporations as part of their sustainability plans, with half of corporate occupiers willing to pay a “little extra” for space in green buildings. Richard Kadzis of CoreNet Global explores an even greener outlook for corporate real estate, where harnessing employee enthusiasm is central to the strategy.

By Richard Kadzis

As energy becomes a boardroom issue, corporations are now paying closer attention to the energy they consume, whether as a result of striving to comply with energy and carbon legislation, seeking cost reductions, responding to their customers’ requests for environmental accountability, or a combination of all three. The manufacturing industry is actually leading the way in effective energy management thanks to their benchmarks and standards, and this best practice is now spreading into other business sectors with an increasing number of organizations proactively managing energy consumption.

Encouraging survey results

An autumn 2010 survey by **Johnson Controls** Institute for Building Efficiency, partnered by **CoreNet Global**¹, sought to better understand and document the trends in corporate energy management practices. The findings, taken from a sample of 83 organizations of varying sizes, illustrate many successful elements of energy management already in place, including training employees about efficient energy usage (76%), and incentivizing individuals for energy performance (45%). Enthusiasm among the workforce improves energy efficiency by reducing

environmental impact and benefiting the bottom line. However, data sharing is often a problem within organizations. The responsibility for successful energy management within corporations is often held not with the chief executive or senior management, but within the scope of the facilities manager. As energy management becomes an ever more important boardroom issue, the need to formally measure and share energy data has become critical for setting goals and tracking progress; furthermore, platforms will be required to aggregate information about consumption across multiple sites within the portfolio.

Subject Matter Experts



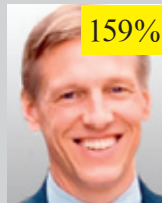
Michael Anderson, Manager of Research and the Knowledge Center at CoreNet Global.



Thomas Glatte of BASF and President, CoreNet Global Central Europe



Flip Verwaaijen, Managing Director at TNT and Chairman of CoreNet Global’s Benelux chapter



Dan Probst, Chairman of Energy and Sustainability Services at Jones Lang LaSalle

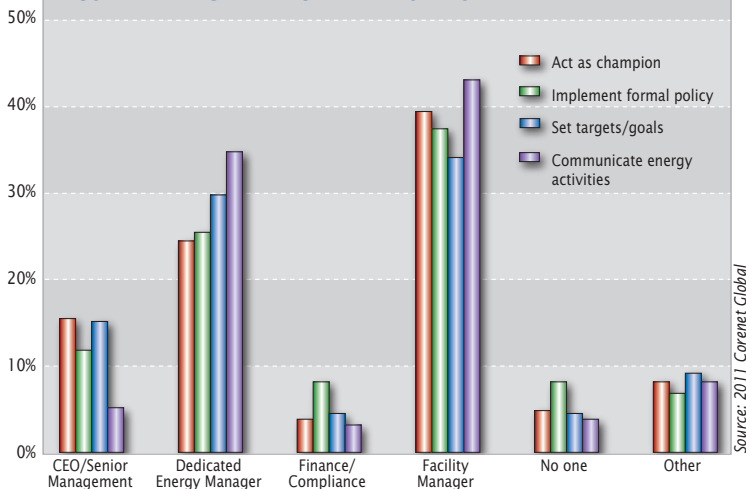


Stuart Bowman, Director of Energy & Sustainability, and Vice President for Sustainability at CoreNet Global’s UK Chapter



Michel Rousseau, EMEA Lead for Innovative Workplace Strategies, Pfizer and Co-Chair of CoreNet Global’s France Networking Group

FIGURE 1: ENERGY MANAGEMENT RESPONSIBILITY



Employee productivity and satisfaction

Sustainability measures impact employee satisfaction and productivity in addition to corporate location decisions. The fourth annual Jones Lang LaSalle and CoreNet Global Worldwide Sustainability Survey² reported that 92% of respondents consider sustainability criteria in their site selection, while many corporations pursue green strategies to enhance employee satisfaction.

“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**. “Corporations considering relocation are in a unique position to take advantage of both a depressed market and new technologies that enable their workforce to work remotely. Both of these opportunities are providing companies with an opportunity to reinvent their workspaces, and more than 90% of the time, sustainable investments are considered part of this strategy.”

Leading metrics associated with these findings support cost savings as well as employee satisfaction and productivity.” The importance of sustainability strategies is equally apparent in Europe.

Thomas Glatte of BASF and President, CoreNet Global Central Europe, agrees that sustainability is a key priority for corporate real estate. “Everyone in the industry accepts sustainability as a topic to be dealt with, and all major corporations are currently determining how to incorporate sustainability in their real estate management. In one to three years, all major corporations will have sustainability related real estate guidelines. Sustainability is a topic no one will be able to avoid.”

Flip Verwaaijen, Managing Director at TNT and 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 hype. Instead, we need to have a mature discussion on the topic of sustainability, corporate social responsibility and sustainable redevelopment of existing real estate.” >>



Richard Kadzis
CAE, Vice President Strategic Communications, CoreNet Global

CoreNet Global

CoreNet Global is the world’s leading association for corporate real estate (CRE) and workplace professionals, service providers, and economic developers. Nearly 7,000 members, who include 70% of the Fortune 100 and nearly half of the Global 2000, meet locally, globally and virtually to develop networks, share knowledge, learn and thrive professionally. In the EMEA region, CoreNet Global has active regional chapters including Benelux, Central Europe, the United Kingdom and the Middle East.

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www.corenetglobal.org

Sharing data, and engaging employees

The impact of sustainable investment on employee satisfaction and productivity is undeniably important, but without adequate data capture, communication of results can inhibit employee engagement.

The corporate real estate industry is currently in the process of reconciling the focus on reducing the environmental impact of buildings with the need to control costs and support corporate financial performance.

