

Existing Buildings – Green To Gold

Environmentally Focused Future For Commercial Real Estate

By Katharine Kelley

“Green” is becoming a status symbol in the commercial real estate industry. In the last few years, the number of green buildings in the United States has increased as green initiatives have proven their value for the environment and the bottom line. The U.S. Green Building Council (USGBC) estimates that by 2010, the green building market will have grown to \$300 billion – more than double its 2006 estimated value.

In these tough economic times, some question the additional premium of making green improvements to existing buildings. However, the current economic climate is the perfect environment to differentiate buildings with green retrofits from other properties. Green buildings provide circular benefits – both financial and intangible



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– that feed into one another and create a strong case for implementing green improvements to existing real estate property.

Although payback times vary, green improvements have the potential to prove their value in only a few months. The financial benefits include improved asset value, sales prices and rental rates, along with cap rate compression and reduced operating expenses. According to a recent CoStar study, green upgrades can increase rental premiums by up to \$11 per square foot and increase occupancy by 4.1 percent. A March 2009 RICS Research re-

port states that the sales premium for green buildings is 16 percent. Energy Star reports 10 to 20 percent lower operating costs in Energy Star certified buildings, showcasing lower operating expenses in comparison to traditional properties.

Green building certifications are primarily obtained through two high-profile programs that provide a framework for certification and a means to effectively publicize a building’s green status. Leadership in Energy and Environmental Design (LEED) is run by the USGBC, and Energy Star is a joint initiative of the Environmental Protection Agency and the U.S. Department of Energy.

Green buildings also provide health benefits for employees, which translate into lower overhead expenses. Better indoor environmental quality reduces the number of days employees are absent, lowers the

number of allergens present in the building and leads to improved employee productivity. Green buildings also encourage walkability and use of transit alternatives.

Going green can positively impact your real estate investments, and the huge pool of existing buildings provides investors with a nearly endless source of opportunity. A healthy bottom line, healthy employees and a healthy environment add up to an easy decision to invest in the future. Quite simply, green becomes gold.

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