

Title: It's true: Green buildings do boost sales, rental and occupancy rates

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Call it green magic. According a pair of studies that offer the first broad-scope examination of the economics of green buildings, they really do it all: lower operating costs, boost rental rates, increase sales values and even improve occupancy rates.

I've been skeptical. As much ink - or e-ink - has been spilled repeating the virtues of green buildings, there's been woefully little hard data on how high-tech, high-efficiency buildings actually help the bottom line. "Trust us," the green building industry seemed to be saying in recent years: "Build green and you will see rewards." Such claims are instinctively believable, of course, because it makes sense that using less energy should lower building costs and make them more attractive both to tenants and future owners. Less rationally, green buildings embody the promise that very advanced technology can help solve our climate problems.

But the data has been scant, till now, because the vast bulk of green buildings are just a few years old, so data on their resale value, rental rates, and occupancy has been statistically slim. The results are in, and all those green building developers have reason to crow. A pair of studies released this week - one by the New Buildings Institute (NBI) and one by CoStar Group- support the claims. Amidst softening real estate markets, the news will be especially welcome. The data suggest that developers who abide by green standards put out by the US Green Building Council or the EPA's Energy Star program will be able to fill their buildings fuller, and rent and sell them for more money than a conventional structure. The industry's next great challenge: to deliver similar metrics for the improvement of existing buildings, where the great bulk of the nation's energy is used, and wasted.

GREEN PREMIUM

Here's how two building standards programs cut the energy use and enhance the finances of newly built green commercial buildings

	Energy savings	Rent premium, per sq. ft.	Increase in occupancy rates	Sales premium, per sq. ft.
LEED certified	25-30%*	\$11.24	3.8%	\$171
Energy star certified	<40%	\$2.38	3.6%	\$61

* 25-30% for all LEED buildings, including certified, silver, gold and platinum grades. For gold and platinum, the savings approach 50%.

Methodology: Using CoStar's commercial property database of roughly 44 billion square feet, the study analyzed over 1,300 LEED Certified and ENERGY STAR buildings that totaled about 351 million sq ft. These were compared with non-green properties with similar size, location, class, tenancy and year-built characteristics to generate the results. The NBI study was funded by USGBC with support from the U.S. Environmental Protection Agency and can be accessed here:

<https://www.usgbc.org/ShowFile.aspx?DocumentID=3930>

View more information on the CoStar Group study:

<http://www.costar.com/News/Article.aspx?id=D968F1E0DCF73712B03A099E0E99C679>