The CRE function is instrumental in fulfilling these tasks.

Cost saving metrics are substantial for corporates to consider sustainable investment. “Five years ago, a corporate real estate executive might have thought sustainability was a costly way to make the company look good to employees,” says **Dan Probst, Chairman of Energy and Sustainability Services at Jones Lang LaSalle**. “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.”

Longer term payback periods

Where sustainability is concerned, cost savings are often achieved across the longer term, with companies investing in projects that often have more than a 5 year return.

In general, corporate executives are more willing to invest in space they own than for leased space. Such long term investments also positively impact public perception and employment satisfaction.

Views varied across the board concerning returns, with 57% of survey respondents saying that one to three years is 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 even longer payback periods.

The slight upturn in many economies has shown a more favorable attitude towards the premiums often associated with letting sustainable accommodation. Half of corporate real estate executives responding to the survey said they are willing to

pay a “little extra” for green leased space, a rise from 37% in 2009 and 40% in 2008. 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.

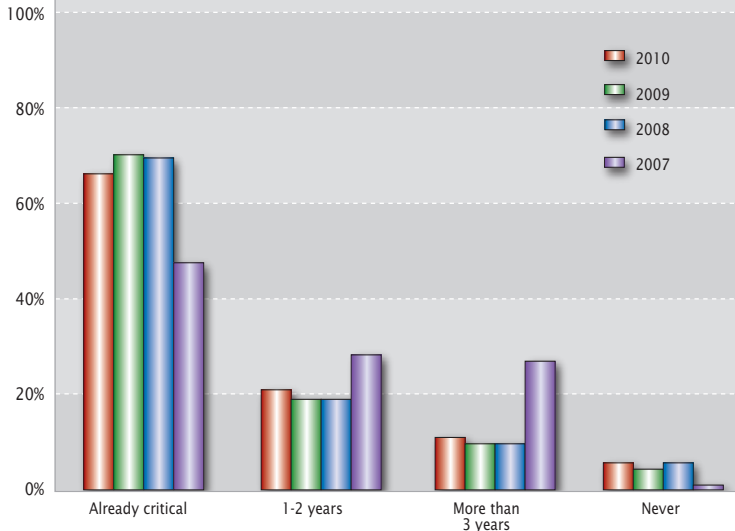
Green leases, and green certifications

The UK has enthusiastically embraced green real estate, yet obstacles remain. **Stuart Bowman, Director of Energy & Sustainability, hurleypalmerflatt 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.”

The survey also focused on corporations’ attitudes towards green certification programs such as BREEAM and LEED, and how such endorsements may affect decisions. The results indicate that while the vast majority of CREs value the certificates,

FIGURE 2: WHEN WILL SUSTAINABILITY BECOME A CRITICAL ISSUE FOR CRE?



and some form of green recognition is important to CREs, these programs only moderately impact corporate decision making. There is some hesitancy towards paying the premium associated with such certification, which often emphasizes criteria CRE departments do not value while undervaluing more critical criteria.

The human factor

A growing focus on employee retention – in addition to operational cost benefits – is another interesting and encouraging byproduct of the corporate drive towards more sustainable buildings. 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. “Employee satisfaction and productivity remain the primary focus of all CRE organizations,” commented one respondent to the survey. The means of communicating data and metrics are continually being refined. “The issue remains adoption across an organization: How do we get employees more engaged in this dialogue?”

Satisfaction and retention of new employees – especially from among the all important Generation Y – is another critical factor to companies seeking reinvention of spaces through adoption of alternative workplace strategies (AWS), which address the needs for cost savings, energy efficiencies, flexible working, and sustainability.

Key findings of the 4th annual Jones Lang LaSalle / CoreNet Global Sustainability Survey include:

- Sustainability is a critical business issue today for 64% of respondents and 92% consider sustainability criteria in site selection.
- Green building certifications are considered by 88% and energy labels by 87% in administering their portfolio.
- Occupiers are more willing to pay a premium in 2010 compared to the last two years as a result of the global economic recovery.
- 48% would pay up to a 10% premium for sustainable space, while 2% expect to pay over 10%.
- Respondents still focus on energy efficiency programs (65%) and waste recycling (61%).

Flexible workspaces

Although not reflected in the research, the interest in flexible workspace is notable and can be a catalyst to sustainable development.

Michel Rousseau, EMEA Lead for Innovative Workplace Strategies, Pfizer and Co-Chair of CoreNet Global’s France Networking Group, comments, “At Pfizer we have started to implement iSpace solutions and agile working arrangements that will result in building and operating less space. This in return will reduce the carbon footprint. As the carbon footprint of construction is massive, if we focus on building flexible spaces such as iLab or iSpace that require no capital or construction to modify when changes are required, over the life cycle of the building, our environmental impact will be reduced. Flexible and agile working is therefore one of the levers into sustainable development.”

Regardless of the motives, the latest research underlines the importance of sustainability and energy consumption for

corporations and the impact on employee satisfaction and productivity. Anderson summarizes, “Through better energy management practices and data sharing, certain sustainable investments have proven to capture both cost savings and give employees something to feel good about. With corporations continuously looking for ways to improve productivity while lowering cost it appears that sustainability is going to remain an integral component of corporate real estate management.” <<

¹ The Johnson Controls Institute for Building Efficiency partnered with CoreNet Global in the fall of 2010 to conduct a survey of corporate energy management practices. For more information on this survey and other information about energy efficiency and sustainability, visit: www.institutebe.com.

² The fourth annual CoreNet Global and Jones Lang LaSalle Sustainability survey was conducted in the fourth quarter of 2010. Responses came from around the world, with many responses from multi-national corporate executives.